

***CITY OF BARTLESVILLE,
OKLAHOMA***

Independent Auditor's Report
and Financial Statements
For the Fiscal Year Ended June 30, 2011

CITY OF BARTLESVILLE

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CITY OF BARTLESVILLE

List of Principal Officials

City Council

Thomas A. Gorman, Mayor
Ted Lockin, Vice Mayor
Dale Copeland, Council member
Dr. Erin Tullos, Council member
Mike McGrew, Council member

City Manager

Ed Gordon

Administrative Director/CFO

Mike Bailey

City Attorney

Jerry Maddux

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Bartlesville, State of Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Bartlesville, Oklahoma*, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the *City of Bartlesville, Oklahoma's* management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Bartlesville Development Corporation, which represents 100% of the assets and revenues of the Bartlesville Development Corporation component unit. We also did not audit the financial statements of the Bartlesville Community Center Trust Authority, which represents 100% of the assets and revenues of the Bartlesville Community Center Trust Authority blended major business-type activity, the Bartlesville Development Authority, which represents 100% of the assets and revenues of the Bartlesville Development Authority component unit and the Bartlesville Redevelopment Trust Authority, which represents 100% of the assets and revenues of the Bartlesville Redevelopment Trust Authority blended nonmajor business-type activity. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Bartlesville Development Corporation, Bartlesville Community Center Trust Authority, Bartlesville Development Authority and Bartlesville Redevelopment Trust Authority, are based on the reports of the other auditors.

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 of material misstatement. The financial statements of the Bartlesville Development Corporation were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Bartlesville, Oklahoma*, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

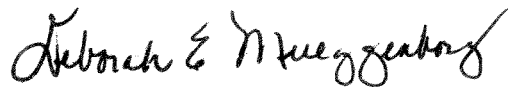
In accordance with *Government Auditing Standards*, we have also issued our report dated March 26 2012, on our consideration of the *City of Bartlesville, Oklahoma's* internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension plan funding progress and budgetary comparison information on pages 5 through 18 and 80 through 87 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the *City of Bartlesville, Oklahoma's* financial statements as a whole. The combining financial statements of nonmajor funds are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining financial statements of

nonmajor funds 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of the other auditors, the information is fairly stated in all material respects in relation to the financial statements as a whole.

JOSEPH EVE
Certified Public Accountants
Fraud Examiners and Consultants

A handwritten signature in black ink that reads "Deborah E. Mueggenborg". The signature is written in a cursive style with a large, stylized initial 'D'.

Deborah E. Mueggenborg, CPA
Engagement Partner

March 15, 2012

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2011

Introduction

The management of the City of Bartlesville, Oklahoma, is pleased to present its perspective of the City's financial performance as a whole for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to summarize for the reader the financial information more fully contained in the attached financial statements and notes and to explain the major points in the financial statements, both positive and negative. This is the fifth year the City has reported under the Governmental Accounting Standards Board (GASB) statement number 34 model. Comparisons with prior fiscal years are provided as needed.

Financial Highlights

Key financial highlights for 2011 were:

- The City of Bartlesville's assets exceeded its liabilities at the close of the fiscal year by almost \$146.6 million.
- The City's main governmental revenue source, the sales tax, ended the year with an increase of 4.3%.
- Noteworthy changes to the City's capital assets included the renovation of Price Fields northeast baseball quad, construction of the City's first round-about intersection, completion of two major detention facilities, construction of several major road rehabilitations, upgrade of City Hall with energy efficient lighting and a new HVAC project was begun, and finalizing construction of over \$7 million of major water system upgrades to include pump improvements, additional storage capacity, and back-up pump station power.
- The City emerged from the Great Recession in fiscal year 2011 with slow growth to sales tax and other major revenue sources. As a result, most of the budget reduction measures that were implemented in FY 2010 continued throughout 2011 with a lessening of some personnel related measures.
- The City retained its AA- bond rating despite difficult economic times. This bond rating is the 3rd highest in the State of Oklahoma for public entities.

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2011
(continued)

Using this Annual Financial Report

This discussion and analysis is intended to serve as an introduction to the City of Bartlesville's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements.

Government-wide financial statements – Reporting the City of Bartlesville as a Whole

Statement of Net Assets and the Statement of Activities

The Statement of Net Assets presents information on all of the City of Bartlesville's assets and liabilities with the difference between the two being reported as net assets. Over time, the increase or decrease in net assets is a useful indicator of whether the financial position of the City is improving or deteriorating. In the evaluation of the overall financial position, factors such as the changes in laws related to certain key revenue sources and the condition of the capital assets should also be considered. Both the Statement of Net Assets and the Statement of Activities use the accrual basis of accounting, similar to the accounting basis used by most private-sector companies. This basis of accounting includes all of the current year's revenues and expenses, regardless of when cash is actually received or disbursed.

Fund Financial Statements – Reporting the City of Bartlesville's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the City's major funds. These reports begin on page 22. The *City of Bartlesville* uses many funds to account for a variety of financial transactions although some of the smaller and less significant funds are not presented in detail. The determination of which funds to present in detail is made based on the "significance" of each fund.

