

**THE CITY OF BIXBY,  
OKLAHOMA**

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

**AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2018**

**CITY OF BIXBY, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2018**

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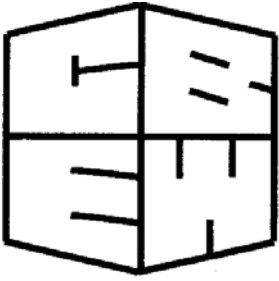
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### **INDEPENDENT AUDITOR'S REPORT**

December 17, 2018

Honorable Board of City Commissioners  
City of Bixby  
Bixby, Oklahoma

#### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bixby, Oklahoma, (City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Bixby, Oklahoma, as of June 30, 2018, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information and related notes on pages 7 – 21 and 76 – 81 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

*Other Supplementary Information*

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2018, on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.

***CBEW Professional Group, LLP***

CBEW Professional Group, LLP  
Certified Public Accountants

**MANAGEMENT DISCUSSION AND ANALYSIS**

Our discussion and analysis of the City of Bixby's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the City's financial statements, which follow.

### **Overview of the Financial Statements**

The financial statements presented herein include all of the activities of the City of Bixby (the "City") and its component units using the integrated approach as prescribed by GASB Statements No. 14, 34, 39 and 61. Included in this report are government-wide statements for each of two categories of activities - governmental and business-type.

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

### **About the City**

The City of Bixby, Oklahoma (Bixby or the City) was admitted as a township in 1906. The City is under a Home Rule Charter and is ruled by a "Council-Manager Government" as designated under Title 11 of the Oklahoma Statutes. As a charter city, the citizens from each of the City's five wards elect a council member to represent their respective ward. At the first meeting after the time prescribed for the beginning of the terms of newly elected council members, the council elects from its membership a mayor and vice-mayor. The current population of the City is approximately 23,000.

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

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

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

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

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

### **Using This Annual Report**

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

- The City as A Whole (a government-wide presentation)



- The City's Funds (a presentation of the City's major and aggregate non-major funds)

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

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

### **Reporting the City as a Whole**

#### **The Statement of Net Position and the Statement of Activities**

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

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

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

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

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

#### **Fund Financial Statements**

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

**CITY OF BIXBY, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2018**

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

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

**The City as a Whole**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the year ended June 30, 2018, net position was as follows:

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2018	2017		2018	2017		2018	2017	
Current assets	\$ 48,773	\$ 32,208	51%	\$ 24,186	\$ 21,333	13%	\$ 72,959	\$ 53,541	36%
Capital assets, net	75,818	79,614	-5%	66,001	53,826	23%	141,819	133,440	6%
<b>Total assets</b>	<b>124,591</b>	<b>111,822</b>	<b>11%</b>	<b>90,187</b>	<b>75,159</b>	<b>20%</b>	<b>214,778</b>	<b>186,981</b>	<b>15%</b>
Deferred outflows	3,104	3,000	3%	352	534	-34%	3,456	3,534	-2%
Current liabilities	4,614	4,477	3%	2,196	2,155	2%	6,810	6,632	3%
Non-current liabilities	36,700	25,060	46%	5,077	5,802	-12%	41,777	30,862	35%
<b>Total liabilities</b>	<b>41,314</b>	<b>29,537</b>	<b>40%</b>	<b>7,273</b>	<b>7,957</b>	<b>-9%</b>	<b>48,587</b>	<b>37,494</b>	<b>30%</b>
Deferred inflows	497	126	294%	137	51	169%	634	177	258%
Net position									
Net investment in capital assets	49,752	65,861	-24%	60,744	48,048	26%	110,496	113,909	-3%
Restricted	17,342	3,205	441%	915	908	1%	18,257	4,113	344%
Unrestricted	18,790	16,093	17%	21,470	18,729	15%	40,260	34,822	16%
<b>Total net position</b>	<b>\$ 85,884</b>	<b>\$ 85,159</b>	<b>1%</b>	<b>\$ 83,129</b>	<b>\$ 67,685</b>	<b>23%</b>	<b>\$ 169,013</b>	<b>\$ 152,844</b>	<b>11%</b>

The above numbers reflect an increase in total net position of 1% for governmental activities and an increase of 23% for business type activities. Overall, the net position for both governmental and business-type activities increased 11% over last fiscal year.

Deferred inflows of resources increased by 259% due to changes related to the net pension and OPEB liabilities in the current year. Cash and non-current liabilities both increased by 36% during the year due to the proceeds of debt issued during the year.

For the year ended June 30, 2018, net position of the primary government changed as follows:

**CITY OF BIXBY, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2018**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2018	2017		2018	2017		2018	2017	
<b>Revenues</b>									
Charges for service	\$ 2,658	\$ 2,566	4%	\$ 11,202	\$ 11,252	0%	\$ 13,860	\$ 13,818	0%
Operating grants and contributions	982	998	-2%	-	-	-	982	998	-2%
Capital grants and contributions	3,066	5,469	-44%	3,014	2,953	2%	6,080	8,422	-28%
Taxes	18,460	16,203	14%	-	-	-	18,460	16,203	14%
Intergovernmental revenue	183	180	2%	-	-	-	183	180	2%
Investment income	283	68	316%	145	45	222%	428	113	279%
Miscellaneous	2,264	2,347	-4%	39	52	-25%	2,303	2,399	-4%
<b>Total revenues</b>	<b>27,896</b>	<b>27,831</b>	<b>0%</b>	<b>14,400</b>	<b>14,302</b>	<b>1%</b>	<b>42,296</b>	<b>42,133</b>	<b>0%</b>
<b>Expenses</b>									
General government	5,138	5,674	-9%	-	-	-	5,138	5,674	-9%
Public safety	8,045	7,232	11%	-	-	-	8,045	7,232	11%
Streets	1,824	1,846	-1%	-	-	-	1,824	1,846	-1%
Culture, parks and recreation	1,661	1,689	-2%	-	-	-	1,661	1,689	-2%
Cemetery	150	148	1%	-	-	-	150	148	1%
Economic development	254	114	123%	-	-	-	254	114	123%
Interest on long-term debt	736	503	46%	-	-	-	736	503	46%
Water	-	-	-	5,887	6,159	-4%	5,887	6,159	-4%
Wastewater	-	-	-	2,432	1,891	29%	2,432	1,891	29%
<b>Total expenses</b>	<b>17,808</b>	<b>17,206</b>	<b>3%</b>	<b>8,319</b>	<b>8,050</b>	<b>3%</b>	<b>26,127</b>	<b>25,256</b>	<b>3%</b>
Excess (deficiency) before transfers	10,088	10,625	-5%	6,081	6,252	-3%	16,169	16,877	-4%
Transfers	(9,363)	(2,099)	-346%	9,363	2,099	346%	-	-	-
<b>Change in net position</b>	<b>725</b>	<b>8,526</b>	<b>-91%</b>	<b>15,444</b>	<b>8,351</b>	<b>85%</b>	<b>16,169</b>	<b>16,877</b>	<b>-4%</b>
<b>Beginning net position</b>	<b>85,159</b>	<b>76,633</b>	<b>11%</b>	<b>67,685</b>	<b>59,334</b>	<b>14%</b>	<b>152,844</b>	<b>135,967</b>	<b>12%</b>
<b>Ending net position</b>	<b>\$ 85,884</b>	<b>\$ 85,159</b>	<b>1%</b>	<b>\$ 83,129</b>	<b>\$ 67,685</b>	<b>23%</b>	<b>\$ 169,013</b>	<b>\$ 152,844</b>	<b>11%</b>

Investment income increased by approximately \$315 thousand, or 279%, primarily due to interest earned on debt proceeds that were received during the fiscal year. Transfers also increased by approximately \$7.3 million or 346% due to the completion of several CIP projects that were transferred to the business-type activities.

Governmental economic development expense increased during the year by 123%, due to the expenses associated with developing a comprehensive development plan.

Business-type activities wastewater expenses increased approximately \$541 thousand or 29% due to increased debt issuance costs paid for the issuance of new debt during the fiscal year. Included in expenses of Business-type Activities of the Water Department are expenses related to debt service requirements which are funded with Sales Tax Revenues apportioned to the fund. The taxes are classified as general revenue on the Statement of Activities.

### Governmental Activities

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

**CITY OF BIXBY, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2018**

financing through fees and grants. Some of the individual line item revenues reported for each function are:

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

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

	<u>Total Expense of Services</u>		<u>% Inc. (Dec.)</u>	<u>Net Revenue (Expense) of Services</u>		<u>% Inc. (Dec.)</u>
	<u>2018</u>	<u>2017</u>		<u>2018</u>	<u>2017</u>	
General government	\$ 5,138	\$ 5,674	-9%	\$ (1,335)	\$ 106	-1359%
Public safety	8,045	7,232	11%	(6,303)	(5,446)	16%
Streets	1,824	1,846	-1%	(896)	(543)	65%
Culture, parks and recreation	1,661	1,689	-2%	(1,549)	(1,636)	-5%
Cemetery	150	148	1%	(29)	(35)	-17%
Economic development	254	114	123%	(254)	(114)	123%
Interest on long-term debt	736	503	46%	(736)	(503)	46%
<b>Total</b>	<u>\$ 17,808</u>	<u>\$ 17,206</u>	3%	<u>\$ (11,102)</u>	<u>\$ (8,171)</u>	36%

General government net revenue decreased by approximately \$2.9 million, or 36%, due to decreased capital contributions during the fiscal year.

**Business-type Activities**

The business-type activities had an increase in net position of \$15,444,218.

	<u>Total Expense of Services</u>		<u>% Inc. Dec.</u>	<u>Net Revenue (Expense) of Services</u>		<u>% Inc. Dec.</u>
	<u>2018</u>	<u>2017</u>		<u>2018</u>	<u>2017</u>	
Water	\$ 5,887	\$ 6,159	-4%	\$ 3,434	\$ 2,703	27%
Wastewater	2,432	1,891	29%	2,463	3,452	-29%
<b>Total</b>	<u>\$ 8,319</u>	<u>\$ 8,050</u>	3%	<u>\$ 5,897</u>	<u>\$ 6,155</u>	-4%

Water net revenue increased by approximately \$731,000 (27%) due to an increase in contributed capital received in FY18. Wastewater net revenue decreased by approximately \$989,000 (29%) due to increased expenses for debt issuance costs paid during FY18.

**General Fund Budgetary Highlights**

For the year ended June 30, 2018, the General Fund reported actual budgetary basis revenues over final estimates by \$216,763 or a 2% positive variance. General Fund actual expenditures were under final appropriations by \$579,986 or a 5.1% positive variance.

**CITY OF BIXBY, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2018**

**Capital Asset and Debt Administration**

**Capital Assets**

At the end of June 30, 2018, the City has \$141.8 million invested in capital assets including police and fire equipment, buildings, water and sewer lines, roads, and park facilities, among others.

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

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 13,947	\$ 13,686	\$ 489	\$ 489	\$ 14,436	\$ 14,175
Buildings and improvements	3,399	3,502	432	467	3,831	3,969
Machinery, furniture and equipment	16,026	14,705	844	848	16,870	15,553
Infrastructure	37,500	37,719	60,670	50,055	98,170	87,774
Construction in progress	4,946	10,002	3,566	1,967	8,512	11,969
<b>Totals</b>	<b>\$ 75,818</b>	<b>\$ 79,614</b>	<b>\$ 66,001</b>	<b>\$ 53,826</b>	<b>\$ 141,819</b>	<b>\$ 133,440</b>

See note 4 for additional details.

This year's more significant capital asset additions are the AMR project totaling \$1.3 million, wastewater treatment plant construction in progress totaling \$1.1 million and various water and sewer improvements totaling \$3.4 million and various street projects totaling \$1.4 million.

**Debt Administration**

At year-end, the City has \$37.2 million in outstanding notes, bonds, and capital leases, and additionally, the City had \$2.2 million in accrued compensated absences and utility deposits, an increase of approximately \$12.3 million from the prior year. The increase in long-term debt is attributed to the issuance of the 2017 sales tax note payable in FY18.

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>		<u>Total</u> <u>Percentage</u> <u>Change</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2017-2018</u>
General obligation bonds	\$ 18,540	\$ 18,885	\$ -	\$ -	\$ 18,540	\$ 18,885	-1.8%
Capital leases payable	148	408	-	-	148	408	-63.7%
Notes payable	13,225	-	5,257	5,778	18,482	5,778	219.9%
Deposits subject to refund	-	-	673	586	673	586	14.8%
Accrued compensated absences	1,324	1,249	189	163	1,513	1,412	7.2%
<b>Totals</b>	<b>\$ 33,237</b>	<b>\$ 20,542</b>	<b>\$ 6,119</b>	<b>\$ 6,527</b>	<b>\$ 39,356</b>	<b>\$ 27,069</b>	<b>45.4%</b>

See note 6 for additional details.

## **Economic Factors and Next Year's Budget**

### **Budget as Policy**

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

Bixby has a long-standing practice of:

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

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

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

### **Bixby's Biennial Budget**

The City of Bixby implemented, effective with the 2015/2017 biennium, and going forward, a conservative budgeting reform known as a "rolling biennial budget". This means, this year, the City Council developed two separate fiscal year budgets (one for FY-19 and one for FY-20) that are each appropriated annually for their respective fiscal year period.

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

### **A Balanced Budget**

The City's biennial budget proposal is balanced, and each fiscal period's respective budget (i.e., FY-19 & FY-20) meets all statutory requirements for proper municipal budgeting.

This budget was carefully crafted to enable the City to live within its means. Specifically, for each fiscal period, it limits the amount of increase in ongoing General Fund (the City's largest fund used for accounting for its daily operation's activities) spending to the estimated amount of growth in ongoing General Fund revenues. The only exceptions to this rule involve the use of one-time, past savings.

As explained further below, in November 2015, a successful special municipal election was held to modify the terms and uses of certain sales tax resources available to the city, to enhance funding for staffing, operations, capital improvement and economic development purposes. Most of the impact of these sales tax measures took effect halfway through last fiscal year, in January 2017. The explanation which follows immediately deals with the approved budget as initially adopted.

This disciplined approach to budgeting helps:

- ensure stability and sustainability of our operations;
- preserve the level of service we offer our citizens,
- protect our investment in human capital, our most important asset, and;
- grow our fund balance to prepare for any potential revenue shortfall.

### **FY-19 (July 1, 2018 – June 30, 2019), first year of the 2019/2020 Biennium**

#### **Revenue Assumptions**

Following is an explanation of revenue assumptions on which the approved FY-19 budget is based. First, it takes into account that Bixby's municipal tax rates changed in January 2017, in accordance with the November 2015 referendum. Should there be any changes made to municipal tax rates by area voters at any time during the biennium, appropriate budget amendments will be presented to the City Council for its consideration at the appropriate time.

We use a two year look-back method to determine revenue projections. Overall General Fund revenues in FY17 exceeded the FY16 prior year by only \$21,012. However, since the new sales tax rate did not apply prior to January 2017, that rate of increase was modified to allow for a full year and then applied to the FY17 actual revenues to derive the overall budgeted revenues for FY19. Budgeted sales tax revenues for FY-19 were then forecast to grow by a rate of 4.84 percent over the FY17 actual revenues. This two year look-back process is considered to be very conservative and adds stability to the budget process.

FY-19 General Fund total revenues are budgeted to grow by \$5,389 or 0.06% over FY-18 budget, while General Fund expenses are budgeted to grow by \$150,289 or 1.6%. This expenditure growth over revenue growth is due to a 4% Cost of Living Adjustment (mostly from collective bargaining agreements). FY-20 General Fund revenues are forecast to grow by \$60,309 or 0.64%, while General Fund expenses are forecast to grow by \$7,040 or 0.07%, each as compared to the FY-19 budget. Bixby Public Works Authority (BPWA) revenues are estimated to grow during each year of the biennium in part due to previously-approved, impending utility rate increases. Specifically, FY-19's budgeted revenues for BPWA reflect the fully phased-in sewer rate increases, effective July 1<sup>st</sup>, for purposes of funding a new sewer treatment process, as required by order of the ODEQ. They also reflect a 1% increase in the sales price of the city's treated water, effective October 1, 2018, due to action of its water provider, the City of Tulsa, to increase Bixby's purchase price by a similar percentage at that time.

