

CITY OF BIXBY, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

**THE CITY OF BIXBY,
OKLAHOMA**

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

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

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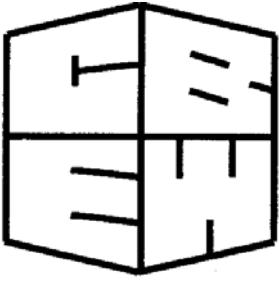
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INDEPENDENT AUDITOR'S REPORT

December 13, 2017

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, 2017, 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, 2017, 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 – 22 and 74 – 78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

Other Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2017, on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and 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, 2017

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, 2017. Please read it in conjunction with the City's financial statements, which follow.

Overview of the Financial Statements

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

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

About the City

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

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

The City's Financial Reporting Entity

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

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

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

Using This Annual Report

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

CITY OF BIXBY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2017

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

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

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

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

CITY OF BIXBY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2017

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, 2017, net position was as follows:

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2017	2016		2017	2016		2017	2016	
Current assets	\$ 32,208	\$ 25,262	27%	\$ 21,333	\$ 17,005	25%	\$ 53,541	\$ 42,267	27%
Capital assets, net	79,614	75,434	6%	53,826	50,770	6%	133,440	126,204	6%
Total assets	<u>111,822</u>	<u>100,696</u>	11%	<u>75,159</u>	<u>67,775</u>	11%	<u>186,981</u>	<u>168,471</u>	11%
Deferred outflows	2,894	1,179	145%	534	183	192%	3,428	1,362	152%
Current liabilities	4,477	3,822	17%	2,155	1,900	13%	6,632	5,722	16%
Non-current liabilities	24,954	20,741	20%	5,802	6,575	-12%	30,756	27,316	13%
Total liabilities	<u>29,431</u>	<u>24,563</u>	20%	<u>7,957</u>	<u>8,475</u>	-6%	<u>37,388</u>	<u>33,038</u>	13%
Deferred inflows	127	679	-81%	51	149	-66%	178	828	-79%
Net position									
Net investment in capital assets	65,861	59,427	11%	48,048	43,774	10%	113,909	103,201	10%
Restricted	3,205	5,812	-45%	908	988	-8%	4,113	6,800	-40%
Unrestricted	16,093	11,394	41%	18,729	14,572	29%	34,822	25,966	34%
Total net position	<u>\$ 85,159</u>	<u>\$ 76,633</u>	11%	<u>\$ 67,685</u>	<u>\$ 59,334</u>	14%	<u>\$ 152,844</u>	<u>\$ 135,967</u>	12%

The above numbers reflect an increase in net position of 11% for governmental activities and an increase of 14% for business type activities. Overall, the net position for both governmental and business-type activities increased 12% over last fiscal year.

Deferred outflows of resources increased by 152% and deferred inflows of resources decreased by 79% due to changes related to the net pension liability in the current year.

For the year ended June 30, 2017, net position of the primary government changed as follows:

CITY OF BIXBY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2017

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2017	2016		2017	2016		2017	2016	
Revenues									
Charges for service	\$ 2,566	\$ 2,607	-2%	\$ 11,252	\$ 10,257	10%	\$ 13,818	\$ 12,864	7%
Operating grants and contributions	998	869	15%	-	-	-	998	869	15%
Capital grants and contributions	5,469	3,749	46%	2,953	1,660	78%	8,422	5,409	56%
Taxes	16,203	15,080	7%	-	-	-	16,203	15,080	7%
Intergovernmental revenue	180	164	10%	-	-	-	180	164	10%
Investment income	68	43	58%	45	29	55%	113	72	57%
Miscellaneous	2,347	615	282%	52	45	16%	2,399	660	263%
Total revenues	27,831	23,127	20%	14,302	11,991	19%	42,133	35,118	20%
Expenses									
General government	5,674	3,298	72%	-	-	-	5,674	3,298	72%
Public safety	7,232	6,223	16%	-	-	-	7,232	6,223	16%
Streets	1,846	1,765	5%	-	-	-	1,846	1,765	5%
Culture, parks and recreation	1,689	1,561	8%	-	-	-	1,689	1,561	8%
Cemetery	148	170	-13%	-	-	-	148	170	-13%
Economic development	114	161	-29%	-	-	-	114	161	-29%
Interest on long-term debt	503	645	-22%	-	-	-	503	645	-22%
Water	-	-	-	6,159	5,533	11%	6,159	5,533	11%
Wastewater	-	-	-	1,891	1,716	10%	1,891	1,716	10%
Total expenses	17,206	13,823	24%	8,050	7,249	11%	25,256	21,072	20%
Excess (deficiency) before transfers	10,625	9,304	14%	6,252	4,742	32%	16,877	14,046	20%
Transfers	(2,099)	(2,015)	-4%	2,099	2,015	4%	-	-	-
Change in net position	8,526	7,289	17%	8,351	6,757	24%	16,877	14,046	20%
Beginning net position	76,633	69,344	11%	59,334	52,577	13%	135,967	121,921	12%
Ending net position	\$ 85,159	\$ 76,633	11%	\$ 67,685	\$ 59,334	14%	\$ 152,844	\$ 135,967	12%

General government expense increased by approximately \$2.2 million, or 68%, primarily due to group insurance claims paid from the internal service fund during FY17, which was the City's first year of being self-insured.

Business-type Activities capital grants and contributions increased approximately \$1.3 million or 78% due to increased contributed capital that was received in FY17 that was not received in FY16. 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, 2017

Governmental Activities

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

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

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

	<u>Total Expense</u>		<u>% Inc.</u> <u>(Dec.)</u>	<u>Net Revenue</u>		<u>% Inc.</u> <u>(Dec.)</u>
	<u>of Services</u>			<u>(Expense)</u>		
	<u>2017</u>	<u>2016</u>		<u>of Services</u>	<u>of Services</u>	
General government	\$ 5,674	\$ 3,298	72%	\$ 106	\$ 963	-89%
Public safety	7,232	6,223	16%	(5,446)	(4,468)	22%
Streets	1,846	1,765	5%	(543)	(746)	-27%
Culture, parks and recreation	1,689	1,561	8%	(1,636)	(1,485)	10%
Cemetery	148	170	-13%	(35)	(56)	-38%
Economic development	114	161	-29%	(114)	(161)	-29%
Interest on long-term debt	503	645	-22%	(503)	(645)	-22%
Total	<u>\$ 17,206</u>	<u>\$ 13,823</u>	24%	<u>\$ (8,171)</u>	<u>\$ (6,598)</u>	24%

General government net revenue decreased by approximately \$721,000, or 75%, due to increased group insurance costs during the first full year of the City being self-insured.

Business-type Activities

The business-type activities had an increase in net position of \$6,756,389.

	<u>Total Expense</u>		<u>% Inc.</u> <u>Dec.</u>	<u>Net Revenue</u>		<u>% Inc.</u> <u>Dec.</u>
	<u>of Services</u>			<u>(Expense)</u>		
	<u>2017</u>	<u>2016</u>		<u>of Services</u>	<u>of Services</u>	
Water	\$ 6,159	\$ 5,533	11%	\$ 2,703	\$ 2,368	14%
Wastewater	1,891	1,717	10%	3,452	2,300	50%
Total	<u>\$ 8,050</u>	<u>\$ 7,250</u>	11%	<u>\$ 6,155</u>	<u>\$ 4,668</u>	32%

Water and wastewater net revenue increased by approximately \$588,000 (25%) and \$1,247,000 (54%), respectively, due to an increase in contributed capital received in FY17.

CITY OF BIXBY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2017

General Fund Budgetary Highlights

For the year ended June 30, 2017, the General Fund reported actual budgetary basis revenues under final estimates by \$195,742 or a 1.8% negative variance. General Fund actual expenditures were under final appropriations by \$295,452 or a 2.7% positive variance.

Capital Asset and Debt Administration

Capital Assets

At the end of June 30, 2017, the City has \$133.4 million invested in capital assets including police and fire equipment, buildings, water and sewer lines, roads, and park facilities, among others.

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 13,686	\$ 13,681	\$ 489	\$ 489	\$ 14,175	\$ 14,170
Buildings and improvements	3,502	3,627	467	514	3,969	4,141
Machinery, furniture and equipment	14,705	15,219	848	688	15,553	15,907
Infrastructure	37,719	35,716	50,055	45,229	87,774	80,945
Construction in progress	10,002	7,190	1,967	3,850	11,969	11,040
Totals	<u>\$ 79,614</u>	<u>\$ 75,433</u>	<u>\$ 53,826</u>	<u>\$ 50,770</u>	<u>\$ 133,440</u>	<u>\$ 126,203</u>

See note 4 for additional details.

Debt Administration

At year-end, the City has \$25.1 million in outstanding notes, bonds, and capital leases, and additionally, the City had \$2 million in accrued compensated absences and utility deposits, an increase of approximately \$902 thousand from the prior year. The increase in long-term debt is attributed to the issuance of the 2016 and 2016B series GO bonds.

	Governmental		Business-Type		Total		Total Percentage Change
	Activities		Activities				
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	
General obligation bonds	\$ 18,885	\$ 16,660	\$ -	\$ -	\$ 18,885	\$ 16,660	13.4%
Capital leases payable	408	703	-	-	408	703	-42.0%
Notes payable	-	-	5,778	6,996	5,778	6,996	-17.4%
Deposits subject to refund	-	-	586	539	586	539	8.7%
Accrued compensated absences	1,249	1,120	163	149	1,412	1,269	11.3%
Totals	<u>\$ 20,542</u>	<u>\$ 18,483</u>	<u>\$ 6,527</u>	<u>\$ 7,684</u>	<u>\$ 27,069</u>	<u>\$ 26,167</u>	3.4%

See note 6 for additional details.

Economic Factors and Next Year's Budget

Budget as Policy

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

Bixby has a long-standing practice of:

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

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

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

Bixby's Biennial Budget

The City of Bixby implemented, effective with the 2015/2017 biennium, and going forward, a conservative budgeting reform known as a "rolling biennial budget". This means, this year, the City Council developed two separate fiscal year budgets (one for FY-18 and one for FY-19) that are each appropriated annually for their respective fiscal year period.

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

A Balanced Budget

The City's biennial budget proposal is balanced, and each fiscal period's respective budget (i.e., FY-18 & FY-19) meets all statutory requirements for proper municipal budgeting.

CITY OF BIXBY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2017

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

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

This disciplined approach to budgeting helps:

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

FY-18 (July 1, 2017 – June 30, 2018), first year of the 2017/2019 Biennium

Revenue Assumptions

Following is an explanation of revenue assumptions on which the approved FY-18 budget is based. First, it takes into account that Bixby's municipal tax rates were changed in January 2017, in accordance with the November 2015 referendum. Should there be any changes made to municipal tax rates by area voters at any time during the biennium, appropriate budget amendments will be presented to the City Council for its consideration at the appropriate time.

We use a two year look-back method to determine revenue projections. Overall, General Fund revenues in FY2015/2016 exceeded the prior year by 2.62 percent. That rate of increase was applied to the FY16 actual revenues to derive the overall budgeted revenues for FY18. Budgeted sales tax revenues for FY-18 were therefore forecast to grow by a rate of 2.74 percent over the FY16 actual revenues. This two year look-back process is considered to be very conservative and adds stability to the budget process.

Sales tax revenue estimates also reflect the Oklahoma Legislature's passage of HB 1875 in FY15, which, effective November 2015, lowers the amount the Oklahoma Tax Commission charges cities and towns for collection of their municipal sales taxes. In our case, this means an additional \$20,000 of ongoing available revenues to the General Fund in FY-16 and thereafter.

During FY17, the new sales tax referendum took effect on January 1st. Because that referendum created a new sales tax allocation specifically to fund new public safety and public works staff positions, the City created a new fund, the Sales Tax Personnel Fund, outside of General Fund, to track the revenues and expenditures related to the referendum.

FY-18 General Fund revenues are budgeted to grow by \$348,354 or 3.83% over FY-17 budget, while General Fund expenses are budgeted to grow by \$482,002 or 5.5%. This large revenue over expenditure is due to the change in the sales tax distribution and delay in hiring new Public Safety personnel in FY18. FY-19 General Fund revenues are forecast to grow by \$208,581 or 2.21%, while General Fund expenses are forecast to grow by \$26,891 or 0.30%, each as compared to the FY-18 budget.