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2011
(continued)

Fund Financial Statements – Reporting the City of Bartlesville's Most Significant Funds (continued)

Fund Financial Statements (continued)

Significance can be determined in one of two ways. The first method is based on the amounts of assets, liabilities, revenues, and expenses when compared to other funds of the same type. This method is prescribed by GASB statement number 34 and attempts to present the funds that are the most significant from a financial perspective.

The second method allows for the inclusion of other funds if they are deemed to be significant based on other attributes. These funds may be of special interest to the community or other stakeholders, or may have been close enough to the financial threshold from the first method that they were deemed significant.

Governmental Funds

Governmental funds are used to account for functions reported as governmental functions in the government-wide financial statements. Unlike those reports, however, the Governmental Fund Financial Statements focus on near-term inflows and outflows of spendable resources as well as the balance of spendable resources available at the end of the fiscal year. Such information is useful in evaluating a government's near-term financial requirements. These funds are reported using an accounting method called modified accrual accounting that 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. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate a comparison between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds.

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2011
(continued)

Government-wide Financial Analysis – City of Bartlesville as a Whole

The Statement of Net Assets and the Statement of Activities look at the City as whole and are useful indicators of the City's overall financial position, but other factors should also be considered when evaluating the City's financial picture for 2011.

Table 1
Governmental Activities
Net Assets (In Millions)

	2010	2011
<u>Assets</u>		
Current and other assets	\$ 32.0	32.2
Capital assets, net	78.2	67.2
	110.2	99.4
<u>Liabilities</u>		
Current liabilities	2.0	2.0
Long-term liabilities:		
Due within one year	3.6	4.0
Due in more than one year	13.7	15.9
	19.3	21.9
<u>Net Assets</u>		
Invested in capital assets		
Net of related debt	62.2	48.6
Restricted by:		
Enabling legislation	23.2	19.0
Statutory requirements	2.3	7.0
External contracts	0.1	0.2
Unrestricted	3.1	2.7
	90.9	77.5
Total net assets	\$ 90.9	77.5

Note: This is a recap of the Governmental Activities Column from the Statement of Net Assets on page 20 of the financial statement.

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2011
(continued)

Government-wide Financial Analysis – City of Bartlesville as a Whole (continued)

Table 2
Governmental Activities
Statement of Activities (In Millions)

	2010	2011
<u>Governmental Activities (Net Cost)</u>		
General government	\$ (2.0)	(5.2)
Public safety	(9.4)	(9.4)
Public works	(1.1)	(1.9)
Health, welfare and sanitation	(0.7)	(0.4)
Culture and recreation	(3.2)	(2.4)
Payments to Component Units	(1.1)	(1.0)
Interest of long-term debt	(0.6)	(0.4)
Total governmental activities	(18.1)	(20.7)
<u>General Revenues</u>		
Taxes		
Property taxes, levied for debt service	2.9	3.1
Franchise taxes	2.5	2.8
Sales and use taxes	14.9	15.4
Investment earnings, unrestricted	1.0	0.4
Miscellaneous	0.2	0.4
Special item – gain on sale of asset	0.0	0.0
Transfers	2.5	(2.2)
Total general revenues, special items and transfers	24.0	19.9
Change in net assets	(5.8)	(0.8)
Net Assets – beginning, unadjusted	85.1	78.3
Prior period adjustment	(0.0)	(0.0)
Net Assets – beginning, adjusted	85.0	78.3
Net Assets – ending	\$ 90.9	77.5

Note: This is a recap of the Governmental Activities Column from the Statement of Activities on page 20 of the financial statement.

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2011
(continued)

Government-wide Financial Analysis – *City of Bartlesville as a Whole* (continued)

Total assets from governmental activity are about \$99.4 million (rounded), which represents a decrease of \$10.8 million from the prior fiscal year. This decrease can mainly be attributed to the application of depreciation on the City's fixed assets.

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

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

CITY OF BARTLESVILLE
 Management's Discussion and Analysis
 For the Year Ended June 30, 2011
 (continued)

Government-wide Financial Analysis – *City of Bartlesville as a Whole* (continued)

2011 was again a very successful year for the City in relation to grants and subsidized loan programs. The City has received a Community Development Block Grant (CDBG) that is matched with ½ Cent sales tax funds to make street improvements to Virginia and Oak. The City is also in partnership with the Lyon Foundation for a clubhouse renovation project. In addition to the grants mentioned above the City also has received grants from other various organizations and government programs for library, literacy, and police, and grants.

<u>Grant</u>	<u>Purpose</u>	<u>Award Amount</u>
CDBG	Street Improvements	\$79,338
Lyon FDN	Golf Course Improvements	\$110,310

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

In recent years, the City also elected to return to an "own risk" or self-funded plan for employee health insurance, but this program differs from the Worker's Compensation program in that the City obtains reinsurance to cover the largest claims. While this program did return significant savings in its first year, the results for the second and third full year were less promising. The City's employees suffered through an unusually high number of catastrophic illnesses and injuries. Wellness programs intended to target these specific types of illnesses have been implemented along with other cost saving measures. These changes combined with increased employee contribution have stabilized the health plan and are allowing the City to save money in this fund for future catastrophic illnesses.