**Major Initiatives Provided for by this Budget: PUBLIC SAFETY**

Reflecting the public's and City Council's priorities, a large portion of the increased General Fund spending provided for in the FY-19 Budget is devoted to Bixby Police, Fire and Street Departments as detailed below (because of changes in the Legal Department and Sales Tax Rebates which reduced expenditures, the Police, Fire and Streets were actually increased by \$223,781):

- \$111,960 or 50% of the new General Fund spending went to the Police Department, while \$95,998 or 43% went to the Fire Department, and \$15,823 or 7% went to the Streets Department.
- \$7,008,401 or 73.7% of the \$9.5 million in total General Fund spending approved for FY-19 was budgeted for Police, Fire, Streets and Emergency Services alone;

Among major initiatives provided for in the FY-19 budget are:

- Bixby continues to be one of the fastest growing cities in Oklahoma. It is also an affluent community which features some of the most favorable demographics to be found. But as a suburban city statutorily dependent on retail sales taxes for the bulk of our operations funding, and one whose residents primarily shop and dine directly across our city limits boundary in what is urban Tulsa, Bixby faces greater fiscal pressures than most municipalities in our state.
- Fortunately, due to economies of scale, there is not an exact linear relationship between growth in a community's population and the number of additional public employees required to provide that community with needed public services. However, in view of the city's historically limited staffing levels, city leaders are committed to working with the citizenry and budgets to actually grow our manpower in virtually all departments over time, not just get back to where we were in the 2009 recession. This budget continues that effort.
- The FY-19 budget continues with the minimum wage paid to City employees (\$13.50 per hour), and in general, funds market-appropriate compensation adjustments for each of our employee groups, to aid employee recruitment and retention. The City's underlying goal is to ensure its overall compensation (including wages and benefits) provided its workforce remains both market-competitive and, equally important, is sustainable over time;
- Specifically, most non-uniformed employees were eligible for a 4.0% cost of living increase. A collective bargaining agreement with the city's firefighters union provides firefighters with an overall average wage increase of 4.15% in FY-19. This is the second year of a three year collective bargaining agreement with members of its police union which provides members with an overall average wage increase of 5.08% this period.
- Continues on-going efforts to address Bixby's ODEQ-mandated wastewater disposal facilities needs through construction and operation of a modern wastewater treatment plant to replace outdated sewage lagoons currently in use. Oklahoma Water Resources Board approved a \$24,000,000 Promissory Note Loan in September 2017;
- Continues planning for water system improvements to address anticipated storage and distribution needs in South Bixby, including potentially resuming use of Lake Bixhoma as a supplemental source for the community's treated water needs;



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- Funds the city's new annual comprehensive (city-wide) street and drainage rehabilitation program, known as CIRP, to preserve Bixby's investment in its road, bridge, and drainage infrastructure. This program -- which is funded from the most recently completed fiscal year's budgetary savings, as available - is an excellent use of such one-time funds, since the program's scope can readily be modified from one year to the next to accommodate funding availability, provided the overall program commitment is continued. The CIRP was created by the City Council to help address Bixby's growing backlog of infrastructure maintenance, which far and away exceeds the very modest level of dedicated funding otherwise available for such purposes. Results of a comprehensive pavement assessment will enable Council in the coming months to prioritize and allocate these and future street improvement funds to address critical needs;
- Uses past budgetary savings to provide matching funds for future pavement overlays in our community, in partnership with Tulsa County, to be undertaken as their road crew becomes available. Though infrequent, this can occur on relatively short notice, and the city must either have dollars set aside or lose out on the opportunity to another metro Tulsa community;
- Accommodates Vision 2025 funding for the City's Haikey Creek Flood Control project, which when completed will bring approximately 900 acres out of the floodplain enabling it to be developed, primarily for residential housing;
- Accommodates Vision 2025 funding for the City's Phase 1 Downtown River Corridor Development Plan;
- Continues funding for intersection widening on 111<sup>th</sup>, 121<sup>st</sup>, 131<sup>st</sup>, Memorial Ave. and Mingo Road. As per state funding requirements, environmental clearances have been obtained and right-of-way acquisitions have been negotiated. Construction will begin pending the Oklahoma Department of Transportation's approval of right-of-way and construction documents;
- Provides funds for a master plan to guide our future improvements at Lake Bixhoma, including the pursuit of federal grants;
- Maintains a restricted, "Disaster Recovery Reserve Fund", the sum of \$1.35 million. Heretofore, these monies, which were accumulated from past budgetary savings over a multiple of years, for the purpose of helping enable the community to recover from a future large-scale natural or man-made disaster, had been accounted for within the Capital Improvement Fund.
- Funds the complete replacement of all City water meters with Automated Meter Reader enabled meters (over 9,000 meters) to provide better accountability to our customers;
- Funds renovation and remodeling of the City Hall building and the Dawes Administrative building to better serve our Community's citizens;
- Funds necessary equipment replacement within various departments to ensure employees have the tools necessary to accomplish their mission. This includes Capital Improvement Fund monies for: continued implementation of the city's comprehensive new Police and Fire radio communications system; new patrol vehicles and miscellaneous police equipment; Fire personal protective gear; equipment for the Parks Department, replacement computers for various departments, the updating of the community's Comprehensive Plan, as required by state statute and to help ensure quality development outcomes in our community, etc., and;

- Funds unavoidable increases in various fixed costs (health insurance, dental, workers compensation, etc.) necessary to retain the City's workforce.
- The City will continue to provide its workforce with high quality health insurance and related employee benefits. The City Council approved a new list of fees and fee increases in April 2017 and modified that fee schedule effective July 1, 2018.

While no specific revenues from such a proposal were included in the approved budget, the city's departments will be looking at their fees and use charges to improve or develop new appropriate fees or charges to assure its citizen's continued high levels of adequate customer service.

### **Summary of Related Details**

- This FY-19 budget provides the second full-year Sales Tax Personnel Fund to provide continuing funding for eleven new positions of:
  - three Firefighters;
  - four Police Officers;
  - two Public Safety Dispatchers (Communications Officers), and;
  - two Street Department crew member position

These new positions were part of the November 2015 referendum to change a portion of the county sales tax to the benefit of the city effective January 2017.

- It also provides full-year funding to continue:
  - one Police Officer position, effective January 1, 2016 to help keep pace with demands of our growing population.
- It provides full-year BPWA funding to continue:
  - three water distribution crew members, effective November 1, 2015, to help ensure water leaks are addressed on a more timely basis, improve response time to customer complaints, and generally keep pace with the growing demands for services arising from our rapidly-expanding infrastructure network and number of water customers.
- It continues funding for the currently vacant position of Economic Development Director, recruitment for which will be made a priority beginning in Fiscal Year 2019/20. In the meantime, these monies are being used to employ a locally-based economic development consulting firm;
- This budget also provides full-year funding for a new Public Information Officer / Event Coordinator for the City and BPWA from the Economic Development Fund, and;
- This budget provides for a transfer of \$425,000 of past budgetary savings from the General Fund to the Stormwater Fund, in anticipation of expanded mowing and other requirements beginning in FY-19, when the Haikey Creek Flood Control project comes on-line.

### **August 2016 General Obligation Bond Election Overwhelmingly Approved by Local Voters**

On August 23, 2016, Bixby voters overwhelmingly approved each of four propositions involving the issuance of \$18,000,000 in General Obligation bonds. These bonds will be issued over a five year period (starting in 2016) to provide funding of key infrastructure projects designed to improve economic development and quality of life, and provide long term fiscal sustainability for the city's public safety, streets and parks systems, all without raising the total or combined tax rates previously in place.

Proposition 1 provides \$975,000 for funding for stormwater drainage facilities within South Bixby:

Proposition 2 provides \$4,215,000 for Public Safety infrastructure improvements:

- Purchasing and installing Property Security Camera System
- Police Department gun range improvements, including possible land acquisition
- Purchasing and replacing two fire engines and one ladder truck for the Fire Department

Proposition 3 provides \$11,835,000 for repairing streets:

- 131<sup>st</sup> Street improvements between Memorial and Mingo
- 131<sup>st</sup> Street improvements between Sheridan and Memorial
- 121<sup>st</sup> Street improvements between Memorial and 85<sup>th</sup> East Avenue
- 151<sup>st</sup> Street and Harvard Avenue improvements and signalization
- 111<sup>th</sup> Street improvements between Memorial and 86<sup>th</sup> East Avenue

Proposition 4 provides \$975,000 for improvements of the City's Parks Department:

- Continued improvements at Bentley Park
- Repurposing the rodeo arena to multi-use athletic fields
- Repairing Bixhoma Lake

### **Economy**

The long term outlook for the City of Bixby remains positive, as long term local economic development initiatives take root and the national economy experiences growth. City of Bixby officials aggressively market the community as a potential home to retailers in an effort to expand the number of locally available shopping and dining options and boost municipal operating revenues.

Bixby is known as a friendly, attractive and rewarding place to which to relocate and prosper. Opportunity for new business activity abounds in Bixby, which features some of the highest population growth trends and most favorable income and educational attainment demographics found in the state of Oklahoma, as well as a documented retail trade gap in excess of \$0.6 billion. This market potential, along with Bixby's high quality of schools, status as the safest community in the state for cities its size, with a stable, progressive government, a dynamic chamber of commerce, and very attractive quality of life, continue to make Bixby a top choice for people and businesses looking to relocate to the Tulsa metro area in NE Oklahoma.

Continuing a multi-year trend, Bixby was once again in 2018 one of the fastest growing cities in Oklahoma. Bixby is now the 15th largest city in the state, up from 32nd a decade ago, and has a population over 26,500. And while some Tulsa metro area communities are approaching "built-out"

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status, Bixby has plenty of remaining land within its fence line to accommodate both additional residential growth and significant commercial development, including along the Arkansas River.

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

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

- Greater Tulsa selected No. 1 place to live in the U.S. (Relocate America 2009)
- No. 1 metro for cost of living (Business Facilities 2010)
- No. 4 metro for quality of life (Business Facilities 2010)
- No. 6 region for small business (The Business Journals 2011)
- Top 100 Metro among the leading world economies (Brookings Institution 2012)
- No. 1 fastest-growing state by GDP (The Huffington Post 2010)
- No. 1 state for entrepreneurship (Kaufman Foundation 2010)
- No. 3 state for corporate tax environment (Area Development 2010)
- No. 4 state for workforce development (Area Development 2010)
- No. 4 state for employment (Business Facilities 2010)
- Top 10 state for job growth and business creation (Bureau of Labor Statistics 2011)
- No. 10 state for doing business (Area Development 2010)
- No. 15 best state for top business climate (Site selection Magazine 2012)
- No. 2 among top 10 cities for young people to find a job (the Fiscal Times 2012)

Bixby is well connected to the state and regional economy via an excellent set of state highways and is less than a thirty minute drive to Tulsa International Airport and downtown Tulsa. And in terms of global connectivity, few cities can compete with Bixby, which recently became Oklahoma's first "gigabit city". This new reality, which places Bixby on par with a select group of the most progressive communities in the nation, is expected to boost commercial growth locally and further enhance quality of life for citizens.

Forty-two percent of Bixby's citizens hold college degrees. Bixby has the highest median home values in the Tulsa Metro Region (at \$195,800, is 60% higher than the state as a whole). Finally, Bixby has the highest Per Capita Income in the Tulsa Metro Region, (at \$36,063, is 39% higher than state as a whole).

The Bixby Public Schools district is one of the fastest growing in the state, having this year alone experienced a 5% growth in student population. In 2010, voters approved by an overwhelming majority a multi-year \$62,000,000 bond issue, without raising taxes, for the construction and renovation of school buildings. This award-winning school system boasts excellent state test scores and outstanding activity programs. A 2015 bond issue won approval to enable the school district to continue to construct and improve its facilities to accommodate the current and forecasted growth in student census.

For several years, the community's unique, 4,500 seat Spirit Bank Event Center (SBEC) regularly hosted world-class entertainment and events which attracted visitors from throughout the region. This facility is currently in transition, having been placed on the market by its owner. Similarly, the Regal Plaza shopping center, located immediately in front of the SBEC, was purchased by new owners, who made several major aesthetic upgrades and have been busy filling up remaining vacancies with a variety of professional offices, which is boosting lunch and dinner crowds at area restaurants. The State's first

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Costco, a mammoth membership club retailer and major destination point for shoppers, has recently opened (in the Tulsa city limits), directly across the street from this development, which is expected to further stimulate sales at Bixby retailers and restaurants. Several new restaurants have opened in the community and/or are currently under construction.

The intersection of 121<sup>st</sup> & Memorial has become the hub for a considerable amount of commercial and residential development, and is considered one of the hottest development zones in the Tulsa Metro area. A new high-end assisted living center, Covenant Place, is now open on the SW corner, and new housing additions are being planned which will boost head counts and in turn stimulate future retail business activity in the area. Also, we have seen a highly favorable leasing response at a recently-constructed \$20 million Class "A" 248 unit apartment complex (Encore on Memorial) located on the SW corner of 121<sup>st</sup> & Memorial. Another Class "A" 198 unit apartment complex on the SE corner named Residences at Boardwalk. The development has a small lake that will have a boardwalk around it; and, may have shops and restaurants along the boardwalk. One unique development recently approved for this area, near the NW corner, will be a combined housing and retail "village". This development will be styled like a European village with single and multi-family housing with retail and restaurant space around a small lake. This development is owned by a local church, which will include a new building on the property.

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

### **Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director's Office at P.O. Box 70, Bixby, OK 74008 or phone at (918) 366-4430.

Respectfully submitted,

Charles Barnes  
City Treasurer/Finance Director

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ANNUAL FINANCIAL STATEMENTS  
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**BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE**

**CITY OF BIXBY, OKLAHOMA**  
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**Statement of Net Position– June 30, 2018**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 32,184,738	\$ 9,734,927	\$ 41,919,665
Investments	13,225,448	13,214,510	26,439,958
Accounts receivable, net of allowance	959,152	1,625,270	2,584,422
Internal balances	724,773	(724,773)	-
Due from other governments	1,679,223	326,392	2,005,615
Inventories	-	9,720	9,720
Capital Assets:			
Land and construction in progress	18,893,080	4,054,860	22,947,940
Other capital assets, net of depreciation	56,924,717	61,945,905	118,870,622
Total Assets	<u>\$ 124,591,131</u>	<u>\$ 90,186,811</u>	<u>\$ 214,777,942</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amounts on refunding	\$ 84,952	\$ -	\$ 84,952
Deferred amounts related to pensions	2,988,539	334,702	3,323,241
Deferred amounts related to OPEB	30,265	17,419	47,684
Total Deferred Outflows	<u>3,103,756</u>	<u>352,121</u>	<u>3,455,877</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	729,347	731,663	1,461,010
Accrued interest payable	200,426	27,670	228,096
Due to bondholders	951	-	951
Due to other governments	7,282	-	7,282
Note payable	-	-	-
Long-term liabilities			
Due within one year	3,676,191	1,436,220	5,112,411
Due in more than one year	36,699,630	5,077,373	41,777,003
Total liabilities	<u>41,313,827</u>	<u>7,272,926</u>	<u>48,586,753</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred amounts related to pensions	477,461	114,778	592,239
Deferred amounts related to OPEB	20,045	22,166	42,211
Total Deferred Inflows	<u>497,506</u>	<u>136,944</u>	<u>634,450</u>
<b>NET POSITION</b>			
Net investment in capital assets	49,752,077	60,743,868	110,495,945
Restricted by:			
State statutes	2,562,866	-	2,562,866
Enabling legislation	370,434	-	370,434
Contractual	14,407,927	914,589	15,322,516
Unrestricted	18,790,250	21,470,605	40,260,855
Total net position	<u>\$ 85,883,554</u>	<u>\$ 83,129,062</u>	<u>\$ 169,012,616</u>

See accompanying notes to the basic financial statements.