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Bixby Public Works Authority (BPWA) revenues are estimated to grow during each year of the biennium in part due to previously-approved, impending utility rate increases. Specifically, FY-18's budgeted revenues for BPWA reflect the last year of phased-in sewer rate increases, for purposes of funding a new sewer/waste water treatment process, as required by order of the ODEQ. They also reflect a 3.5% proposed increase in the sales price of the city's treated water, effective October 1, 2017, due to action of its water provider, the City of Tulsa, to increase Bixby's purchase price by a similar percentage at that time.

Major Initiatives Provided for by this Budget: PUBLIC SAFETY

Reflecting the public's and City Council's priorities, a large portion of the increased General Fund spending provided for in the FY-18 Budget is devoted to Bixby Police, Fire and Street Departments as detailed below:

- \$161,708 or 70% of the \$231,011 in new General fund spending for 2017/2018 went for Police, Fire, Streets and Emergency services;
- \$62,373 or 27.0% of the \$231,011 in new General Fund spending went to the Fire Department, while \$85,474 or 37.0% went to the Police Department, and \$13,861 or 6.0% went to the Streets Department.
- \$6,738,867 or 73.0% of the \$9.2 million in total General Fund spending approved for FY-18 was budgeted for Police, Fire, Streets and Emergency Services alone;

Other Major Initiatives provided for in this budget:

- Bixby continues to be one of the fastest growing cities in Oklahoma. It is also an affluent community which features some of the most favorable demographics to be found. But as a suburban city statutorily dependent on retail sales taxes for the bulk of our operations funding, and one whose residents primarily shop and dine directly across our city limits boundary in what is urban Tulsa, Bixby faces greater fiscal pressures than most municipalities in our state.
- Fortunately, due to economies of scale, there is not an exact linear relationship between growth in a community's population and the number of additional public employees required to provide that community with needed public services; however, in view of the city's historically limited staffing levels, city leaders are committed to working with the citizenry and budgets to actually grow our manpower in virtually all departments over time, not just get back to where we were in 2009. This budget continues that effort.
- The FY-17 budget significantly boosted the minimum wage paid to City employees (from \$12.00 to \$13.50 per hour), and in general, funds market-appropriate compensation adjustments for each of our employee groups, to aid employee recruitment and retention. The City's underlying goal is to ensure its overall compensation (including wages and benefits) provided its workforce remains both market-competitive and, equally important, is sustainable over time;
- Specifically, most non-uniformed employees were eligible for a 4.0% cost of living increase. A collective bargaining agreement with the city's firefighters union provides firefighters with an overall average wage increase of 4.3% in FY-18. This is the first year of a three year collective bargaining agreement with members of its police union which provides members with an overall

CITY OF BIXBY, OKLAHOMA
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average wage increase of 5.3 % over the three year period.

- Continues on-going efforts to address Bixby's ODEQ-mandated wastewater disposal facilities needs through construction and operation of a modern wastewater treatment plant to replace outdated sewage lagoons currently in use. Oklahoma Water Resources Board approved a \$24,000,000 Promissory Note Loan in September 2017;
- Continues planning for water system improvements to address anticipated storage and distribution needs in South Bixby, including resuming use of Lake Bixhoma as a supplemental source for the community's treated water needs;
- Funds the City's new annual comprehensive (City-wide) street and drainage rehabilitation program, known as CIRP, to preserve Bixby's investment in its road, bridge, and drainage infrastructure. This program -- which is funded from the most recently completed fiscal year's budgetary savings, as available - is an excellent use of such one-time funds, since the program's scope can readily be modified from one year to the next to accommodate funding availability, provided the overall program commitment is continued. The CIRP was created by the City Council to help address Bixby's growing backlog of infrastructure maintenance, which far and away exceeds the very modest level of dedicated funding otherwise available for such purposes. Results of a comprehensive pavement assessment will enable Council in the coming months to prioritize and allocate these and future street improvement funds to address critical needs;
- Uses past budgetary savings to provide matching funds for future pavement overlays in our community, in partnership with Tulsa County, to be undertaken as their road crew becomes available. Though infrequent, this can occur on relatively short notice, and the city must either have dollars set aside or lose out on the opportunity to another metro Tulsa community;
- Accommodates Vision 2025 funding for the City's Haikey Creek Flood Control project, which when completed will bring approximately 900 acres out of the floodplain enabling it to be developed, primarily for residential housing;
- Accommodates Vision 2025 funding for the City's Phase 1 Downtown River Corridor Development Plan;
- Continues funding for intersection widening at 111th and 121st and Mingo. As per state funding requirements, environmental clearances have been obtained and right-of-way acquisitions have been negotiated. Construction will begin pending the Oklahoma Department of Transportation's approval of right-of-way and construction documents;
- Provides funds for a master plan to guide our future improvements at Lake Bixhoma, including the pursuit of federal grants;
- Maintains a restricted, "Disaster Recovery Reserve Fund", the sum of \$1.29 million. Heretofore, these monies, which were accumulated from past budgetary savings over a multiple of years, for the purpose of helping enable the community to recover from a future large-scale natural or man-made disaster, had been accounted for within the Capital Improvement Fund.
- Funds necessary equipment replacement within various departments to ensure employees have the tools necessary to accomplish their mission. This includes Capital Improvement Fund monies

for: continued implementation of the city's comprehensive new Police and Fire radio communications system; new patrol vehicles and miscellaneous police equipment; Fire personal protective gear; equipment for the Parks Department, replacement computers for various departments, the updating of the community's Comprehensive Plan, as required by state statute and to help ensure quality development outcomes in our community, etc., and;

- Funds unavoidable increases in various fixed costs (health insurance, dental, workers compensation, etc...) necessary to retain the City's workforce.
- The City will continue to provide its workforce with high quality health insurance and related employee benefits. Last year, we converted to a self-insured health insurance plan. This program provides employee-guided cost control methods in the self-insured plan which will keep our cost of benefits under control.

While modest specific revenue increases from a proposal by the city's departments were included in the revenue projections, we will be looking at their fees and use charges to improve or develop new appropriate fees or charges to assure our citizen's continued high levels of adequate customer service. The City Council approved a new list of fees and fee increases in April 2017 which are effective July 1, 2017.

Summary of Related Details

- This FY-18 new Sales Tax Personnel Fund budget provides for the first full-year funding to provide eleven new positions of:
 - three Firefighters;
 - four Police Officers;
 - two Public Safety Dispatchers (Communications Officers), and;
 - two Street Department crew member positions

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

- It also provides full-year funding to continue:
 - one Police Officer position, effective January 1, 2016 to help keep pace with demands of our growing population.
- It provides full-year BPWA funding to continue:
 - three water distribution crew members, effective November 1, 2015,

to help ensure water leaks are addressed on a more timely basis, improve response time to customer complaints, and generally keep pace with the growing demands for services arising from our rapidly-expanding infrastructure network and number of water customers.

- It continues funding for the currently vacant position of Economic Development Director, recruitment for which will be made a priority beginning in Fiscal Year 2018/19. In the meantime, these monies are being used to employ a locally-based economic development consulting firm;

- This budget also provides full-year funding to procure public information services for the City and BPWA, at a cost of \$8,000 from the Economic Development Fund, and like amounts from each the General Fund and the BPWA Fund, and;
- This budget provides for a transfer of \$100,000 of past budgetary savings from the General Fund to the Stormwater Fund, in anticipation of expanded mowing requirements in FY-18, when the Haikey Creek Flood Control project comes on-line.

August 2016 General Obligation Bond Election Overwhelmingly Approved by Local Voters

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

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

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

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

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

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

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

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

Economy

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

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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 2017 one of the fastest growing cities in Oklahoma. Bixby is now the 19th largest city in the state, up from 32nd a decade ago, and has a population of 25,000. And while some Tulsa metro area communities are approaching "built-out" status, Bixby has plenty of remaining land within its fence line to accommodate both additional residential growth and significant commercial development, including along the Arkansas River.

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

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

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

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

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Fifty percent of Bixby's citizens hold college degrees. Bixby has the highest median home values in the Tulsa Metro Region (at \$189,200, 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 2015 bond issue won approval to enable the school district to continue to construct and improve its facilities to accommodate the current and forecasted growth in student census.

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

The intersection of 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, Covenant Place, is now open on the SW corner, and new housing additions are being planned which will boost head counts and in turn stimulate future retail business activity in the area. One unique development just approved for this area, near the NW corner of 121st & Memorial, will be a combined housing and retail "village". This development is owned by a church, which will include a new building on the property. Also, we have seen a highly favorable leasing response at a recently-constructed \$20 million Class "A" 248 unit apartment complex (Encore on Memorial) located near the SW corner of 121st & Memorial. Another Class "A" 198 unit apartment complex is being constructed on the SE corner of 121st and Memorial named Residences at Boardwalk. The development has a small lake that will have a boardwalk around it; and, may have shops and restaurants along the boardwalk.

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

Contacting the City's Financial Management

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

Respectfully submitted,

Charles Barnes
City Treasurer/Finance Director

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2017**

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2017

Statement of Net Position– June 30, 2017

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 20,334,507	\$ 13,541,894	\$ 33,876,401
Investments	8,508,034	6,616,220	15,124,254
Accounts receivable, net of allowance	975,928	1,640,488	2,616,416
Internal balances	766,931	(766,931)	-
Due from other governments	1,622,770	301,265	1,924,035
Capital Assets:			
Land and construction in progress	23,687,995	2,455,167	26,143,162
Other capital assets, net of depreciation	55,925,776	51,370,661	107,296,437
Total Assets	<u>\$ 111,821,941</u>	<u>\$ 75,158,764</u>	<u>\$ 186,980,705</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts related to pensions	<u>2,894,494</u>	<u>534,297</u>	<u>3,428,791</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 1,060,631	\$ 727,040	\$ 1,787,671
Accrued interest payable	102,434	31,091	133,525
Due to bondholders	16,447	-	16,447
Due to other governments	4,126	-	4,126
Note payable	396,600	-	396,600
Long-term liabilities			
Due within one year	2,896,691	1,396,706	4,293,397
Due in more than one year	24,954,154	5,802,196	30,756,350
Total liabilities	<u>\$ 29,431,083</u>	<u>\$ 7,957,033</u>	<u>\$ 37,388,116</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred amounts related to pensions	<u>126,637</u>	<u>51,184</u>	<u>177,821</u>
NET POSITION			
Net investment in capital assets	65,860,558	48,047,876	113,908,434
Restricted by:			
State statutes	1,891,042	-	1,891,042
Enabling legislation	5,115	-	5,115
Contractual	1,308,840	907,622	2,216,462
Unrestricted	16,093,160	18,729,346	34,822,506
Total net position	<u>\$ 85,158,715</u>	<u>\$ 67,684,844</u>	<u>\$ 152,843,559</u>

See accompanying notes to the basic financial statements.