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2011
(continued)

Government-wide Financial Analysis – *City of Bartlesville as a Whole* (continued)

Governmental Activities

Several revenue sources fund the City of Bartlesville's governmental activities with sales tax being the largest. The City's sales tax rate is 3%; however, this is apportioned to three funds. The General Fund receives 75% of the sales tax generated, and this constitutes our sales tax for operations. This amount has not been changed in more than twenty years. The remaining 25% is divided between economic development (1/3) and capital improvements (2/3). Sales tax revenue of \$15,489,808 represented a 4.3% increase over prior year receipts.

Public Safety is the major and most costly governmental expense activity in the City, excluding capital projects. Combined, the Police and Fire departments accounted for 45.4% of governmental expenditures. The Fire department consists of 68 full-time employees, including one administrative assistant (down from 71 in FY 2009). The Police department consists of 63 full time employees with 54 being sworn enforcement personnel and 11 being civilian administrative or technical personnel (down from 71 in FY 2009 due mainly to the City's move to contracting jail services to Washington County).

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

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2011
(continued)

The Individual Fund Financial Statements

Information on the City's major funds starts on page 22. The governmental funds utilize the modified accrual basis of accounting. All governmental funds had total revenues of \$25.2 million for the year and \$27.9 million in expenditures resulting in a deficiency in revenues over expenditures of (\$2.7 million). The City's governmental funds also had other financing sources and uses (mainly transfers, sale of fixed assets, and debt proceeds) that netted to create other financing sources of \$6.8 million. When combined with the deficiency mentioned above, the City's governmental funds' fund balances in total finished the year up almost \$4.2 million more than where they started. The individual net change in fund balances for the year was not significant in any of the governmental funds with the exception of the 2010 G.O. Bond Fund which issued \$5.0 million in bonds and spent less than \$500 thousand. This fund accounts for most of the change in the governmental funds' fund balance.

The general fund reflects an increase in fund balance of \$463,686. While no standard is established for the desired level of fund balance that should be carried, it is desirable to have at least two months of average expenditures so that fluctuations in revenue and expenditures can be absorbed without major disruptions to the normal operations. With careful monitoring of revenue and expenditures combined with conservative budgeting, the City management believes the fund balance is adequate to allow the City to meet its obligations and reflects a good financial condition of the City as a whole.

General Fund Budgeting Highlights

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

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2011
(continued)

The Individual Fund Financial Statements (continued)

General Fund Budgeting Highlights (continued)

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

For the general fund, budget basis revenue was up by \$998,034 over the budget estimates of \$17,061,350. The City continues the conservative practice of estimating revenues based on long term trends adjusted for known factors. Expenditures are estimated using the most detailed data available. Salary and related expenses are calculated to the dollar based on the current staffing. Expenditures for 2011 were \$729,483 below the final budget of \$18,226,178. These savings were achieved through spending restraints and careful monitoring of budget results.

Business-Type Activities

Overall, the business-type activities saw an increase of \$1,960,206 in net assets. The increase in net assets is due mainly to the establishment of the City's pools as enterprise funds. In the Past these pools were operated as part of the General Fund and as such, their fixed assets were not recognized in the fund level financial statements

CITY OF BARTLESVILLE
 Management's Discussion and Analysis
 For the Year Ended June 30, 2011
 (continued)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the City of Bartlesville had \$166,783,004 invested in land, buildings, and capital equipment (net of depreciation). Table 2 shows the detail of the fiscal year 2011 balances of capital assets.

Table 2
Capital Assets
Net of Accumulated Depreciation

	Governmental Activities 2011	Business- Type Activities 2011	Total 2011
Land	\$ 3,360,533	2,452,903	5,813,436
Buildings	10,878,634	84,145,608	95,024,242
Other improvements and infrastructure	71,168,713	76,009,256	147,177,969
Machinery and equipment	10,914,896	11,583,409	22,498,305
Construction in progress	7,566,208	145,933	7,712,141
Total capital assets	<u>103,888,984</u>	<u>174,383,246</u>	<u>278,272,230</u>
(Less) depreciation	<u>(36,652,900)</u>	<u>(74,836,326)</u>	<u>(111,489,226)</u>
Capital assets (net of depreciation)	<u>\$ 67,236,084</u>	<u>99,546,920</u>	<u>166,783,004</u>

Perhaps the City's most important long-term capital needs revolve around a long term sustainable water supply. The construction of the new Ted Lockin potable water treatment plant was completed in September of 2006, and the next step is currently underway with the City of Bartlesville's participation in the Planning Assistance to State Study (PASS). This study should help determine the best solution for the City's raw water supply and allocation.

In addition to the need for long term water supply, the City is also currently undertaking the early stages of planning for its long-term wastewater needs with the completion of several studies and collection system improvements. It is anticipated that the City will need to construct a new wastewater treatment plant in the near future. To fund this future improvement, the City implemented a dedicated utility fee in FY 2009 and increased it in FY 2010.