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**Statement of Activities –Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
Governmental Activities:							
General Government	\$ 5,137,827	\$ 706,029	\$ 40,000	\$ 3,056,621	\$ (1,335,177)	\$ -	\$ (1,335,177)
Public Safety	8,044,623	1,022,036	718,408	1,393	(6,302,786)	-	(6,302,786)
Streets	1,824,075	696,620	223,528	8,399	(895,528)	-	(895,528)
Culture and Recreation	1,661,169	112,653	-	-	(1,548,516)	-	(1,548,516)
Cemetery	149,973	120,625	-	-	(29,348)	-	(29,348)
Economic Development	254,642	-	-	-	(254,642)	-	(254,642)
Interest on Long-term debt	735,879	-	-	-	(735,879)	-	(735,879)
Total governmental activities	<u>17,808,188</u>	<u>2,657,963</u>	<u>981,936</u>	<u>3,066,413</u>	<u>(11,101,876)</u>	<u>-</u>	<u>(11,101,876)</u>
Business-Type Activities:							
Water	5,886,654	8,036,408	-	1,284,596	-	3,434,350	3,434,350
Wastewater	2,432,564	3,166,050	-	1,729,076	-	2,462,562	2,462,562
Total business-type activities	<u>8,319,218</u>	<u>11,202,458</u>	<u>-</u>	<u>3,013,672</u>	<u>-</u>	<u>5,896,912</u>	<u>5,896,912</u>
Total primary government	<u>\$ 26,127,406</u>	<u>\$ 13,860,421</u>	<u>\$ 981,936</u>	<u>\$ 6,080,085</u>	<u>\$ (11,101,876)</u>	<u>\$ 5,896,912</u>	<u>\$ (5,204,964)</u>
<b>General revenues:</b>							
Taxes:							
Property taxes					\$ 3,378,952	\$ -	\$ 3,378,952
Sales and use taxes					13,641,163	-	13,641,163
Franchise taxes and public service taxes					1,035,018	-	1,035,018
Hotel/motel taxes					171,229	-	171,229
E911 taxes					233,777	-	233,777
Intergovernmental revenue not restricted to specific programs					183,539	-	183,539
Unrestricted investment earnings					282,634	144,535	427,169
Miscellaneous					2,263,694	39,480	2,303,174
Transfers					(9,363,291)	9,363,291	-
Total general revenues and transfers					<u>11,826,715</u>	<u>9,547,306</u>	<u>21,374,021</u>
Change in net position					724,839	15,444,218	16,169,057
Net position - beginning					85,158,715	67,684,844	152,843,559
Net position - ending					<u>\$ 85,883,554</u>	<u>\$ 83,129,062</u>	<u>\$ 169,012,616</u>

See accompanying notes to the basic financial statements.



**CITY OF BIXBY, OKLAHOMA  
ANNUAL FINANCIAL STATEMENTS  
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**BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS**

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**Governmental Funds Balance Sheet - June 30, 2018**

	<u>General Fund</u>	<u>Citizen's Planned Fund</u>	<u>Debt Service Fund</u>	<u>Downtown River Corridor Fund</u>	<u>Water &amp; Sewer Development Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 2,520,778	\$ -	\$ 734,185	\$ 14,793,060	\$ 5,698,106	\$ 14,008,412	\$ 37,754,541
Investments	1,513,194	1,310,427	886,978	735,458	-	10,089,818	14,535,875
Receivable from other governments	921,505	326,392	14,510	130,557	-	612,651	2,005,615
Due from other funds	753,951	-	198	59,721	219	6,385	820,474
Taxes receivable, net	79,703	-	-	-	-	44,943	124,646
Court fines receivable, net	619,908	-	-	-	-	-	619,908
Ambulance receivable, net	16,999	-	-	-	-	-	16,999
Utilities receivable, net	-	-	-	-	-	29,018	29,018
Other receivables	59,012	-	4,021	-	-	67,872	130,905
Total assets	<u>\$ 6,485,050</u>	<u>\$ 1,636,819</u>	<u>\$ 1,639,892</u>	<u>\$ 15,718,796</u>	<u>\$ 5,698,325</u>	<u>\$ 24,859,099</u>	<u>\$ 56,037,981</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ 69,455	\$ -	\$ -	\$ 18,718	\$ 490,771	\$ 298,197	\$ 877,141
Accrued payroll payable	141,498	-	-	-	-	16,298	157,796
Due to other funds	35,372	751,590	-	-	1,004	60,110	848,076
Due to bondholders	1,518	-	-	-	-	-	1,518
Payable to other governments	7,282	-	-	-	-	-	7,282
Other payables	71,864	-	-	-	-	-	71,864
Total liabilities	<u>326,989</u>	<u>751,590</u>	<u>-</u>	<u>18,718</u>	<u>491,775</u>	<u>374,605</u>	<u>1,963,677</u>
Deferred inflows:							
Deferred revenue	513,575	-	25,799	-	-	-	539,374
Fund balances:							
Restricted	-	-	1,358,078	13,134,374	-	8,738,648	23,231,100
Assigned	812,062	885,229	256,015	2,565,704	5,206,550	15,745,846	25,471,406
Unassigned	4,832,424	-	-	-	-	-	4,832,424
Total fund balances	<u>5,644,486</u>	<u>885,229</u>	<u>1,614,093</u>	<u>15,700,078</u>	<u>5,206,550</u>	<u>24,484,494</u>	<u>53,534,930</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 6,485,050</u>	<u>\$ 1,636,819</u>	<u>\$ 1,639,892</u>	<u>\$ 15,718,796</u>	<u>\$ 5,698,325</u>	<u>\$ 24,859,099</u>	<u>\$ 56,037,981</u>

See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA  
ANNUAL FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2018**

**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Year Ended June 30, 2018**

	<u>General Fund</u>	<u>Citizen's Planned Fund</u>	<u>Debt Service Fund</u>	<u>Downtown River Corridor Fund</u>	<u>Water &amp; Sewer Development Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>							
Property taxes	\$ -	\$ -	\$ 3,360,905	\$ -	\$ -	\$ -	\$ 3,360,905
Sales and use tax	6,148,018	2,305,507	-	922,203	-	4,488,963	13,864,691
Franchise and miscellaneous taxes	1,035,018	-	-	-	-	405,006	1,440,024
Intergovernmental	1,006,169	-	-	-	-	93,154	1,099,323
Licenses and permits	633,611	-	-	-	-	-	633,611
Charges for services	623,327	-	30,402	-	233,114	837,480	1,724,323
Fines & forfeitures	626,577	-	-	-	-	-	626,577
Investment earnings	32,998	7,277	4,551	73,892	46,692	171,146	336,556
Miscellaneous	310,789	-	-	93,675	1	212,220	616,685
Total revenues	<u>10,416,507</u>	<u>2,312,784</u>	<u>3,395,858</u>	<u>1,089,770</u>	<u>279,807</u>	<u>6,207,969</u>	<u>23,702,695</u>
<b>EXPENDITURES</b>							
Administration	421,753	-	-	-	-	-	421,753
City attorney	216,646	-	-	-	-	-	216,646
Municipal court	130,900	-	-	-	-	-	130,900
Community service	2,023	-	-	-	-	-	2,023
General government	1,140,553	-	43,069	739,354	-	-	1,922,976
Police	3,458,303	-	-	-	-	550,668	4,008,971
Fire	2,991,418	-	-	-	-	-	2,991,418
Emergency Management	32,767	-	-	-	-	-	32,767
Streets	553,796	-	-	-	-	338,656	892,452
Culture and recreation	2,749	-	-	-	-	984,094	986,843
Cemetery	135,397	-	-	-	-	-	135,397
Economic development	-	-	-	-	-	254,642	254,642
E-911	-	-	-	-	-	89,851	89,851
Water and sewer	348,743	-	-	-	-	-	348,743
Capital outlay	56,739	-	-	-	40,133	3,661,610	3,758,482
Debt service:							
Principal	-	-	2,345,000	1,681,800	-	309,083	4,335,883
Interest and other charges	-	-	524,300	127,470	-	5,660	657,430
Total expenditures	<u>9,491,787</u>	<u>-</u>	<u>2,912,369</u>	<u>2,548,624</u>	<u>40,133</u>	<u>6,194,264</u>	<u>21,187,177</u>
Excess (deficiency) of revenues over expenditures	<u>924,720</u>	<u>2,312,784</u>	<u>483,489</u>	<u>(1,458,854)</u>	<u>239,674</u>	<u>13,705</u>	<u>2,515,518</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds from long-term debt	-	-	2,000,000	14,510,200	-	49,386	16,559,586
Transfers in	1,557,190	1,404,546	-	204	1,976,964	4,430,891	9,369,795
Transfers out	(1,983,324)	(3,642,769)	(1,956,931)	-	(1,904,816)	(1,748,030)	(11,235,870)
Total other financing sources (uses)	<u>(426,134)</u>	<u>(2,238,223)</u>	<u>43,069</u>	<u>14,510,404</u>	<u>72,148</u>	<u>2,732,247</u>	<u>14,693,511</u>
Net change in fund balances	498,586	74,561	526,558	13,051,550	311,822	2,745,952	17,209,029
Fund balances - beginning	5,145,900	810,668	1,087,535	2,648,528	4,894,728	21,738,542	36,325,901
Fund balances - ending	<u>\$ 5,644,486</u>	<u>\$ 885,229</u>	<u>\$ 1,614,093</u>	<u>\$ 15,700,078</u>	<u>\$ 5,206,550</u>	<u>\$ 24,484,494</u>	<u>\$ 53,534,930</u>

See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA  
ANNUAL FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2018**

**Reconciliation of Governmental Funds and Government-Wide Financial Statements:**

Total fund balance, governmental funds	\$ 53,534,930
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	75,817,797
Other long-term assets are not available to pay for current period expenditures and therefore they, along with pension and OPEB related deferred outflows, are not reported in the funds.	
Deferred revenue	539,374
Pension and OPEB related deferred outflows	3,018,804
	3,558,178
Certain special revenue funds are used by management to perform business-type activities. The assets and liabilities of these special revenue funds are included in business-type activities in the Statement of Net Position.	
Water and Sewer Development Fund	(5,206,550)
Citizen's Planned Fund	(885,229)
	(6,091,779)
Some liabilities (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, Bonds Payable, net OPEB liability and net pension liability), are not due and payable in the current period and therefore, they, along with pension and OPEB related deferred inflows, are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	
Accrued interest payable	(200,426)
Capital lease obligation	(583,169)
General obligation bonds	(31,245,048)
Bond premium	(153,175)
Net pension liability	(6,977,295)
Net OPEB liability	(8,671)
Pension and OPEB related deferred inflows	(497,506)
Accrued compensated absences	(1,323,511)
	(40,988,801)
Internal service fund net position, classified as governmental activities at the government-wide financial statements.	53,229
Net Position of Governmental Activities in the Statement of Net Position	\$ 85,883,554

See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA**  
**ANNUAL FINANCIAL STATEMENTS**  
**As of and for the Year Ended June 30, 2018**

**Reconciliation of Governmental Funds and Government-Wide Financial Statements:**

Net change in fund balances - total governmental funds: \$ 17,209,029

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

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

Capital asset purchases capitalized	4,054,536
Capital assets contributed	3,063,339
Capital assets transferred to business-type activities	(7,364,503)
Depreciation expense	(3,549,345)
	(3,795,973)

In the Statement of Activities, the net cost of pension benefits earned is calculated and reported as pension expense. The fund financial statements report pension contributions as pension expenditures. This amount represents the difference between pension contributions and calculated pension expense. (24,547)

In the Statement of Activities, the net cost of OPEB benefits earned is calculated and reported as OPEB expense. The fund financial statements report OPEB contributions as OPEB expenditures. This amount represents the difference between OPEB contributions and calculated OPEB expense. 13,439

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:  
Change in deferred revenue (168,436)

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

Water and Sewer Development Fund	(311,822)
Citizen's Planned Fund	(74,561)
	(386,383)

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

Principal payments on long-term debt	4,335,883
Proceeds of long-term debt	(16,559,586)
Amortization of bond premium and deferred amounts on refunding	19,543
	(12,204,160)

Internal service funds are used by management to charge the costs of certain activities, such as health insurance to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities. 254,578

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

Change in accrued interest payable	(97,992)
Change in accrued compensated absences	(74,716)
	(172,708)

Change in net position of governmental activities \$ 724,839

See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA  
ANNUAL FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2018**

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**BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS**

**CITY OF BIXBY, OKLAHOMA**  
**ANNUAL FINANCIAL STATEMENTS**  
As of and for the Year Ended June 30, 2018

**Proprietary Fund Statement of Net Position - June 30, 2018**

	<u>Bixby Public</u> <u>Works Authority</u>	<u>Total Internal</u> <u>Service Funds</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 9,263,534	\$ 128,303
Investments	5,047,019	-
Restricted:		
Cash and cash equivalents	195,775	-
Due from other funds	51,959	-
Accounts receivable, net	1,625,270	37,676
Inventories	9,720	-
Total current assets	<u>16,193,277</u>	<u>165,979</u>
Non-current assets:		
Restricted:		
Cash and cash equivalents	134,325	-
Investments	1,300,251	-
Capital assets:		
Land and construction in progress	4,054,860	-
Other capital assets, net of accumulated depreciation	61,945,905	-
Total non-current assets	<u>67,435,341</u>	<u>-</u>
Total assets	<u>\$ 83,628,618</u>	<u>\$ 165,979</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred amounts related to pensions	334,702	-
Deferred amounts related to OPEB	17,419	-
Total deferred outflows	<u>352,121</u>	<u>-</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 217,066	\$ 112,750
Accrued payroll payable	23,826	-
Accrued interest payable	27,670	-
Due to other funds	24,357	-
Deposits subject to refund	135,489	-
Compensated absences	37,895	-
Notes payable	1,262,836	-
Total current liabilities	<u>1,729,139</u>	<u>112,750</u>
Non-current liabilities:		
Compensated absences	151,583	-
Deposits subject to refund	537,858	-
Net OPEB liability	8,171	-
Net pension liability	385,700	-
Notes payable	3,994,061	-
Total non-current liabilities	<u>5,077,373</u>	<u>-</u>
Total liabilities	<u>6,806,512</u>	<u>112,750</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred amounts related to pensions	114,778	-
Deferred amounts related to OPEB	22,166	-
Total deferred inflows	<u>136,944</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	60,743,868	-
Restricted for debt service	914,589	-
Unrestricted (deficit)	15,378,826	53,229
Total net position	<u>\$ 77,037,283</u>	<u>\$ 53,229</u>

See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA**  
**ANNUAL FINANCIAL STATEMENTS**  
As of and for the Year Ended June 30, 2018

**Proprietary Fund Statement of Revenues, Expenses, and Changes in Net Position - Year Ended June 30, 2018**

	<b><u>Bixby Public</u></b> <b><u>Works Authority</u></b>	<b><u>Total Internal</u></b> <b><u>Service Funds</u></b>
<b>REVENUES</b>		
Water	\$ 7,874,908	\$ -
Sewer	3,010,040	-
Miscellaneous	123,875	1,687,332
Total operating revenues	11,008,823	1,687,332
<b>OPERATING EXPENSES</b>		
Administration	1,710,873	-
Water	4,036,255	-
Wastewater	437,740	-
Insurance claims	-	1,432,801
Depreciation	1,432,305	-
Total Operating Expenses	7,617,173	1,432,801
Operating income	3,391,650	254,531
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest and investment revenue	90,566	47
Interest expense	(661,912)	-
Total non-operating revenue (expenses)	(571,346)	47
Income before contributions and transfers	2,820,304	254,578
Capital contributions	10,378,175	-
Transfers in	7,750,233	-
Transfers out	(5,890,877)	-
Change in net position	15,057,835	254,578
Total net position - beginning	61,979,448	(201,349)
Total net position - ending	\$ 77,037,283	\$ 53,229

See accompanying notes to the basic financial statements.