CITY OF BIXBY, OKLAHOMA
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Statement of Activities –Year Ended June 30, 2017

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	\$ 5,673,921	\$ 487,564	\$ 123,400	\$ 5,168,649	\$ 105,692	\$ -	\$ 105,692
Public Safety	7,231,708	1,120,668	661,108	3,829	(5,446,103)	-	(5,446,103)
Streets	1,846,479	792,574	213,632	296,974	(543,299)	-	(543,299)
Culture and Recreation	1,688,741	52,706	-	-	(1,636,035)	-	(1,636,035)
Cemetery	148,003	112,625	-	-	(35,378)	-	(35,378)
Economic Development	113,824	-	-	-	(113,824)	-	(113,824)
Interest on Long-term debt	502,990	-	-	-	(502,990)	-	(502,990)
Total governmental activities	<u>17,205,666</u>	<u>2,566,137</u>	<u>998,140</u>	<u>5,469,452</u>	<u>(8,171,937)</u>	<u>-</u>	<u>(8,171,937)</u>
Business-Type Activities:							
Water	6,159,418	8,113,219	-	749,072	-	2,702,873	2,702,873
Wastewater	1,890,558	3,138,480	-	2,204,273	-	3,452,195	3,452,195
Total business-type activities	<u>8,049,976</u>	<u>11,251,699</u>	<u>-</u>	<u>2,953,345</u>	<u>-</u>	<u>6,155,068</u>	<u>6,155,068</u>
Total primary government	<u>\$ 25,255,642</u>	<u>\$ 13,817,836</u>	<u>\$ 998,140</u>	<u>\$ 8,422,797</u>	<u>\$ (8,171,937)</u>	<u>\$ 6,155,068</u>	<u>\$ (2,016,869)</u>
General revenues:							
Taxes:							
Property taxes					\$ 2,740,376	\$ -	\$ 2,740,376
Sales and use taxes					12,179,452	-	12,179,452
Franchise taxes and public service taxes					915,990	-	915,990
Hotel/motel taxes					169,090	-	169,090
E911 taxes					199,220	-	199,220
Intergovernmental revenue not restricted to specific programs					179,691	-	179,691
Unrestricted investment earnings					68,064	44,664	112,728
Miscellaneous					2,344,923	52,311	2,397,234
Transfers					(2,099,073)	2,099,073	-
Total general revenues and transfers					<u>16,697,733</u>	<u>2,196,048</u>	<u>18,893,781</u>
Change in net position					8,525,796	8,351,116	16,876,912
Net position - beginning					76,632,919	59,333,728	135,966,647
Net position - ending					<u>\$ 85,158,715</u>	<u>\$ 67,684,844</u>	<u>\$ 152,843,559</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, 2017**

BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2017

Governmental Funds Balance Sheet - June 30, 2017

	<u>General Fund</u>	<u>Citizen's Planned Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 2,378,553	\$ -	\$ 193,225	\$ 22,663,734	\$ 25,235,512
Investments	1,297,469	1,303,150	882,490	6,328,075	9,811,184
Receivable from other governments	852,550	301,265	15,561	754,659	1,924,035
Due from other funds	796,108	-	198	66,325	862,631
Taxes receivable, net	68,673	-	-	38,396	107,069
Court fines receivable, net	700,693	-	-	-	700,693
Ambulance receivable, net	16,526	-	-	-	16,526
Utilities receivable, net	-	-	-	28,399	28,399
Other receivables	54,654	-	3,813	64,774	123,241
Total assets	<u>\$ 6,165,226</u>	<u>\$ 1,604,415</u>	<u>\$ 1,095,287</u>	<u>\$ 29,944,362</u>	<u>\$ 38,809,290</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 154,103	\$ -	\$ -	\$ 515,148	\$ 669,251
Accrued payroll payable	114,876	-	-	6,143	121,019
Due to other funds	34,147	793,747	-	62,338	890,232
Due to bondholders	17,014	-	-	-	17,014
Payable to other governments	4,126	-	-	-	4,126
Other payables	71,237	-	-	2,700	73,937
Total liabilities	<u>395,503</u>	<u>793,747</u>	<u>-</u>	<u>586,329</u>	<u>1,775,579</u>
Deferred inflows:					
Deferred revenue	<u>623,823</u>	<u>-</u>	<u>7,752</u>	<u>76,235</u>	<u>707,810</u>
Fund balances:					
Restricted	-	-	866,473	8,354,791	9,221,264
Assigned	520,149	810,668	221,062	20,927,007	22,478,886
Unassigned	4,625,751	-	-	-	4,625,751
Total fund balances	<u>5,145,900</u>	<u>810,668</u>	<u>1,087,535</u>	<u>29,281,798</u>	<u>36,325,901</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 6,165,226</u>	<u>\$ 1,604,415</u>	<u>\$ 1,095,287</u>	<u>\$ 29,944,362</u>	<u>\$ 38,809,290</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, 2017

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Year Ended June 30, 2017

	<u>General Fund</u>	<u>Citizen's Planned Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Property taxes	\$ -	\$ -	\$ 2,742,021	\$ -	\$ 2,742,021
Sales and use tax	5,920,111	2,220,041	-	4,252,932	12,393,084
Franchise and miscellaneous taxes	915,990	-	-	368,310	1,284,300
Intergovernmental	896,329	-	-	227,154	1,123,483
Licenses and permits	474,887	-	-	-	474,887
Charges for services	533,153	-	30,330	1,123,738	1,687,221
Fines & forfeitures	595,093	-	-	-	595,093
Investment earnings	12,213	5,777	4,613	68,957	91,560
Miscellaneous	488,679	-	160,611	216,100	865,390
Total revenues	<u>9,836,455</u>	<u>2,225,818</u>	<u>2,937,575</u>	<u>6,257,191</u>	<u>21,257,039</u>
EXPENDITURES					
Administration	419,784	-	-	-	419,784
City attorney	173,727	-	-	-	173,727
Municipal court	119,135	-	-	-	119,135
Community service	4,720	-	-	-	4,720
General government	1,425,282	-	5,824,376	543,216	7,792,874
Police	3,269,594	-	-	190,348	3,459,942
Fire	2,991,196	-	-	-	2,991,196
Emergency Management	19,053	-	-	-	19,053
Streets	528,118	-	-	339,109	867,227
Culture and recreation	6,048	-	-	1,027,084	1,033,132
Cemetery	129,022	-	-	-	129,022
Economic development	-	-	-	113,824	113,824
E-911	-	-	-	88,166	88,166
Water and sewer	220	-	-	-	220
Capital outlay	193,713	-	-	2,476,837	2,670,550
Debt service:					
Principal	-	-	2,315,000	622,366	2,937,366
Interest and other charges	-	-	453,906	17,068	470,974
Total expenditures	<u>9,279,612</u>	<u>-</u>	<u>8,593,282</u>	<u>5,418,018</u>	<u>23,290,912</u>
Excess (deficiency) of revenues over expenditures	<u>556,843</u>	<u>2,225,818</u>	<u>(5,655,707)</u>	<u>839,173</u>	<u>(2,033,873)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from long-term debt	-	-	9,915,000	519,600	10,434,600
Transfers in	1,523,644	1,345,135	-	10,596,807	13,465,586
Transfers out	<u>(1,949,778)</u>	<u>(3,575,673)</u>	<u>(4,727,509)</u>	<u>(9,453,864)</u>	<u>(19,706,824)</u>
Total other financing sources (uses)	<u>(426,134)</u>	<u>(2,230,538)</u>	<u>5,187,491</u>	<u>1,662,543</u>	<u>4,193,362</u>
Net change in fund balances	130,709	(4,720)	(468,216)	2,501,716	2,159,489
Fund balances - beginning	5,015,191	815,388	1,555,751	26,780,082	34,166,412
Fund balances - ending	<u>\$ 5,145,900</u>	<u>\$ 810,668</u>	<u>\$ 1,087,535</u>	<u>\$ 29,281,798</u>	<u>\$ 36,325,901</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, 2017**

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Total fund balance, governmental funds	\$	36,325,901
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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.		79,613,771
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Other long-term assets are not available to pay for current period expenditures and therefore they, along with pension related deferred outflows, are not reported in the funds.		
Deferred revenue		707,810
Pension related deferred outflows		<u>2,894,494</u>
		<u>3,602,304</u>

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		(4,894,728)
Citizen's Planned Fund		<u>(810,668)</u>
		<u>(5,705,396)</u>

Some liabilities (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, Bonds Payable, and net pension liability), are not due and payable in the current period and therefore, they, along with pension related deferred inflows, are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.

Accrued interest payable		(102,434)
Capital lease obligation		(804,466)
General obligation bonds		(18,778,810)
Bond premium		(193,956)
Net pension liability		(7,221,418)
Pension related deferred inflows		(126,637)
Accrued compensated absences		<u>(1,248,795)</u>
		(28,476,516)

Internal service fund net position, classified as governmental activities at the government-wide financial statements.		(201,349)
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Net Position of Governmental Activities in the Statement of Net Position	\$	<u><u>85,158,715</u></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, 2017

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Net change in fund balances - total governmental funds: \$ 2,159,489

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	2,299,878
Capital assets contributed	5,244,122
Depreciation expense	<u>(3,363,777)</u>
	<u>4,180,223</u>

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

120,403

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	150,636
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Certain special revenue funds are used by management to perform business-type activities. The net change in fund balances of these special revenue funds are included in business-type activities in the Statement of Net Position:

Water and Sewer Development Fund	4,529,821
Citizen's Planned Fund	4,720
	<u>4,534,541</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	8,312,366
Proceeds of long-term debt	(10,434,600)
Bond premium	(160,611)
Loss on refunding	127,428
Amortization of bond premium and loss on refunding	19,543
	<u>(2,135,874)</u>

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

(301,349)

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	(52,988)
Change in accrued compensated absences	(129,284)
	<u>(182,272)</u>

Change in net position of governmental activities	<u>\$ 8,525,796</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, 2017**

BASIC FINANCIAL STATEMENTS - PROPRIETARY FUND

CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2017

Proprietary Fund Statement of Net Position - June 30, 2017

	<u>Bixby Public</u> <u>Works Authority</u>	<u>Total Internal</u> <u>Service Funds</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 12,415,115	\$ (365)
Restricted:		
Cash and cash equivalents	110,504	-
Due from other funds	48,028	-
Accounts receivable, net	1,640,488	-
Total current assets	<u>14,214,135</u>	<u>(365)</u>
Non-current assets:		
Restricted:		
Cash and cash equivalents	135,434	-
Investments	1,293,271	-
Capital assets:		
Land and construction in progress	2,455,167	-
Other capital assets, net of accumulated depreciation	51,370,661	-
Total non-current assets	<u>55,254,533</u>	<u>-</u>
Total assets	<u>\$ 69,468,668</u>	<u>\$ (365)</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts related to pensions	<u>534,297</u>	<u>-</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 700,799	\$ 200,984
Accrued payroll payable	21,114	-
Accrued interest payable	31,091	-
Due to other funds	20,427	-
Deposits subject to refund	116,062	-
Compensated absences	32,624	-
Notes payable	1,248,020	-
Total current liabilities	<u>2,170,137</u>	<u>200,984</u>
Non-current liabilities:		
Compensated absences	130,494	-
Deposits subject to refund	470,167	-
Net pension liability	671,603	-
Notes payable	4,529,932	-
Total non-current liabilities	<u>5,802,196</u>	<u>-</u>
Total liabilities	<u>7,972,333</u>	<u>200,984</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts related to pensions	<u>51,184</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	48,047,876	-
Restricted for debt service	907,622	-
Unrestricted (deficit)	13,023,950	(201,349)
Total net position	<u>\$ 61,979,448</u>	<u>\$ (201,349)</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, 2017

Proprietary Fund Statement of Revenues, Expenses, and Changes in Net Position - Year Ended June 30, 2017

	<u>Bixby Public</u> <u>Works Authority</u>	<u>Total Internal</u> <u>Service Funds</u>
REVENUES		
Water	\$ 7,902,199	\$ -
Sewer	2,996,005	-
Miscellaneous	150,932	1,767,189
Total operating revenues	11,049,136	1,767,189
OPERATING EXPENSES		
Administration	1,613,487	-
Water	4,416,174	-
Wastewater	543,886	-
Insurance claims	-	2,068,538
Depreciation	1,317,057	-
Total Operating Expenses	7,890,604	2,068,538
Operating income (loss)	3,158,532	(301,349)
NON-OPERATING REVENUES (EXPENSES)		
Interest and investment revenue	22,597	-
Interest expense	(140,786)	-
Total non-operating revenue (expenses)	(118,189)	-
Income before contributions and transfers	3,040,343	(301,349)
Capital contributions	2,953,345	-
Transfers in	11,752,087	-
Transfers out	(4,860,118)	-
Change in net position	12,885,657	(301,349)
Total net position - beginning	49,093,791	100,000
Total net position - ending	\$ 61,979,448	\$ (201,349)

See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2017**

Reconciliation of Proprietary Fund and Government-Wide Financial Statements:

Total net position, proprietary funds	\$ 61,979,448
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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	4,894,728
Citizen's Planned Fund	810,668
	5,705,396

Net Position of Business-type Activities in the Statement of Net Position	\$ 67,684,844
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Change in net position - total proprietary funds:	\$ 12,885,657
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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	(4,529,821)
Citizen's Planned Fund	(4,720)
	(4,534,541)

Change in net position of business-type activities	\$ 8,351,116
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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, 2017

Proprietary Fund Statement of Cash Flows - Year Ended June 30, 2017

	<u>Bixby Public</u>	<u>Total Internal</u>
	<u>Works Authority</u>	<u>Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 10,812,832	\$ 1,767,189
Payments to suppliers	(4,764,790)	(1,867,554)
Payments to employees	(1,603,450)	-
Receipts of customer meter deposits	144,330	-
Refunds of customer meter deposits	(97,492)	-
Interfund receipts	(2,141)	-
Interfund payments	3,406	-
Net cash provided by (used in) operating activities	4,492,695	(100,365)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	11,752,087	-
Transfers to other funds	(4,860,118)	-
Net cash provided by noncapital financing activities	6,891,969	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(1,419,640)	-
Principal paid on debt	(1,218,342)	-
Interest and fiscal agent fees paid on debt	(144,833)	-
Net cash provided by (used in) capital and related financing activities	(2,782,815)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale (purchase) of investments	(5,508)	-
Interest and dividends	22,597	-
Net cash provided by investing activities	17,089	-
Net increase (decrease) in cash and cash equivalents	8,618,938	(100,365)
Balances - beginning of year	4,042,115	100,000
Balances - end of year	\$ 12,661,053	\$ (365)
Reconciliation to Statement of Net Position:		
Cash and cash equivalents	\$ 12,415,115	\$ (365)
Restricted cash and cash equivalents - current	110,504	-
Restricted cash and cash equivalents - noncurrent	135,434	-
Total cash and cash equivalents, end of year	\$ 12,661,053	\$ (365)