(Unaudited – See independent auditor's report)

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2011
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Capital Assets and Debt Administration (continued)

Funds provided by the capital improvement sales tax are permitting some street and drainage system improvements. In 2008, the citizens approved an extension of the capital improvements sales tax for an additional five years beginning July 1, 2009. This extension added vehicles and equipment to the improvements that can be funded from this sales tax. This will relieve some pressure on the general fund budget. Due to budget constraints, the city's fleet of vehicles and equipment have not been replaced on their normal replacement schedules and are requiring too many maintenance dollars to keep them operating. When replacements can be made, the older vehicles are either traded as a part of the bid process, sold at auction, or sold through a sealed bid process.

With regard to infrastructure, the engineering department maintains a list of street and drainage improvements awaiting construction. These are funded on a priority basis as funds become available from the sales tax reserved for capital improvements. As part of the annual budget process, the City Engineer, the Public Works Director, and the Street supervisor evaluate and prioritize these needs based on the latest information on the condition of the streets or the seriousness of the flooding threat. The projects that can be provided for from the capital improvement fund are included in the budget while the balance of projects are kept on the list waiting funding at a later date. Priorities sometimes change if external funding, such as grants or donations, becomes available for specific purposes.

Water and sewer projects are more often being funded with loans through the Oklahoma Water Resources Board's Safe Drinking Water Revolving Fund or the Clean Water Revolving Fund. These are revenue notes payable over terms up to 30 years with very favorable interest rates. Water and/or sewer revenues are pledged to the repayment of principal and interest.

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2011
(continued)

Capital Assets and Debt Administration (continued)

Debt

As of June 30, 2011 the City of Bartlesville had \$69,784,038 in outstanding debt. Of this total, \$18,680,000 was in General Obligation Bonds. Table 3 summarizes the outstanding debt.

Table 3
General Obligations
Outstanding Long-Term Obligations at Year End

	2010	2011
General Obligation Bonds	\$ 16,055,000	18,680,000
Capital leases	0	0
Accrued compensated absences	852,821	816,304
Workers compensation claims	834,928	710,670
Notes payable	47,545,368	49,577,064
Total	\$ 65,288,117	69,784,038

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

CITY OF BARTLESVILLE
Management's Discussion and Analysis
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(continued)

Current Related Financial Activities

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

Contacting the City of Bartlesville's Financial Management Team

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

CITY OF BARTLESVILLE
Basic Financial Statements
For the Year Ended June 30, 2010

The basic financial statements include integrated sets of financial statements as required by the Governmental Accounting Standards Board. The sets of statements include:

1. Government-wide financial statements
2. Fund financial statements
 - a) Governmental funds
 - b) Discretely Presented Component Units
 - c) Proprietary funds
 - d) Fiduciary funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

CITY OF BARTLESVILLE
Statement of Net Assets – Government-wide
June 30, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Total Component Units</u>
<u>ASSETS</u>				
Current assets:				
Cash and equivalents	\$ 1,413,829	1,635,788	3,049,617	319,132
Investments	2,926,762	15,748,811	18,675,573	-
Receivables, net of allowance	3,428,526	1,371,943	4,800,469	1,152,360
Internal balances	(45,170)	48,257	3,087	-
Due from other governmental agencies	157,693	-	157,693	-
Prepaid expenses	71,460	2,031	73,491	2,187
Inventories	45,131	336,597	381,728	-
Total current assets	<u>7,998,231</u>	<u>19,143,427</u>	<u>27,141,658</u>	<u>1,473,679</u>
Noncurrent assets:				
Restricted cash and equivalents	125,717	104,032	229,749	1,311,213
Restricted investments	24,104,300	1,083,215	25,187,515	-
Loan issue costs, net of amortization	-	37,831	37,831	-
Mortgage and security agreement	-	1,197,358	1,197,358	-
Capital assets:				
Non-depreciable	10,926,741	2,644,973	13,571,714	2,062,736
Depreciable, net of depreciation	56,309,343	96,901,947	153,211,290	54,098,787
Total noncurrent assets	<u>91,466,101</u>	<u>101,969,356</u>	<u>193,435,457</u>	<u>57,472,736</u>
Total assets	<u>99,464,332</u>	<u>121,112,783</u>	<u>220,577,115</u>	<u>58,946,415</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable and accrued expenses	1,981,693	1,136,922	3,118,615	108,786
Meter deposit liability	-	991,084	991,084	-
Deferred revenues	50,172	11,432	61,604	-
Long-term liabilities:				
Due within one year				
Bonds, capital leases and contracts	2,770,000	3,635,476	6,405,476	491,169
Compensated absences	647,498	168,806	816,304	-
Claims payable	553,831	156,839	710,670	-
Due in more than one year				
Bonds, capital leases and contracts	<u>15,910,000</u>	<u>45,941,588</u>	<u>61,851,588</u>	<u>5,018,530</u>
Total liabilities	<u>21,913,194</u>	<u>52,042,147</u>	<u>73,955,341</u>	<u>5,618,485</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	48,556,084	49,969,856	98,525,940	49,083,688
Restricted (Note 7):				
Enabling legislation	19,052,471	444,096	19,496,567	-
Statutory requirements	7,018,056	2,031	7,020,087	-
External contracts	224,645	10,439,275	10,663,920	2,611,213
Unrestricted	<u>2,699,882</u>	<u>8,215,378</u>	<u>10,915,260</u>	<u>1,633,029</u>
Total net assets	<u>\$ 77,551,138</u>	<u>69,070,636</u>	<u>146,621,774</u>	<u>53,327,930</u>

