
CITY OF BIXBY, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR
ENDED JUNE 30, 2014

**THE CITY OF BIXBY,
OKLAHOMA**

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

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

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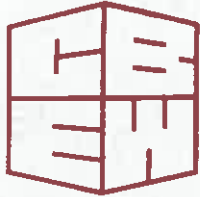
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INDEPENDENT AUDITOR'S REPORT

December 17, 2014

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Bixby, Oklahoma, as of June 30, 2014, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information and related notes on pages 7 – 19 and 61 – 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements 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 17, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants

CITY OF BIXBY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2014

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, 2014. Please read it in conjunction with the transmittal letter and the City's financial statements, which follow.

Overview of the Financial Statements

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

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

About the City

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

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

The City's Financial Reporting Entity

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

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

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

Using This Annual Report

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

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

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

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

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

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

CITY OF BIXBY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2014

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

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

The City as a Whole

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the year ended June 30, 2014, net position was as follows:

TABLE 1
NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2014	(restated) 2013		2014	(restated) 2013		2014	(restated) 2013	
Current assets	\$ 21,859	\$ 19,315	13%	\$ 11,511	\$ 11,165	3%	\$ 33,370	\$ 30,480	9%
Capital assets, net	70,188	67,873	3%	46,690	45,477	3%	116,878	113,350	3%
Total assets	92,047	87,188	6%	58,201	56,642	3%	150,248	143,830	4%
Current liabilities	3,979	3,468	15%	1,800	1,790	1%	5,779	5,258	10%
Non-current liabilities	20,390	22,184	-8%	8,700	9,864	-12%	29,090	32,048	-9%
Total liabilities	24,369	25,652	-5%	10,500	11,654	-10%	34,869	37,306	-7%
Net position									
Net investment in capital assets	51,602	48,575	6%	37,368	34,982	7%	88,970	83,557	6%
Restricted	5,381	5,435	-1%	3,773	5,115	-26%	9,154	10,550	-13%
Unrestricted	10,695	7,527	42%	6,560	4,891	34%	17,255	12,418	39%
Total net position	\$ 67,678	\$ 61,537	10%	\$ 47,701	\$ 44,988	6%	\$ 115,379	\$ 106,525	8%

CITY OF BIXBY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2014

The above numbers reflect an increase in net position of 10% for governmental activities and an increase of 6% for business type activities. Overall, the net position for both governmental and business-type activities increased 8% over last fiscal year.

Governmental activities assets increased approximately \$4.9 million or 6% due mainly to the acquisition of capital assets.

Business-type activities liabilities decreased approximately \$1.1 million or 10% due mainly to annual debt retirements.

For the year ended June 30, 2014, net position of the primary government changed as follows:

TABLE 2
CHANGES IN NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	(restated)			(restated)			(restated)		
	2014	2013		2014	2013		2014	2013	
Revenues									
Charges for service	\$ 2,769	\$ 2,180	27%	\$ 8,972	\$ 7,756	16%	\$ 11,741	\$ 9,936	18%
Operating grants and contributions	810	693	17%	-	-	-	810	693	17%
Capital grants and contributions	990	710	39%	442	18	2356%	1,432	728	97%
Taxes	14,204	12,794	11%	-	-	-	14,204	12,794	11%
Intergovernmental revenue	153	142	8%	-	-	-	153	142	8%
Investment income	55	70	-21%	26	23	13%	81	93	-13%
Miscellaneous	468	473	-1%	102	53	92%	570	526	8%
Total revenues	19,449	17,062	14%	9,542	7,850	22%	28,991	24,912	16%
Expenses									
General government	3,376	3,333	1%	-	-	-	3,376	3,333	1%
Public safety	5,699	5,084	12%	-	-	-	5,699	5,084	12%
Streets	1,791	1,546	16%	-	-	-	1,791	1,546	16%
Culture, parks and recreation	1,177	916	28%	-	-	-	1,177	916	28%
Cemetery	163	140	16%	-	-	-	163	140	16%
Economic development	82	99	-17%	-	-	-	82	99	-17%
Interest on long-term debt	807	906	-11%	-	-	-	807	906	-11%
Water	-	-	-	5,354	4,867	10%	5,354	4,867	10%
Wastewater	-	-	-	1,688	1,635	3%	1,688	1,635	3%
Total expenses	13,095	12,024	9%	7,042	6,502	8%	20,137	18,526	9%
Excess (deficiency) before transfers	6,354	5,038	26%	2,500	1,348	85%	8,854	6,386	39%
Transfers	(213)	(878)	76%	213	878	-76%	-	-	
Change in net position	6,141	4,160	48%	2,713	2,226	22%	8,854	6,386	39%
Beginning net position (restated)	61,537	57,377	7%	44,988	42,762	5%	106,525	100,139	6%
Ending net position	\$ 67,678	\$ 61,537	10%	\$ 47,701	\$ 44,988	6%	\$ 115,379	\$ 106,525	8%

Governmental Activities public safety expenses increased approximately \$615 thousand or 12% due primarily to increased compensation paid during the year. Sales tax revenue increased approximately \$1.4 million or 11% due to an overall increase in sales tax remittances.

Business-type Activities capital grants and contributions increased approximately \$424 thousand or 2,356% due to contributed capital that was received in FY14 that was not received in FY13. Included in expenses of Business-type Activities of the Water Department are expenses related to debt service requirements which are funded with Sales Tax Revenues apportioned to the fund. The taxes are classified as general revenue on the Statement of Activities.

CITY OF BIXBY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2014

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Some of the individual line item revenues reported for each function are:

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

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

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

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	(restated)			(restated)		
	2014	2013		2014	2013	
General government	\$ 3,376	\$ 3,333	1%	\$ (2,068)	\$ (2,900)	-29%
Public safety	5,699	5,084	12%	(3,886)	(3,561)	9%
Streets	1,791	1,546	16%	(506)	(68)	644%
Culture, parks and recreation	1,177	916	28%	(1,134)	(885)	28%
Cemetery	163	140	16%	(44)	(21)	110%
Economic development	82	99	-17%	(82)	(99)	-17%
Interest on long-term debt	807	906	-11%	(807)	(906)	-11%
Total	<u>\$ 13,095</u>	<u>\$ 12,024</u>	9%	<u>\$ (8,527)</u>	<u>\$ (8,440)</u>	1%

Streets net (expense) increased by approximately \$438,000 (644%) due to a capital grant that was received in 2013, which offset FY13 expenses, that was not repeated in 2014.

Business-type Activities

The business-type activities had an increase in net position of \$2,713,614.

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

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	(restated)			(restated)		
	2014	2013		2014	2013	
Water	\$ 5,354	\$ 4,867	10%	\$ 1,482	\$ 1,287	15%
Wastewater	1,688	1,635	3%	891	(15)	-6040%
Total	<u>\$ 7,042</u>	<u>\$ 6,502</u>	8%	<u>\$ 2,373</u>	<u>\$ 1,272</u>	87%

CITY OF BIXBY, OKLAHOMA
Management's Discussion and Analysis
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Wastewater net (expense) decreased by approximately \$906,000 (624%) due to a rate increase and reduction in overall wastewater expenses.

General Fund Budgetary Highlights

For the year ended June 30, 2014, the General Fund reported actual budgetary basis revenues over final estimates by \$618,719 or a 7.1% positive variance. General Fund actual expenditures were under final appropriations by \$545,561 or a 5.8% positive variance.

Capital Asset and Debt Administration

Capital Assets

At the end of June 30, 2014, the City has \$116.9 million invested in capital assets including police and fire equipment, buildings, water and sewer lines, roads, and park facilities.

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	(restated)		(restated)		(restated)	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 13,677	\$ 13,655	\$ 489	\$ 489	\$ 14,166	\$ 14,144
Buildings and improvements	3,780	3,908	620	673	4,400	4,581
Machinery, furniture and equipment	3,788	3,096	365	394	4,153	3,490
Infrastructure	31,740	32,995	43,189	43,642	74,929	76,637
Construction in progress	17,203	14,219	2,027	279	19,230	14,498
Totals	<u>\$ 70,188</u>	<u>\$ 67,873</u>	<u>\$ 46,690</u>	<u>\$ 45,477</u>	<u>\$ 116,878</u>	<u>\$ 113,350</u>

See note 4 for additional details.

Debt Administration

At year-end, the City has \$31.3 million in outstanding notes, bonds, and capital leases. Additionally, the City had \$1.6 million in accrued compensated absences and utility deposits. The decrease in long-term debt is attributed to normal debt service payments.

CITY OF BIXBY, OKLAHOMA
Management's Discussion and Analysis
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TABLE 6
Long-Term Debt
(In Thousands)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>		<u>Total</u>
	<u>Activities</u>		<u>Activities</u>				<u>Percentage</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>Change</u>
General obligation bonds	\$ 21,310	\$ 23,660	\$ -	\$ -	\$ 21,310	\$ 23,660	-9.9%
Capital leases payable	586	102	-	-	586	102	474.5%
Notes payable	-	-	9,374	10,524	9,374	10,524	-10.9%
Deposits subject to refund	-	-	508	488	508	488	4.1%
Accrued compensated absences	1,020	945	122	124	1,142	1,069	6.8%
Totals	<u>\$ 22,916</u>	<u>\$ 24,707</u>	<u>\$ 10,004</u>	<u>\$ 11,136</u>	<u>\$ 32,920</u>	<u>\$ 35,843</u>	-8.2%

See note 5 for additional details.

Economic Factors and Next Year's Budget

The City of Bixby has a long-standing practice of:

- budgeting in a conservative, fiscally responsible manner;
- offering a quality but limited scope of governmental services;
- operating with as lean a workforce as possible, with employees wearing many hats, and;
- operating with a relatively low amount 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 city in Oklahoma has a higher bond rating than Bixby. That said, as Standard & Poor's noted two years ago when it increased Bixby's bond rating to "AA+" and assigned a stable outlook, the City's significant reliance on the local sales tax to fund most of its operations makes it imperative the City maintain at all times sufficient reserves to satisfy liabilities, serve as a safeguard against fluctuations in revenues, and to fund emergencies and other unanticipated expenses. The City's budget for Fiscal 2014/2015 honors those principles.

In keeping with that same spirit, the City's budget was carefully crafted to live within its means. Specifically, it limited the amount of increase in ongoing General Fund spending to the estimated amount of growth in ongoing revenues. This disciplined approach to budgeting helps:

- ensure stability and sustainability of operations;
- preserve the level of service offered to citizens, and;
- protect the City's investment in its human capital, the asset it considers it's most important.