(Continued)

(Continued)

See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2017**

Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2017, (Continued)

	<u>Bixby Public Works Authority</u>	<u>Total Internal Service Funds</u>
Reconciliation of operating income to net cash provided by (used in)		
Operating Activities:		
Operating income (loss)	\$ 3,158,532	\$ (301,349)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	1,317,057	-
Change in assets and liabilities:		
Due from other funds	(2,141)	-
Due to other funds	3,406	-
Accounts receivable	(254,108)	-
Deferred outflows related to pensions	(351,215)	-
Other receivable	17,804	-
Accounts payable	209,502	200,984
Accrued salaries payable	4,648	-
Deposits subject to refund	46,838	-
Deferred inflows related to pensions	(97,776)	-
Net pension liability	426,115	-
Accrued compensated absences	14,033	-
Net cash provided by (used in) operating activities	<u>\$ 4,492,695</u>	<u>\$ (100,365)</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, 2017**

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Footnotes to the Basic Financial Statements:

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

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

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

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

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

Blended Component Unit:

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

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

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

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

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2017**

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

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

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

Governmental Funds:

The City's governmental funds include:

Major Funds:

- General Fund – accounts for all activities not accounted for in other special-purpose funds. The General Fund also includes the Rural Fire, Fishing License, Cemetery Beautification and Cemetery Maintenance accounts.
- Citizen's Planned Fund – a capital project fund that accounts for $\frac{3}{4}$ cent sales tax restricted for sewer system improvements and debt service.
- Debt Service Fund – a debt service fund that accounts for receipt of ad valorem taxes and used to make debt service payments for general obligation bonds.

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

Special Revenue Funds:

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

CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2017

- State Police Asset Forfeiture Fund – accounts for the City’s share of funds from various multi-jurisdictional operations.
- Downtown River Corridor Fund – accounts for the repurposed 0.3 of one cent sales tax to enhance the Arkansas River access and renovate downtown infrastructure.
- Disaster Recovery Fund – accounts for funds set aside to help enable our community to recover from a future large-scale natural or man-made disaster.
- Sales Tax Personnel Fund – accounts for sales tax that is voter restricted to hire additional City personnel in the police, fire and street departments.

Capital Project Funds:

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

Debt Service Funds:

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

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

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

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

Proprietary Funds:

The City’s proprietary funds include:

Enterprise Fund

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

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

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

Internal Service Fund

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

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

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

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

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

Basis of Accounting

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

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

CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2017

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

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

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

Cash and Investments

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

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

Receivables

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

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

Capital Assets

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

Government-Wide Statements

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

CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2017

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

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

Fund Financial Statements

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

Restricted Assets

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

Long-Term Debt

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

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

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

Compensated Absences

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

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

Equity Classifications

Government-Wide and Proprietary Fund Financial Statements:

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

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

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

Governmental Fund Financial Statements:

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

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

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

E. Revenues, Expenditures, and Expenses

Sales Tax

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

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

Property Tax

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

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

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

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

For the year ended June 30, 2017, the City's net assessed valuation of taxable property was \$259,134,297. The taxes levied by the City per \$1,000 of net assessed valuation for the year ended June 30, 2017 was \$13.11.

Operating Revenues and Expenses

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

Expenditures/Expenses

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

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

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

Proprietary Fund - By Operating and Non-Operating

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

F. Internal and Interfund Balances and Activities

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

Fund Financial Statements:

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

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

Government-Wide Financial Statements:

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

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

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

G. Use of Estimates

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

2. Cash, Cash Equivalents, and Investments

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

At June 30, 2017, the reporting entity held the following deposits and investments:

Primary Government:

<u>Type</u>	<u>Maturities</u>	<u>Rating</u>	<u>Fair Value Hierarchy</u>	<u>Carrying Value</u>
Deposits:				
Demand deposits				\$ 30,959,256
Cash on hand				2,692,885
Time deposit	Due within 1 year		N/A	<u>15,124,254</u>
				<u>48,776,395</u>
Investments:				
Cavanal Hill Govt Sec Money Market Inst 0051		Aaa-mf	N/A	135,915
Cavanal Hill US Money MarketTreas-Admin #0002		Aaa-mf	N/A	<u>88,345</u>
				<u>224,260</u>
Total deposits and investments				<u><u>\$ 49,000,655</u></u>
Reconciliation to Statement of Net Position:				
Cash and cash equivalents				\$ 33,876,401
Investments				<u>15,124,254</u>
				<u><u>\$ 49,000,655</u></u>

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

The City’s policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 110% of the uninsured deposits and accrued interest thereon. At June 30, 2017, the City was not exposed to custodial credit risk.

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

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

As noted in the schedule of deposits and investments above at June 30, 2017, all of the City’s investments in debt securities were rated Aaa-mf by Moody’s.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Currently, the City has no investments that require this disclosure.

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

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

Restricted Cash and Investments – The amounts reported as restricted assets of the proprietary fund statement of net position are comprised of amounts restricted for debt service, debt reserve, construction purposes, worker’s compensation escrow and Public Works Authority customer utility deposits. The restricted assets as of June 30, 2017 are as follows:

	Current	Noncurrent	
	Cash and cash equivalents	Cash and cash equivalents	Investments
Series 2012 Revenue Bond Account	\$ -	\$ 135,434	\$ -
Series 2012 Sinking Fund Account	481	-	-
2009 OWRB DWSRF Construction Account	36,725	-	-
2011 OWRB CWSRF Construction Account	51,620	-	-
BPWA Debt Service CDs	-	-	714,453
Worker's Comp Escrow	14,267	-	-
Meter deposits	7,411	-	578,818
Total	<u>\$ 110,504</u>	<u>\$ 135,434</u>	<u>\$ 1,293,271</u>

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3. Accounts and Notes Receivable

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

	Accounts Receivable	Less: Allowance for Uncollectible Accounts	Net Accounts Receivable
Governmental Activities:			
Franchise taxes	\$ 68,673	\$ -	\$ 68,673
Court fines	1,399,425	(700,692)	698,733
Ambulance fees	73,140	-	73,140
Stormwater	93,173	-	93,173
Other taxes	42,209	-	42,209
Total Governmental Activities	<u>\$ 1,676,620</u>	<u>\$ (700,692)</u>	<u>\$ 975,928</u>
Business-Type Activities:			
Utilities	\$ 2,029,985	\$ (389,497)	\$ 1,640,488
Total Business-type Activities	<u>\$ 2,029,985</u>	<u>\$ (389,497)</u>	<u>\$ 1,640,488</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, 2017, capital assets balances changed as follows:

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	Balance at July 1, 2016	Additions	Disposals	Balance at June 30, 2017
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 13,681,106	\$ 5,000	\$ -	\$ 13,686,106
Construction in progress	7,189,841	5,329,464	2,517,416	10,001,889
Total capital assets not being depreciated	<u>20,870,947</u>	<u>5,334,464</u>	<u>2,517,416</u>	<u>23,687,995</u>
Other capital assets:				
Buildings and improvements	5,449,980	-	-	5,449,980
Infrastructure	62,369,062	3,920,053	-	66,289,115
Machinery, furniture and equipment	25,033,950	806,898	273,462	25,567,386
Total other capital assets at historical cost	<u>92,852,992</u>	<u>4,726,951</u>	<u>273,462</u>	<u>97,306,481</u>
Less accumulated depreciation for:				
Buildings and improvements	1,822,570	125,598	-	1,948,168
Infrastructure	26,652,960	1,917,612	-	28,570,572
Machinery, furniture and equipment	9,814,860	1,320,567	273,462	10,861,965
Total accumulated depreciation	<u>38,290,390</u>	<u>3,363,777</u>	<u>273,462</u>	<u>41,380,705</u>
Other capital assets, net	<u>54,562,602</u>	<u>1,363,174</u>	<u>-</u>	<u>55,925,776</u>
Governmental activities capital assets, net	<u>\$ 75,433,549</u>	<u>\$ 6,697,638</u>	<u>\$ 2,517,416</u>	<u>\$ 79,613,771</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 488,651	\$ -	\$ -	\$ 488,651
Construction in progress	3,849,514	1,064,251	2,947,249	1,966,516
Total capital assets not being depreciated	<u>4,338,165</u>	<u>1,064,251</u>	<u>2,947,249</u>	<u>2,455,167</u>
Other capital assets:				
Buildings and improvements	1,510,553	-	-	1,510,553
Machinery, furniture and equipment	2,484,816	321,127	-	2,805,943
Infrastructure	60,571,031	5,934,856	-	66,505,887
Total other capital assets at historical cost	<u>64,566,400</u>	<u>6,255,983</u>	<u>-</u>	<u>70,822,383</u>
Less accumulated depreciation for:				
Buildings and improvements	996,856	46,389	-	1,043,245
Machinery, furniture and equipment	1,796,433	161,483	-	1,957,916
Infrastructure	15,341,375	1,109,185	-	16,450,560
Total accumulated depreciation	<u>18,134,665</u>	<u>1,317,057</u>	<u>-</u>	<u>19,451,722</u>
Other capital assets, net	<u>46,431,735</u>	<u>4,938,926</u>	<u>-</u>	<u>51,370,661</u>
Business-type activities capital assets, net	<u>\$ 50,769,900</u>	<u>\$ 6,003,177</u>	<u>\$ 2,947,249</u>	<u>\$ 53,825,828</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	\$ 1,106,101
Public safety	615,907
Streets	942,427
Culture and recreation	679,378
Cemetery	19,964
	<u>\$ 3,363,777</u>

Business-Type Activities:

Water	\$ 508,281
Wastewater	808,776
	<u>\$ 1,317,057</u>

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5. Short-Term Debt

<u>Type of Debt</u>	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due Within One Year
Governmental Activities:					
Note payable	\$ 204,000	\$ 519,600	\$ (327,000)	\$ 396,600	\$ 396,600
Total Governmental Activities	<u>\$ 204,000</u>	<u>\$ 519,600</u>	<u>\$ (327,000)</u>	<u>\$ 396,600</u>	<u>\$ 396,600</u>

Notes Payable:

BPWA Note original issue amount of \$1,000,000, dated April 14, 2016, issued by Bixby Public Works Authority, secured by certificates of deposit, to be used on the Downtown River Corridor Project, interest rate of 2.10%, final maturity April 14, 2017	\$ 159,450
BPWA Note original issue amount of \$300,000, dated March 17, 2017, issued by Bixby Public Works Authority, secured by certificates of deposit, to be used on various parks projects, interest rate of 2.35%, final maturity March 17, 2018	237,150
Total Short-term Note Payable	<u>\$ 396,600</u>

6. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2017, the reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 16,660,000	\$ 9,915,000	\$ 7,690,000	\$ 18,885,000	\$ 2,345,000
Capital lease payable	703,232	-	295,366	407,866	301,932
Accrued compensated absences	1,119,511	129,284	-	1,248,795	249,759
Total Governmental Activities	<u>\$ 18,482,743</u>	<u>\$ 10,044,284</u>	<u>\$ 7,985,366</u>	<u>\$ 20,541,661</u>	<u>\$ 2,896,691</u>
Business-Type Activities:					
Notes Payable	\$ 6,996,294	\$ -	\$ 1,218,342	\$ 5,777,952	\$ 1,248,020
Deposits Subject to Refund	539,391	46,838	-	586,229	116,062
Accrued compensated absences	149,085	14,033	-	163,118	32,624
Total Business-Type Activities	<u>7,684,770</u>	<u>60,871</u>	<u>1,218,342</u>	<u>6,527,299</u>	<u>1,396,706</u>
Total Long-Term Debt	<u>\$ 26,167,513</u>	<u>\$ 10,105,155</u>	<u>\$ 9,203,708</u>	<u>\$ 27,068,960</u>	<u>\$ 4,293,397</u>