See accompanying notes to the financial statements

CITY OF BARTLESVILLE

Balance Sheet – Governmental Funds

June 30, 2011

<u>ASSETS</u>	General Fund	Debt Service Fund	2010 G.O. Bond Fund	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 3,125	-	-	1,410,704	1,413,829
Investments	2,627,785	-	-	-	2,627,785
Taxes receivable	2,108,614	-	-	698,627	2,807,241
Due from other funds	95,191	-	-	-	95,191
Receivable from other governments	73,384	24,256	-	-	97,640
Other receivables, net of allowance	431,991	-	38,256	141,738	611,985
Inventories	45,131	-	-	-	45,131
Prepaid expenses	71,460	-	-	-	71,460
Cash - restricted	57,903	-	-	-	57,903
Investments - restricted	-	2,368,066	4,714,702	17,021,532	24,104,300
Total assets	<u>\$ 5,514,584</u>	<u>2,392,322</u>	<u>4,752,958</u>	<u>19,272,601</u>	<u>31,932,465</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 62,997	-	181,382	726,067	970,446
Due to other funds	48,256	-	-	1,541	49,797
Deferred revenue	50,172	-	-	-	50,172
Other accrued expenses	1,297,557	-	-	46,906	1,344,463
Other payables	77,919	-	-	6,516	84,435
Total liabilities	<u>1,536,901</u>	<u>-</u>	<u>181,382</u>	<u>781,030</u>	<u>2,499,313</u>
Fund balances:					
Nonspendable	116,591	-	-	-	116,591
Restricted	-	2,392,322	4,571,576	17,165,368	24,129,266
Committed	2,657,447	-	-	1,326,203	3,983,650
Unassigned	1,203,645	-	-	-	1,203,645
Total fund balances	<u>3,977,683</u>	<u>2,392,322</u>	<u>4,571,576</u>	<u>18,491,571</u>	<u>29,433,152</u>
Total liabilities and fund balances	<u>\$ 5,514,584</u>	<u>2,392,322</u>	<u>4,752,958</u>	<u>19,272,601</u>	<u>31,932,465</u>

See accompanying notes to the financial statements

CITY OF BARTLESVILLE

Reconciliation of the Governmental Funds Balance Sheet
to the Government-wide Statement of Net Assets
For the Fiscal Year Ended June 30, 2011

Total fund balance, governmental funds \$ 29,433,152

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Assets. 67,236,084

The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets. 309,334

Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, Claims Payable and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets. (19,427,432)

Net Assets of Governmental Activities in the Statement of Net Assets \$ 77,551,138

See accompanying notes to the financial statements

CITY OF BARTLESVILLE

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2011

	General Fund	Debt Service Fund	2010 G.O. Bond Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Property taxes	-	3,166,969	-	-	3,166,969
Sales and miscellaneous taxes	13,416,803	-	-	4,456,797	17,873,600
Fees and fines	760,305	-	-	-	760,305
Licenses and permits	232,036	-	-	-	232,036
Intergovernmental	667,903	-	-	223,839	891,742
Charges for services	458,694	-	-	1,237,750	1,696,444
Investment earnings (losses)	(185,328)	-	70,677	477,048	362,397
Miscellaneous	110,294	-	-	49,953	160,247
Contributions and donations	9,650	-	-	128,167	137,817
Total revenues	<u>15,470,357</u>	<u>3,166,969</u>	<u>70,677</u>	<u>6,573,554</u>	<u>25,281,557</u>
EXPENDITURES:					
Current:					
General government	4,850,211	9,719	62,622	1,305,404	6,227,956
Public Safety	9,054,212	-	-	879,036	9,933,248
Public Works	1,046,874	-	17,597	375,393	1,439,864
Culture and recreation	1,988,584	-	-	356,287	2,344,871
Debt Service:					
Principal	-	2,375,000	-	-	2,375,000
Interest and other charges	-	574,249	-	-	574,249
Capital outlay	27,147	-	418,882	4,579,365	5,025,394
Total expenditures	<u>16,967,028</u>	<u>2,958,968</u>	<u>499,101</u>	<u>7,495,485</u>	<u>27,920,582</u>
Excess (deficiency) of revenues over expenditures	<u>(1,496,671)</u>	<u>208,001</u>	<u>(428,424)</u>	<u>(921,931)</u>	<u>(2,639,025)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	2,488,660	-	-	460,051	2,948,711
Transfers out	(592,280)	-	-	(300,989)	(893,269)
Proceeds from sale of fixed assets	63,977	-	-	(300,989)	(237,012)
Loan proceeds	-	-	5,000,000	-	5,000,000
Total other financing sources and uses	<u>1,960,357</u>	<u>-</u>	<u>5,000,000</u>	<u>(141,927)</u>	<u>6,818,430</u>
Net change in fund balances	463,686	208,001	4,571,576	(1,063,858)	4,179,405
Fund balances - beginning	3,513,997	2,184,321	-	19,241,135	24,939,453
Fund balances - ending	<u>3,977,683</u>	<u>2,392,322</u>	<u>4,571,576</u>	<u>18,177,277</u>	<u>29,118,858</u>