The City of Bixby's primary revenue source, the municipal sales tax, in Fiscal 2013/2014 exceeded the prior year by 16.5 percent, largely due to the entrance into the market of a major new specialty grocer. For the forthcoming fiscal 2014/2015 period, budgeted sales tax revenues were forecast to grow by a

CITY OF BIXBY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2014

more modest rate of 1.8 percent over the prior year budget. General Fund expenses for 2014/2015 were budgeted to grow by 5.6 percent over the prior year budget.

The 2014/2015 budget was in many respects a maintenance level or “steady state” budget, in which normal revenue growth was consumed by a combination of increases in fixed costs (e.g., health insurance, workers compensation premiums, etc...) and carefully-crafted increases in employee compensation for both non-uniformed and uniformed employees. The latter were designed to enhance recruitment and retention of city workers. Few new programs, new employees, or expansions of service levels were afforded under the budget, with exceptions noted further below.

Reflecting the public's and City Council's priorities, the city's 2014/15 budget continued to place its greatest emphasis on the City's Public Safety function when allocating new General Fund dollars, as detailed below:

- \$383,025 or 85% of the \$450,010 in new General Fund spending for 2014/2015 went for Police, Fire, and Emergency services;
- \$262,071 or 58.2 % of the \$450,010 in new General Fund spending went to the Fire Department, and the Police Department's increase of \$120,255 represented 26.7% of the proposed new spending;
- \$5,031,286 or 61.6% of the \$8.2 million in total General Fund spending approved for FY-15 was budgeted for Police, Fire, and Emergency Services alone;
- This amount itself is more than the \$4.8 million in net proceeds the City expects to have available from the 2 cents sales tax voters have dedicated for all General Fund operations;
- In comparison to actual 2008/2009 General Fund expenditures, approved 2014/2015 budgeted expenditures for the Fire Department are \$679,739 or 44.2% greater, and those for the Police Department are \$515,532 or 22.8% greater. In contrast, those budgeted for Administration are lower by \$163,904 or 22.9% than 2008/2009 actual;

Funds were provided in the approved budget to restore the position of Deputy Fire Chief within the Fire Department, after the original such monies had been reallocated a few years prior upon the retirement of the then incumbent Deputy. Funds were also provided to enable the ongoing employment of a new firefighter position which had been hired part-way through the prior fiscal year, but not funded in the original 2013/2014 budget. The City's intent was to return its firefighter staffing level to its pre-Great Recession peak. (Virtually all departments had lost positions as a budget balancing measure necessitated by a recession-induced decline in sales tax collections.) Upon the subsequent conclusion of this year's collective bargaining agreement with the IAFF; however, it became necessary to reallocate funding for this extra firefighter position in order to fund a more costly compensation increase for members of firefighters union than that which had been provided for in the approved 2014/2015 budget. As a group, in the end, firefighters received an overall salary increase of 7.4% for the year.

Reforms enacted in firefighter leave benefits provided that firefighters working holidays would henceforth receive, on a pay-as-you-go basis, double-time pay for such hours worked, rather than continue to receive an uncapped future compensatory leave benefit which previously could either be taken later as leave, or cashed in upon separation. This reform: increased current take-home pay for our firefighters; significantly reduced a potential future liability for the City and its taxpayers; and; allowed

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for enhanced public service levels on a going-forward basis by slightly boosting manpower levels typically present on a shift.

The budget also provided funds for the third consecutive year of 5% across-the-board salary increases for members of the FOP, pursuant to the third and final year of the City's latest collective bargaining agreement with its police union. It also provided for 2% cost of living and up to 2.5% merit increases for non-uniformed employees, with the cost of living increases for Department Directors being of a one-time nature. The budget also continued funding for a new longevity program for non-uniformed employees which was initiated the prior year, instead of a higher ongoing across the board salary hike.

Finally, the budget included annualized funding for an innovative, new, primary health care program provided at no cost to its workforce, which the City had launched partway through the prior year. The program's goals include improved health care outcomes for City workers and their families, and helping mitigate future cost increases in the City's traditional health insurance premiums.

Having focused growth revenues in each of the past three fiscal year budgets on significantly boosting both uniformed and non-uniformed employee compensation levels so as to enhance employee retention and recruitment efforts, it is expected that beginning with the 2105/2016 budget, in coming years the City will shift its budgeting emphasis towards increasing manpower levels in virtually all departments -- as resources permit -- beginning with its Public Safety function, to help maintain public service levels in our rapidly-growing community. Realization of this goal will largely be dependent upon the future rate of growth in the city's retail base, including success of the City's continued efforts to recruit additional retail businesses and help grow existing retail businesses, as well as the City's efforts to modify its various fees to help recover the cost of providing certain services.

In keeping with its heavy emphasis upon its Public Safety function, the City's 2014/2015 budget culminated a multi-year effort to fund, from past budgetary savings, a \$1.2 million Disaster Recovery Reserve Fund designed to help enable the City of Bixby to recover from a large scale natural or man-made disaster. Using a similar budgeting approach, and as funds allow, the budget provides for the beginning of a comprehensive street and drainage rehabilitation program.

The Bixby Public Works Authority (BPWA) 2014/2015 budget included the third of a five year graduated series of utility rate increases, designed to ensure sufficient revenues are generated to finance various required capital improvements to its utility system infrastructure. The City of Bixby is under a consent order from the Oklahoma Department of Environmental Quality (ODEQ), per which the City is being required to transition out of its traditional sewage lagoon treatment system, into use of a modern mechanical waste-water treatment plant. An analysis and negotiation still underway will determine whether the BPWA will ultimately construct and operate its own WWTP or join a regional treatment plant operated by the Regional Metropolitan Utility Authority. BPWA also passed along to its customers a scheduled 7% increase in water rates enacted by the city's water provider, the City of Tulsa.

While operating budgets will remain lean for the foreseeable future, and the WWTP project will continue to dominate infrastructure discussions, there are a number of other significant capital improvement projects slated to be completed or initiated in fiscal 2015/2016 and following years, funded largely by the 2011 General Obligation bond issues, various grants, and long-term low interest loans. These primarily include construction of major intersection widening projects and trails expansions, as well as studies of our south Bixby water distribution system, the revitalization of our traditional downtown and river corridor district, and the possible updating of our community's comprehensive plan. The City is working in concert with other river cities within this region to evaluate the possible design and construction of a

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system of low water dams which would create a series of lakes within the Arkansas River, including in Bixby. The purpose of this project is to stimulate private sector investment and improve quality of life, through harnessing the full potential of what is considered the region's greatest natural asset, the Arkansas River. A public vote to provide funding for the project may come as early as the Fall of 2015.

Finally, the budget places a continuing emphasis on investment in technology, as resources allow, for the purpose of improving the operating efficiency and effectiveness of various departments. This year's efforts include implementation of automated fingerprint recording technology and camera system upgrades for our police department, electronic citation technology for use by police officers and the court clerk, and a significant expansion in our GIS data storage and future retrieval capabilities for use by all staff members and business partners involved in development activities.

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. This year it contracted with Retail Strategies, a national retail recruitment consulting firm headquartered in Birmingham, Alabama, to assist the City in devising and implementing a new retail recruitment strategy and expand Bixby's retail base. The firm has been working with other Oklahoma cities such as Edmond and Stillwater and comes highly recommended.

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

Continuing a multi-year trend, Bixby was once again in 2014 one of the fastest growing cities in Oklahoma. Bixby is now the 19th largest city in the state, up from 32nd a decade ago, and has a population of 23,000. And while some Tulsa metro area communities are approaching "built-out" status, Bixby has plenty of remaining land within its fence line to accommodate both additional residential growth and significant commercial development, including along the Arkansas River.

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

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

Greater Tulsa selected No. 1 place to live in the U.S. (Relocate America 2009)
No. 1 metro for cost of living (Business Facilities 2010)
No. 4 metro for quality of life (Business Facilities 2010)

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

Fifty percent of Bixby's citizens hold college degrees. Bixby has the highest median home values in the Tulsa Metro Region (at \$186,600, is 72% higher than the state as a whole). Finally, Bixby has the highest Per Capita Income in the Tulsa Metro Region, (at \$37,368, is 57% higher than state as a whole).

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

For several years, the community's unique, 4,500 seat Spirit Bank Event Center (SBEC) regularly hosted world-class entertainment and events which attracted visitors from throughout the region. This facility is currently in transition, having been placed on the market by its owner. Similarly, the Regal Plaza shopping center, located immediately in front of the SBEC, has just been purchased, and is set to receive several aesthetic upgrades in the coming months and is filling up remaining vacancies with a variety of professional offices, which is expected to boost lunch and dinner crowds at area restaurants. The State's first Costco, a mammoth membership club retailer and major destination point for shoppers, is soon to be constructed (in the Tulsa city limits), directly across the street from this development, which is expected to further stimulate sales at Bixby retailers and restaurants.

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

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

Contacting the City's Financial Management

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

Respectfully submitted,

Betty Koehn
City Treasurer/Finance Director

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2014**

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2014

Statement of Net Position– June 30, 2014

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 13,265,655	\$ 3,815,850	\$ 17,081,505
Investments	6,372,281	6,028,008	12,400,289
Accounts receivable, net of allowance	937,879	1,356,631	2,294,510
Internal balances	(28,081)	28,081	-
Due from other governments	1,311,039	282,202	1,593,241
Capital Assets:			
Land and construction in progress	30,880,069	2,515,529	33,395,598
Other capital assets, net of depreciation	39,307,886	44,174,738	83,482,624
Total Assets	<u>\$ 92,046,728</u>	<u>\$ 58,201,039</u>	<u>\$ 150,247,767</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 1,247,643	\$ 452,766	\$ 1,700,409
Accrued interest payable	60,854	42,976	103,830
Due to bondholders	36,048	-	36,048
Due to other governments	6,094	-	6,094
Long-term liabilities			
Due within one year	2,628,568	1,304,390	3,932,958
Due in more than one year	20,389,182	8,699,687	29,088,869
Total liabilities	<u>\$ 24,368,389</u>	<u>\$ 10,499,819</u>	<u>\$ 34,868,208</u>
NET POSITION			
Net investment in capital assets	51,601,958	37,367,982	88,969,940
Restricted by:			
State statutes	4,246,344	-	4,246,344
Enabling legislation	121,769	-	121,769
Contractual	1,013,145	3,773,090	4,786,235
Unrestricted	10,695,123	6,560,148	17,255,271
Total net position	<u>\$ 67,678,339</u>	<u>\$ 47,701,220</u>	<u>\$ 115,379,559</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, 2014**