Reconciliation to Statement of Net Position:

Governmental Activities:

Due within one year	\$ 2,896,691
Due in more than one year	24,954,154
Less unamortized bond premium	(193,956)
Plus unamortized loss on refunding	106,190
Net pension liability	(7,221,418)
Total Governmental Activities Long-Term Liabilities	<u>\$ 20,541,661</u>

Business-Type Activities:

Due within one year	\$ 1,396,706
Due in more than one year	5,802,196
Net pension liability	(671,603)
Total Business-Type Activities Long-Term Liabilities	<u>\$ 6,527,299</u>

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Governmental activities long-term debt:

Capital Lease Obligations:

\$620,000 lease obligation for the purchase of improvements to the emergency 911 system, payable in monthly installments of \$10,809 with an annual interest rate of 1.79%, final payment due September 2018.	\$	160,212
\$515,370 lease obligation for purchase of 10 new police cars, payable in monthly installments of \$14,824 with an annual interest rate of 2.25%, final payment due November 2018.		247,654
Total Capital Leases Payable	\$	<u>407,866</u>
	Current portion	\$ 301,932
	Noncurrent portion	105,934
Total Capital Leases Payable	\$	<u>407,866</u>

General Obligation Bonds Payable:

\$5,015,000 General Obligation Refunding Bonds of 2016, used for advance refunding of the 2006 and 2007 bonds, due in annual installments of between \$410,000 and \$955,000 with an annual interest rate of 2.00%, final payment due June 2022.	\$	4,095,000
\$4,900,000 General Obligation Bonds of 2016B, due in annual installments of \$540,000 with an annual interest rate of 1.50%, final payment due December 2026.		4,900,000
\$6,400,000 General Obligation Bonds of 2008, due in annual installments of \$455,000 with an annual interest rate between 3.00% and 4.10%, final payment due June 2023.		2,760,000
\$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.		6,450,000
\$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.		680,000
Total Notes Payable	\$	<u>18,885,000</u>
	Current portion	\$ 2,345,000
	Noncurrent portion	16,540,000
Total Notes Payable	\$	<u>18,885,000</u>

Accrued Compensated Absences:

		Current portion	249,759
		Noncurrent portion	999,036
Total Accrued Compensated Absences	\$		<u>1,248,795</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.	\$	989,052
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.		2,280,000
2011 CWSRF Note Payable to Oklahoma Water Resources Board dated June 15, 2011, original amount of \$2,860,000 with an annual interest rate of 2.7% due in semi-annual installments of principal and interest beginning September 15, 2012, final installment due March 15, 2032, payable from and secured by utility revenues.		1,893,900
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.		615,000
Total Notes Payable	\$	<u>5,777,952</u>
	Current portion	\$ 1,248,020
	Noncurrent portion	<u>4,529,932</u>
	Total Notes Payable	<u>\$ 5,777,952</u>

Deposits subject to Refund:

	Current portion	\$ 116,062
	Noncurrent portion	470,167
	Total Deposits Subject to Refund	<u>\$ 586,229</u>

Accrued Compensated Absences:

	Current portion	\$ 32,624
	Noncurrent portion	130,494
	Total Accrued Compensated Absences	<u>\$ 163,118</u>

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Debt Service Requirements to Maturity:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>			
	<u>General</u>		<u>Capital</u>	
	<u>Obligation Bonds</u>		<u>Lease obligations</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 2,345,000	\$ 521,279	\$ 301,932	\$ 5,665
2019	2,860,000	423,239	105,934	991
2020	2,850,000	352,971	-	-
2021	2,590,000	285,725	-	-
2022	2,115,000	221,463	-	-
2023-2027	6,125,000	411,222	-	-
Totals	<u>\$ 18,885,000</u>	<u>\$ 2,215,899</u>	<u>\$ 407,866</u>	<u>\$ 6,656</u>

<u>Year Ending June 30,</u>	<u>Business-type Activities</u>	
	<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 1,248,020	\$ 118,037
2019	1,262,836	96,619
2020	887,599	74,261
2021	177,899	64,184
2022	183,159	59,258
2023-2027	1,000,200	217,291
2028-2032	1,018,239	72,202
Totals	<u>\$ 5,777,952</u>	<u>\$ 701,852</u>

Advanced Refunding:

On July 20, 2016, the City issued \$5,015,000 General Obligation Refunding Series 2016, with annual interest rate of 2.0% to refund \$2,375,000 of the 2006 and \$3,000,000 of the 2007 Series General Obligation Bonds. The proceeds were placed in escrow to pay the principal and interest at the next redemption date. As a result, the 2006 and 2007 Series Bonds are considered to be paid in full and the liability for those bonds has been removed from the Statement of Net Position.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$127,428. The City completed the advance refunding to reduce its total debt service payments over the next 5 years by \$257,360.

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7. Fund Balance and Net Position

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

	Major Capital Project Funds		Major Debt Service Fund	Other Governmental Funds	TOTAL
	General Fund	Citizen's Planned Fund	Debt Service Fund		
Fund Balances:					
Restricted for:					
Streets	\$ -	\$ -	\$ -	\$ 166,810	\$ 166,810
Park/street/public safety improvements	-	-	-	6,024,019	6,024,019
Debt service	-	-	866,473	-	866,473
Personnel	-	-	-	225,961	225,961
Bentley park	-	-	-	70,154	70,154
E911	-	-	-	250,793	250,793
Public safety	-	-	-	18,328	18,328
Fry creek	-	-	-	429,500	429,500
Economic development	-	-	-	426,305	426,305
Cemetery capital	-	-	-	580,886	580,886
Downtown river corridor	-	-	-	156,920	156,920
Stormwater system	-	-	-	5,115	5,115
Sub-total Restricted	-	-	866,473	8,354,791	9,221,264
Assigned to:					
Subsequent year budget	284,310	-	-	-	284,310
Downtown river corridor	-	-	-	2,491,608	2,491,608
Disaster recovery	-	-	-	1,136,678	1,136,678
Rural fire	21,404	-	-	-	21,404
Fishing activities	71,126	-	-	-	71,126
Cemetery maintenance	142,281	-	-	-	142,281
Cemetery beautification	1,028	-	-	-	1,028
Streets	-	-	-	2,380,924	2,380,924
Park/street/public safety improvements	-	-	-	300,104	300,104
Debt service	-	-	221,062	204	221,266
Public safety	-	-	-	29,551	29,551
Bentley park	-	-	-	1,392,765	1,392,765
E911	-	-	-	4,722	4,722
Fry creek	-	-	-	1,122,547	1,122,547
Economic development	-	-	-	819,553	819,553
Capital improvements	-	-	-	4,266,406	4,266,406
Sewer system improvements	-	810,668	-	-	810,668
Stormwater system	-	-	-	2,087,217	2,087,217
Water and sewer maintenance	-	-	-	4,894,728	4,894,728
Sub-total Assigned	520,149	810,668	221,062	20,927,007	22,478,886
Unassigned:	4,625,751	-	-	-	4,625,751
TOTAL FUND BALANCES	\$ 5,145,900	\$ 810,668	\$ 1,087,535	\$ 29,281,798	\$ 36,325,901

Enterprise Funds:

Net Position Restricted For Debt Service \$ 907,622

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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	\$ -	\$ 5,115	\$ -	\$ 5,115
Street and Alley Fund	166,810	-	-	166,810
Fry Creek Fund	-	-	429,500	429,500
Economic Development	-	-	426,305	426,305
Sub-total Capital Projects	<u>166,810</u>	<u>5,115</u>	<u>855,805</u>	<u>1,027,730</u>
Debt Service:				
2006 Debt Service Fund	7,752	-	-	7,752
Debt Service Fund	866,473	-	-	866,473
Sub-total Debt Service	<u>874,225</u>	<u>-</u>	<u>-</u>	<u>874,225</u>
Other				
Cemetery Care Fund	580,886	-	-	580,886
State Forfeiture Fund	18,328	-	-	18,328
Downtown River Corridor Fund	-	-	156,920	156,920
Parks Fund	-	-	70,154	70,154
Sales Tax Personnel Fund	-	-	225,961	225,961
Federal Forfeiture Fund	-	-	-	-
E911 Fund	250,793	-	-	250,793
Sub-total Other	<u>850,007</u>	<u>-</u>	<u>453,035</u>	<u>1,303,042</u>
Total Governmental Activities	<u>1,891,042</u>	<u>5,115</u>	<u>1,308,840</u>	<u>3,204,997</u>
Business-Type Activities:				
Revenue Bond Trustee Accounts	-	-	907,622	907,622
TOTAL RESTRICTED NET POSITION	<u>\$ 1,891,042</u>	<u>\$ 5,115</u>	<u>\$ 2,216,462</u>	<u>\$ 4,112,619</u>

8. Internal and Interfund Balances and Transfers

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

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Transfers:

Internal transfers between funds and activities for the year ended June 30, 2017 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
E911	General Fund	\$ 60,000	Operations
BPWA	General Fund	300,000	Debt service savings
BPWA	General Fund	1,106,644	Operations
General Fund	BPWA	1,106,644	Sales tax transfer
2006 Debt Service Fund	Downtown River Corridor Fund	2,534,750	Debt service
Park Fund	Capital Improvement Fund	108,548	Reimbursement
General Fund	Stormwater Management Fund	200,000	Operations
General Fund	Cemetery Maintenance Fund	50,000	Operations
General Fund	Street and Alley Fund	482,899	Operations
Park Fund	Capital Improvement Fund	110,235	Operations
Capital Improvement Fund	Street and Alley Fund	300,000	Operations
Capital Improvement Fund	Rural Fire Fund	7,000	Operations
Capital Improvement Fund	BPWA	1,032,866	Return unused funds
Citizen's Planned Fund	BPWA	2,213,284	Debt service
Citizen's Planned Fund	BPWA	1,362,389	Transfer funding
Stormwater Management Fund	BPWA	254,505	Transfer funding
Stormwater Management Fund	Fry Creek Maintenance Fund	100,000	Transfer funding
BPWA	Capital Improvement Fund	1,032,866	Sales tax transfer
BPWA	Citizen's Planned Fund	1,345,135	Return unused funds
BPWA	Water and Sewer Development	1,000,000	Transfer funding
Water and Sewer Development	BPWA	726,204	Capital assets
Water and Sewer Development	BPWA	5,056,195	Transfer funding
Debt Service Fund	2016 Debt Service Fund	4,727,509	Debt service
Total		<u>\$ 25,217,673</u>	

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Total</u>
Governmental Funds	\$ 13,465,586	\$ (19,706,824)	\$ (6,241,238)
Proprietary Funds	11,752,087	(4,860,118)	6,891,969
	<u>\$ 25,217,673</u>	<u>\$ (24,566,942)</u>	<u>\$ 650,731</u>

Reconciliation to Statement of Activities:

Fund balance	\$ (6,891,969)
Contributed capital capital assets	726,204
Capital project funds to business-type activity	6,286,733
Sales tax reclass from business-type to governmental	(2,220,041)
	<u>\$ (2,099,073)</u>

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Balances:

Interfund receivable and payables at June 30, 2017 were comprised of the following:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
General Fund	BPWA	\$ 31,571	Correct deposit
General Fund	Downtown River Corridor Fund	12	Correct deposit
General Fund	Debt Service Fund	198	Correct deposit
General Fund	E911 Fund	2,366	Correct deposit
Sales Tax Personnel Fund	Downtown River Corridor Fund	59,709	Correct deposit
Meter Deposit	BPWA	16,190	Meter deposits
Street & Alley Fund	General Fund	795	Correct deposit
Water and Sewer Development Fund	General Fund	1,004	Correct deposit
Stormwater Management Fund	General Fund	562	Correct deposit
BPWA	Park Fund	4,018	Correct deposit
BPWA	Water and Sewer Development Fund	219	Correct deposit
Stormwater Management Fund	BPWA	268	Split deposit
Citizen's Planned Fund	General Fund	793,747	Negative cash
Total		<u>\$ 910,659</u>	

Reconciliation to Fund Financial Statements:

	<u>Due From</u>	<u>Due To</u>	<u>Reconciliation</u>	<u>Net Internal Balances</u>
			<u>BTA - Capital Project Funds</u>	
Governmental Funds	\$ 862,631	\$ (890,232)	\$ 794,532	\$ 766,931
Proprietary Funds	48,028	(20,427)	(794,532)	(766,931)
Total	<u>\$ 910,659</u>	<u>\$ (910,659)</u>	<u>\$ -</u>	<u>\$ -</u>

9. Pledged Future Revenues

Sales Tax and Utility Net Revenues Pledge - The City has pledged one cent (or 28.6%) of future sales tax revenues and net utility revenues to repay \$5,255,000 of the Promissory Note, Refunding Series 2012 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 payable through 2019 and 2020. The total principal and interest payable for the remainder of the life of these notes is \$2,963,035. Pledged sales taxes received in the current year were \$2,960,056 and net water and sewer utility revenues were \$4,823,858 for total pledged revenues of \$7,783,914. Debt service payments of \$1,116,451 for the current fiscal year were 14.3% of total pledged revenues for these notes.