See accompanying notes to the financial statements

CITY OF BARTLESVILLE

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Government-wide Statement of Activities For the Fiscal Year Ended June 30, 2011

Net change in fund balances - total governmental funds:	\$ 4,179,405
Amounts reported for Governmental Activities in the Statement of Activities	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays \$5,615,346 exceeded depreciation \$3,438,495 in the current period.	1,654,842
Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds exceeded repayments.	(2,625,000)
Governmental funds do not report capital assets and therefore do not record a transfer when these assets are transferred to another fund. In contrast, the Statement of Activities reports these as transfers.	(4,258,711)
Governmental funds do not report workers' compensation claims payable. This is the amount that the workers compensation claims payable decreased.	23,838
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	120,693
Internal service funds are used by management to charge the costs of certain activities, such as workers' compensation and health insurance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	<u>103,151</u>
Change in net assets of governmental activities	<u><u>\$ (801,782)</u></u>

CITY OF BARTLESVILLE
Statement of Net Assets – Proprietary Funds
June 30, 2011

	Business-type Activities - Enterprise Funds							Governmental Activities - Internal Service Funds
	Bartlesville							
	Wastewater Fund	Water Fund	Solid Waste Fund	Bartlesville Municipal Authority	Community Center Trust Authority	Other Enterprise Funds	Total	
ASSETS								
Current assets:								
Cash	-	-	-	86,904	93,512	1,455,372	1,635,788	-
Investments	310,311	326,986	1,830,109	8,629,937	4,578,104	73,364	15,748,811	298,977
Accounts receivable, net of allowance	-	-	213,378	636,166	123,883	7,321	980,748	-
Other receivables	294	380	14,845	329,799	-	45,877	391,195	9,300
Inventories	-	336,597	-	-	-	-	336,597	-
Prepaid expenses	-	-	-	-	-	2,031	2,031	-
Due from other funds	-	-	-	-	48,257	-	48,257	-
Total current assets	310,605	663,963	2,058,332	9,682,806	4,843,756	1,583,965	19,143,427	308,277
Non-current assets:								
Restricted assets:								
Cash held by third party	-	-	-	104,032	-	-	104,032	67,814
Investments	-	-	-	1,000,991	-	82,224	1,083,215	-
Loan issue costs, net of amortization	-	-	-	-	-	37,831	37,831	-
Mortgage and security agreement	-	-	-	-	-	1,197,358	1,197,358	-
Capital assets:								
Land and improvements	6,528	135,877	-	724,569	989,815	596,115	2,452,904	-
Utility System	35,422,075	22,696,037	-	12,466,335	-	-	70,584,447	-
Construction in progress	-	132,400	-	13,532	-	-	145,932	-
Buildings	14,138,362	5,761,355	134,434	45,890,585	14,519,076	3,701,796	84,145,608	-
Equipment and furniture	5,124,127	2,584,549	1,854,427	-	1,390,987	629,318	11,583,408	-
Infrastructure and other improvements	-	1,070,232	-	1,690,361	154,132	2,510,084	5,424,809	-
Works of Art	-	-	-	-	46,137	-	46,137	-
Less accumulated depreciation	(33,049,314)	(21,738,484)	(1,270,527)	(6,856,709)	(9,292,151)	(2,629,140)	(74,836,325)	-
Total non-current assets	21,641,778	10,641,966	718,334	55,033,696	7,807,996	6,125,586	101,969,356	67,814
Total assets	21,952,383	11,305,929	2,776,666	64,716,502	12,651,752	7,709,551	121,112,783	376,091

See accompanying notes to the financial statements

CITY OF BARTLESVILLE
Statement of Net Assets – Proprietary Funds
June 30, 2011
(continued)