Statement of Activities –Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities:							
General Government	\$ 3,376,095	\$ 429,089	\$ -	\$ 878,674	\$ (2,068,332)	\$ -	\$ (2,068,332)
Public Safety	5,698,841	1,217,312	595,385	-	(3,886,144)	-	(3,886,144)
Streets	1,791,447	960,508	214,499	110,891	(505,549)	-	(505,549)
Culture and Recreation	1,176,948	43,327	-	-	(1,133,621)	-	(1,133,621)
Cemetery	162,884	119,150	-	-	(43,734)	-	(43,734)
Economic Development	81,863	-	-	-	(81,863)	-	(81,863)
Interest on Long-term debt	807,283	-	-	-	(807,283)	-	(807,283)
Total governmental activities	<u>13,095,361</u>	<u>2,769,386</u>	<u>809,884</u>	<u>989,565</u>	<u>(8,526,526)</u>	<u>-</u>	<u>(8,526,526)</u>
Business-Type Activities:							
Water	5,354,233	6,646,318	-	189,483	-	1,481,568	1,481,568
Wastewater	1,687,409	2,326,018	-	252,292	-	890,901	890,901
Total business-type activities	<u>7,041,642</u>	<u>8,972,336</u>	<u>-</u>	<u>441,775</u>	<u>-</u>	<u>2,372,469</u>	<u>2,372,469</u>
Total primary government	<u>\$ 20,137,003</u>	<u>\$ 11,741,722</u>	<u>\$ 809,884</u>	<u>\$ 1,431,340</u>	<u>\$ (8,526,526)</u>	<u>\$ 2,372,469</u>	<u>\$ (6,154,057)</u>
General revenues:							
Taxes:							
Property taxes					\$ 2,842,311	\$ -	\$ 2,842,311
Sales and use taxes					10,119,043	-	10,119,043
Franchise taxes and public service taxes					917,443	-	917,443
Hotel/motel taxes					154,864	-	154,864
E911 taxes					170,739	-	170,739
Intergovernmental revenue not restricted to specific programs					152,940	-	152,940
Unrestricted investment earnings					55,423	25,524	80,947
Miscellaneous					468,201	102,214	570,415
Transfers					(213,407)	213,407	-
Total general revenues and transfers					<u>14,667,557</u>	<u>341,145</u>	<u>15,008,702</u>
Change in net position					6,141,031	2,713,614	8,854,645
Net position - beginning (restated)					61,537,308	44,987,606	106,524,914
Net position - ending					<u>\$ 67,678,339</u>	<u>\$ 47,701,220</u>	<u>\$ 115,379,559</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, 2014**

BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2014

Governmental Funds Balance Sheet - June 30, 2014

	<u>General Fund</u>	<u>Citizen's Planned Fund</u>	<u>Stormwater Management Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 2,884,711	\$ 813,221	\$ 2,418,860	\$ 992,725	\$ 10,965,984	\$ 18,075,501
Investments	1,281,966	1,907,029	-	874,979	4,215,336	8,279,310
Receivable from other governments	774,587	282,202	138,133	16,323	381,996	1,593,241
Due from other funds	562	628	-	-	6,704	7,894
Taxes receivable, net	100,411	-	-	-	31,235	131,646
Court fines receivable, net	667,403	-	-	-	-	667,403
Ambulance receivable, net	14,774	-	-	-	-	14,774
Utilities receivable, net	-	-	24,393	-	-	24,393
Other receivables	43,803	-	52,701	3,159	-	99,663
Total assets	<u>\$ 5,768,217</u>	<u>\$ 3,003,080</u>	<u>\$ 2,634,087</u>	<u>\$ 1,887,186</u>	<u>\$ 15,601,255</u>	<u>\$ 28,893,825</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 137,656	\$ -	\$ 795,793	\$ -	\$ 338,721	\$ 1,272,170
Due to other funds	34,298	-	830	-	628	35,756
Due to bondholders	36,048	-	-	-	-	36,048
Payable to other governments	6,094	-	-	-	-	6,094
Other payables	5,599	-	-	-	-	5,599
Total liabilities	<u>219,695</u>	<u>-</u>	<u>796,623</u>	<u>-</u>	<u>339,349</u>	<u>1,355,667</u>
Deferred inflows:						
Deferred revenue	546,757	-	138,133	10,076	2,765	697,731
Fund balances:						
Restricted	-	2,934,901	121,769	1,758,582	6,790,896	11,606,148
Assigned	3,853,217	68,179	1,577,562	118,528	8,468,245	14,085,731
Unassigned	1,148,548	-	-	-	-	1,148,548
Total fund balances	<u>5,001,765</u>	<u>3,003,080</u>	<u>1,699,331</u>	<u>1,877,110</u>	<u>15,259,141</u>	<u>26,840,427</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 5,768,217</u>	<u>\$ 3,003,080</u>	<u>\$ 2,634,087</u>	<u>\$ 1,887,186</u>	<u>\$ 15,601,255</u>	<u>\$ 28,893,825</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, 2014

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Year Ended June 30, 2014

	<u>General Fund</u>	<u>Citizen's Planned Fund</u>	<u>Stormwater Management Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ 2,842,228	\$ -	\$ 2,842,228
Sales and use tax	5,514,431	2,067,912	-	-	2,751,199	10,333,542
Franchise and miscellaneous taxes	917,443	-	-	-	325,603	1,243,046
Intergovernmental	708,608	-	4,016	-	39,287	751,911
Licenses and permits	418,419	-	-	-	-	418,419
Charges for services	498,742	-	960,508	29,571	288,910	1,777,731
Fines & forfeitures	743,638	-	-	-	-	743,638
Investment earnings	8,031	16,259	1,315	3,103	45,212	73,920
Miscellaneous	313,915	-	5,000	-	203,005	521,920
Total revenues	<u>9,123,227</u>	<u>2,084,171</u>	<u>970,839</u>	<u>2,874,902</u>	<u>3,653,216</u>	<u>18,706,355</u>
EXPENDITURES						
Administration	484,288	-	-	-	-	484,288
City attorney	106,317	-	-	-	-	106,317
Municipal court	116,137	-	-	-	-	116,137
Community service	4,584	-	-	-	-	4,584
General government	1,442,927	-	-	41,284	-	1,484,211
Police	2,756,814	-	-	-	-	2,756,814
Fire	2,277,718	-	-	-	-	2,277,718
Emergency Management	36,958	-	-	-	-	36,958
Streets	479,022	-	119,251	-	312,270	910,543
Culture and recreation	17,349	-	-	-	936,051	953,400
Cemetery	127,527	-	-	-	-	127,527
Economic development	-	-	-	-	81,863	81,863
E-911	-	-	-	-	87,392	87,392
Water and sewer	-	-	-	-	16,875	16,875
Capital outlay	11,080	-	1,301,721	-	2,946,926	4,259,727
Debt service:						
Principal	46,644	-	-	3,630,000	89,581	3,766,225
Interest and other charges	6,415	-	-	820,560	7,697	834,672
Total expenditures	<u>7,913,780</u>	<u>-</u>	<u>1,420,972</u>	<u>4,491,844</u>	<u>4,478,655</u>	<u>18,305,251</u>
Excess (deficiency) of revenues over expenditures	<u>1,209,447</u>	<u>2,084,171</u>	<u>(450,133)</u>	<u>(1,616,942)</u>	<u>(825,439)</u>	<u>401,104</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from long-term debt, net	-	-	-	1,331,535	-	1,331,535
Proceeds from capital leases	-	-	-	-	620,000	620,000
Transfers in	731,100	-	1,354,505	167,188	5,124,856	7,377,649
Transfers out	(1,571,000)	(3,415,165)	(100,000)	-	(2,027,723)	(7,113,888)
Total other financing sources and uses	<u>(839,900)</u>	<u>(3,415,165)</u>	<u>1,254,505</u>	<u>1,498,723</u>	<u>3,717,133</u>	<u>2,215,296</u>
Net change in fund balances	369,547	(1,330,994)	804,372	(118,219)	2,891,694	2,616,400
Fund balances - beginning	4,632,218	4,334,074	894,959	1,995,329	12,367,447	24,224,027
Fund balances - ending	<u>\$ 5,001,765</u>	<u>\$ 3,003,080</u>	<u>\$ 1,699,331</u>	<u>\$ 1,877,110</u>	<u>\$ 15,259,141</u>	<u>\$ 26,840,427</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, 2014**

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Total fund balance, governmental funds	\$	26,840,427
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		70,187,955
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Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		697,731
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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		(3,966,090)
Citizen's Planned Fund		(3,003,080)
		<u>(6,969,170)</u>

Some liabilities (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.

Accrued interest payable		(60,854)
Capital lease obligation		(585,850)
General obligation bonds		(21,310,000)
Bond premium		(102,151)
Accrued compensated absences		(1,019,749)
		<u>(23,078,604)</u>

Net Position of Governmental Activities in the Statement of Net Position	\$	<u>67,678,339</u>
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See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2014**

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Net change in fund balances - total governmental funds: \$ 2,616,400

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	4,031,838
Capital assets contributed	878,674
Depreciation expense	<u>(2,595,936)</u>
	<u>2,314,576</u>

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	157,337
----------------------------	---------

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

Water and Sewer Development Fund	(2,045,356)
Citizen's Planned Fund	1,330,994
	<u>(714,362)</u>

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

Principal payments on long-term debt	3,766,225
Proceeds of long-term debt	(1,900,000)
Bond premium	(51,535)
Amortization of bond premium	14,013
	<u>1,828,703</u>

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

Change in accrued interest payable	13,377
Change in accrued compensated absences	(75,000)
	<u>(61,623)</u>

Change in net position of governmental activities	<u>\$ 6,141,031</u>
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See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2014**

BASIC FINANCIAL STATEMENTS - PROPRIETARY FUND

CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2014

Proprietary Fund Statement of Net Position - June 30, 2014

	<u>Bixby Public</u> <u>Works Authority</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,535,475
Investments	136,852
Restricted:	
Cash and cash equivalents	103,629
Due from other funds	36,280
Accounts receivable, net	1,344,558
Other receivables	12,073
Total current assets	3,168,867
Non-current assets:	
Restricted:	
Cash and cash equivalents	138,364
Investments	1,212,663
Capital assets:	
Land and construction in progress	2,515,529
Other capital assets, net of accumulated depreciation	44,174,738
Total non-current assets	48,041,294
Total assets	\$ 51,210,161
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 422,640
Accrued interest payable	42,976
Due to other funds	8,418
Deposits subject to refund	100,904
Compensated absences	24,459
Notes payable	1,179,027
Total current liabilities	1,778,424
Non-current liabilities:	
Compensated absences	97,834
Deposits subject to refund	406,985
Notes payable	8,194,868
Total non-current liabilities	8,699,687
Total liabilities	10,478,111
NET POSITION	
Net investment in capital assets	37,367,982
Restricted for debt service	838,189
Unrestricted	2,525,879
Total net position	\$ 40,732,050

See accompanying notes to the basic financial statements.

CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2014

Proprietary Fund Statement of Revenues, Expenses, and Changes in Net Position - Year Ended June 30, 2014

	<u>Bixby Public Works Authority</u>
REVENUES	
Water	\$ 6,575,739
Sewer	2,176,247
Miscellaneous	48,495
Total operating revenues	8,800,481
OPERATING EXPENSES	
Administration	1,556,119
Water	3,689,005
Wastewater	413,897
Depreciation	1,113,439
Total Operating Expenses	6,772,460
Operating income	2,028,021
NON-OPERATING REVENUES (EXPENSES)	
Interest and investment revenue	7,027
Interest expense	(213,810)
Total non-operating revenue (expenses)	(206,783)
Income before contributions and transfers	1,821,238
Capital contributions	441,775
Transfers in	2,694,600
Transfers out	(2,958,361)
Change in net position	1,999,252
Total net position - beginning (restated)	38,732,798
Total net position - ending	\$ 40,732,050

See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2014**

Reconciliation of Proprietary Fund and Government-Wide Financial Statements:

Total net position, proprietary funds	\$ 40,732,050
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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	3,966,090
Citizen's Planned Fund	3,003,080
	6,969,170

Net Position of Business-type Activities in the Statement of Net Position	\$ 47,701,220
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Change in net position - total proprietary funds:	\$ 1,999,252
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Amounts reported for Business-type Activities in the Statement of Activities are different because:

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

Water and Sewer Development Fund	2,045,356
Citizen's Planned Fund	(1,330,994)
	714,362

Change in net position of business-type activities	\$ 2,713,614
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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, 2014

Proprietary Fund Statement of Cash Flows - Year Ended June 30, 2014

	<u>Bixby Public</u> <u>Works Authority</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 8,557,179
Payments to suppliers	(3,837,389)
Payments to employees	(1,839,182)
Receipts of customer meter deposits	90,505
Refunds of customer meter deposits	(70,899)
Interfund receipts	96,189
Interfund payments	(82,642)
Net cash provided by operating activities	2,913,761
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	2,694,600
Transfers to other funds	(2,958,361)
Net cash provided by (used in) noncapital financing activities	(263,761)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(1,885,396)
Principal paid on debt	(1,149,742)
Interest and fiscal agent fees paid on debt	(208,720)
Net cash provided by (used in) capital and related financing activities	(3,243,858)
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale of investments	(76,906)
Interest and dividends	7,027
Net cash provided by (used in) investing activities	(69,879)
Net increase (decrease) in cash and cash equivalents	(663,737)
Balances - beginning of year	2,441,205
Balances - end of year	\$ 1,777,468
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 1,535,475
Restricted cash and cash equivalents - current	103,629
Restricted cash and cash equivalents - noncurrent	138,364
Total cash and cash equivalents, end of year	\$ 1,777,468

(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, 2014

Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2014, (Continued)

Reconciliation of operating income to net cash provided by

Operating Activities:

Operating income	\$ 2,028,021
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	1,113,439
Change in assets and liabilities:	
Due from other funds	96,189
Due to other funds	(82,642)
Accounts receivable	(260,232)
Due from other governments	18,325
Other receivable	(1,395)
Accounts payable	(15,419)
Accrued salaries payable	-
Deposits subject to refund	19,606
Accrued compensated absences	(2,131)
Net cash provided by operating activities	<u><u>\$ 2,913,761</u></u>

See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2014**

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Footnotes to the Basic Financial Statements:

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

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

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

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

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

Blended Component Unit:

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

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

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

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

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
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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 ¾ cent sales tax restricted for sewer system improvements and debt service.
- Stormwater Management Fund – a capital project fund that accounts for revenues from stormwater fees and expenses for maintenance and capital improvements of the stormwater system.
- Debt Service Fund – a debt service fund that accounts for receipt of ad valorem taxes and used to make debt service payments for general obligation bonds.

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

Special Revenue Funds:

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

Capital Project Funds:

- Cemetery Care Fund – accounts for 12.5% of cemetery revenue restricted by State law for cemetery capital improvements.

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2014**

- Capital Improvement Fund – accounts for ¼ cent sales tax for capital improvements.
- 2011 Bond Fund – accounts for bond proceeds used to finance streets, parks and recreation, and public safety improvements.
- Water and Sewer Development Fund – accounts for revenue from water and sewer development fee and expenses for water and sewer maintenance and improvements.

Debt Service Funds:

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

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

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

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

Proprietary Funds:

The City's proprietary funds include:

Enterprise Fund

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

The proprietary funds are reported on the accrual basis of accounting and economic resources measurement focus. For purposes of the statement of revenues, expenses and changes in fund net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

CITY OF BIXBY, OKLAHOMA
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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.

CITY OF BIXBY, OKLAHOMA
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Receivables

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

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

Capital Assets

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

Government-Wide Statements

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

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

- 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:

**CITY OF BIXBY, OKLAHOMA
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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.

**CITY OF BIXBY, OKLAHOMA
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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, 2014, the City's net assessed valuation of taxable property was \$211,859,499. The taxes levied by the City per \$1,000 of net assessed valuation for the year ended June 30, 2014 was \$13.50.

Operating Revenues and Expenses

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

Expenditures/Expenses

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

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

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

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:

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

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

Government-Wide Financial Statements:

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

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

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, 2014, the reporting entity held the following deposits and investments:

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Primary Government:

Type	Maturities	Rating	Carrying Value
Deposits:			
Demand deposits			\$ 16,856,940
Cash on hand			250
Time deposit	Due within 1 year		12,400,289
			29,257,479
Investments:			
Cavanal Hill Cash MG Fund #0051		Aaa-mf	134,678
Cavanal Hill US Treas-Admin #0002		Aaa-mf	89,637
			224,315
Total deposits and investments			\$ 29,481,794
 Reconciliation to Statement of Net Position:			
Cash and cash equivalents			\$ 17,081,505
Investments			12,400,289
			\$ 29,481,794

See accompanying footnotes to this schedule.

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

The City’s policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 110% of the uninsured deposits and accrued interest thereon. At June 30, 2014, the City was not exposed to custodial credit risk.

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

- 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, 2014, all of the City’s investments in debt securities were rated Aaa-mf by Moody’s.

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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, 2014 are as follows:

	<u>Current</u>	<u>Noncurrent</u>	
	<u>Cash and cash equivalents</u>	<u>Cash and cash equivalents</u>	<u>Investments</u>
Series 2012 Revenue Bond Account	\$ -	\$ 134,657	\$ -
Series 2012 Sinking Fund Account	2	21	-
2009 OWRB DWSRF Construction Account	38,027	-	-
2011 OWRB CWSRF Construction Account	51,610	-	-
BPWA Debt Service CDs	-		708,460
Worker's Comp Escrow	13,990	-	-
Meter deposits	-	3,686	504,203
 Total	 <u>\$ 103,629</u>	 <u>\$ 138,364</u>	 <u>\$ 1,212,663</u>

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.

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	Accounts Receivable	Less: Allowance for Uncollectible Accounts	Net Accounts Receivable
Governmental Activities:			
Franchise taxes	\$ 100,411	\$ -	\$ 100,411
Court fines	1,332,827	(667,403)	665,424
Ambulance fees	60,556	-	60,556
Stormwater	77,094	-	77,094
Other taxes	34,394	-	34,394
Total Governmental Activities	<u>\$ 1,605,282</u>	<u>\$ (667,403)</u>	<u>\$ 937,879</u>
Business-Type Activities:			
Utilities	\$ 1,587,218	\$ (242,660)	\$ 1,344,558
Other receivables	12,073	-	12,073
Total Business-type Activities	<u>\$ 1,599,291</u>	<u>\$ (242,660)</u>	<u>\$ 1,356,631</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, 2014, capital assets balances changed as follows:

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	Restated Balance at July 1, 2013	Additions	Disposals	Balance at June 30, 2014
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 13,654,821	\$ 22,035	\$ -	\$ 13,676,856
Construction in progress	14,218,806	3,191,791	207,384	17,203,213
Total capital assets not being depreciated	<u>27,873,627</u>	<u>3,213,826</u>	<u>207,384</u>	<u>30,880,069</u>
Other capital assets:				
Buildings and improvements	5,343,987	-	-	5,343,987
Infrastructure	54,221,308	468,035	-	54,689,343
Machinery, furniture and equipment	10,116,502	1,436,038	-	11,552,540
Total other capital assets at historical cost	<u>69,681,797</u>	<u>1,904,073</u>	<u>-</u>	<u>71,585,870</u>
Less accumulated depreciation for:				
Buildings and improvements	1,436,035	127,807	-	1,563,842
Infrastructure	21,225,275	1,724,073	-	22,949,348
Machinery, furniture and equipment	7,020,737	744,057	-	7,764,794
Total accumulated depreciation	<u>29,682,047</u>	<u>2,595,937</u>	<u>-</u>	<u>32,277,984</u>
Other capital assets, net	<u>39,999,750</u>	<u>(691,864)</u>	<u>-</u>	<u>39,307,886</u>
Governmental activities capital assets, net	<u>\$ 67,873,377</u>	<u>\$ 2,521,962</u>	<u>\$ 207,384</u>	<u>\$ 70,187,955</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 488,651	\$ -	\$ -	\$ 488,651
Construction in progress	278,863	1,748,015	-	2,026,878
Total capital assets not being depreciated	<u>767,514</u>	<u>1,748,015</u>	<u>-</u>	<u>2,515,529</u>
Other capital assets:				
Buildings and improvements	1,510,553	-	-	1,510,553
Machinery, furniture and equipment	1,943,819	72,561	-	2,016,380
Infrastructure	56,064,078	506,594	-	56,570,672
Total other capital assets at historical cost	<u>59,518,450</u>	<u>579,155</u>	<u>-</u>	<u>60,097,605</u>
Less accumulated depreciation for:				
Buildings and improvements	837,922	53,022	-	890,944
Machinery, furniture and equipment	1,548,989	101,257	-	1,650,246
Infrastructure	12,422,517	959,160	-	13,381,677
Total accumulated depreciation	<u>14,809,428</u>	<u>1,113,439</u>	<u>-</u>	<u>15,922,867</u>
Other capital assets, net	<u>44,709,022</u>	<u>(534,284)</u>	<u>-</u>	<u>44,174,738</u>
Business-type activities capital assets, net	<u>\$ 45,476,536</u>	<u>\$ 1,213,731</u>	<u>\$ -</u>	<u>\$ 46,690,267</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	\$ 1,087,017
Public safety	460,431
Streets	820,266
Culture and recreation	216,470
Cemetery	11,753
	<u>\$ 2,595,937</u>