Utility Net Revenues Pledge - The City has also pledged the net water and sewer utility revenues to repay the following notes payable: \$2,160,000 of 2009 DWSRF and \$2,860,000 of 2011 CWSRF Oklahoma Water Resources Board Notes Payable. Proceeds from the notes provided for the purchase or construction of water and sewer systems. The notes are payable from pledged net water and sewer utility revenues through 2030 and 2032, respectively. The total principal and interest payable for the remainder of the life of these notes is \$3,516,769. Pledged net water and utility revenues in the current fiscal year were \$4,823,858. Debt service payments of \$243,226 for the current fiscal year were 5.0% of total pledged revenues for these notes.

10. Risk Management

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

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- 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.

11. Commitments and Contingencies

Litigation:

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

Federal and State Award Programs:

The City of Bixby participates in various federal or state grant/loan programs from year to year. In 2017, 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 \$3,439,000 during the year.

Construction Commitments:

The following construction contracts were outstanding and payable at June 30, 2017:

<u>Project by Activity</u>	<u>Amount Outstanding</u>
Parks	\$ 157,750
Streets	\$ 360,287
Water and Sewer Projects	\$ 1,574,976
Downtown River Corridor	\$ 493,909
Stormwater	\$ 311,588

DEQ Consent Order:

The City of Bixby is currently under Consent Order 13-051 and an Addendum A from the Oklahoma Department of Environmental Quality that is related to its wastewater treatment facilities. Timely compliance with the Consent Order is needed to avoid any fines. The City continues to address the ODEQ-mandated wastewater disposal facilities needs through

construction and operation of a modern wastewater treatment plant to replace outdated sewage lagoons currently in use. The City has saved nearly \$7,000,000 toward this project and will finance the remainder through OWRB resources. A new loan was approved by OWRB on September 28, 2017.

Subsequent Events:

In September 2017, the City approved the issuance of \$24,000,000 Bixby Public Works Authority Series 2017 Clean Water SRF Promissory Note with Oklahoma Water Resources Board to correct wastewater treatment issues addressed by the aforementioned DEQ consent order.

12. Pension Plan Participation

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

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

Oklahoma Firefighters’ Pension and Retirement System:

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

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

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

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

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as opposed to 30 months. For volunteer firefighters, the not-in-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-line-of-duty pension is \$150.60 with less than 20 years of service, or \$7.53 per year of service, with a maximum of 30 years.

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

Contributions - The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% percent of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$187,014. The State of Oklahoma also made on-behalf contributions to FPRS in the amount of \$509,403 during the year and this is reported as both a revenue and an expenditure in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$441,655. These on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the City reported a net pension liability of \$5,843,964 for its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2016. Based upon this information, the City's proportion was 0.478342%.

For the year ended June 30, 2017, the City recognized pension expense of \$740,688. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 156,661	\$ -
Net difference between projected and actual earnings on pension plan investments	357,561	-
Changes in proportion and differences between City contributions and proportionate share of contributions	638,555	-
City contributions during measurement date	2,119	311
City contributions subsequent to the measurement date	207,315	-
Total	<u>\$ 1,362,211</u>	<u>\$ 311</u>

\$207,315 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Year ended June 30:		
2018	\$	182,575
2019		182,575
2020		368,727
2021		309,980
2022		93,419
Thereafter		17,309
	<u>\$</u>	<u>1,154,585</u>

Actuarial Assumptions- The total pension liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all prior periods included in the measurement:

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

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

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2007, to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	20%	5.18%
Domestic equity	47%	8.70%
International equity	15%	10.87%
Real estate	10%	7.23%
Other assets	8%	6.24%

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

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

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net pension liability	\$ 7,397,991	\$ 5,843,964	\$ 4,541,073

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

Oklahoma Police Pension and Retirement System:

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

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

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

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

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

Contributions - The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% percent of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City were \$160,509. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$152,757 during the calendar year and this is reported as both a revenue and an expenditure in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$150,153. These on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the City reported a liability of \$640,261 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2016. Based upon this information, the City's proportion was 0.418%.

For the year ended June 30, 2017, the City recognized pension expense of \$231,848. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,054	\$ 71,920
Net difference between projected and actual earnings on pension plan investments	615,181	-
Changes in proportion and differences between City contributions and proportionate share of contributions	9,170	2,071
City contributions during measurement date	2,515	485
City contributions subsequent to the measurement date	173,546	-
Total	<u>\$ 802,466</u>	<u>\$ 74,476</u>

\$173,546 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Year ended June 30:	
2018	\$ 91,694
2019	91,694
2020	217,609
2021	153,519
2022	(72)
	\$ 554,444

Actuarial Assumptions-The total pension liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%	
Salary increases:	4.5% to 17% average, including inflation	
Investment rate of return:	7.5% net of pension plan investment expense	
Cost of living adjustments:	Police officers eligible to receive increased benefits according to repealed Section 50-120 of Title 11 of the Oklahoma Statutes pursuant to a court order receive an adjustment of 1/3 to 1/2 of the increase or decrease of any adjustment to the base salary of a regular police officer, based on an increase in base salary.	
Mortality rates:	Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA.	
	Active employees (post-retirement) and nondisabled pensioners: RP-2000 Blue Collar Healthy Combined table with fully generational improvement using scale AA.	
	Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward 4 years with fully generational improvement using Scale AA.	

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2007, to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the following table:

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<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	3.27%
Domestic equity	5.16%
International equity	8.61%
Real estate	4.97%
Private Equity	8.32%
Commodities	2.42%

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

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

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net pension liability (asset)	\$ 1,679,835	\$ 640,261	\$ (237,501)

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

Oklahoma Public Employees Retirement System:

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

Benefits provided - OPERS provides retirement, disability, and death benefits to members of the plan.

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

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

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

Benefits are calculated for each member category as follows:

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

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

Upon the death of an active member, the accumulated contributions of the member are paid to the member's named beneficiary(ies) in a single lump sum payment. If a retired member elected a joint annuitant survivor option or an active member was eligible to retire with either reduced or unreduced

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benefits or eligible to vest the retirement benefit at the time of death, benefits can be paid in monthly payments over the life of the spouse if the spouse so elects.

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

Contributions - The contribution rates for each member category of the Plan are established by the Oklahoma Legislature after recommendation by the Board based on an actuarial calculation, which is performed to determine the adequacy of such contribution rates. Employees are required to contribute 3.5% percent of their annual pay. Participating entities are required to contribute 16.5% of the employees' annual pay. Contributions to the pension plan from the City were \$420,869.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the City reported a liability of \$1,408,795 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2016. Based upon this information, the City's proportion was .001419825%.

For the year ended June 30, 2017, the City recognized pension expense of \$280,067. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 61,908
Changes of assumptions	225,224	-
Net difference between projected and actual earnings on pension plan investments	589,477	-
Changes in proportion and differences between City contributions and proportionate share of contributions	8,247	23,733
City contributions during measurement period	17,953	17,393
City contributions subsequent to the measurement date	423,213	-
Total	\$ 1,264,114	\$ 103,034

\$423,213 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Year ended June 30:		
2018	\$	133,886
2019		138,314
2020		288,473
2021		177,194
		737,867

Actuarial Assumptions- The total pension liability as of June 30, 2016, was determined based on an actuarial valuation prepared as of July 1, 2016, using the following actuarial assumptions:

- Investment return – 7.25% compounded annually net of investment expense and including inflation
- Salary increases – 4.5% to 8.4% per year including inflation
- Mortality rates – Active participants and nondisabled pensioners – RP-2000 Mortality Table projected to 2010 by Scale AA (disabled pensioners set forward 15 years)
- No annual post-retirement benefit increases
- Assumed inflation rate – 3.0%
- Payroll growth – 4.0% per year
- Actuarial cost method – Entry age
- Select period for the termination of employment assumptions – 10 years

The actuarial assumptions used in the July 1, 2016, valuation are based on the results of the most recent actuarial experience study, which cover the three-year period ending June 30, 2013. The experience study report is dated May 9, 2014.

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

The Target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2016, are summarized in the following table:

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

Discount Rate- The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employers will be made at the current contribution rate as set out in state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determined does not use a municipal bond rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate-The following presents the net pension liability of the employers calculated using the discount rate of 7.25%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Employers' net pension liability	\$ 2,883,868	\$ 1,408,795	\$ 156,582

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

13. Tax Abatements

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

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

Due to the confidentiality laws in Oklahoma Statutes, Title 68, Section 1354.11, the amount of sales taxes rebated will not be disclosed. The following businesses had rebate agreements with the City as of June 30, 2017:

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A grocery retailer received rebated sales taxes during 2017. This sales tax rebate period is for five years from the sales tax commencement date (the date the City first receives sales tax) or when the rebated sales tax reaches \$500,000, whichever comes first. The agreement must be renewed for the City Council annually to ensure a continuing public benefit. This agreement was entered into July 2012 with the first rebate being paid in June 2013; therefore the agreement will terminate no later than June 2018.

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

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

A retailer received rebated sales taxes during 2017. This sales tax rebate period is for five years from the sales tax commencement date (the date the City first receives sales tax) or when the rebated sales tax reaches \$500,000, whichever comes first. The agreement must be renewed for the City Council annually to ensure a continuing public benefit. This agreement was entered into February 2013 with the first rebate being paid in June 2013; therefore the agreement will terminate no later than June 2018.

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

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF BIXBY, OKLAHOMA
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Budgetary Comparison Schedule (Budgetary Basis) – Year Ended June 30, 2017

	General Fund			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 4,522,321	\$ 4,522,321	\$ 4,788,701	\$ 266,380
Resources (Inflows):				
Sales and use tax	6,111,123	6,111,123	5,920,111	(191,012)
Franchise and miscellaneous taxes	957,015	957,015	915,990	(41,025)
Intergovernmental	243,642	243,642	234,169	(9,473)
Licenses and permits	465,876	465,876	464,781	(1,095)
Charges for services	475,232	475,232	493,643	18,411
Fines & forfeitures	668,932	668,832	595,093	(73,739)
Investment earnings	9,021	9,021	11,730	2,709
Miscellaneous	697,279	697,379	488,679	(208,700)
Transfer in	1,158,462	1,158,462	1,466,644	308,182
Total resources (Inflows)	<u>10,786,582</u>	<u>10,786,582</u>	<u>10,590,840</u>	<u>(195,742)</u>
Amounts available for appropriation	<u>15,308,903</u>	<u>15,308,903</u>	<u>15,379,541</u>	<u>70,638</u>
Charges to Appropriations (Outflows):				
Administration	500,020	478,794	419,784	59,010
Attorney	128,160	128,160	174,633	(46,473)
Municipal court	136,878	136,878	129,135	7,743
Community service	5,725	5,725	4,720	1,005
General government	1,510,657	1,440,657	1,426,664	13,993
Police	3,418,267	3,418,267	3,154,998	263,269
Fire	2,422,377	2,513,603	2,579,240	(65,637)
Emergency Management	39,272	39,272	19,053	20,219
Streets	675,438	675,438	528,118	147,320
Cemetery	86,542	86,542	83,357	3,185
Transfers out	1,841,596	1,841,596	1,949,778	(108,182)
Total Charges to Appropriations	<u>10,764,932</u>	<u>10,764,932</u>	<u>10,469,480</u>	<u>295,452</u>
Fund balances - ending	<u>\$ 4,543,971</u>	<u>\$ 4,543,971</u>	\$ 4,910,061	<u>\$ 366,090</u>
Reconciliation to Statement of Revenues, Expenditures, and Change in Fund Balance:				
Rural Fire Account Balance			21,404	
Fishing License Account Balance			71,126	
Cemetery Beautification Account Balance			1,028	
Cemetery Maintenance Account Balance			<u>142,281</u>	
Total General Fund Fund Balance			<u>\$ 5,145,900</u>	