	Business-type Activities - Enterprise Funds							Governmental Activities - Internal Service Funds
	Wastewater Fund	Water Fund	Solid Waste Fund	Bartlesville Municipal Authority	Bartlesville Community Center Trust Authority	Other Enterprise Funds	Total	
LIABILITIES								
Current liabilities:								
Accounts payable	\$ 17,432	77,145	90,111	-	47,385	53,118	285,191	36,246
Accrued salaries payable	27,289	93,588	78,476	-	-	39,735	239,088	-
Accrued interest payable	-	-	-	490,793	-	4,870	495,663	-
Incentives payable	-	-	-	-	-	111,147	111,147	-
Meter deposit liability	-	-	-	991,084	-	-	991,084	-
Due to other funds	-	-	-	-	-	-	-	30,511
Deferred revenue	-	-	-	-	-	11,432	11,432	-
Deposits	-	-	-	-	5,833	-	5,833	-
Compensated absences	16,795	74,797	72,466	-	-	4,748	168,806	-
Claims and judgments	-	4,318	152,521	-	-	-	156,839	-
Bonds, notes and loans payable	-	-	-	3,559,476	-	76,000	3,635,476	-
Total current liabilities	61,516	249,848	393,574	5,041,353	53,218	301,050	6,100,559	66,757
Non-current liabilities:								
Bonds, notes and loans payable	-	-	-	44,820,230	-	1,121,358	45,941,588	-
Total non-current liabilities	-	-	-	44,820,230	-	1,121,358	45,941,588	-
Total liabilities	61,516	249,848	393,574	49,861,583	53,218	1,422,408	52,042,147	66,757
NET ASSETS								
Invested in capital assets, net of related debt	21,641,778	10,641,966	718,334	5,548,967	7,807,996	4,808,173	51,167,214	-
Restricted for debt service	-	-	-	9,305,952	-	-	9,305,952	-
Restricted for other purposes	-	336,596	-	-	107,500	1,135,354	1,579,450	67,814
Unrestricted	249,089	77,519	1,664,758	-	4,683,038	343,616	7,018,020	241,520
Total net assets	\$ 21,890,867	11,056,081	2,383,092	14,854,919	12,598,534	6,287,143	69,070,636	309,334

See accompanying notes to the financial statements

CITY OF BARTLESVILLE

Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds For the Fiscal Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds					Total	Governmental Activities - Internal Service Funds
	Wastewater	Water	Solid Waste	Bartlesville Municipal Authority	Bartlesville Community Center Trust Authority		
REVENUES:							
Charges for services	-	-	3,966,664	12,011,778	441,931	463,730	2,934,348
Lease revenue	-	-	-	-	-	2,500	-
Total operating revenues			3,966,664	12,011,778	441,931	466,230	2,934,348
OPERATING EXPENSES:							
Personal services	597,629	2,117,355	1,610,570	-	533,693	424,153	2,357,426
Contractual services	1,920,195	158,279	1,026,843	44,479	250,444	163,442	3,563,682
Utilities	838	462,569	4,496	-	120,022	30,381	618,306
Repairs and maintenance	176,813	527,310	123,021	11,529	38,791	46,498	923,962
Other supplies and expenses	37,784	847,868	235,826	230,301	153,428	91,183	1,596,390
Programs	-	-	-	-	-	337,495	-
Depreciation	1,467,758	738,803	108,065	1,525,877	358,820	70,588	4,269,911
Total operating expenses	4,201,017	4,852,184	3,108,821	1,812,186	1,455,198	1,163,740	2,741,668
Operating income (loss)	(4,201,017)	(4,852,184)	857,843	10,199,592	(1,013,267)	(697,510)	192,680
NON-OPERATING REVENUES (EXPENSES):							
Interest and investment revenue	(670)	(1,891)	32,682	169,320	775,757	20,294	5,194
Sales taxes	-	-	-	-	-	103,280	-
Hotel/motel taxes	-	-	-	-	-	92,863	-
Ad valorem taxes	-	-	-	-	-	310,812	-
Miscellaneous revenue	78,344	46,827	14,653	2,718	19,894	-	8,309
Grants and contributions	-	856	-	25,000	407,925	87,500	-
Interest expense	-	-	-	(1,694,183)	-	-	-
Total non-operating revenue (expenses)	77,674	45,792	47,335	(1,497,145)	1,203,576	614,749	13,503
Income (loss) before contributions and transfers	(4,123,343)	(4,806,392)	905,178	8,702,447	190,309	(82,761)	206,183
Capital asset transfers	-	346,853	-	-	-	2,942,131	-
Transfers in	3,373,979	5,248,255	-	92,793	223,667	147,110	-
Transfers out	(738,082)	(997,347)	(750,731)	(8,663,681)	-	(51,917)	-
Special item - gain (loss) on sale of capital assets	-	-	-	-	-	1,738	-
Change in net assets	(1,487,446)	(208,631)	154,447	131,559	413,976	2,956,301	206,183
Total net assets - beginning	23,378,313	11,264,712	2,228,645	14,723,360	12,184,558	3,330,842	103,151
Total net assets - ending	\$ 21,890,867	11,056,081	2,383,092	14,854,919	12,598,534	6,287,143	309,334