Business-Type Activities:

Water	\$ 385,218
Wastewater	728,221
	<u>\$1,113,439</u>

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5. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2014, the reporting entity's long-term debt changed as follows:

Type of Debt	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 23,660,000	\$ 1,280,000	\$ 3,630,000	\$ 21,310,000	\$ 2,275,000
Capital lease payable	102,075	620,000	136,225	585,850	149,619
Accrued compensated absences	944,749	75,000	-	1,019,749	203,949
Total Governmental Activities	<u>\$ 24,706,824</u>	<u>\$ 1,975,000</u>	<u>\$ 3,766,225</u>	<u>\$ 22,915,599</u>	<u>\$ 2,628,568</u>
Business-Type Activities:					
Notes Payable	\$ 10,523,637	\$ -	\$ 1,149,742	\$ 9,373,895	\$ 1,179,027
Deposits Subject to Refund	488,283	19,606	-	507,889	100,904
Accrued compensated absences	124,424	-	2,131	122,293	24,459
Total Business-Type Activities	<u>11,136,344</u>	<u>19,606</u>	<u>1,151,873</u>	<u>10,004,077</u>	<u>1,304,390</u>
Total Long-Term Debt	<u>\$ 35,843,168</u>	<u>\$ 1,994,606</u>	<u>\$ 4,918,098</u>	<u>\$ 32,919,676</u>	<u>\$ 3,932,959</u>

Reconciliation to Statement of Net Position:

Governmental Activities:

Due within one year	\$ 2,628,568
Due in more than one year	20,389,182
Less unamortized bond premium	(102,151)
Total Governmental Activities Long-Term Liabilities	<u>\$ 22,915,599</u>

Business-Type Activities:

Due within one year	\$ 1,304,390
Due in more than one year	8,699,687
Total Business-Type Activities Long-Term Liabilities	<u>\$ 10,004,077</u>

Governmental activities long-term debt:

Capital Lease Obligations:

\$620,000 lease obligation for the purchase of improvements to the emergency 911 system, payable in monthly installments of \$10,809 with an annual interest rate of 1.79%, final payment due September 2018. \$ 530,419

\$135,5239 lease obligation for purchase of 2 new mowers, payable in monthly installments of \$2,508 with an annual interest rate of 4.25%, final payment due April 2016. 55,431

Total Capital Leases Payable	<u>\$ 585,850</u>
Current portion	\$ 149,619
Noncurrent portion	436,231
Total Capital Leases Payable	<u>\$ 585,850</u>

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General Obligation Bonds Payable:

\$6,600,000 General Obligation Bonds of 2006, due in annual installments of \$475,000 with an annual interest rate between 3.70% and 5.50%, final payment due June 2021.	\$ 3,325,000
\$7,000,000 General Obligation Bonds of 2007, due in annual installments of \$500,000 with an annual interest rate between 3.65% and 3.95%, final payment due June 2022.	4,000,000
\$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.	4,125,000
\$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.	8,580,000
\$1,280,000 General Obligation Bonds of 2013, refunding General Obligation Bonds of 1999, due in annual installments ranging from \$135,000 to \$235,000 with an annual interest rate between 2.25% and 2.5%, final payment due December 2019.	1,280,000
Total Notes Payable	<u>\$ 21,310,000</u>
Current portion	\$ 2,275,000
Noncurrent portion	<u>19,035,000</u>
Total Notes Payable	<u>\$ 21,310,000</u>

Accrued Compensated Absences:

	Current portion	203,949
	Noncurrent portion	815,800
Total Accrued Compensated Absences		<u>\$ 1,019,749</u>

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Business-type activities long-term debt:

Notes Payable:

2009 DWSRF Note Payable to Oklahoma Water Resources Board dated November 19, 2009, original amount of \$2,160,000 with an annual interest rate of 3.23% due in semi-annual installments of principal and interest beginning March 15, 2011, final installment due September 15, 2030, payable from and secured by utility revenues. \$ 1,155,842

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. 4,535,000

2011 CWSRF Note Payable to Oklahoma Water Resources Board dated June 15, 2011, original amount of \$2,860,000 with an annual interest rate of 2.7% due in semi-annual installments of principal and interest beginning September 15, 2012, final installment due March 15, 2032, payable from and secured by utility revenues. 2,188,405

Revolving Note Payable to Oklahoma Department of Commerce dated June 30, 2001, original amount of \$69,466 due in monthly installments of \$386, final installment due July 2016. 9,648

2011 Series Refunding Note original issue amount of \$2,075,000, dated October 27, 2011, issued by Bixby Public Works Authority, secured by pledged sales tax, and a security interest in the personal property used in conjunction with the water and sewer systems, interest rate of 1.87%, final maturity May 1, 2019. 1,485,000

Total Notes Payable \$ 9,373,895

Current portion \$ 1,179,027

Noncurrent portion 8,194,868

Total Notes Payable \$ 9,373,895

Deposits subject to Refund:

Current portion \$ 100,904

Noncurrent portion 406,985

Total Deposits Subject to Refund \$ 507,889

Accrued Compensated Absences:

Current portion \$ 24,459

Noncurrent portion 97,834

Total Accrued Compensated Absences \$ 122,293

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Debt Service Requirements to Maturity:

<u>Year Ending June 30,</u>	Governmental Activities			
	General		Capital	
	Obligation Bonds		Lease obligations	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 2,275,000	\$ 705,939	\$ 149,619	\$ 10,188
2016	2,375,000	652,773	150,403	6,792
2017	2,370,000	580,995	125,616	4,089
2018	2,365,000	508,063	127,883	1,822
2019	2,360,000	430,010	32,329	97
2020-2024	8,085,000	1,018,268	-	-
2025-2026	1,480,000	90,000	-	-
Totals	<u>\$ 21,310,000</u>	<u>\$ 3,986,048</u>	<u>\$ 585,850</u>	<u>\$ 22,988</u>

<u>Year Ending June 30,</u>	Business-type Activities	
	Notes Payable	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 1,179,026	\$ 179,561
2016	1,198,188	159,701
2017	1,218,728	138,995
2018	1,248,020	118,037
2019	1,262,836	96,619
2020-2024	1,631,249	300,985
2025-2029	1,060,349	161,019
2030-2032	575,499	25,192
Totals	<u>\$ 9,373,895</u>	<u>\$ 1,180,109</u>

Advance Refunding

On November 19, 2013 the City issued \$1,280,000 General Obligation Bonds, Refunding Series 2013 with an interest rate ranging from 2.25% to 2.5% to advance refund \$1,280,000 General Obligation Bonds, 1999 . The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the GO Bonds, 1999, which was paid in full by June 30, 2014.

The City completed the advance refunding to reduce its total debt service payments over the next six years by \$131,771 and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of \$125,486.

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6. Fund Balance and Net Position

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

	General Fund	Major Capital Project Funds		Major Debt Service Fund	Other Governmental Funds	TOTAL
		Citizen's Planned Fund	Stormwater Management Fund	Debt Service Fund		
Fund Balances:						
Restricted for:						
Streets	-	-	-	-	315,357	315,357
Park/street/public safety improvements	-	-	-	-	3,412,004	3,412,004
Debt service	-	-	-	1,758,582	1,515,710	3,274,292
E911	-	-	-	-	153,812	153,812
Fry creek	-	-	-	-	636,879	636,879
Economic development	-	-	-	-	264,327	264,327
Cemetery capital	-	-	-	-	492,807	492,807
Sewer system improvements	-	2,934,901	-	-	-	2,934,901
Stormwater system	-	-	121,769	-	-	121,769
Sub-total Restricted	-	2,934,901	121,769	1,758,582	6,790,896	11,606,148
Assigned to:						
Funds due employees	1,260,000	-	-	-	-	1,260,000
Disaster recovery contingency	950,000	-	-	-	-	950,000
Infrastructure rehabilitation	400,000	-	-	-	-	400,000
Litigation contingency	550,000	-	-	-	-	550,000
Economic development contingency	400,000	-	-	-	-	400,000
Transfers to other funds	100,000	-	-	-	-	100,000
Juvenile court fines	38,000	-	-	-	-	38,000
Rural fire	4,270	-	-	-	-	4,270
Fishing activities	71,497	-	-	-	-	71,497
Cemetery maintenance	78,326	-	-	-	-	78,326
Cemetery beautification	1,124	-	-	-	-	1,124
Streets	-	-	-	-	218,323	218,323
Park/street/public safety improvements	-	-	-	-	122,455	122,455
Debt service	-	-	-	118,528	12,642	131,170
Bentley park	-	-	-	-	700,098	700,098
E911	-	-	-	-	3,335	3,335
Fry creek	-	-	-	-	606,887	606,887
Economic development	-	-	-	-	414,198	414,198
Capital improvements	-	-	-	-	2,424,217	2,424,217
Sewer system improvements	-	68,179	-	-	-	68,179
Stormwater system	-	-	1,577,562	-	-	1,577,562
Water and sewer maintenance	-	-	-	-	3,966,090	3,966,090
Sub-total Assigned	3,853,217	68,179	1,577,562	118,528	8,468,245	14,085,731
Unassigned:	1,148,548	-	-	-	-	1,148,548
TOTAL FUND BALANCES	\$ 5,001,765	\$ 3,003,080	\$ 1,699,331	\$ 1,877,110	\$ 15,259,141	\$ 26,840,427

Enterprise Funds:

Net Position Restricted For Debt Service \$ 838,189

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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	\$ -	\$ 121,769	\$ -	\$ 121,769
Street and Alley Fund	315,357	-	-	315,357
Economic Development	-	-	264,327	264,327
Capital Improvement Fund	-	-	748,818	748,818
Sub-total Capital Projects	<u>315,357</u>	<u>121,769</u>	<u>1,013,145</u>	<u>1,450,271</u>
Debt Service:				
2006 Debt Service Fund	1,515,710	-	-	1,515,710
Debt Service Fund	<u>1,768,658</u>	<u>-</u>	<u>-</u>	<u>1,768,658</u>
Sub-total Debt Service	<u>3,284,368</u>	<u>-</u>	<u>-</u>	<u>3,284,368</u>
Other				
E911 Fund	492,807	-	-	492,807
Cemetery Care Fund	153,812	-	-	153,812
Sub-total Other	<u>646,619</u>	<u>-</u>	<u>-</u>	<u>646,619</u>
Total Governmental Activities	<u>4,246,344</u>	<u>121,769</u>	<u>1,013,145</u>	<u>5,381,258</u>
Business-Type Activities:				
Revenue Bond Trustee Accounts	<u>-</u>	<u>-</u>	<u>3,773,090</u>	<u>3,773,090</u>
TOTAL RESTRICTED NET POSITION	<u><u>\$ 4,246,344</u></u>	<u><u>\$ 121,769</u></u>	<u><u>\$ 4,786,235</u></u>	<u><u>\$ 9,154,348</u></u>

Beginning balances/net position was restated as of July 1, 2013 as follows:

	Government-Wide		Fund Level
	Governmental Activities	Business-type Activities	Bixby Public Works Authority
Beginning net position, as previously reported	\$ 61,498,398	\$ 44,518,857	\$ 38,264,049
Understatement of capital assets	38,910	468,749	468,749
Beginning net position, restated	<u><u>\$ 61,537,308</u></u>	<u><u>\$ 44,987,606</u></u>	<u><u>\$ 38,732,798</u></u>

7. Internal and Interfund Balances and Transfers

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

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Transfers:

Internal transfers between funds and activities for the year ended June 30, 2014 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
Capital Improvement Fund	General Fund	2,100	Grant Revenue
BPWA	General Fund	600,000	Operations
General Fund	Cemetery Maintenance Fund	50,000	Operations
General Fund	Economic Development Fund	296,000	Operations
General Fund	Park Fund	300,000	Operations
General Fund	Stormwater Management Fund	100,000	Operations
General Fund	Capital Improvement Fund	725,000	Operations
General Fund	Street and Alley Fund	100,000	Operations
Capital Improvement Fund	Rural Fire Fund	7,000	Reimburse expenses
Citizen's Planned Fund	BPWA	915,165	Debt service
Park Fund	General Fund	12,000	Debt service
Stormwater Management Fund	Fry Creek Maintenance Fund	100,000	Transfer funding
BPWA	Water and Sewer Development	1,035,000	Transfer funding
BPWA	Stormwater Management Fund	1,254,505	Debt service
Water and Sewer Development	BPWA	1,779,435	Capital expenditures
2002 Bond Fund	Water and Sewer Development	68,856	Debt service
Citizen's Planned Fund	Water and Sewer Development	2,500,000	Transfer funding
2006 Debt Service Fund	Debt Service Fund	167,188	Debt service
Total		<u>\$ 10,072,249</u>	

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Total</u>
Governmental Funds	\$ 7,377,649	\$ (7,113,888)	\$ 263,761
Proprietary Funds	2,694,600	(2,958,361)	(263,761)
	<u>\$ 10,072,249</u>	<u>\$ (10,072,249)</u>	<u>\$ -</u>

Reconciliation to Statement of Activities:

Fund balance	\$ 263,761
Special revenue funds to business-type activity	3,415,165
Sales tax reclass from business-type to governmental	(2,067,912)
	<u>\$ 1,611,014</u>

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Balances:

Interfund receivable and payables at June 30, 2014 were comprised of the following:

Due From	Due To	Amount	Nature of Balance
General Fund	BPWA	\$ 31,831	Correct deposit
General Fund	E911 Fund	2,467	Correct deposit
Stormwater Management Fund	BPWA	268	Correct deposit
Meter Deposit	BPWA	4,181	Meter deposits
Water and Sewer Development	Citizens Planned Fund	628	Correct deposit
Stormwater Management Fund	General Fund	562	Expense reimbursement
BPWA	Park Fund	4,018	Correct deposit
BPWA	Water and Sewer Development Fund	219	Correct deposit
Total		\$ 44,174	

Reconciliation to Fund Financial Statements:

	Due From		Due To		Reconciliation	Net Internal Balances
	\$		\$		BTA - Special Revenue Funds	\$
Governmental Funds	\$	7,894	\$	(35,756)	\$ (628)	\$ (28,490)
Proprietary Funds		36,280		(8,418)	628	28,490
Total	\$	44,174	\$	(44,174)	\$ -	\$ -

8. Pledged Future Revenues

Sales Tax and Utility Net Revenues Pledge - The City has pledged one cent (or 28.6%) of future sales tax revenues and net utility revenues to repay \$5,255,000 of the Promissory Note, Refunding Series 2012 and \$2,075,000 of the Promissory Note, Refunding Series 2011. Proceeds from the notes provided for the refunding of prior debt issuances. The notes are payable from pledged sales tax revenues and net water and sewer utility revenues. These notes are both payable through 2019. The total principal and interest payable for the remainder of the life of these notes is \$6,305,896. Pledged sales taxes received in the current year were \$2,757,216 and net water and sewer utility revenues were \$3,141,460 for total pledged revenues of \$5,898,676. Debt service payments of \$1,104,239 for the current fiscal year were 18.7% of total pledged revenues for these notes.

Utility Net Revenues Pledge - The City has also pledged the net water and sewer utility revenues to repay the following notes payable: \$2,160,000 of 2009 DWSRF and \$2,860,000 of 2011 CWSRF Oklahoma Water Resources Board Notes Payable. Proceeds from the notes provided for the purchase or construction of water and sewer systems. The notes are payable from pledged net water and sewer utility revenues through 2030 and 2032, respectively. The total principal and interest payable for the remainder of the life of these notes is \$4,238,459. Pledged net water and utility revenues in the current fiscal year were \$3,141,460. Debt service payments of \$246,093 for the current fiscal year were 7.8% of total pledged revenues for these notes.

9. Risk Management

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

- General Liability and Physical Property – Covered through participation in Oklahoma Municipal Assurance Group risk entity pool (1)

- Worker's Compensation – Worker's compensation is covered through participation in the Oklahoma Municipal Assurance Group risk entity pool (2)

(1) Liability Protection Plan

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

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

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

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

(2) Worker's Compensation

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

Specific aggregate stop loss coverage is provided by Comp Source.

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

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

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

10. Commitments and Contingencies

Litigation:

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

Federal and State Award Programs:

The City of Bixby participates in various federal or state grant/loan programs from year to year. In 2014, 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 \$3,155,000 during the year.

Construction Commitments:

The following construction contracts were outstanding and payable at June 30, 2014:

<u>Project by Activity</u>	<u>Amount Outstanding</u>
Parks	\$ 14,300
Streets	\$ 915,602
Water and Sewer Projects	\$ 1,223,441
Stormwater	\$ 520,109

DEQ Consent Order:

The City of Bixby is currently under consent order case 13-051 related to the waste water facilities with the Oklahoma Department of Environmental Quality. Timely compliance with the consent order is needed to avoid any fines. The consent order is scheduled for completion by January 1, 2015.

11. Pension Plan Participation

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

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

Firefighters' Plan:

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

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

Police Plan:

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

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

Employees Plan:

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

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

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Summary of Contributions – Cost Sharing Plans:

Oklahoma Firefighter's Pension and Retirement System			Oklahoma Police Pension and Retirement System			Oklahoma Public Employees Retirement System		
Fiscal Year	Required Contribution	Percentage Contributed	Fiscal Year	Required Contribution	Percentage Contributed	Fiscal Year	Required Contribution	Percentage Contributed
2012	\$ 130,366	100%	2012	\$ 130,198	100%	2012	\$ 361,636	100%
2013	\$ 137,263	100%	2013	\$ 129,941	100%	2013	\$ 376,119	100%
2014	\$ 151,045	100%	2014	\$ 144,142	100%	2014	\$ 407,310	100%

The state made on-behalf payments of \$131,795 for the police pension system and \$330,209 for the fire pension during the current fiscal year. These are reported as both intergovernmental revenues and public safety expenses.

OMRF Plans:

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

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

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

In the second plan: The City Manager vests after 3 years from his hire date of May 22, 2010. The budgeted rate was based on contractual terms where the City contributes 4.75% of the City Manager's annual base salary at the conclusion of each year served. The City Manager is permitted to make voluntary after-tax contributions. No such election was made.

For the year ended June 30, 2014, the following amounts related to both defined contribution plans were:

Payroll for covered employees \$ 164,780

Employer (City) contributions \$ 10,659

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REQUIRED SUPPLEMENTARY INFORMATION

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Budgetary Comparison Schedule (Budgetary Basis) – Year Ended June 30, 2014

	General Fund			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 3,201,842	\$ 3,201,842	\$ 4,497,560	\$ 1,295,718
Resources (Inflows):				
Sales and use tax	5,318,732	5,318,732	5,514,431	195,699
Franchise and miscellaneous taxes	819,500	819,500	917,443	97,943
Intergovernmental	197,000	197,000	246,604	49,604
Licenses and permits	300,700	300,700	409,882	109,182
Charges for services	435,876	435,876	457,557	21,681
Fines & forfeitures	662,000	662,000	743,638	81,638
Investment earnings	12,000	12,000	7,798	(4,202)
Miscellaneous	251,000	260,841	313,915	53,074
Transfer in	660,000	660,000	674,100	14,100
Total resources (Inflows)	<u>8,656,808</u>	<u>8,666,649</u>	<u>9,285,368</u>	<u>618,719</u>
Amounts available for appropriation	<u>11,858,650</u>	<u>11,868,491</u>	<u>13,782,928</u>	<u>1,914,437</u>
Charges to Appropriations (Outflows):				
Administration	508,166	524,875	484,288	40,587
Attorney	115,898	119,379	107,137	12,242
Municipal court	119,600	122,904	116,779	6,125
Community service	5,027	5,027	4,584	443
General government	1,663,267	1,646,914	1,443,757	203,157
Police	2,654,974	2,743,085	2,625,284	117,801
Fire	1,956,134	2,037,113	1,949,413	87,700
Emergency Management	37,153	41,153	36,958	4,195
Streets	531,323	537,431	479,306	58,125
Park	55,380	55,380	45,993	9,387
Cemetery	75,493	77,680	71,881	5,799
Transfers out	1,571,000	1,571,000	1,571,000	-
Total Charges to Appropriations	<u>9,293,415</u>	<u>9,481,941</u>	<u>8,936,380</u>	<u>545,561</u>
Fund balances - ending	<u>\$ 2,565,235</u>	<u>\$ 2,386,550</u>	\$ 4,846,548	<u>\$ 2,459,998</u>
Reconciliation to Statement of Revenues, Expenditures, and Change in Fund Balance:				
Rural Fire Account Balance			4,270	
Fishing License Account Balance			71,497	
Cemetery Beautification Account Balance			1,124	
Cemetery Maintenance Account Balance			78,326	
Total General Fund Fund Balance			<u>\$ 5,001,765</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 capital lease proceeds.
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require the approval of the City Manager. All supplemental appropriations require the approval of the City Council. Supplemental appropriations must be filed with the Office of the State Auditor and Inspector.
3. The budgetary basis differs from the modified accrual basis as shown in the schedule below:

	General Fund
Total revenue - budgetary basis	\$ 9,285,368
On-behalf revenue	462,004
Transfers In	(674,100)
Total revenue - GAAP basis	\$ 9,073,272
Total expenditures - budgetary basis	8,936,380
On-behalf expenses	462,004
Transfers Out	(1,571,000)
Total expenses - GAAP basis	\$ 7,827,384

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OTHER SUPPLEMENTARY INFORMATION

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Combining Balance Sheet – General Fund Accounts – June 30, 2014

	<u>General Fund</u>	<u>Rural Fire Account</u>	<u>Fishing License Account</u>	<u>Cemetery Beautification Account</u>	<u>Cemetery Maintenance Account</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ 2,763,846	\$ 4,270	\$ 34,892	\$ 1,124	\$ 80,579	\$ 2,884,711
Investments	1,245,273	-	36,693	-	-	1,281,966
Receivable from other governments	774,587	-	-	-	-	774,587
Due from other funds	562	-	-	-	-	562
Taxes receivable, net	100,411	-	-	-	-	100,411
Court fines receivable, net	667,403	-	-	-	-	667,403
Ambulance receivable, net	14,774	-	-	-	-	14,774
Other receivables	43,803	-	-	-	-	43,803
Total assets	<u>\$ 5,610,659</u>	<u>\$ 4,270</u>	<u>\$ 71,585</u>	<u>\$ 1,124</u>	<u>\$ 80,579</u>	<u>\$ 5,768,217</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 135,315	\$ -	\$ 88	\$ -	\$ 2,253	\$ 137,656
Due to other funds	34,298	-	-	-	-	34,298
Due to bondholders	36,048	-	-	-	-	36,048
Payable to other governments	6,094	-	-	-	-	6,094
Other payables	5,599	-	-	-	-	5,599
Total liabilities	<u>217,354</u>	<u>-</u>	<u>88</u>	<u>-</u>	<u>2,253</u>	<u>219,695</u>
Deferred Inflows:						
Deferred revenue	<u>546,757</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>546,757</u>
Fund balances:						
Assigned	3,698,000	4,270	71,497	1,124	78,326	3,853,217
Unassigned	1,148,548	-	-	-	-	1,148,548
Total fund balances	<u>4,846,548</u>	<u>4,270</u>	<u>71,497</u>	<u>1,124</u>	<u>78,326</u>	<u>5,001,765</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 5,610,659</u>	<u>\$ 4,270</u>	<u>\$ 71,585</u>	<u>\$ 1,124</u>	<u>\$ 80,579</u>	<u>\$ 5,768,217</u>

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2014**

**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund
Accounts – For the Year Ended June 30, 2014**

	<u>General Fund</u>	<u>Rural Fire Account</u>	<u>Fishing License Account</u>	<u>Cemetery Beautification Account</u>	<u>Cemetery Maintenance Account</u>	<u>Total</u>
REVENUES						
Sales and use tax	\$ 5,514,431	\$ -	\$ -	\$ -	\$ -	\$ 5,514,431
Franchise and miscellaneous taxes	917,443	-	-	-	-	917,443
Intergovernmental	708,608	-	-	-	-	708,608
Licenses and permits	409,882	-	8,537	-	-	418,419
Charges for services	457,557	17,375	-	50	23,760	498,742
Fines & forfeitures	743,638	-	-	-	-	743,638
Investment earnings	7,798	9	171	1	52	8,031
Miscellaneous	313,915	-	-	-	-	313,915
Total revenues	<u>9,073,272</u>	<u>17,384</u>	<u>8,708</u>	<u>51</u>	<u>23,812</u>	<u>9,123,227</u>
EXPENDITURES						
Administration	484,288	-	-	-	-	484,288
City attorney	106,317	-	-	-	-	106,317
Municipal court	116,137	-	-	-	-	116,137
Community service	4,584	-	-	-	-	4,584
General government	1,442,927	-	-	-	-	1,442,927
Police	2,756,779	35	-	-	-	2,756,814
Fire	2,277,718	-	-	-	-	2,277,718
Emergency Management	36,958	-	-	-	-	36,958
Streets	479,022	-	-	-	-	479,022
Culture and recreation	15,892	-	1,457	-	-	17,349
Cemetery	71,881	-	-	100	55,546	127,527
Capital Outlay	4,780	-	6,300	-	-	11,080
Debt Service:						
Principal	24,895	21,749	-	-	-	46,644
Interest and other charges	5,206	1,209	-	-	-	6,415
Total Expenditures	<u>7,827,384</u>	<u>22,993</u>	<u>7,757</u>	<u>100</u>	<u>55,546</u>	<u>7,913,780</u>
Excess (deficiency) of revenues over expenditures	<u>1,245,888</u>	<u>(5,609)</u>	<u>951</u>	<u>(49)</u>	<u>(31,734)</u>	<u>1,209,447</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	674,100	7,000	-	-	50,000	731,100
Transfers out	(1,571,000)	-	-	-	-	(1,571,000)
Total other financing sources and uses	<u>(896,900)</u>	<u>7,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>(839,900)</u>
Net change in fund balances	348,988	1,391	951	(49)	18,266	369,547
Fund balances - beginning	4,497,560	2,879	70,546	1,173	60,060	4,632,218
Fund balances - ending	<u>\$ 4,846,548</u>	<u>\$ 4,270</u>	<u>\$ 71,497</u>	<u>\$ 1,124</u>	<u>\$ 78,326</u>	<u>\$ 5,001,765</u>

CITY OF BIXBY, OKLAHOMA
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Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2014

	Special Revenue Funds					Capital Project Funds				Debt Service Fund	Total Governmental Funds
	Park Fund	E911 Fund	Fry Creek	Street &	Economic	Cemetery Care Fund	Capital	2011 Bond	Water & Sewer	2006 Debt Service Fund	
			Maintenance Fund	Alley Fund	Development Fund		Improvements Fund	Fund	Development Fund		
ASSETS											
Cash and cash equivalents	\$ 671,202	\$ 59,003	\$ 377,517	\$ 373,430	\$ 662,371	\$ 159,185	\$ 2,462,965	\$ 1,491,172	\$ 3,996,625	\$ 712,514	\$ 10,965,984
Investments	-	91,267	866,249	155,340	-	333,622	-	2,047,087	-	721,771	4,215,336
Receivable from other governments	94,066	-	-	19,052	-	-	174,811	-	-	94,067	381,996
Due from other funds	4,018	2,467	-	-	-	-	-	-	219	-	6,704
Taxes receivable, net	-	15,080	-	-	16,155	-	-	-	-	-	31,235
Total assets	<u>\$ 769,286</u>	<u>\$ 167,817</u>	<u>\$ 1,243,766</u>	<u>\$ 547,822</u>	<u>\$ 678,526</u>	<u>\$ 492,807</u>	<u>\$ 2,637,776</u>	<u>\$ 3,538,259</u>	<u>\$ 3,996,844</u>	<u>\$ 1,528,352</u>	<u>\$ 15,601,255</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES											
Liabilities:											
Accounts payable	\$ 69,188	\$ 10,670	\$ -	\$ 14,142	\$ 1	\$ -	\$ 210,794	\$ 3,800	\$ 30,126	\$ -	\$ 338,721
Due to other funds	-	-	-	-	-	-	-	-	628	-	628
Total liabilities	<u>69,188</u>	<u>10,670</u>	<u>-</u>	<u>14,142</u>	<u>1</u>	<u>-</u>	<u>210,794</u>	<u>3,800</u>	<u>30,754</u>	<u>-</u>	<u>339,349</u>
Deferred inflows:											
Deferred revenue	-	-	-	-	-	-	2,765	-	-	-	2,765
Fund balances:											
Reserved for:											
Restricted	-	153,812	636,879	315,357	264,327	492,807	-	3,412,004	-	1,515,710	6,790,896
Assigned	700,098	3,335	606,887	218,323	414,198	-	2,424,217	122,455	3,966,090	12,642	8,468,245
Total fund balances	<u>700,098</u>	<u>157,147</u>	<u>1,243,766</u>	<u>533,680</u>	<u>678,525</u>	<u>492,807</u>	<u>2,424,217</u>	<u>3,534,459</u>	<u>3,966,090</u>	<u>1,528,352</u>	<u>15,259,141</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 769,286</u>	<u>\$ 167,817</u>	<u>\$ 1,243,766</u>	<u>\$ 547,822</u>	<u>\$ 678,526</u>	<u>\$ 492,807</u>	<u>\$ 2,637,776</u>	<u>\$ 3,538,259</u>	<u>\$ 3,996,844</u>	<u>\$ 1,528,352</u>	<u>\$ 15,601,255</u>