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Footnotes to Budgetary Comparison Schedules:

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

	General Fund
Total revenue - budgetary basis	\$ 10,590,840
On-behalf revenue	662,160
Transfers In	(1,466,644)
Total revenue - GAAP basis	\$ 9,786,356
Total expenditures - budgetary basis	10,469,480
On-behalf expenses	662,160
Transfers Out	(1,949,778)
Total expenses - GAAP basis	\$ 9,181,862

4. Expenditures exceeded appropriations as follows:

General Fund – Attorney	\$46,473
General Fund – Fire	65,637
General Fund –Transfers out	108,182

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Schedules of Required Supplementary Information

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM

Last 10 Fiscal Years*

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

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

Notes to Schedule:

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

SCHEDULE OF CITY CONTRIBUTIONS

OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM

Last 10 Fiscal Years

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

Notes to Schedule:

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

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Schedules of Required Supplementary Information

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

Last 10 Fiscal Years*

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

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

Notes to Schedule:

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

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

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

Notes to Schedule:

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

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

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

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

Notes to Schedule:

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

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

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

Notes to Schedule:

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

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OTHER SUPPLEMENTARY INFORMATION

CITY OF BIXBY, OKLAHOMA
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Combining Balance Sheet – General Fund Accounts – June 30, 2017

	<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	\$ 2,165,232	\$ 30,636	\$ 34,242	\$ 1,028	\$ 147,415	\$ 2,378,553
Investments	1,260,325	-	37,144	-	-	1,297,469
Receivable from other governments	852,550	-	-	-	-	852,550
Due from other funds	796,108	-	-	-	-	796,108
Taxes receivable, net	68,673	-	-	-	-	68,673
Court fines receivable, net	700,693	-	-	-	-	700,693
Ambulance receivable, net	16,526	-	-	-	-	16,526
Other receivables	54,654	-	-	-	-	54,654
Total assets	<u>\$ 5,914,761</u>	<u>\$ 30,636</u>	<u>\$ 71,386</u>	<u>\$ 1,028</u>	<u>\$ 147,415</u>	<u>\$ 6,165,226</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 139,477	\$ 9,232	\$ 260	\$ -	\$ 5,134	\$ 154,103
Accrued payroll	114,876	-	-	-	-	114,876
Due to other funds	34,147	-	-	-	-	34,147
Due to bondholders	17,014	-	-	-	-	17,014
Payable to other governments	4,126	-	-	-	-	4,126
Other payables	71,237	-	-	-	-	71,237
Total liabilities	<u>380,877</u>	<u>9,232</u>	<u>260</u>	<u>-</u>	<u>5,134</u>	<u>395,503</u>
Deferred Inflows:						
Deferred revenue	623,823	-	-	-	-	623,823
Fund balances:						
Assigned	284,310	21,404	71,126	1,028	142,281	520,149
Unassigned	4,625,751	-	-	-	-	4,625,751
Total fund balances	<u>4,910,061</u>	<u>21,404</u>	<u>71,126</u>	<u>1,028</u>	<u>142,281</u>	<u>5,145,900</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 5,914,761</u>	<u>\$ 30,636</u>	<u>\$ 71,386</u>	<u>\$ 1,028</u>	<u>\$ 147,415</u>	<u>\$ 6,165,226</u>

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Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund Accounts – For the Year Ended June 30, 2017

	<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	\$ 5,920,111	\$ -	\$ -	\$ -	\$ -	\$ 5,920,111
Franchise and miscellaneous taxes	915,990	-	-	-	-	915,990
Intergovernmental	896,329	-	-	-	-	896,329
Licenses and permits	464,781	-	10,106	-	-	474,887
Charges for services	493,643	16,725	-	250	22,535	533,153
Fines & forfeitures	595,093	-	-	-	-	595,093
Investment earnings	11,730	71	204	1	207	12,213
Miscellaneous	488,679	-	-	-	-	488,679
Total revenues	<u>9,786,356</u>	<u>16,796</u>	<u>10,310</u>	<u>251</u>	<u>22,742</u>	<u>9,836,455</u>
EXPENDITURES						
Administration	419,784	-	-	-	-	419,784
City attorney	173,727	-	-	-	-	173,727
Municipal court	119,135	-	-	-	-	119,135
Community service	4,720	-	-	-	-	4,720
General government	1,425,282	-	-	-	-	1,425,282
Police	3,269,594	-	-	-	-	3,269,594
Fire	2,991,196	-	-	-	-	2,991,196
Emergency Management	19,053	-	-	-	-	19,053
Streets	528,118	-	-	-	-	528,118
Culture and recreation	-	-	6,048	-	-	6,048
Cemetery	83,357	-	-	250	45,415	129,022
Development services	220	-	-	-	-	220
Capital Outlay	147,676	40,037	6,000	-	-	193,713
Total Expenditures	<u>9,181,862</u>	<u>40,037</u>	<u>12,048</u>	<u>250</u>	<u>45,415</u>	<u>9,279,612</u>
Excess (deficiency) of revenues over expenditures	<u>604,494</u>	<u>(23,241)</u>	<u>(1,738)</u>	<u>1</u>	<u>(22,673)</u>	<u>556,843</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	1,466,644	7,000	-	-	50,000	1,523,644
Transfers out	(1,949,778)	-	-	-	-	(1,949,778)
Total other financing sources and uses	<u>(483,134)</u>	<u>7,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>(426,134)</u>
Net change in fund balances	121,360	(16,241)	(1,738)	1	27,327	130,709
Fund balances - beginning	4,788,701	37,645	72,864	1,027	114,954	5,015,191
Fund balances - ending	<u>\$ 4,910,061</u>	<u>\$ 21,404</u>	<u>\$ 71,126</u>	<u>\$ 1,028</u>	<u>\$ 142,281</u>	<u>\$ 5,145,900</u>

CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2017

	Special Revenue Funds										Capital Project Funds					Debt Service Fund	Total Governmental Funds		
	Park Fund	E911 Fund	Fry Creek Maintenance Fund	Street & Alley Fund	Economic Development Fund	Federal Police Asset Forfeiture Fund	State Police Asset Forfeiture Fund	Downtown River Corridor Fund	Disaster Recovery Fund	Sales Tax Personnel Fund	Capital Improvement Fund	Cemetery Care Fund	Water & Sewer Development Fund	2016 Bond Fund	2011 Bond Fund	Stormwater Management Fund		2006 Debt Service Fund	
ASSETS																			
Cash and cash equivalents	\$ 1,091,170	\$ 128,938	\$ 682,254	\$ 1,874,853	\$ 735,479	\$ 25,903	\$ 23,443	\$ 1,737,038	\$ 534,373	\$ 185,248	\$ 3,521,925	\$ 241,196	\$ 4,900,640	\$ 4,642,660	\$ 745,073	\$ 1,593,337	\$ 204	\$ 22,663,734	
Investments	301,277	104,247	879,703	661,069	501,965	-	-	731,263	762,305	-	501,752	340,130	-	-	1,042,186	502,178	-	6,328,075	
Receivable from other governments	160,674	-	-	21,505	-	3,829	-	120,506	-	100,422	275,317	-	-	-	-	72,406	-	754,659	
Due from other funds	4,018	2,367	-	-	-	-	-	59,721	-	-	-	-	219	-	-	-	-	66,325	
Taxes receivable, net	-	20,343	-	-	18,053	-	-	-	-	-	-	-	-	-	-	-	-	38,396	
Utilities receivable, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	28,399	
Other receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	64,774	
Total assets	\$ 1,557,139	\$ 255,895	\$ 1,561,957	\$ 2,557,427	\$ 1,255,497	\$ 29,732	\$ 23,443	\$ 2,648,528	\$ 1,296,678	\$ 285,670	\$ 4,298,994	\$ 581,326	\$ 4,900,859	\$ 4,642,660	\$ 1,787,259	\$ 2,261,094	\$ 204	\$ 29,944,362	
LIABILITIES AND FUND BALANCES																			
Liabilities:																			
Accounts payable	\$ 85,377	\$ 380	\$ 9,910	\$ 8,898	\$ 9,639	\$ 1,432	\$ 35	\$ -	\$ 160,000	\$ -	\$ 32,588	\$ 440	\$ 5,127	\$ 103,838	\$ 1,958	\$ 95,526	\$ -	\$ 515,148	
Payroll payable	6,143	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,143	
Due to other funds	-	-	-	795	-	-	-	-	-	59,709	-	-	1,004	-	-	830	-	62,338	
Other payables	2,700	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,700	
Total liabilities	94,220	380	9,910	9,693	9,639	1,432	35	-	160,000	59,709	32,588	440	6,131	103,838	1,958	96,356	-	586,329	
Deferred Inflows:																			
Deferred revenue	-	-	-	-	-	3,829	-	-	-	-	-	-	-	-	-	72,406	-	76,235	
Fund balances:																			
Reserved:																			
Restricted	70,154	250,793	429,500	166,810	426,305	-	18,328	156,920	-	225,961	-	580,886	-	4,538,822	1,485,197	5,115	-	8,354,791	
Assigned	1,392,765	4,722	1,122,547	2,380,924	819,553	24,471	5,080	2,491,608	1,136,678	-	4,266,406	-	4,894,728	-	300,104	2,087,217	204	20,927,007	
Total fund balances	1,462,919	255,515	1,552,047	2,547,734	1,245,858	24,471	23,408	2,648,528	1,136,678	225,961	4,266,406	580,886	4,894,728	4,538,822	1,785,301	2,092,332	204	29,281,798	
Total liabilities and fund balances	\$ 1,557,139	\$ 255,895	\$ 1,561,957	\$ 2,557,427	\$ 1,255,497	\$ 29,732	\$ 23,443	\$ 2,648,528	\$ 1,296,678	\$ 285,670	\$ 4,298,994	\$ 581,326	\$ 4,900,859	\$ 4,642,660	\$ 1,787,259	\$ 2,261,094	\$ 204	\$ 29,944,362	

CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – For the Year Ended June 30, 2017