**CITY OF BIXBY, OKLAHOMA  
ANNUAL FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2018**

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**Reconciliation of Proprietary Fund and Government-Wide Financial Statements:**

Total net position, proprietary funds	\$ 77,037,283
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Amounts reported for business-type activities in the Statement of Net Position are different because:

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

Water and Sewer Development Fund	5,206,550
Citizen's Planned Fund	885,229
	6,091,779

Net Position of Business-type Activities in the Statement of Net Position	\$ 83,129,062
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Change in net position - total proprietary funds:	\$ 15,057,835
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Amounts reported for Business-type Activities in the Statement of Activities are different because:

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

Water and Sewer Development Fund	311,822
Citizen's Planned Fund	74,561
	386,383

Change in net position of business-type activities	\$ 15,444,218
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See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA**  
**ANNUAL FINANCIAL STATEMENTS**  
As of and for the Year Ended June 30, 2018

**Proprietary Fund Statement of Cash Flows - Year Ended June 30, 2018**

	<u>Bixby Public</u> <u>Works Authority</u>	<u>Total Internal</u> <u>Service Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 11,024,041	\$ 1,649,656
Payments to suppliers	(4,664,543)	(1,521,035)
Payments to employees	(1,994,502)	-
Receipts of customer meter deposits	242,198	-
Refunds of customer meter deposits	(155,080)	-
Interfund receipts	3,930	-
Interfund payments	(3,931)	-
<b>Net cash provided by operating activities</b>	<u>4,452,113</u>	<u>128,621</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers from other funds	7,750,233	-
Transfers to other funds	(5,890,877)	-
<b>Net cash provided by noncapital financing activities</b>	<u>1,859,356</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	(3,229,067)	-
Proceeds from debt	726,964	-
Principal paid on debt	(1,248,019)	-
Interest and fiscal agent fees paid on debt	(665,333)	-
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(4,415,455)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale (purchase) of investments	(5,053,999)	-
Interest and dividends	90,566	47
<b>Net cash provided by (used in) investing activities</b>	<u>(4,963,433)</u>	<u>47</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(3,067,419)	128,668
<b>Balances - beginning of year</b>	<u>12,661,053</u>	<u>(365)</u>
<b>Balances - end of year</b>	<u>\$ 9,593,634</u>	<u>\$ 128,303</u>
<b>Reconciliation to Statement of Net Position:</b>		
Cash and cash equivalents	\$ 9,263,534	\$ 128,303
Restricted cash and cash equivalents - current	195,775	-
Restricted cash and cash equivalents - noncurrent	134,325	-
<b>Total cash and cash equivalents, end of year</b>	<u>\$ 9,593,634</u>	<u>\$ 128,303</u>

(Continued)

(Continued)

See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA  
ANNUAL FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2018**

**Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2018, (Continued)**

	<u>Bixby Public Works Authority</u>	<u>Total Internal Service Funds</u>
<b>Reconciliation of operating income to net cash provided by</b>		
<b>Operating Activities:</b>		
Operating income (loss)	\$ 3,391,650	\$ 254,531
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	1,432,305	-
Change in assets and liabilities:		
Due from other funds	(3,931)	-
Due to other funds	3,930	-
Accounts receivable	15,218	(37,676)
Deferred outflows related to pensions and OPEB	182,176	-
Inventories	(9,720)	-
Accounts payable	(483,733)	(88,234)
Accrued salaries payable	2,712	-
Deposits subject to refund	87,118	-
Deferred inflows related to pensions and OPEB	85,760	-
Net OPEB liability	8,171	-
Net pension liability	(285,903)	-
Accrued compensated absences	26,360	-
<b>Net cash provided by operating activities</b>	<u>\$ 4,452,113</u>	<u>\$ 128,621</u>

See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA**  
**ANNUAL FINANCIAL STATEMENTS**  
**As of and for the Year Ended June 30, 2018**

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**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**

**Footnotes to the Basic Financial Statements:**

**1. Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

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

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statements No. 14, 34, 39, and 61 and includes all component units for which the City is financially accountable.

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

The City of Bixby has a population of approximately 23,000 located in northeast Oklahoma. The City is a Council/Manager form of government that provides for three branches of government:

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

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

**Blended Component Unit:**

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

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

**B. Basis of Presentation and Accounting**

*Government-Wide Financial Statements:*

The statements of net position and activities are reported on the accrual basis of accounting and economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized when earned and expenses (including depreciation and amortization) are recorded when the liability is incurred or economic asset used.

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

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

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

*Governmental Funds:*

The City's governmental funds include:

Major Funds:

- General Fund – accounts for all activities not accounted for in other special-purpose funds. The General Fund also includes the Rural Fire, Fishing License, Cemetery Beautification and Cemetery Maintenance accounts.
- Citizen's Planned Fund – a capital project fund that accounts for  $\frac{3}{4}$  cent sales tax restricted for sewer system improvements and debt service.
- Debt Service Fund – a debt service fund that accounts for receipt of ad valorem taxes and used to make debt service payments for general obligation bonds.
- Downtown River Corridor Fund – accounts for the repurposed 0.3 of one cent sales tax to enhance the Arkansas River access and renovate downtown infrastructure.
- Water and Sewer Development Fund – a capital project fund that accounts for revenue from water and sewer development fee and expenses for water and sewer maintenance and improvements.

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

Special Revenue Funds:

- Park Fund – accounts for  $\frac{1}{4}$  penny sales tax used to improve and maintain Bentley Park.
- E911 Fund – accounts for revenues received from tariff rates on base line telephone charges and expenditures for operations and maintenance of the E-911 system.
- Fry Creek Maintenance Fund – accounts for the ongoing maintenance of the Fry Creek Channel.
- Street and Alley Fund – accounts for revenues received from gasoline excise tax, motor vehicle tax and expenditures made for street maintenance and operations.
- Economic Development Fund – accounts for revenues received from hotel lodging tax and expenses to enhance the City's ability to attract new industry to the area.
- Federal Police Asset Forfeiture Fund – accounts for the City's share of funds from various multi-jurisdictional operations.

**CITY OF BIXBY, OKLAHOMA**  
**ANNUAL FINANCIAL STATEMENTS**  
**As of and for the Year Ended June 30, 2018**

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- Capital Improvement Fund – a capital project fund that accounts for ¼ cent sales tax for capital improvements.
- State Police Asset Forfeiture Fund – accounts for the City’s share of funds from various multi-jurisdictional operations.
- Disaster Recovery Fund – accounts for funds set aside to help enable our community to recover from a future large-scale natural or man-made disaster.
- Sales Tax Personnel Fund – accounts for sales tax that is voter restricted to hire additional City personnel in the police, fire and street departments.

Capital Project Funds:

- Cemetery Care Fund – accounts for 12.5% of cemetery revenue restricted by State law for cemetery capital improvements.
- Stormwater Management Fund –accounts for revenues from stormwater fees and expenses for maintenance and capital improvements of the stormwater system.
- 2011 Bond Fund – accounts for bond proceeds used to finance streets, parks and recreation, and public safety improvements.
- 2016 Bond Fund – accounts for bond proceeds used to finance streets, parks and recreation, and public safety improvements.
- Water and Sewer Development Fund – accounts for revenue from water and sewer development fee and expenses for water and sewer maintenance and improvements.

Debt Service Funds:

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

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

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

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

*Proprietary Funds:*

The City’s proprietary funds include:

**Enterprise Fund**

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

The proprietary funds are reported on the accrual basis of accounting and economic resources measurement focus. For purposes of the statement of revenues, expenses and changes in fund net

position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

### **Internal Service Fund**

The City's Internal Service Fund will eventually be used to account for the financing of services provided by one department to other departments of the City and it is included in the governmental activities in the government-wide statements.

### **C. Measurement Focus and Basis of Accounting**

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

#### **Measurement Focus**

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

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

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

#### **Basis of Accounting**

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

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available



means collectible within the current period or soon enough thereafter (within 60 days of period end) to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

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

#### **D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity**

##### **Cash and Investments**

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

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

##### **Receivables**

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

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

##### **Capital Assets**

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

##### *Government-Wide Statements*

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

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

- Buildings	10-60 years
- Machinery and Equipment	3-30 years
- Infrastructure	5-60 years
- Other Improvements	5-60 years

*Fund Financial Statements*

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

**Restricted Assets**

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

**Long-Term Debt**

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

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

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

**Compensated Absences**

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

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

## **Equity Classifications**

### *Government-Wide and Proprietary Fund Financial Statements:*

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

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

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

### *Governmental Fund Financial Statements:*

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

- a. Nonspendable – includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city’s highest level of decision-making authority. The City’s highest level of decision-making authority is made by ordinance. Currently, the City has no committed fund balance.
- d. Assigned – includes amounts that are constrained by the city’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through the budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

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

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

### **Sales Tax**

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

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

### **Property Tax**

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

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

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

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

For the year ended June 30, 2018, the City's net assessed valuation of taxable property was \$277,646,067. The taxes levied by the City per \$1,000 of net assessed valuation for the year ended June 30, 2018 was \$12.38.

### **Operating Revenues and Expenses**

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

**Expenditures/Expenses**

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

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

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

Proprietary Fund - By Operating and Non-Operating

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

**F. Internal and Interfund Balances and Activities**

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

*Fund Financial Statements:*

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

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

*Government-Wide Financial Statements:*

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

1. Internal balances - amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.

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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.

**G. Use of Estimates**

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

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

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

At June 30, 2018, the reporting entity held the following deposits and investments:

**Primary Government:**

Type	Maturities	Rating	Fair Value Heirarchy	Carrying Value
<b>Deposits:</b>				
Demand deposits				\$ 27,568,196
Cash on hand				250
Time deposit	Due within 1 year		N/A	26,439,958
				<u>54,008,404</u>
<b>Investments:</b>				
GS Fin Sq Treas Govt-Prem #3511		Aaa-mf	N/A	135,318
GS Fin Sq Treas Instr-Prem #3515		Aaa-mf	N/A	14,215,901
				<u>14,351,219</u>
<b>Total deposits and investments</b>				<u>\$ 68,359,623</u>
<b>Reconciliation to Statement of Net Position:</b>				
Cash and cash equivalents				\$ 41,919,665
Investments				26,439,958
				<u>\$ 68,359,623</u>

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

The City’s policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 110% of the uninsured deposits and accrued interest thereon. At June 30, 2018, the City was not exposed to custodial credit risk.

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

- a. Direct obligations of the U. S. Government, its agencies and instrumentalities to which the full faith and credit of the U. S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. Federally insured certificates of deposit issued through the Certificate of Deposit Account Registry Service (“CDARS”) by financial institutions located in the United States, provided that (i) the funds are initially invested through a financial institution that is participating in CDARS (ii) the financial institution received reciprocal deposits from customers of other financial institutions in an amount equal to the funds initially invested; and (iii) each such certificate of deposit is in an amount that is eligible for full FDIC insurance coverage.

As noted in the schedule of deposits and investments above at June 30, 2018, all of the City’s investments in debt securities were rated Aaa-mf by Moody’s.

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. Currently, the City has no investments that require this disclosure.

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

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

*Restricted Cash and Investments* – The amounts reported as restricted assets of the proprietary fund statement of net position are comprised of amounts restricted for debt service, debt reserve, construction purposes, worker’s compensation escrow and Public Works Authority customer utility deposits. The restricted assets as of June 30, 2018 are as follows:

	Current	Noncurrent	
	Cash and cash equivalents	Cash and cash equivalents	Investments
Series 2012 Revenue Bond Account	\$ -	\$ 134,200	\$ -
Series 2012 Sinking Fund Account	1,118	-	-
Series 2017 CWSRF Sinking Fund Account	-	125	-
Series 2001 Sinking Fund Account	-	-	-
Series 2002 Sinking Fund Account	-	-	-
2009 OWRB DWSRF Construction Account	37,038	-	-
2011 OWRB CWSRF Construction Account	51,994	-	-
BPWA Debt Service CDs	-	-	717,784
Worker's Comp Escrow	14,745	-	-
Meter deposits	90,880	-	582,467
Total	<u>\$ 195,775</u>	<u>\$ 134,325</u>	<u>\$ 1,300,251</u>

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**3. Accounts and Notes Receivable**

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

	Accounts Receivable	Less: Allowance for Uncollectible Accounts	Net Accounts Receivable
Governmental Activities:			
Franchise taxes	\$ 79,703	\$ -	\$ 79,703
Court fines	1,237,703	(619,906)	617,797
Ambulance fees	78,122	-	78,122
Stormwater	96,890	-	96,890
Other taxes	86,640	-	86,640
Total Governmental Activities	<u>\$ 1,579,058</u>	<u>\$ (619,906)</u>	<u>\$ 959,152</u>
Business-Type Activities:			
Utilities	<u>\$ 2,075,665</u>	<u>\$ (450,395)</u>	<u>\$ 1,625,270</u>
Total Business-type Activities	<u>\$ 2,075,665</u>	<u>\$ (450,395)</u>	<u>\$ 1,625,270</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, 2018, capital assets balances changed as follows:



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	Balance at July 1, 2017	Additions	Disposals	Transfers	Balance at June 30, 2018
<b>Governmental activities:</b>					
Capital assets not being depreciated:					
Land	\$ 13,686,106	\$ 261,071	\$ -	\$ -	\$ 13,947,177
Construction in progress	10,001,889	3,163,915	-	(8,219,901)	4,945,903
Total capital assets not being depreciated	<u>23,687,995</u>	<u>3,424,986</u>	<u>-</u>	<u>(8,219,901)</u>	<u>18,893,080</u>
Other capital assets:					
Buildings and improvements	5,449,980	22,863	-	-	5,472,843
Infrastructure	66,289,115	900,502	-	855,398	68,045,015
Machinery, furniture and equipment	25,567,386	2,769,523	-	-	28,336,909
Total other capital assets at historical cost	<u>97,306,481</u>	<u>3,692,888</u>	<u>-</u>	<u>855,398</u>	<u>101,854,767</u>
Less accumulated depreciation for:					
Buildings and improvements	1,948,168	125,814	-	-	2,073,982
Infrastructure	28,570,572	1,974,786	-	-	30,545,358
Machinery, furniture and equipment	10,861,965	1,448,745	-	-	12,310,710
Total accumulated depreciation	<u>41,380,705</u>	<u>3,549,345</u>	<u>-</u>	<u>-</u>	<u>44,930,050</u>
Other capital assets, net	<u>55,925,776</u>	<u>143,543</u>	<u>-</u>	<u>855,398</u>	<u>56,924,717</u>
Governmental activities capital assets, net	<u>\$ 79,613,771</u>	<u>\$ 3,568,529</u>	<u>\$ -</u>	<u>\$ (7,364,503)</u>	<u>\$ 75,817,797</u>
<b>Business-type activities:</b>					
Capital assets not being depreciated:					
Land	\$ 488,651	\$ -	\$ -	\$ -	\$ 488,651
Construction in progress	1,966,516	2,910,875	-	(1,311,182)	3,566,209
Total capital assets not being depreciated	<u>2,455,167</u>	<u>2,910,875</u>	<u>-</u>	<u>(1,311,182)</u>	<u>4,054,860</u>
Other capital assets:					
Buildings and improvements	1,510,553	-	-	-	1,510,553
Machinery, furniture and equipment	2,805,943	182,107	-	-	2,988,050
Infrastructure	66,505,887	3,149,757	-	8,675,685	78,331,329
Total other capital assets at historical cost	<u>70,822,383</u>	<u>3,331,864</u>	<u>-</u>	<u>8,675,685</u>	<u>82,829,932</u>
Less accumulated depreciation for:					
Buildings and improvements	1,043,245	35,062	-	-	1,078,307
Machinery, furniture and equipment	1,957,916	186,604	-	-	2,144,520
Infrastructure	16,450,560	1,210,639	-	-	17,661,199
Total accumulated depreciation	<u>19,451,721</u>	<u>1,432,305</u>	<u>-</u>	<u>-</u>	<u>20,884,026</u>
Other capital assets, net	<u>51,370,662</u>	<u>1,899,559</u>	<u>-</u>	<u>8,675,685</u>	<u>61,945,906</u>
Business-type activities capital assets, net	<u>\$ 53,825,829</u>	<u>\$ 4,810,434</u>	<u>\$ -</u>	<u>\$ 7,364,503</u>	<u>\$ 66,000,766</u>