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, 2014

	Special Revenue Funds					Capital Project Funds				Debt Service Fund	Total-Other Governmental Funds
	Park Fund	E911 Fund	Fry Creek	Street & Alley	Economic	Cemetery Care Fund	Capital	2011 Bond Fund	Water & Sewer	2006 Debt Service Fund	
			Maintenance Fund	Fund	Development Fund		Improvements Fund		Development Fund		
REVENUES											
Sales and use tax	\$ 689,304	\$ -	\$ -	\$ 214,499	\$ -	\$ -	\$ 1,158,092	\$ -	\$ -	\$ 689,304	\$ 2,751,199
Franchise and miscellaneous taxes	-	170,739	-	-	154,864	-	-	-	-	-	325,603
Intergovernmental	10,612	-	-	-	-	2,100	26,575	-	-	-	39,287
Charges for services	32,920	-	-	-	-	35,640	-	-	220,350	-	288,910
Investment earnings	361	493	4,797	1,180	192	2,420	1,821	28,056	2,238	3,654	45,212
Miscellaneous	81,118	-	-	-	55,871	-	12,297	-	53,719	-	203,005
Total revenues	<u>814,315</u>	<u>171,232</u>	<u>4,797</u>	<u>215,679</u>	<u>210,927</u>	<u>40,160</u>	<u>1,198,785</u>	<u>28,056</u>	<u>276,307</u>	<u>692,958</u>	<u>3,653,216</u>
EXPENDITURES											
Streets	-	-	63,065	249,205	-	-	-	-	-	-	312,270
Culture and recreation	936,051	-	-	-	-	-	-	-	-	-	936,051
Economic development	-	-	-	-	81,863	-	-	-	-	-	81,863
E-911	-	87,392	-	-	-	-	-	-	-	-	87,392
Water and sewer	-	-	-	-	-	-	-	-	16,875	-	16,875
Debt Service:											
Principal	-	-	-	-	-	-	89,581	-	-	-	89,581
Interest and other charges	-	-	-	-	-	-	7,697	-	-	-	7,697
Capital Outlay	25,805	2,590	-	-	-	67,656	1,696,370	1,116,008	38,497	-	2,946,926
Total Expenditures	<u>961,856</u>	<u>89,982</u>	<u>63,065</u>	<u>249,205</u>	<u>81,863</u>	<u>67,656</u>	<u>1,793,648</u>	<u>1,116,008</u>	<u>55,372</u>	<u>-</u>	<u>4,478,655</u>
Excess (deficiency) of revenues over expenditures	<u>(147,541)</u>	<u>81,250</u>	<u>(58,268)</u>	<u>(33,526)</u>	<u>129,064</u>	<u>(27,496)</u>	<u>(594,863)</u>	<u>(1,087,952)</u>	<u>220,935</u>	<u>692,958</u>	<u>(825,439)</u>
OTHER FINANCING SOURCES (USES)											
Proceeds from capital leases	-	-	-	-	-	-	620,000	-	-	-	620,000
Transfers in	300,000	-	100,000	100,000	296,000	-	725,000	-	3,603,856	-	5,124,856
Transfers out	(12,000)	(60,000)	-	-	-	-	(9,100)	-	(1,779,435)	(167,188)	(2,027,723)
Total other financing sources and uses	<u>288,000</u>	<u>(60,000)</u>	<u>100,000</u>	<u>100,000</u>	<u>296,000</u>	<u>-</u>	<u>1,335,900</u>	<u>-</u>	<u>1,824,421</u>	<u>(167,188)</u>	<u>3,717,133</u>
Net change in fund balances	140,459	21,250	41,732	66,474	425,064	(27,496)	741,037	(1,087,952)	2,045,356	525,770	2,891,694
Fund balances - beginning	559,639	135,897	1,202,034	467,206	253,461	520,303	1,683,180	4,622,411	1,920,734	1,002,582	12,367,447
Fund balances - ending	<u>\$ 700,098</u>	<u>\$ 157,147</u>	<u>\$ 1,243,766</u>	<u>\$ 533,680</u>	<u>\$ 678,525</u>	<u>\$ 492,807</u>	<u>\$ 2,424,217</u>	<u>\$ 3,534,459</u>	<u>\$ 3,966,090</u>	<u>\$ 1,528,352</u>	<u>\$ 15,259,141</u>

CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

Combining Schedule of Net Position – Enterprise Fund Accounts – June 30, 2014

	<u>BPWA</u>	<u>Meter Deposit Account</u>	<u>DAWES Account</u>	<u>2002 Utility Revenue Bond Construction Account</u>	<u>Total</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,494,259	\$ 33,124	\$ 8,092	\$ -	\$ 1,535,475
Investments	-	136,852	-	-	136,852
Restricted:					
Cash and cash equivalents	103,629	-	-	-	103,629
Due from other funds	36,280	-	-	-	36,280
Accounts Receivable, net	1,344,558	-	-	-	1,344,558
Other receivables	12,073	-	-	-	12,073
Total current assets	<u>2,990,799</u>	<u>169,976</u>	<u>8,092</u>	<u>-</u>	<u>3,168,867</u>
Non-current assets:					
Restricted:					
Cash and cash equivalents	134,678	3,686	-	-	138,364
Investments	708,460	504,203	-	-	1,212,663
Capital Assets:					
Land and construction in progress	2,480,529	-	35,000	-	2,515,529
Other capital assets, net of accumulated depreciation	43,733,709	-	441,029	-	44,174,738
Total non-current assets	<u>47,057,376</u>	<u>507,889</u>	<u>476,029</u>	<u>-</u>	<u>48,041,294</u>
Total assets	<u>50,048,175</u>	<u>677,865</u>	<u>484,121</u>	<u>-</u>	<u>51,210,161</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	422,640	-	-	-	422,640
Accrued interest payable	42,976	-	-	-	42,976
Due to other funds	4,237	4,181	-	-	8,418
Deposits subject to refund	-	100,904	-	-	100,904
Compensated absences	24,459	-	-	-	24,459
Notes payable	1,179,027	-	-	-	1,179,027
Total current liabilities	<u>1,673,339</u>	<u>105,085</u>	<u>-</u>	<u>-</u>	<u>1,778,424</u>
Non-current liabilities:					
Compensated absences	97,834	-	-	-	97,834
Deposits subject to refund	-	406,985	-	-	406,985
Notes payable	8,194,868	-	-	-	8,194,868
Total non-current liabilities	<u>8,292,702</u>	<u>406,985</u>	<u>-</u>	<u>-</u>	<u>8,699,687</u>
Total liabilities	<u>9,966,041</u>	<u>512,070</u>	<u>-</u>	<u>-</u>	<u>10,478,111</u>
NET POSITION					
Net investment in capital assets	36,891,953	-	476,029	-	37,367,982
Restricted for debt service	838,189	-	-	-	838,189
Unrestricted	2,351,992	165,795	8,092	-	2,525,879
Total net position	<u>\$ 40,082,134</u>	<u>\$ 165,795</u>	<u>\$ 484,121</u>	<u>\$ -</u>	<u>\$ 40,732,050</u>

CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

Combining Schedule of Revenues, Expenses, and Changes in Net Position – Enterprise Fund
Accounts – Year Ended June 30, 2014

	<u>BPWA</u>	<u>Meter Deposit</u> <u>Account</u>	<u>DAWES Account</u>	<u>2002 Utility</u> <u>Revenue Bond</u> <u>Construction</u> <u>Account</u>	<u>Total</u>
REVENUES					
Charges for services:					
Water	\$ 6,575,739	\$ -	\$ -	\$ -	\$ 6,575,739
Sewer	2,176,247	-	-	-	2,176,247
Miscellaneous	48,493	2	-	-	48,495
Total operating revenues	<u>8,800,479</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>8,800,481</u>
OPERATING EXPENSES					
Administration	1,554,242	-	1,877	-	1,556,119
Water	3,689,005	-	-	-	3,689,005
Wastewater	413,897	-	-	-	413,897
Depreciation	1,087,763	-	25,676	-	1,113,439
Total operating expenses	<u>6,744,907</u>	<u>-</u>	<u>27,553</u>	<u>-</u>	<u>6,772,460</u>
Operating income (loss)	<u>2,055,572</u>	<u>2</u>	<u>(27,553)</u>	<u>-</u>	<u>2,028,021</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest and investment revenue	7,022	-	5	-	7,027
Interest expense	(213,810)	-	-	-	(213,810)
Total non-operating revenue (expenses)	<u>(206,788)</u>	<u>-</u>	<u>5</u>	<u>-</u>	<u>(206,783)</u>
Income (loss) before contributions and transfers	<u>1,848,784</u>	<u>2</u>	<u>(27,548)</u>	<u>-</u>	<u>1,821,238</u>
Capital contributions	441,775	-	-	-	441,775
Interaccount transfers in	-	-	-	-	-
Interaccount transfers out	-	-	-	-	-
Transfers in	2,694,600	-	-	-	2,694,600
Transfers out	(2,889,505)	-	-	(68,856)	(2,958,361)
Change in net position	2,095,654	2	(27,548)	(68,856)	1,999,252
Total net position - beginning (restated)	<u>37,986,480</u>	<u>165,793</u>	<u>511,669</u>	<u>68,856</u>	<u>38,732,798</u>
Total net position - ending	<u>\$ 40,082,134</u>	<u>\$ 165,795</u>	<u>\$ 484,121</u>	<u>\$ -</u>	<u>\$ 40,732,050</u>

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

Schedule of Debt Service Coverage Requirements – Year Ended June 30, 2014

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

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

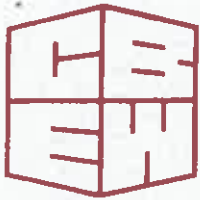
**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

Federal/State Grantor/Pass through agency Grantor/Program Title	Federal CFDA Number	Agency or Grant Number	Program or Award Amount	Federal Expenditures
FEDERAL ASSISTANCE:				
<u>U.S. DEPARTMENT OF JUSTICE:</u>				
Bulletproof Vest Partnership	16.607	BVP	\$ 4,950	\$ 2,425
Bulletproof Vest Partnership	16.607	BVP	4,400	105
Total U.S. Department of Justice			9,350	2,530
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>				
Passed through Oklahoma Department of Emergency Management: Drainage and Detention Pond Project	97.039	FEMA-1823-DR-OK	552,531	110,890
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Passed through Oklahoma Highway Safety Office:				
State and Community Highway Safety	20.600	AL-14-03-01-13	36,120	21,986
State and Community Highway Safety	20.600	PT-14-03-03-13	14,039	9,844
State and Community Highway Safety	20.600	SE-13-03-01-12	30,000	5,905
State and Community Highway Safety	20.600	K8-13-03-03-12	10,000	5,948
State and Community Highway Safety	20.614	CE-12-03-02-11	3,000	0
State and Community Highway Safety	20.614	CE-13-03-03-12	3,000	978
			96,159	44,661
Passed through Oklahoma Department of Transportation:				
TOTAL FEDERAL ASSISTANCE			\$ 658,040	\$ 158,081

State Grantor/Pass Through Agency Grantor/Program Title	Grant #	Award Amount	Awards Expended
STATE AWARDS:			
Oklahoma Department of Emergency Management: State Disaster Debris Removal	ST-1300 #2695	\$86,189	\$86,189
TOTAL STATE AWARDS		\$86,189	\$86,189

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

INTERNAL CONTROL COMPLIANCE INFORMATION



CBEW
Professional
Group, LLP
Certified Public Accountants

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

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

December 17, 2014

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, 2014, 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, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants

**CITY OF BIXBY
Bixby, Oklahoma**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014**

FINDINGS - FINANCIAL STATEMENT AUDIT

1. None

**CITY OF BIXBY
Bixby, Oklahoma**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2014**

There were no prior year audit findings.