	Special Revenue Funds										Capital Project Funds						Debt Service Fund	Total-Other Governmental Funds	
	Park Fund	E911 Fund	Fry Creek Maintenance Fund	Street & Alley Fund	Economic Development Fund	Federal Police		State Police	Downtown River Corridor Fund	Disaster Recovery Fund	Sales Tax Personnel Fund	Capital Improvement Fund	Cemetery Care Fund	Water & Sewer Development Fund	2016 Bond Fund	2011 Bond Fund	Stormwater Management Fund		2006 Debt Service Fund
						Asset Forfeiture Fund	Asset Forfeiture Fund												
REVENUES																			
Sales and use tax	\$ 1,184,022	\$ -	\$ -	\$ 213,632	\$ -	\$ -	\$ -	\$ 478,008	\$ -	\$ 398,340	\$ 1,978,930	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,252,932
Franchise and miscellaneous taxes	-	199,220	-	-	169,090	-	-	-	-	-	-	-	-	-	-	-	-	-	368,310
Intergovernmental	-	-	-	-	-	2,500	86	-	-	-	-	-	-	-	-	-	224,568	-	227,154
Charges for services	42,600	-	-	-	-	-	-	-	-	-	-	33,690	254,874	-	-	-	792,574	-	1,123,738
Investment earnings	2,550	444	5,355	6,107	3,127	44	41	1,017	7,643	-	6,854	2,546	16,290	4,519	4,116	4,905	3,399	68,957	
Miscellaneous	78,180	1	-	12,002	-	-	-	-	123,400	-	2,517	-	-	-	-	-	-	-	216,100
Total revenues	<u>1,307,352</u>	<u>199,665</u>	<u>5,355</u>	<u>231,741</u>	<u>172,217</u>	<u>2,544</u>	<u>127</u>	<u>479,025</u>	<u>131,043</u>	<u>398,340</u>	<u>1,988,301</u>	<u>36,236</u>	<u>271,164</u>	<u>4,519</u>	<u>4,116</u>	<u>1,022,047</u>	<u>3,399</u>	<u>6,257,191</u>	
EXPENDITURES																			
Current:																			
General government	-	-	-	-	-	-	-	508,851	34,365	-	-	-	-	-	-	-	-	-	543,216
Police	-	-	-	-	-	9,904	8,065	-	-	172,379	-	-	-	-	-	-	-	-	190,348
Streets	-	-	65,044	184,181	-	-	-	-	-	-	-	-	-	-	-	-	89,884	-	339,109
Culture and recreation	1,027,084	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,027,084
Economic development	-	-	-	-	113,824	-	-	-	-	-	-	-	-	-	-	-	-	-	113,824
E-911	-	88,166	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	88,166
Debt Service:																			
Principal	-	-	-	-	-	-	-	327,000	-	-	295,366	-	-	-	-	-	-	-	622,366
Interest and other charges	-	-	-	-	-	-	-	4,837	-	-	12,231	-	-	-	-	-	-	-	17,068
Capital Outlay	5,619	2,378	-	-	-	-	789	-	-	-	510,306	-	-	-	-	-	-	-	2,476,837
Total Expenditures	<u>1,032,703</u>	<u>90,544</u>	<u>65,044</u>	<u>184,181</u>	<u>113,824</u>	<u>9,904</u>	<u>8,854</u>	<u>840,688</u>	<u>194,365</u>	<u>172,379</u>	<u>817,903</u>	<u>815</u>	<u>744,790</u>	<u>193,206</u>	<u>149,303</u>	<u>709,631</u>	<u>799,515</u>	<u>-</u>	<u>5,418,018</u>
Excess (deficiency) of revenues over expenditures	<u>274,649</u>	<u>109,121</u>	<u>(59,689)</u>	<u>47,560</u>	<u>58,393</u>	<u>(7,360)</u>	<u>(8,727)</u>	<u>(361,663)</u>	<u>(63,322)</u>	<u>225,961</u>	<u>1,170,398</u>	<u>35,421</u>	<u>(473,626)</u>	<u>(188,687)</u>	<u>(145,187)</u>	<u>222,532</u>	<u>3,399</u>	<u>839,173</u>	
OTHER FINANCING SOURCES (USES)																			
Proceeds from long-term debt	-	-	-	-	-	-	-	519,600	-	-	-	-	-	-	-	-	-	-	519,600
Transfers in	-	-	100,000	782,899	-	-	-	2,534,750	-	-	1,251,649	-	1,000,000	4,727,509	-	200,000	-	-	10,596,807
Transfers out	(108,548)	(60,000)	-	-	-	-	-	-	-	-	(1,339,866)	-	(5,056,195)	-	-	(354,505)	-	(2,534,750)	(9,453,864)
Total other financing sources and uses	<u>(108,548)</u>	<u>(60,000)</u>	<u>100,000</u>	<u>782,899</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,054,350</u>	<u>-</u>	<u>-</u>	<u>(88,217)</u>	<u>-</u>	<u>(4,056,195)</u>	<u>4,727,509</u>	<u>-</u>	<u>(154,505)</u>	<u>-</u>	<u>(2,534,750)</u>	<u>1,662,543</u>
Net change in fund balances	166,101	49,121	40,311	830,459	58,393	(7,360)	(8,727)	2,692,687	(63,322)	225,961	1,082,181	35,421	(4,529,821)	4,538,822	(145,187)	68,027	(2,531,351)	2,501,716	
Fund balances - beginning	1,296,818	206,394	1,511,736	1,717,275	1,187,465	31,831	32,135	(44,159)	2,711,850	-	3,184,225	545,465	9,424,549	-	1,930,488	2,024,305	2,531,555	26,780,082	
Fund balances - ending	<u>\$ 1,462,919</u>	<u>\$ 255,515</u>	<u>\$ 1,552,047</u>	<u>\$ 2,547,734</u>	<u>\$ 1,245,858</u>	<u>\$ 24,471</u>	<u>\$ 23,408</u>	<u>\$ 2,848,528</u>	<u>\$ 2,648,528</u>	<u>\$ 225,961</u>	<u>\$ 4,266,406</u>	<u>\$ 580,886</u>	<u>\$ 4,894,728</u>	<u>\$ 4,538,822</u>	<u>\$ 1,785,301</u>	<u>\$ 2,092,332</u>	<u>\$ 204</u>	<u>\$ 29,281,798</u>	

CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Combining Schedule of Net Position – BPWA Enterprise Fund Accounts – June 30, 2017

	BPWA	Wastewater Treatment Plant Project Account	Meter Deposit Account	DAWES Account	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 4,898,984	\$ 7,328,619	\$ 184,457	\$ 3,055	\$ 12,415,115
Restricted:					
Cash and cash equivalents	103,093	-	7,411	-	110,504
Due from other funds	48,028	-	-	-	48,028
Accounts Receivable, net	1,640,488	-	-	-	1,640,488
Total current assets	<u>6,690,593</u>	<u>7,328,619</u>	<u>191,868</u>	<u>3,055</u>	<u>14,214,135</u>
Non-current assets:					
Restricted:					
Cash and cash equivalents	135,434	-	-	-	135,434
Investments	714,453	-	578,818	-	1,293,271
Capital Assets:					
Land and construction in progress	2,420,167	-	-	35,000	2,455,167
Other capital assets, net of accumulated depreciation	51,003,346	-	-	367,315	51,370,661
Total non-current assets	<u>54,273,400</u>	<u>-</u>	<u>578,818</u>	<u>402,315</u>	<u>55,254,533</u>
Total assets	<u>60,963,993</u>	<u>7,328,619</u>	<u>770,686</u>	<u>405,370</u>	<u>69,468,668</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amounts related to pensions	534,297	-	-	-	534,297
LIABILITIES					
Current Liabilities:					
Accounts payable	587,855	112,944	-	-	700,799
Payroll payable	21,114	-	-	-	21,114
Accrued interest payable	31,091	-	-	-	31,091
Due to other funds	4,237	-	16,190	-	20,427
Deposits subject to refund	-	-	116,062	-	116,062
Compensated absences	32,624	-	-	-	32,624
Notes payable	1,248,020	-	-	-	1,248,020
Total current liabilities	<u>1,924,941</u>	<u>112,944</u>	<u>132,252</u>	<u>-</u>	<u>2,170,137</u>
Non-current liabilities:					
Compensated absences	130,494	-	-	-	130,494
Deposits subject to refund	-	-	470,167	-	470,167
Net pension liability	671,603	-	-	-	671,603
Notes payable	4,529,932	-	-	-	4,529,932
Total non-current liabilities	<u>5,332,029</u>	<u>-</u>	<u>470,167</u>	<u>-</u>	<u>5,802,196</u>
Total liabilities	<u>7,256,970</u>	<u>112,944</u>	<u>602,419</u>	<u>-</u>	<u>7,972,333</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred amounts related to pensions	51,184	-	-	-	51,184
NET POSITION					
Net investment in capital assets	47,645,561	-	-	402,315	48,047,876
Restricted for debt service	907,622	-	-	-	907,622
Unrestricted	5,636,953	7,215,675	168,267	3,055	13,023,950
Total net position	<u>\$ 54,190,136</u>	<u>\$ 7,215,675</u>	<u>\$ 168,267</u>	<u>\$ 405,370</u>	<u>\$ 61,979,448</u>

CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Combining Schedule of Revenues, Expenses, and Changes in Net Position – BPWA Enterprise Fund Accounts – Year Ended June 30, 2017

	BPWA	Wastewater Treatment Plant Project Account	Meter Deposit Account	DAWES Account	Total
REVENUES					
Charges for services:					
Water	\$ 7,902,199	\$ -	\$ -	\$ -	\$ 7,902,199
Sewer	2,996,005	-	-	-	2,996,005
Miscellaneous	150,123	-	809	-	150,932
Total operating revenues	<u>11,048,327</u>	<u>-</u>	<u>809</u>	<u>-</u>	<u>11,049,136</u>
OPERATING EXPENSES					
Administration	1,612,168	-	-	1,319	1,613,487
Water	4,416,174	-	-	-	4,416,174
Wastewater	430,942	112,944	-	-	543,886
Depreciation	1,293,532	-	-	23,525	1,317,057
Total operating expenses	<u>7,752,816</u>	<u>112,944</u>	<u>-</u>	<u>24,844</u>	<u>7,890,604</u>
Operating income (loss)	<u>3,295,511</u>	<u>(112,944)</u>	<u>809</u>	<u>(24,844)</u>	<u>3,158,532</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest and investment revenue	22,591	-	-	6	22,597
Interest expense	(140,786)	-	-	-	(140,786)
Total non-operating revenue (expenses)	<u>(118,195)</u>	<u>-</u>	<u>-</u>	<u>6</u>	<u>(118,189)</u>
Income (loss) before contributions and transfers	<u>3,177,316</u>	<u>(112,944)</u>	<u>809</u>	<u>(24,838)</u>	<u>3,040,343</u>
Capital contributions	2,953,345	-	-	-	2,953,345
Interaccount transfers in	338,047	1,367,789	-	-	1,705,836
Interaccount transfers out	(1,367,789)	(338,047)	-	-	(1,705,836)
Transfers in	5,333,503	6,418,584	-	-	11,752,087
Transfers out	(4,860,118)	-	-	-	(4,860,118)
Change in net position	<u>5,574,304</u>	<u>7,335,382</u>	<u>809</u>	<u>(24,838)</u>	<u>12,885,657</u>
Total net position - beginning	<u>48,615,832</u>	<u>(119,707)</u>	<u>167,458</u>	<u>430,208</u>	<u>49,093,791</u>
Total net position - ending	<u>\$ 54,190,136</u>	<u>\$ 7,215,675</u>	<u>\$ 168,267</u>	<u>\$ 405,370</u>	<u>\$ 61,979,448</u>

CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Schedule of Debt Service Coverage Requirements – Year Ended June 30, 2017

	2009 & 2011 OWRB Notes	2011 & 2012 Refunding Note
Gross Revenue Available for Debt Service:		
Operating revenues of leased systems (1)	\$ 11,049,136	\$ 11,049,136
Sales tax pledged	-	2,960,056
Total Gross Revenues Available	11,049,136	14,009,192
System Operating Expenses (1)	6,225,278	6,225,278
Net Revenues Available for Debt Service	\$ 4,823,858	\$ 7,783,914
 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	-	798,708
Total Debt Service Requirements	\$ 318,488	\$ 1,078,841
Coverage	1515%	722%
Coverage Requirement	125%	125%

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

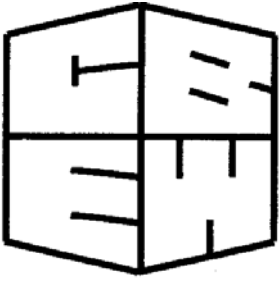
**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

Schedule of Expenditures of Federal and State Awards – Year Ended June 30, 2017

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	2015BUBX15079301	\$ 4,101	\$ 939
Bulletproof Vest Partnership	16.607	2016BUBX16082323	4,550	2,890
			<u>8,651</u>	<u>3,829</u>
COPS Hiring Program	16.710	2016UMWX0069	125,000	12,889
Total U.S. Department of Justice			<u>133,651</u>	<u>16,718</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Passed through Oklahoma Highway Safety Office:				
State and Community Highway Safety	20.600	SE-17-03-02-16	42,000	28,156
State and Community Highway Safety	20.600	MSHVE-17-03-01-16	20,000	11,843
State and Community Highway Safety	20.600	PT-16-03-99-00	1,500	1,451
State and Community Highway Safety	20.600	AL-16-03-02-15	23,000	6,041
State and Community Highway Safety	20.600	PT-16-03-03-15	32,000	6,334
			<u>118,500</u>	<u>53,825</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>				
Passed through Tulsa County:				
CDBG - Urban City Program	14.218	B-10-UY-40-0001	76,268	32,343
CDBG - Urban City Program	14.218	B-12-UC-40-0001	54,853	54,853
CDBG - Urban City Program	14.218	B-13-UC-40-0001	66,209	66,209
CDBG - Urban City Program	14.218	B-14-UC-40-0001	71,163	71,163
CDBG - Urban City Program	14.218	B-15-UC-40-0001	64,052	34,747
CDBG - Urban City Program	14.218	B-16-UY-40-0001	67,242	37,659
			<u>399,787</u>	<u>296,974</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 651,938</u>	<u>\$ 367,517</u>

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

INTERNAL CONTROL COMPLIANCE INFORMATION



CBEW Professional Group, LLP

Certified Public Accountants

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918-225-4216 FAX 918-225-4315

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

December 13, 2017

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, 2017, 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 13, 2017

Internal Control Over Financial Reporting

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

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

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

City of Bixby
December 13, 2017

Compliance and Other Matters

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

Purpose of this Report

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

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants

**CITY OF BIXBY
Bixby, Oklahoma**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017**

FINDINGS - FINANCIAL STATEMENT AUDIT

1. None

**CITY OF BIXBY
Bixby, Oklahoma**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2017**

There were no prior year audit findings.