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

Governmental Activities:

General government	\$ 1,161,413
Public safety	719,672
Streets	961,225
Culture and recreation	690,885
Cemetery	16,150
	<u>\$ 3,549,345</u>

Business-Type Activities:

Water	\$ 540,700
Wastewater	891,605
	<u>\$ 1,432,305</u>

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**5. Short-Term Debt**

<u>Type of Debt</u>	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due Within One Year
<b>Governmental Activities:</b>					
Note payable	\$ 396,600	\$ 530,200	\$ (926,800)	\$ -	\$ -
Total Governmental Activities	<u>\$ 396,600</u>	<u>\$ 530,200</u>	<u>\$ (926,800)</u>	<u>\$ -</u>	<u>\$ -</u>

**6. Long-Term Debt and Debt Service Requirements**

For the year ended June 30, 2018, the reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due Within One Year
<b>Governmental Activities:</b>					
General obligation bonds	\$ 18,885,000	\$ 2,000,000	\$ 2,345,000	\$ 18,540,000	\$ 2,860,000
Notes payable	-	13,980,000	755,000	13,225,000	435,000
Capital lease payable	407,866	49,386	309,083	148,169	116,489
Accrued compensated absences	1,248,795	74,716	-	1,323,511	264,702
Total Governmental Activities	<u>\$ 20,541,661</u>	<u>\$ 16,104,102</u>	<u>\$ 3,409,083</u>	<u>\$ 33,236,680</u>	<u>\$ 3,676,191</u>
<b>Business-Type Activities:</b>					
Notes Payable	\$ 5,777,952	\$ 726,964	\$ 1,248,019	\$ 5,256,897	\$ 1,262,836
Deposits Subject to Refund	586,229	87,118	-	673,347	135,489
Accrued compensated absences	163,118	26,360	-	189,478	37,895
Total Business-Type Activities	<u>6,527,299</u>	<u>840,442</u>	<u>1,248,019</u>	<u>6,119,722</u>	<u>1,436,220</u>
Total Long-Term Debt	<u>\$ 27,068,960</u>	<u>\$ 16,944,544</u>	<u>\$ 4,657,102</u>	<u>\$ 39,356,402</u>	<u>\$ 5,112,411</u>

**Reconciliation to Statement of Net Position:**

**Governmental Activities:**

Due within one year	\$ 3,676,191
Due in more than one year	36,699,630
Less unamortized bond premium	(153,175)
Net pension liability	(6,977,295)
Net OPEB liability	(8,671)
Total Governmental Activities Long-Term Liabilities	<u>\$ 33,236,680</u>

**Business-Type Activities:**

Due within one year	\$ 1,436,220
Due in more than one year	5,077,373
Net pension liability	(385,700)
Net OPEB liability	(8,171)
Total Business-Type Activities Long-Term Liabilities	<u>\$ 6,119,722</u>

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*Governmental activities long-term debt:*

Capital Lease Obligations:

\$620,000 lease obligation for the purchase of improvements to the emergency 911 system, payable in monthly installments of \$10,809 with an annual interest rate of 1.79%, final payment due September 2018.	\$	32,339
\$49,386 lease obligation for purchase of tasers for the police department, payable in annual installments, one of \$7,146 and 4 payments of \$10,560 with an annual interest rate of 0%, final payment due January 2022.		42,240
\$515,370 lease obligation for purchase of 10 new police cars, payable in monthly installments of \$14,824 with an annual interest rate of 2.25%, final payment due November 2018.		73,590
Total Capital Leases Payable	\$	<u>148,169</u>
Current portion	\$	116,489
Noncurrent portion		31,680
Total Capital Leases Payable	\$	<u>148,169</u>

Notes Payable:

Sales Tax Revenue Note Payable, Series 2017, original issue amount of \$13,980,000, dated November 30, 2017, issued by Bixby Public Works Authority, secured by sales tax, to be used on the Downtown River Corridor Project, interest rate of 3.5%, final maturity March 1, 2038	\$	13,225,000
Total Note Payable	\$	<u>13,225,000</u>
Current portion	\$	435,000
Noncurrent portion		12,790,000
Total Notes Payable	\$	<u>13,225,000</u>

General Obligation Bonds Payable:

\$5,015,000 General Obligation Refunding Bonds of 2016, used for advance refunding of the 2006 and 2007 bonds, due in annual installments of between \$410,000 and \$955,000 with an annual interest rate of 2.00%, final payment due June 2022.	\$	3,140,000
\$4,900,000 General Obligation Bonds of 2016B, due in annual installments of \$540,000 with an annual interest rate of 1.50%, final payment due December 2026.		4,900,000
\$6,400,000 General Obligation Bonds of 2008, due in annual installments of \$455,000 with an annual interest rate between 3.00% and 4.10%, final payment due June 2023.		2,305,000
\$10,000,000 General Obligation Bonds of 2011, due in annual installments of \$710,000 and a final installment of \$770,000 with an annual interest rate between 2.00% and 4.00%, final payment due June 2026.		5,740,000
\$1,280,000 General Obligation Bonds of 2013, refunding General Obligation Bonds of 1999, due in annual installments ranging from \$135,000 to \$235,000 with an annual interest rate between 2.25% and 2.5%, final payment due December 2019.		455,000

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\$2,000,000 General Obligation Bonds of 2018A, due in annual installments ranging from \$220,000 to \$240,000 with an annual interest rate between 2.3% and 2.7%, final payment due May 2028.

		<u>2,000,000</u>
Total Notes Payable	\$	<u><u>18,540,000</u></u>
Current portion	\$	2,860,000
Noncurrent portion		<u>15,680,000</u>
Total Notes Payable	\$	<u><u>18,540,000</u></u>

Accrued Compensated Absences:

		264,702
Current portion		1,323,511
Noncurrent portion		<u>1,588,213</u>
Total Accrued Compensated Absences	\$	<u><u>1,588,213</u></u>

*Business-type activities long-term debt:*

Notes Payable:

2009 DWSRF Note Payable to Oklahoma Water Resources Board dated November 19, 2009, original amount of \$2,160,000 with an annual interest rate of 3.23% due in semi-annual installments of principal and interest beginning March 15, 2011, final installment due September 15, 2030, payable from and secured by utility revenues. \$ 929,712

2012 Series Refunding Note original issue amount of \$5,255,000, dated August 7, 2012, issued by Bixby Public Works Authority, secured by pledged sales tax, and a security interest in the personal property used in conjunction with the water and sewer systems, interest rate of 1.43%, final maturity November 1, 2019. 1,500,000

2011 CWSRF Note Payable to Oklahoma Water Resources Board dated June 15, 2011, original amount of \$2,860,000 with an annual interest rate of 2.7% due in semi-annual installments of principal and interest beginning September 15, 2012, final installment due March 15, 2032, payable from and secured by utility revenues. 1,790,221

2017 CWSRF Note Payable to Oklahoma Water Resources Board dated September 1, 2017, original amount of \$24,000,000 with an annual interest rate of 1.42% due in semi-annual installments of principal and interest beginning September 15, 2018, final installment due March 15, 2031, payable from and secured by utility revenues. 726,964

2011 Series Refunding Note original issue amount of \$2,075,000, dated October 27, 2011, issued by Bixby Public Works Authority, secured by pledged sales tax, and a security interest in the personal property used in conjunction with the water and sewer systems, interest rate of 1.87%, final maturity May 1, 2019. 310,000

		<u>310,000</u>
Total Notes Payable	\$	<u><u>5,256,897</u></u>
Current portion	\$	1,262,836
Noncurrent portion		<u>3,994,061</u>
Total Notes Payable	\$	<u><u>5,256,897</u></u>

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Deposits subject to Refund:

	Current portion	\$ 135,489
	Noncurrent portion	<u>537,858</u>
	<b>Total Deposits Subject to Refund</b>	<b><u><u>\$ 673,347</u></u></b>

Accrued Compensated Absences:

	Current portion	\$ 37,895
	Noncurrent portion	<u>151,583</u>
	<b>Total Accrued Compensated Absences</b>	<b><u><u>\$ 189,478</u></u></b>

Debt Service Requirements to Maturity:

<u>Year Ending June 30,</u>	Governmental Activities					
	General Obligation Bonds		Capital Lease obligations		Notes Payable	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 2,860,000	\$ 469,727	\$ 116,489	\$ 991	\$ 435,000	\$ 459,113
2020	3,070,000	399,192	10,560	-	450,000	443,712
2021	2,810,000	326,862	10,560	-	465,000	427,875
2022	2,335,000	257,515	10,560	-	480,000	411,425
2023	1,955,000	197,482	-	-	500,000	394,537
2024-2028	5,510,000	323,285	-	-	2,780,000	1,694,438
2029-2033	-	-	-	-	3,300,000	1,168,475
2034-2038	-	-	-	-	4,815,000	535,150
<b>Totals</b>	<b><u><u>\$ 18,540,000</u></u></b>	<b><u><u>\$ 1,974,063</u></u></b>	<b><u><u>\$ 148,169</u></u></b>	<b><u><u>\$ 991</u></u></b>	<b><u><u>\$ 13,225,000</u></u></b>	<b><u><u>\$ 5,534,725</u></u></b>

<u>Year Ending June 30,</u>	Business-type Activities	
	Notes Payable	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,262,836	\$ 96,619
2020	2,702,599	489,489
2021	2,032,899	481,448
2022	2,093,159	440,426
2023	2,108,576	398,635
2024-2028	11,329,729	1,336,768
2029-2032	7,000,135	248,971
<b>Totals</b>	<b><u><u>\$ 28,529,933</u></u></b>	<b><u><u>\$ 3,492,356</u></u></b>

Less: Amount not drawn down	<u>(23,273,036)</u>
	<b><u><u>\$ 5,256,897</u></u></b>

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**7. Fund Balance and Net Position**

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

General Fund	Major Special Revenue Fund	Major Capital Project Funds		Major Debt Service Fund	Other Governmental Funds	TOTAL
	Downtown River Corridor Fund	Citizen's Planned Fund	Water & Sewer Development Fund	Debt Service Fund		
<b>Fund Balances:</b>						
<b>Restricted for:</b>						
Streets	\$ -	\$ -	\$ -	\$ -	\$ 225,107	\$ 225,107
Park/street/public safety improvements	-	-	-	-	5,915,672	5,915,672
Debt service	-	-	-	1,358,078	-	1,358,078
Personnel	-	-	-	-	453,883	453,883
Bentley park	-	-	-	-	158,883	158,883
E911	-	-	-	-	334,719	334,719
Public safety	-	-	-	-	3,934	3,934
Fry creek	-	-	-	-	364,755	364,755
Economic development	-	-	-	-	296,032	296,032
Cemetery capital	-	-	-	-	615,229	615,229
Downtown river corridor	-	13,134,374	-	-	-	13,134,374
Stormwater system	-	-	-	-	370,434	370,434
Sub-total Restricted	-	13,134,374	-	-	1,358,078	8,738,648
<b>Assigned to:</b>						
Subsequent year budget	518,076	-	-	-	-	518,076
Downtown river corridor	-	2,565,704	-	-	-	2,565,704
Disaster recovery	-	-	-	-	1,187,215	1,187,215
Rural fire	49,333	-	-	-	-	49,333
Fishing activities	76,419	-	-	-	-	76,419
Cemetery maintenance	167,197	-	-	-	-	167,197
Cemetery beautification	1,037	-	-	-	-	1,037
Streets	-	-	-	-	3,194,766	3,194,766
Park/street/public safety improvements	-	-	-	-	342,343	342,343
Debt service	-	-	-	256,015	-	256,015
Public safety	-	-	-	-	29,829	29,829
Bentley park	-	-	-	-	1,513,509	1,513,509
E911	-	-	-	-	6,599	6,599
Fry creek	-	-	-	-	1,233,421	1,233,421
Economic development	-	-	-	-	829,903	829,903
Capital improvements	-	-	-	-	5,101,443	5,101,443
Sewer system improvements	-	-	885,229	-	-	885,229
Stormwater system	-	-	-	-	2,306,818	2,306,818
Water and sewer maintenance	-	-	-	5,206,550	-	5,206,550
Sub-total Assigned	812,062	2,565,704	885,229	5,206,550	256,015	15,745,846
Unassigned:	4,832,424	-	-	-	-	4,832,424
<b>TOTAL FUND BALANCES</b>	<b>\$ 5,644,486</b>	<b>\$ 15,700,078</b>	<b>\$ 885,229</b>	<b>\$ 5,206,550</b>	<b>\$ 1,614,093</b>	<b>\$ 24,484,494</b>
						<b>\$ 53,534,930</b>

**Enterprise Funds:**

Net Position Restricted For Debt Service \$ 914,589

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

	State Statutes	Enabling Legislation	Contractual Agreements	Total
Governmental Activities:				
Capital Projects:				
Stormwater management	\$ -	\$ 370,434	\$ -	\$ 370,434
Street and Alley Fund	225,107	-	-	225,107
Fry Creek Fund	-	-	364,755	364,755
Economic Development	-	-	296,032	296,032
Sub-total Capital Projects	<u>225,107</u>	<u>370,434</u>	<u>660,787</u>	<u>1,256,328</u>
Debt Service:				
2006 Debt Service Fund	25,799	-	-	25,799
Debt Service Fund	1,358,078	-	-	1,358,078
Sub-total Debt Service	<u>1,383,877</u>	<u>-</u>	<u>-</u>	<u>1,383,877</u>
Other				
Cemetery Care Fund	615,229	-	-	615,229
Downtown River Corridor Fund	-	-	13,134,374	13,134,374
Parks Fund	-	-	158,883	158,883
Sales Tax Personnel Fund	-	-	453,883	453,883
Federal Forfeiture Fund	3,934	-	-	3,934
E911 Fund	334,719	-	-	334,719
Sub-total Other	<u>953,882</u>	<u>-</u>	<u>13,747,140</u>	<u>14,701,022</u>
Total Governmental Activities	<u>2,562,866</u>	<u>370,434</u>	<u>14,407,927</u>	<u>17,341,227</u>
Business-Type Activities:				
Revenue Bond Trustee Accounts	-	-	-	-
TOTAL RESTRICTED NET POSITION	<u>\$ 2,562,866</u>	<u>\$ 370,434</u>	<u>\$ 14,407,927</u>	<u>\$ 17,341,227</u>

**8. Internal and Interfund Balances and Transfers**

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

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*Transfers:*

Internal transfers between funds and activities for the year ended June 30, 2018 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
E911	General Fund	\$ 60,000	Operations
BPWA	General Fund	300,000	Pilot fees
BPWA	General Fund	1,140,190	Sales tax transfer
General Fund	BPWA	1,140,190	Sales tax transfer
2006 Debt Service Fund	Downtown River Corridor Fund	204	Debt service
General Fund	Capital Improvement Fund	110,235	Operations
General Fund	Stormwater Management Fund	200,000	Operations
General Fund	Cemetery Maintenance Fund	50,000	Operations
General Fund	Street and Alley Fund	482,899	Operations
Park Fund	Capital Improvement Fund	216,649	Operations
Capital Improvement Fund	Street and Alley Fund	300,000	Operations
Capital Improvement Fund	Rural Fire Fund	7,000	Operations
Capital Improvement Fund	BPWA	1,064,177	Return unused funds
Citizen's Planned Fund	BPWA	2,280,380	Debt service
Citizen's Planned Fund	BPWA	1,362,389	Transfer funding
Stormwater Management Fund	Fry Creek Maintenance Fund	100,000	Transfer funding
BPWA	Capital Improvement Fund	1,064,177	Sales tax transfer
BPWA	Citizen's Planned Fund	1,404,546	Return unused funds
BPWA	Water and Sewer Development	1,976,964	Transfer funding
Water and Sewer Development	BPWA	1,903,097	Capital assets
Debt Service Fund	2018 Bond Fund	1,956,931	Debt service
Total		<u>\$ 17,120,028</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Total</u>
Governmental Funds	\$ 9,369,795	\$ (11,235,870)	\$ (1,866,075)
Proprietary Funds	7,750,233	(5,890,877)	1,859,356
	<u>\$ 17,120,028</u>	<u>\$ (17,126,747)</u>	<u>\$ (6,719)</u>

**Reconciliation to Statement of Activities:**

Fund balance	\$ (1,859,356)
Contributed capital assets	(7,364,503)
Capital project funds to business-type activity	2,166,075
Sales tax reclass from business-type to governmental	(2,305,507)
	<u>\$ (9,363,291)</u>



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*Balances:*

Interfund receivable and payables at June 30, 2018 were comprised of the following:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
General Fund	BPWA	\$ 31,571	Correct deposit
General Fund	Downtown River Corridor Fund	12	Correct deposit
General Fund	Debt Service Fund	198	Correct deposit
General Fund	E911 Fund	2,367	Correct deposit
Sales Tax Personnel Fund	Downtown River Corridor Fund	59,709	Correct deposit
Meter Deposit	BPWA	20,120	Meter deposits
Street & Alley Fund	General Fund	795	Correct deposit
Water and Sewer Development Fund	General Fund	1,004	Correct deposit
Stormwater Management Fund	General Fund	562	Correct deposit
BPWA	Park Fund	4,018	Correct deposit
BPWA	Water and Sewer Development Fund	219	Correct deposit
Stormwater Management Fund	BPWA	268	Split deposit
Citizen's Planned Fund	General Fund	751,590	Negative cash
Total		<u>\$ 872,433</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Due From</u>	<u>Due To</u>	<u>Reconciliation BTA - Capital Project Funds</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 820,474	\$ (848,076)	\$ 752,375	\$ 724,773
Proprietary Funds	51,959	(17,419)	(752,375)	(717,835)
Total	<u>\$ 872,433</u>	<u>\$ (865,495)</u>	<u>\$ -</u>	<u>\$ 6,938</u>

**9. Pledged Future Revenues**

*Sales Tax and Utility Net Revenues Pledge* - The City has pledged one cent (or 28.6%) of future sales tax revenues and net utility revenues to repay \$5,255,000 of the Promissory Note, Refunding Series 2012, \$2,075,000 of the Promissory Note, Refunding Series 2011, and \$24,000,000 of 2017 CWSRF Oklahoma Water Resources Board Note payable. Proceeds from the notes provided for the refunding of prior debt issuances and the construction of sewer systems. The notes are payable from pledged sales tax revenues and net water and sewer utility revenues. These notes are payable through 2019, 2020 and 2031. The total principal and interest payable for the remainder of the life of these notes is \$28,746,662. Pledged sales taxes received in the current year were \$3,074,009 and net water and sewer utility revenues were \$4,823,955 for total pledged revenues of \$7,897,964. Debt service payments of \$1,124,758 for the current fiscal year were 14.2% of total pledged revenues for these notes.

*Utility Net Revenues Pledge* - The City has also pledged the net water and sewer utility revenues to repay the following notes payable: \$2,160,000 of 2009 DWSRF and \$2,860,000 of 2011 CWSRF Oklahoma Water Resources Board Notes Payable. Proceeds from the notes provided for the purchase or construction of water and sewer systems. The notes are payable from pledged net water and sewer utility revenues through 2031 and 2032, respectively. The total principal and interest payable for the remainder of the life of these notes is \$3,275,626. Pledged net water and utility revenues in the current fiscal year were \$4,823,955. Debt service payments of \$240,845 for the current fiscal year were 5.0% of total pledged revenues for these notes.

## **10. Risk Management**

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

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

### *(1) Liability Protection Plan*

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

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

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

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

### *(2) Worker’s Compensation*

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

Specific aggregate stop loss coverage is provided by Comp Source.

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

The Plan worker’s compensation coverage is reinsured for losses in excess of respective retention levels. The reinsurance agreement covers losses incurred within the effective period of the

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agreement. Each Plan member's liability for claims losses is limited to their individual retention levels as outlined in the Plan's reinsurance agreement.

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

## **11. Commitments and Contingencies**

### *Litigation:*

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

### *Federal and State Award Programs:*

The City of Bixby participates in various federal or state grant/loan programs from year to year. In 2018, the City's involvement in federal and state award programs was not material. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

### *Non-cancelable Operating Leases:*

The City has a lease with the City of Tulsa for the purchase of water. The lease is based on a price per gallon. Purchases were approximately \$3,394,000 during the year.

### *Construction Commitments:*

The following construction contracts were outstanding and payable at June 30, 2018:

<u>Project by Activity</u>	<u>Amount Outstanding</u>
Parks	\$ 83,885
Streets	\$ 151,429
Water and Sewer Projects	\$ 1,735,948
Downtown River Corridor	\$ 136,200
Stormwater	\$ 265,365
Wastewater Treatment Plant	\$ 520,603

*DEQ Consent Order:*

The City of Bixby is currently under Consent Order 13-051 and an Addendum A from the Oklahoma Department of Environmental Quality that is related to its wastewater treatment facilities. Timely compliance with the Consent Order is needed to avoid any fines. The City continues to address the ODEQ-mandated wastewater disposal facilities needs through construction and operation of a modern wastewater treatment plant to replace outdated sewage lagoons currently in use. The City has saved nearly \$7,000,000 toward this project and a new \$24 million loan was approved by OWRB on September 28, 2017.

## **12. Pension Plan Participation**

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

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

*Oklahoma Firefighters’ Pension and Retirement System:*

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

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only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-line-of-duty pension is \$150.60 with less than 20 years of service, or \$7.53 per year of service, with a maximum of 30 years.

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

**Contributions** - The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% percent of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$225,881. The State of Oklahoma also made on-behalf contributions to FPRS in the amount of \$507,545 during the year and this is reported as both a revenue and an expenditure in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$457,838. These on-behalf payments did not meet the criteria of a special funding situation.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - At June 30, 2018, the City reported a net pension liability of \$6,533,637 for its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. 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, 2017. Based upon this information, the City's proportion was 0.5194813%.

For the year ended June 30, 2018, the City recognized pension expense of \$932,568. At June 30, 2018, 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	\$ 872,781	\$ -
Net difference between projected and actual earnings on pension plan investments	-	182,071
Changes in proportion and differences between City contributions and proportionate share of contributions	886,580	-
City contributions during measurement date	1,627	2,074
City contributions subsequent to the measurement date	225,881	-
Total	<u>\$ 1,986,869</u>	<u>\$ 184,145</u>

\$225,881 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, 2019. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Year ended June 30:		
2019	\$	261,361
2020		463,522
2021		399,723
2022		169,622
2023		233,073
Thereafter		49,542
	<u>\$</u>	<u>1,576,843</u>

**Actuarial Assumptions**- The total pension liability was determined by an actuarial valuation as of July 1, 2017, 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, 2017, 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, 2017, 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%	4.38%
Domestic equity	47%	7.72%
International equity	15%	9.70%
Real estate	10%	6.96%
Other assets	8%	5.75%

**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.

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**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	\$ 8,571,178	\$ 6,533,637	\$ 4,806,871

**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).

*Oklahoma Police Pension and Retirement System:*

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

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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 \$202,458. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$198,035 during the calendar year and this is reported as both a revenue and an expenditure in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$153,207. These on-behalf payments did not meet the criteria of a special funding situation.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - At June 30, 2018, the City reported a liability of \$34,375 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. 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, 2017. Based upon this information, the City's proportion was 0.44689%.

For the year ended June 30, 2018, the City recognized pension expense of \$213,595. At June 30, 2018, 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	\$ 1,726	\$ 207,820
Net difference between projected and actual earnings on pension plan investments	256,031	-
Changes in proportion and differences between City contributions and proportionate share of contributions	12,136	1,629
City contributions during measurement date	1,847	575
City contributions subsequent to the measurement date	202,458	-
Total	\$ 474,198	\$ 210,024

\$202,458 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2019. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:



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Year ended June 30:	
2019	\$ (4,574)
2020	130,018
2021	61,562
2022	(102,464)
2023	(22,826)
	\$ 61,716

**Actuarial Assumptions**-The total pension liability was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%	
Salary increases:	4.5% to 17% average, including inflation	
Investment rate of return:	7.5% net of pension plan investment expense	
Cost of living adjustments:	Police officers eligible to receive increased benefits according to repealed Section 50-120 of Title 11 of the Oklahoma Statutes pursuant to a court order receive an adjustment of 1/3 to 1/2 of the increase or decrease of any adjustment to the base salary of a regular police officer, based on an increase in base salary.	
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, 2017, 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, 2017, are summarized in the following table:

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<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	4.51%
Domestic equity	6.62%
International equity	9.70%
Real estate	6.96%
Private Equity	9.86%
Commodities	5.18%

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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net pension liability (asset)	\$ 1,161,770	\$ 34,375	\$ (917,881)

**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).

*Oklahoma Public Employees Retirement System:*

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

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

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

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

Benefits are calculated for each member category as follows:

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

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

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

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

**Contributions** - The contribution rates for each member category of the Plan are established by the Oklahoma Legislature after recommendation by the Board based on an actuarial calculation, which is performed to determine the adequacy of such contribution rates. Employees are required to contribute 3.5% percent of their annual pay. Participating entities are required to contribute 16.5% of the employees' annual pay. A portion of the contributions received by OPERS are allocated to the Supplemental Health Insurance program; see Note 13. Contributions to the pension plan from the City were \$413,957.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - At June 30, 2018, the City reported a liability of \$794,983 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. 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, 2017. Based upon this information, the City's proportion was .1470%.

For the year ended June 30, 2018, the City recognized pension expense of \$326,825. At June 30, 2018, 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	\$ -	\$ 142,165
Changes of assumptions	352,926	-
Net difference between projected and actual earnings on pension plan investments	35,513	-
Changes in proportion and differences between City contributions and proportionate share of contributions	14,956	11,416
City contributions during measurement period	44,822	44,489
City contributions subsequent to the measurement date	413,957	-
Total	<u>\$ 862,174</u>	<u>\$ 198,070</u>

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\$413,957 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, 2019. 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:	
2019	\$ 83,680
2020	236,863
2021	56,554
2022	(126,950)
	\$ 250,147
	\$ 250,147

**Actuarial Assumptions**- The total pension liability as of June 30, 2017, was determined based on an actuarial valuation prepared as of July 1, 2017, using the following actuarial assumptions:

- Investment return – 7.00% compounded annually net of investment expense and including inflation
- Salary increases – 3.5% to 9.5% per year including inflation
- Mortality rates – Active participants and nondisabled pensioners – RP-2000 Mortality Table projected to 2010 by Scale AA (disabled pensioners set forward 15 years)
- No annual post-retirement benefit increases
- Assumed inflation rate – 2.75%
- Payroll growth – 3.5% per year
- Actuarial cost method – Entry age
- Select period for the termination of employment assumptions – 10 years

The actuarial assumptions used in the July 1, 2017, valuation are based on the results of the most recent actuarial experience study, which cover the three-year period ending June 30, 2016. The experience study report is dated April 13, 2017.

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

The Target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2017, are summarized in the following table:

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

**Discount Rate**- The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employers will be made at the current contribution rate as set out in state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determined does not use a municipal bond rate.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**-The following presents the net pension liability of the employers calculated using the discount rate of 7.00%, 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 (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Employers' net pension liability (asset)	\$ 2,349,605	\$ 794,983	\$ (521,417)

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

### 13. Other Post-Employment Benefits

**Plan description** - The City as the employer, participates in the Supplemental Health Insurance Program—a cost-sharing multiple-employer defined benefit OPEB plan administered by the Oklahoma Public Employees Retirement System (OPERS). The authority to establish and amend benefit provisions rests with the State Legislature. OPERS issues a publicly available financial report that can be obtained at [www.ok.gov/OPERS](http://www.ok.gov/OPERS)

**Benefits provided** - OPERS pays a medical insurance supplement to eligible members who elect to maintain health insurance with the Oklahoma Employees Group Insurance Division (EGID) or other qualified insurance plan provided by the employer. This subsidy continues until the retiree terminates health insurance coverage with EGID or other qualified plan, or until death. The subsidy is only for the

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retiree, not joint annuitants or beneficiaries. The supplement payment is capped at \$105 per month per retiree, remitted to EGID.

***Contributions*** - The contribution rates for each member category of the System are established by the Oklahoma Legislature after recommendation by the Board based on an actuarial calculation, which is performed to determine the adequacy of such contribution rates. An actuarially determined portion of the total contributions to the System are set aside to finance the cost of the benefits of the HISP in accordance with provisions of the Internal Revenue Code. Based on the contribution requirements of the plan employers and employees contribute a single amount based on a single contribution rate as described in Note 12; from this amount OPERS allocates a portion of the contributions to the supplemental health insurance program. Contributions allocated to the OPEB plan from the City were \$28,971.

***OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*** - At June 30, 2018, the City reported a liability of \$16,842 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The City's proportion of the net OPEB liability was based on the City's contributions received by the OPEB plan relative to the total contributions received by the OPEB plan for all participating employers as of June 30, 2017. Based upon this information, the City's proportion was 0.1470% percent.

For the year ended June 30, 2018, the City recognized OPEB expense of \$10,636. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 20,760
Changes of assumptions	13,717	-
Net difference between projected and actual earnings on pension plan investments	-	18,175
Changes in proportion and differences between City contributions and proportionate share of contributions	1,723	-
City contributions during measurement period	3,273	3,276
City contributions subsequent to the measurement date	28,971	-
Total	<u>\$ 47,684</u>	<u>\$ 42,211</u>

The \$28,971 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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Year ended June 30:		
2019	\$	(5,538)
2020		(5,538)
2021		(5,538)
2022		(5,538)
2023		(995)
Thereafter		(351)
	<u>\$</u>	<u>(23,498)</u>

**Actuarial Assumptions**- The total OPEB liability as of June 30, 2017, was determined based on an actuarial valuation prepared as if June 30, 2017 using the following actuarial assumptions:

- Investment return – 7.00% compounded annually net of investment expense and including inflation
- Salary increases – 3.5% to 9.5% per year including inflation
- Mortality rates – active participants and nondisabled pensioners – RP-2014 Mortality Table projected to 2025 by Scale MP-2016 (disabled pensioners set forward 12 years)
- No annual post-retirement benefit increases
- Assumed inflation rate – 2.75%
- Payroll growth – 3.5%
- Actuarial cost method – Entry age
- Select period for the termination of employment assumptions – 10 years

The actuarial assumptions used in the July 1, 2017, valuation are based on the results of the most recent actuarial experience study, which covered the three-year period ending June 30, 2016. The experience study report is dated April 13, 2017.

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

The Target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2017, are summarized in the following table:

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



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**Discount Rate**- A single discount rate of 7.00% was used to measure the total OPEB liability as of June 30, 2017. This single discount rate was based solely on the expected rate of return on OPEB plan investments of 7.00%. Based on the stated assumptions and the projection of cash flows, the OPEB plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**-The following presents the net OPEB liability of the employer calculated using the discount rate of 7.00%, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Employers' net pension liability (asset)	\$ 66,525	\$ 16,842	\$ (25,871)

**OPEB plan fiduciary net position** - Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report of the OPERS; which can be located at [www.ok.gov/OPERS](http://www.ok.gov/OPERS).

**14. Tax Abatements**

The City enters into sales tax rebate agreements with local businesses as allowed in the Oklahoma State Constitution, Article 10, Section 14. Under this law, the City may establish economic development programs and provide sales tax increments for development as part of its economic development plan.

The sales tax rebate program allows a retail store, business, or developer to receive rebated sales tax in an amount equal to one cent (\$0.01) from every three and one-half cents (\$0.035) of sales tax that the business generates. To be eligible for this program, the project area should be developed or redeveloped after a significant vacancy to provide economic opportunity to the City and its' citizens.

Due to the confidentiality laws in Oklahoma Statutes, Title 68, Section 1354.11, the amount of sales taxes rebated will not be disclosed. The following businesses had rebate agreements with the City as of June 30, 2018:

A grocery retailer received rebated sales taxes during 2017. This sales tax rebate period is for five years from the sales tax commencement date (the date the City first receives sales tax) or when the rebated sales tax reaches \$500,000, whichever comes first. The agreement must be renewed by the City Council annually to ensure a continuing public benefit. This agreement was entered into July 2012 with the first rebate being paid in June 2013 and the agreement terminated in June 2018.

A grocery retailer received rebated sales taxes during 2017. The sales tax rebated cannot \$500,000. This sales tax rebate period is for ten years from the sales tax commencement date (the date the City first receives sales tax). The agreement must be renewed for the City Council annually to ensure a continuing public benefit. This agreement was entered into August 2011 with the first rebate being paid in January 2013; therefore the agreement will terminate no later than January 2023.

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A restaurant received rebated sales taxes during 2017. This sales tax rebate period is for five years from the sales tax commencement date (the date the City first receives sales tax) or when the rebated sales tax reaches \$100,000, whichever comes first. The agreement must be renewed for the City Council annually to ensure a continuing public benefit. This agreement was entered into July 2013 with the first rebate being paid in December 2013; therefore the agreement will terminate no later than December 2018.

A retailer received rebated sales taxes during 2017. This sales tax rebate period is for five years from the sales tax commencement date (the date the City first receives sales tax) or when the rebated sales tax reaches \$500,000, whichever comes first. The agreement must be renewed for the City Council annually to ensure a continuing public benefit. This agreement was entered into February 2013 with the first rebate being paid in June 2013 and the agreement terminated in June 2018.

A developer received rebated sales taxes during 2017. This sales tax rebate period is for ten years from the sales tax commencement date (the date the City first receives sales tax) or when the rebated sales tax reaches \$5,500,000, whichever comes first. The agreement must be renewed for the City Council annually to ensure a continuing public benefit. This agreement was entered into December 2005 with the first rebate being paid in May 2009; therefore the agreement will terminate no later than May 2019.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**Budgetary Comparison Schedule (Budgetary Basis) – Year Ended June 30, 2018**

	<u>General Fund</u>			<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	
	<u>Original</u>	<u>Final</u>		
<b>Beginning Budgetary Fund Balance:</b>	\$ 4,543,971	\$ 4,522,321	\$ 4,910,061	\$ 387,740
<b>Resources (Inflows):</b>				
Sales and use tax	6,066,307	6,066,307	6,148,018	81,711
Franchise and miscellaneous taxes	985,584	985,584	1,035,018	49,434
Intergovernmental	286,618	286,618	300,589	13,971
Licenses and permits	589,176	589,176	626,016	36,840
Charges for services	492,685	492,685	578,252	85,567
Fines & forfeitures	609,661	654,661	626,577	(28,084)
Investment earnings	9,021	9,021	31,107	22,086
Miscellaneous	697,279	697,279	310,789	(386,490)
Transfer in	1,158,462	1,158,462	1,500,190	341,728
<b>Total resources (Inflows)</b>	<u>10,894,793</u>	<u>10,939,793</u>	<u>11,156,556</u>	<u>216,763</u>
<b>Amounts available for appropriation</b>	<u>15,438,764</u>	<u>15,462,114</u>	<u>16,066,617</u>	<u>604,503</u>
<b>Charges to Appropriations (Outflows):</b>				
Administration	489,811	489,811	421,753	68,058
Attorney	175,650	228,185	216,699	11,486
Municipal court	149,278	143,278	130,900	12,378
Community service	5,725	5,725	2,023	3,702
General government	1,195,518	1,172,983	1,144,020	28,963
Police	3,463,053	3,556,053	3,306,925	249,128
Fire	2,538,038	2,538,038	2,488,473	49,565
Emergency Management	42,772	42,772	32,767	10,005
Streets	647,004	647,004	558,023	88,981
Development Services	437,228	437,228	346,478	90,750
Cemetery	93,430	93,430	84,732	8,698
Transfers out	1,941,596	1,941,596	1,983,324	(41,728)
<b>Total Charges to Appropriations</b>	<u>11,179,103</u>	<u>11,296,103</u>	<u>10,716,117</u>	<u>579,986</u>
Fund balances - ending	<u>\$ 4,259,661</u>	<u>\$ 4,166,011</u>	\$ 5,350,500	<u>\$ 1,184,489</u>
Reconciliation to Statement of Revenues, Expenditures, and Change in Fund Balance:				
Rural Fire Account Balance			49,333	
Fishing License Account Balance			76,419	
Cemetery Beautification Account Balance			1,037	
Cemetery Maintenance Account Balance			<u>167,197</u>	
Total General Fund Fund Balance			<u>\$ 5,644,486</u>	

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**Footnotes to Budgetary Comparison Schedules:**

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

	<u>General Fund</u>
Total revenue - budgetary basis	\$ 11,156,556
On-behalf revenue	705,580
Transfers In	<u>(1,500,190)</u>
Total revenue - GAAP basis	<u>\$ 10,361,946</u>
Total expenditures - budgetary basis	10,716,117
On-behalf expenses	705,580
Transfers Out	<u>(1,983,324)</u>
Total expenses - GAAP basis	<u>\$ 9,438,373</u>

4. Expenditures exceeded appropriations as follows:

General Fund –Transfers out	\$41,728
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Schedules of Required Supplementary Information

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM

Last 10 Fiscal Years\*

	2015	2016	2017	2018
City's proportion of the net pension liability	0.403131%	0.449495%	0.478342%	0.519481%
City's proportionate share of the net pension liability	\$ 4,145,593	\$ 4,770,991	\$ 5,843,964	\$ 6,533,637
City's covered-employee payroll	\$ 1,100,698	\$ 1,270,341	\$ 1,340,589	\$ 1,480,822
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	377%	376%	436%	441%
Plan fiduciary net position as a percentage of the total pension liability	68.12%	68.27%	64.87%	66.61%

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

**Notes to Schedule:**

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

SCHEDULE OF CITY CONTRIBUTIONS  
 OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM

Last 10 Fiscal Years

	2015	2016	2017	2018
Statutorially required contribution	\$ 177,848	\$ 187,014	\$ 207,315	\$ 225,881
Contributions in relation to the statutorially required contribution	177,848	187,014	207,315	225,881
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 1,270,341	\$ 1,340,589	\$ 1,480,822	\$ 1,616,386
Contributions as a percentage of covered-employee payroll	14.00%	13.95%	14.00%	13.97%

**Notes to Schedule:**

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

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

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

Last 10 Fiscal Years\*

	2015	2016	2017	2018
City's proportion of the net pension liability (asset)	0.4100%	0.4240%	0.4181%	0.4469%
City's proportionate share of the net pension liability (asset)	\$ (138,026)	\$ 17,289	\$ 640,261	\$ 34,375
City's covered-employee payroll	\$ 1,129,379	\$ 1,280,757	\$ 1,235,936	\$ 1,336,603
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	12.22%	1.35%	51.80%	2.57%
Plan fiduciary net position as a percentage of the total pension liability (asset)	101.53%	99.82%	93.50%	99.68%

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

**Notes to Schedule:**

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

**SCHEDULE OF CITY CONTRIBUTIONS  
OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM**

Last 10 Fiscal Years

	2015	2016	2017	2018
Statutorily required contribution	\$ 161,840	\$ 160,509	\$ 173,546	\$ 202,458
Contributions in relation to the statutorily required contribution	161,840	160,509	173,546	202,458
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 1,280,757	\$ 1,235,936	\$ 1,336,603	\$ 1,557,376
Contributions as a percentage of covered-employee payroll	12.64%	12.99%	12.98%	13.00%

**Notes to Schedule:**

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

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

	2015	2016	2017	2018
City's proportion of the net pension liability	0.1457%	0.1477%	0.1420%	0.1470%
City's proportionate share of the net pension liability	\$ 267,459	\$ 531,317	\$ 1,408,795	\$ 794,983
City's covered-employee payroll	\$ 2,468,546	\$ 2,609,698	\$ 2,548,985	\$ 2,560,070
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	11%	20%	55%	31%
Plan fiduciary net position as a percentage of the total pension liability	97.90%	96.00%	89.48%	94.28%

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

**Notes to Schedule:**

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

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

	2015	2016	2017	2018
Contractually required contribution	\$ 430,600	\$ 420,869	\$ 423,213	\$ 413,957
Contributions in relation to the contractually required contribution	430,600	420,869	423,213	413,957
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 2,609,698	\$ 2,548,985	\$ 2,560,070	\$ 2,677,258
Contributions as a percentage of covered-employee payroll	16.50%	16.51%	16.53%	15.46%

**Notes to Schedule:**

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



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Schedules of Required Supplementary Information  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
SUPPLEMENTAL HEALTH INSURANCE PROGRAM  
Last 10 Fiscal Years\* (Dollar amounts in thousands)

	<u>2018</u>
City's proportion of the net OPEB liability	0.1470%
City's proportionate share of the net OPEB liability	\$ 16,842
City's covered-employee payroll	\$ 2,560,070
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	1%
Plan fiduciary net position as a percentage of the total OPEB liability	96.50%

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

**Notes to Schedule:**

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

Schedules of Required Supplementary Information  
SCHEDULE OF THE CITY'S CONTRIBUTIONS  
SUPPLEMENTAL HEALTH INSURANCE PROGRAM  
Last 10 Fiscal Years (Dollar amounts in thousands)

	<u>2018</u>
Contractually required contribution	\$ 28,971
Contributions in relation to the contractually required contribution	<u>28,971</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered-employee payroll	\$ 2,677,258
Contributions as a percentage of covered-employee payroll	1.08%

**Notes to Schedule:**

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

**CITY OF BIXBY, OKLAHOMA  
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**OTHER SUPPLEMENTARY INFORMATION**

**CITY OF BIXBY, OKLAHOMA**  
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**As of and for the Year Ended June 30, 2018**

**Combining Balance Sheet – General Fund Accounts – June 30, 2018**

	<u>General Fund</u>	<u>Rural Fire Account</u>	<u>Fishing License Account</u>	<u>Cemetery Beautification Account</u>	<u>Cemetery Maintenance Account</u>	<u>Total</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 2,264,125	\$ 49,333	\$ 39,086	\$ 1,037	\$ 167,197	\$ 2,520,778
Investments	1,475,861	-	37,333	-	-	1,513,194
Receivable from other governments	921,505	-	-	-	-	921,505
Due from other funds	753,951	-	-	-	-	753,951
Taxes receivable, net	79,703	-	-	-	-	79,703
Court fines receivable, net	619,908	-	-	-	-	619,908
Ambulance receivable, net	16,999	-	-	-	-	16,999
Other receivables	59,012	-	-	-	-	59,012
Total assets	<u>\$ 6,191,064</u>	<u>\$ 49,333</u>	<u>\$ 76,419</u>	<u>\$ 1,037</u>	<u>\$ 167,197</u>	<u>\$ 6,485,050</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 69,455	\$ -	\$ -	\$ -	\$ -	\$ 69,455
Accrued payroll	141,498	-	-	-	-	141,498
Due to other funds	35,372	-	-	-	-	35,372
Due to bondholders	1,518	-	-	-	-	1,518
Payable to other governments	7,282	-	-	-	-	7,282
Other payables	71,864	-	-	-	-	71,864
Total liabilities	<u>326,989</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>326,989</u>
Deferred Inflows:						
Deferred revenue	513,575	-	-	-	-	513,575
Fund balances:						
Assigned	518,076	49,333	76,419	1,037	167,197	812,062
Unassigned	4,832,424	-	-	-	-	4,832,424
Total fund balances	<u>5,350,500</u>	<u>49,333</u>	<u>76,419</u>	<u>1,037</u>	<u>167,197</u>	<u>5,644,486</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 6,191,064</u>	<u>\$ 49,333</u>	<u>\$ 76,419</u>	<u>\$ 1,037</u>	<u>\$ 167,197</u>	<u>\$ 6,485,050</u>

**CITY OF BIXBY, OKLAHOMA**  
**ANNUAL FINANCIAL STATEMENTS**  
**As of and for the Year Ended June 30, 2018**

**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund Accounts – For the Year Ended June 30, 2018**

	<u>General Fund</u>	<u>Rural Fire Account</u>	<u>Fishing License Account</u>	<u>Cemetery Beautification Account</u>	<u>Cemetery Maintenance Account</u>	<u>Total</u>
<b>REVENUES</b>						
Sales and use tax	\$ 6,148,018	\$ -	\$ -	\$ -	\$ -	\$ 6,148,018
Franchise and miscellaneous taxes	1,035,018	-	-	-	-	1,035,018
Intergovernmental	1,006,169	-	-	-	-	1,006,169
Licenses and permits	626,016	-	7,595	-	-	633,611
Charges for services	578,252	20,670	-	100	24,305	623,327
Fines & forfeitures	626,577	-	-	-	-	626,577
Investment earnings	31,107	259	447	9	1,176	32,998
Miscellaneous	310,789	-	-	-	-	310,789
Total revenues	<u>10,361,946</u>	<u>20,929</u>	<u>8,042</u>	<u>109</u>	<u>25,481</u>	<u>10,416,507</u>
<b>EXPENDITURES</b>						
Administration	421,753	-	-	-	-	421,753
City attorney	216,646	-	-	-	-	216,646
Municipal court	130,900	-	-	-	-	130,900
Community service	2,023	-	-	-	-	2,023
General government	1,140,553	-	-	-	-	1,140,553
Police	3,458,303	-	-	-	-	3,458,303
Fire	2,991,418	-	-	-	-	2,991,418
Emergency Management	32,767	-	-	-	-	32,767
Streets	553,796	-	-	-	-	553,796
Culture and recreation	-	-	2,749	-	-	2,749
Cemetery	84,732	-	-	100	50,565	135,397
Development services	348,743	-	-	-	-	348,743
Capital Outlay	56,739	-	-	-	-	56,739
Total Expenditures	<u>9,438,373</u>	<u>-</u>	<u>2,749</u>	<u>100</u>	<u>50,565</u>	<u>9,491,787</u>
Excess (deficiency) of revenues over expenditures	<u>923,573</u>	<u>20,929</u>	<u>5,293</u>	<u>9</u>	<u>(25,084)</u>	<u>924,720</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	1,500,190	7,000	-	-	50,000	1,557,190
Transfers out	(1,983,324)	-	-	-	-	(1,983,324)
Total other financing sources and uses	<u>(483,134)</u>	<u>7,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>(426,134)</u>
Net change in fund balances	440,439	27,929	5,293	9	24,916	498,586
Fund balances - beginning	4,910,061	21,404	71,126	1,028	142,281	5,145,900
Fund balances - ending	<u>\$ 5,350,500</u>	<u>\$ 49,333</u>	<u>\$ 76,419</u>	<u>\$ 1,037</u>	<u>\$ 167,197</u>	<u>\$ 5,644,486</u>

**CITY OF BIXBY, OKLAHOMA  
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**Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2018**

	Special Revenue Funds										Capital Project Funds			Debt Service Fund		Total Governmental Funds
	Park Fund	E911 Fund	Fry Creek Maintenance Fund	Street & Alley Fund	Economic Development Fund	Federal Police Asset Forfeiture Fund	State Police Asset Forfeiture Fund	Disaster Recovery Fund	Sales Tax Personnel Fund	Capital Improvement Fund	Cemetery Care Fund	2016 Bond Fund	2011 Bond Fund	Stormwater Management Fund	2018 Bond Fund	
<b>ASSETS</b>																
Cash and cash equivalents	\$ 999,960	\$ 223,947	\$ 713,457	\$ 1,221,319	\$ 346,584	\$ 28,480	\$ 4,935	\$ 169,162	\$ 411,562	\$ 3,564,710	\$ 272,882	\$ 2,858,602	\$ 703,463	\$ 1,319,300	\$ 1,170,049	\$ -
Investments	503,025	92,618	884,719	2,178,031	757,241	-	-	1,018,053	-	1,503,229	342,347	501,307	1,047,356	1,261,892	-	-
Receivable from other governments	174,075	-	-	21,318	-	348	-	-	108,798	308,112	-	-	-	-	-	-
Due from other funds	4,018	2,367	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxes receivable, net	-	21,162	-	-	23,781	-	-	-	-	-	-	-	-	-	-	-
Utilities receivable, net	-	-	-	-	-	-	-	-	-	-	-	-	-	29,018	-	-
Other receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	67,872	-	-
Total assets	\$ 1,681,078	\$ 340,094	\$ 1,598,176	\$ 3,420,668	\$ 1,127,606	\$ 28,828	\$ 4,935	\$ 1,187,215	\$ 520,360	\$ 5,376,051	\$ 615,229	\$ 3,359,909	\$ 1,750,819	\$ 2,678,082	\$ 1,170,049	\$ -
<b>LIABILITIES AND FUND BALANCES</b>																
<b>Liabilities:</b>																
Accounts payable	\$ 88	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 739	\$ 274,608	\$ -	\$ 22,762	\$ -	\$ -	\$ -	\$ -
Payroll payable	8,598	-	-	-	1,671	-	-	-	6,029	-	-	-	-	-	-	-
Due to other funds	-	(1,224)	-	795	-	-	-	-	59,709	-	-	-	830	-	-	-
Total liabilities	8,686	(1,224)	-	795	1,671	-	-	-	66,477	274,608	-	22,762	-	830	-	-
<b>Fund balances:</b>																
Reserved:																
Restricted	158,883	334,719	364,755	225,107	296,032	3,934	-	-	453,883	-	615,229	3,306,030	1,439,593	370,434	1,170,049	-
Assigned	1,513,509	6,599	1,233,421	3,194,766	829,903	24,894	4,935	1,187,215	-	5,101,443	-	31,117	311,226	2,306,818	-	-
Total fund balances	1,672,392	341,318	1,598,176	3,419,873	1,125,935	28,828	4,935	1,187,215	453,883	5,101,443	615,229	3,337,147	1,750,819	2,677,252	1,170,049	-
Total liabilities and fund balances	\$ 1,681,078	\$ 340,094	\$ 1,598,176	\$ 3,420,668	\$ 1,127,606	\$ 28,828	\$ 4,935	\$ 1,187,215	\$ 520,360	\$ 5,376,051	\$ 615,229	\$ 3,359,909	\$ 1,750,819	\$ 2,678,082	\$ 1,170,049	\$ -

**CITY OF BIXBY, OKLAHOMA  
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**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – For the Year Ended June 30, 2018**

	Special Revenue Funds										Capital Project Funds				Debt Service Fund	Total-Other Governmental Funds
	Park Fund	F311 Fund	Fry Creek Maintenance Fund	Street & Alley Fund	Economic Development Fund	Federal Police Asset Forfeiture Fund	State Police Asset Forfeiture Fund	Disaster Recovery Fund	Sales Tax Personnel Fund	Capital Improvement Fund	Cemetery Care Fund	2016 Bond Fund	2011 Bond Fund	Stormwater Management Fund	2018 Bond Fund	
<b>REVENUES</b>																
Sales and use tax	\$ 1,229,604	\$ -	\$ -	\$ 223,528	\$ -	\$ -	\$ -	\$ -	\$ 768,503	\$ 2,267,328	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Franchise and miscellaneous taxes	-	233,777	-	-	171,229	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	12,318	31	-	-	-	-	-	-	80,805	-	-
Charges for services	104,590	-	-	-	-	-	-	-	-	-	-	-	-	696,620	-	-
Investment earnings	11,204	1,877	10,874	30,943	10,350	423	106	10,537	-	29,081	3,911	31,117	11,122	19,601	-	-
Miscellaneous	64,518	-	-	68,052	60	-	-	40,000	-	39,590	-	-	-	-	-	-
Total revenues	<u>1,409,916</u>	<u>235,654</u>	<u>10,874</u>	<u>322,523</u>	<u>181,639</u>	<u>12,741</u>	<u>137</u>	<u>50,537</u>	<u>768,503</u>	<u>2,335,999</u>	<u>40,181</u>	<u>31,117</u>	<u>11,122</u>	<u>797,026</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>																
Current:																
General government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Police	-	-	-	-	-	8,384	18,610	-	523,674	-	-	-	-	-	-	-
Streets	-	-	64,745	194,703	-	-	-	-	3,797	-	-	-	-	75,411	-	-
Culture and recreation	983,794	-	-	-	-	-	-	-	-	-	-	300	-	-	-	-
Economic development	-	-	-	-	254,642	-	-	-	-	-	-	-	-	-	-	-
E-911	-	89,851	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service:																
Principal	-	-	-	-	-	-	-	-	-	309,083	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-	-	-	5,960	-	-	-	-	-	-
Capital Outlay	-	-	-	38,590	46,920	-	-	-	13,110	1,255,489	-	-	-	-	-	-
Total Expenditures	<u>983,794</u>	<u>89,851</u>	<u>64,745</u>	<u>233,283</u>	<u>301,562</u>	<u>8,384</u>	<u>18,610</u>	<u>-</u>	<u>540,581</u>	<u>1,570,232</u>	<u>5,838</u>	<u>1,232,492</u>	<u>45,604</u>	<u>236,695</u>	<u>786,882</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>426,122</u>	<u>145,803</u>	<u>(53,871)</u>	<u>89,240</u>	<u>(119,923)</u>	<u>4,357</u>	<u>(18,473)</u>	<u>50,537</u>	<u>227,922</u>	<u>765,767</u>	<u>34,343</u>	<u>(1,201,675)</u>	<u>(34,482)</u>	<u>484,920</u>	<u>(786,882)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>																
Proceeds from long-term debt	-	-	-	-	-	-	-	-	-	49,386	-	-	-	-	-	-
Transfers in	-	-	100,000	782,899	-	-	-	-	-	1,391,061	-	-	-	200,000	1,956,931	-
Transfers out	(216,649)	(60,000)	-	-	-	-	-	-	-	(1,371,177)	-	-	-	(100,000)	(204)	(1,748,030)
Total other financing sources and uses	<u>(216,649)</u>	<u>(60,000)</u>	<u>100,000</u>	<u>782,899</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,270</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>1,956,931</u>	<u>(204)</u>
Net change in fund balances	209,473	85,803	46,129	872,139	(119,923)	4,357	(18,473)	50,537	227,922	835,037	34,343	(1,201,675)	(34,482)	584,920	1,170,049	(204)
Fund balances - beginning	1,462,919	255,515	1,552,047	2,547,734	1,245,858	24,471	23,408	1,136,678	225,961	4,266,406	580,886	4,538,822	1,785,301	2,092,332	-	204
Fund balances - ending	<u>\$ 1,672,392</u>	<u>\$ 341,318</u>	<u>\$ 1,598,176</u>	<u>\$ 3,419,873</u>	<u>\$ 1,125,935</u>	<u>\$ 28,828</u>	<u>\$ 4,935</u>	<u>\$ 1,187,215</u>	<u>\$ 453,883</u>	<u>\$ 5,101,443</u>	<u>\$ 615,229</u>	<u>\$ 3,337,147</u>	<u>\$ 1,750,819</u>	<u>\$ 2,677,252</u>	<u>\$ 1,170,049</u>	<u>\$ -</u>

**CITY OF BIXBY, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2018

**Combining Schedule of Net Position – BPWA Enterprise Fund Accounts – June 30, 2018**

	<b>BPWA</b>	<b>Wastewater Treatment Plant Project Account</b>	<b>Meter Deposit Account</b>	<b>DAWES Account</b>	<b>Total</b>
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 5,730,473	\$ 3,340,145	\$ 189,850	\$ 3,066	\$ 9,263,534
Investments	-	5,047,019	-	-	5,047,019
Restricted:					
Cash and cash equivalents	104,895	-	90,880	-	195,775
Due from other funds	51,959	-	-	-	51,959
Accounts Receivable, net	1,625,270	-	-	-	1,625,270
Inventories	9,720	-	-	-	9,720
Total current assets	<u>7,522,317</u>	<u>8,387,164</u>	<u>280,730</u>	<u>3,066</u>	<u>16,193,277</u>
Non-current assets:					
Restricted:					
Cash and cash equivalents	134,325	-	-	-	134,325
Investments	717,784	-	582,467	-	1,300,251
Capital Assets:					
Land and construction in progress	4,019,860	-	-	35,000	4,054,860
Other capital assets, net of accumulated depreciation	61,601,564	-	-	344,341	61,945,905
Total non-current assets	<u>66,473,533</u>	<u>-</u>	<u>582,467</u>	<u>379,341</u>	<u>67,435,341</u>
Total assets	<u>73,995,850</u>	<u>8,387,164</u>	<u>863,197</u>	<u>382,407</u>	<u>83,628,618</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred amounts related to pensions	334,702	-	-	-	334,702
Deferred amounts related to OPEB	17,419	-	-	-	17,419
Total deferred outflows	<u>352,121</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>352,121</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	144,280	72,786	-	-	217,066
Payroll payable	23,826	-	-	-	23,826
Accrued interest payable	27,670	-	-	-	27,670
Due to other funds	4,237	-	20,120	-	24,357
Deposits subject to refund	-	-	135,489	-	135,489
Compensated absences	37,895	-	-	-	37,895
Notes payable	1,262,836	-	-	-	1,262,836
Total current liabilities	<u>1,500,744</u>	<u>72,786</u>	<u>155,609</u>	<u>-</u>	<u>1,729,139</u>
Non-current liabilities:					
Compensated absences	151,583	-	-	-	151,583
Deposits subject to refund	-	-	537,858	-	537,858
Net OPEB liability	8,171	-	-	-	8,171
Net pension liability	385,700	-	-	-	385,700
Notes payable	3,994,061	-	-	-	3,994,061
Total non-current liabilities	<u>4,539,515</u>	<u>-</u>	<u>537,858</u>	<u>-</u>	<u>5,077,373</u>
Total liabilities	<u>6,040,259</u>	<u>72,786</u>	<u>693,467</u>	<u>-</u>	<u>6,806,512</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred amounts related to pensions	114,778	-	-	-	114,778
Deferred amounts related to OPEB	22,166	-	-	-	22,166
Total deferred inflows	<u>136,944</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>136,944</u>
<b>NET POSITION</b>					
Net investment in capital assets	60,364,527	-	-	379,341	60,743,868
Restricted for debt service	914,589	-	-	-	914,589
Unrestricted	6,891,652	8,314,378	169,730	3,066	15,378,826
Total net position	<u>\$ 68,170,768</u>	<u>\$ 8,314,378</u>	<u>\$ 169,730</u>	<u>\$ 382,407</u>	<u>\$ 77,037,283</u>

**CITY OF BIXBY, OKLAHOMA**  
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**Combining Schedule of Revenues, Expenses, and Changes in Net Position – BPWA Enterprise Fund Accounts – Year Ended June 30, 2018**

	<b>BPWA</b>	<b>Wastewater Treatment Plant Project Account</b>	<b>Meter Deposit Account</b>	<b>DAWES Account</b>	<b>Total</b>
<b>REVENUES</b>					
Charges for services:					
Water	\$ 7,874,908	\$ -	\$ -	\$ -	\$ 7,874,908
Sewer	3,010,040	-	-	-	3,010,040
Miscellaneous	122,412	-	1,463	-	123,875
Total operating revenues	<u>11,007,360</u>	<u>-</u>	<u>1,463</u>	<u>-</u>	<u>11,008,823</u>
<b>OPERATING EXPENSES</b>					
Administration	1,710,873	-	-	-	1,710,873
Water	4,036,255	-	-	-	4,036,255
Wastewater	431,905	5,835	-	-	437,740
Depreciation	1,409,331	-	-	22,974	1,432,305
Total operating expenses	<u>7,588,364</u>	<u>5,835</u>	<u>-</u>	<u>22,974</u>	<u>7,617,173</u>
Operating income (loss)	<u>3,418,996</u>	<u>(5,835)</u>	<u>1,463</u>	<u>(22,974)</u>	<u>3,391,650</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest and investment revenue	43,536	47,019	-	11	90,566
Interest expense	(116,412)	(545,500)	-	-	(661,912)
Total non-operating revenue (expenses)	<u>(72,876)</u>	<u>(498,481)</u>	<u>-</u>	<u>11</u>	<u>(571,346)</u>
Income (loss) before contributions and transfers	<u>3,346,120</u>	<u>(504,316)</u>	<u>1,463</u>	<u>(22,963)</u>	<u>2,820,304</u>
Capital contributions	10,378,175	-	-	-	10,378,175
Interaccount transfers in	1,127,159	1,367,789	-	-	2,494,948
Interaccount transfers out	(1,367,789)	(1,127,159)	-	-	(2,494,948)
Transfers in	6,387,844	1,362,389	-	-	7,750,233
Transfers out	(5,890,877)	-	-	-	(5,890,877)
Change in net position	<u>13,980,632</u>	<u>1,098,703</u>	<u>1,463</u>	<u>(22,963)</u>	<u>15,057,835</u>
Total net position - beginning	<u>54,190,136</u>	<u>7,215,675</u>	<u>168,267</u>	<u>405,370</u>	<u>61,979,448</u>
Total net position - ending	<u>\$ 68,170,768</u>	<u>\$ 8,314,378</u>	<u>\$ 169,730</u>	<u>\$ 382,407</u>	<u>\$ 77,037,283</u>



**CITY OF BIXBY, OKLAHOMA  
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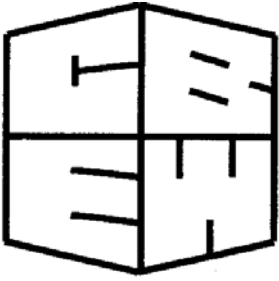
**Schedule of Expenditures of Federal Awards – Year Ended June 30, 2018**

Federal/State Grantor/Pass through agency Grantor/Program Title	CFDA Number	Grant Number	Award Amount	Federal Expenditures
<b>FEDERAL ASSISTANCE:</b>				
<u>U.S. DEPARTMENT OF JUSTICE:</u>				
Bulletproof Vest Partnership	16.607	2016BUBX16082323	\$ 4,550	\$ 1,393
COPS Hiring Program	16.710	2016UMWX0069	125,000	37,198
JAG-LE Equipment	16.017	JAG-LLE-2017-BIXBY CI-00040	10,000	10,000
Total U.S. Department of Justice			139,550	48,591
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Passed through Oklahoma Highway Safety Office:				
State and Community Highway Safety	20.600	SE-17-03-02-16	42,000	10,848
State and Community Highway Safety	20.600	MSHVE-17-03-01-16	20,000	6,084
State and Community Highway Safety	20.600	PT-18-03-04-17	59,000	36,106
			121,000	53,038
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>				
Passed through Tulsa County:				
CDBG - Urban City Program	14.218	B-15-UC-40-0001	64,052	3,751
CDBG - Urban City Program	14.218	B-16-UC-40-0001	67,242	4,648
			131,294	8,399
<b>TOTAL FEDERAL ASSISTANCE</b>			\$ 391,844	\$ 110,028

**CITY OF BIXBY, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2018**

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**INTERNAL CONTROL COMPLIANCE INFORMATION**



## **CBEW Professional Group, LLP**

Certified Public Accountants

P.O. Box 790

Cushing, OK 74023

918-225-4216 FAX 918-225-4315

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

December 17, 2018

Honorable Board of City Commissioners  
City of Bixby  
Bixby, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bixby, Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Bixby, Oklahoma's basic financial statements, and have issued our report thereon dated December 17, 2018

#### ***Internal Control Over Financial Reporting***

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

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

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

City of Bixby  
December 17, 2018

***Compliance and Other Matters***

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

***Purpose of this Report***

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

***CBEW Professional Group, LLP***

CBEW Professional Group, LLP  
Certified Public Accountants

**CITY OF BIXBY  
Bixby, Oklahoma**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2018**

**FINDINGS - FINANCIAL STATEMENT AUDIT**

1. None

**CITY OF BIXBY  
Bixby, Oklahoma**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2018**

There were no prior year audit findings.