See accompanying notes to the financial statements

CITY OF BARTLESVILLE
 Statement of Cash Flows – Proprietary Funds
 For the Fiscal Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Wastewater	Water	Solid Waste	Bartlesville Municipal Authority	Bartlesville Community Center Trust Authority	Other Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES						Total	
Receipts from customers	\$ 1,584	1,985	4,006,555	11,944,948	439,366	922,117	17,316,555
Receipts from grantors and contributors	-	-	-	-	307,925	2,520	310,445
Receipts from investments	-	-	-	-	246,592	15,954	262,546
Receipts from taxes	-	-	-	-	217,912	-	217,912
Payments to suppliers	(2,119,198)	(2,093,366)	(1,365,063)	(1,196,363)	(551,187)	(718,724)	(8,043,901)
Payments to beneficiary government	-	-	-	-	-	(51,917)	(51,917)
Payments to employees	(597,149)	(2,094,502)	(1,618,806)	-	(533,693)	(274,735)	(5,118,885)
Net cash provided (used) by operating activities	(2,714,763)	(4,185,883)	(1,022,686)	10,748,585	126,915	(104,785)	4,892,755
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Other income	78,344	46,827	14,653	2,718	-	84,980	227,522
Intergovernmental income	-	856	-	-	-	-	856
Interfund transfers in (out)	2,635,897	4,250,908	(750,731)	(8,570,888)	-	147,110	(2,287,704)
Net cash provided (used) by noncapital financing activities	2,714,241	4,298,591	(736,078)	(8,568,170)	-	232,090	(2,059,326)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Proceeds from sale of capital assets	-	-	-	-	-	1,738	1,738
Purchases of capital assets	-	(112,805)	(142,100)	(1,467,541)	(106,501)	(22,145)	(1,851,092)
Proceeds from issuance of long-term debt	-	-	-	2,300,243	-	-	2,300,243
Cash held by third party	-	-	-	883,480	-	-	883,480
Principal paid on capital debt	-	-	-	(1,465,904)	-	(2,642)	(1,468,546)
Interest paid on capital debt	-	-	-	(1,731,509)	-	(66,918)	(1,798,427)
Net cash (used) by capital and related financing activities	-	(112,805)	(142,100)	(1,481,231)	(106,501)	(89,967)	(2,000)
CASH FLOWS FROM INVESTING ACTIVITIES							
Investment income	(670)	(1,891)	32,682	169,322	246,592	3,768	449,803
Purchase of investments	-	-	(177,190)	(781,602)	(223,698)	-	(1,182,490)
Sale of investments	1,192	1,988	-	-	-	127,358	130,538
Net cash provided (used) by investing activities	522	97	(144,508)	(612,280)	22,894	131,126	(602,149)

See accompanying notes to the financial statements

CITY OF BARTLESVILLE

Statement of Cash Flows – Proprietary Funds For the Fiscal Year Ended June 30, 2011 (continued)

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Wastewater	Water	Solid Waste	Bartlesville Municipal Authority	Bartlesville Community Center Trust Authority	Other Enterprise Funds	
Net (decrease) in cash and cash equivalents	-	-	-	86,904	43,308	168,464	4,992
Cash and cash equivalents, beginning of year	-	-	-	-	50,164	1,369,132	(35,503)
Cash and cash equivalents, end of year	-	-	-	86,904	93,472	1,537,596	(30,511)
OPERATING ACTIVITIES							
Operating income (loss)	\$ (4,201,017)	(4,852,184)	857,843	10,199,592	413,976	(223,426)	192,680
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation expense	1,467,758	738,803	108,065	1,525,877	358,820	74,323	-
(Increase) decrease in accounts receivable	1,584	1,985	39,891	(66,830)	(122,459)	26,008	11,441
(Increase) decrease in inventories	-	72,359	-	-	-	-	-
(Increase) decrease in investments	-	-	-	-	(529,165)	-	-
Increase (decrease) in accounts payable	16,432	(169,699)	25,123	(910,054)	5,743	(11,983)	(3,464)
Increase (decrease) in deferred revenue	-	-	-	-	-	3,640	-
Increase (decrease) in payroll liabilities	480	22,853	(8,236)	-	-	26,653	-
Total adjustments	1,486,254	666,301	164,843	548,993	(287,061)	118,641	7,977
Net cash provided (used) by operating activities	\$ (2,714,763)	(4,185,883)	1,022,686	10,748,585	126,915	(104,785)	200,657
Noncash investing, capital, and financing activities:							
Donation of capital asset				25,000			

See accompanying notes to the financial statements

CITY OF BARTLESVILLE
Statement of Net Assets – Fiduciary Funds
June 30, 2011

	Mausoleum Endowment	Housing TIF Districts	Hotel TIF District
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,428	40,348	15,089
Investments	14,927	-	-
Interest receivable	96	4,926	-
Total assets	16,451	45,274	15,089
<u>LIABILITIES</u>			
Due to other funds	3,086	-	-
Refunds payable and other liabilities	-	5,000	-
Total liabilities	3,086	5,000	-
<u>NET ASSETS</u>			
Held in trust for benefits and other purposes	13,365	40,274	15,089
Total net assets	\$ 13,365	40,274	15,089

See accompanying notes to the financial statements

CITY OF BARTLESVILLE

Statement of Changes in Fiduciary Net Assets – Fiduciary Funds
For the Fiscal Year Ended June 30, 2011

	<u>Mausoleum Endowment</u>	<u>TIF Districts</u>	<u>Hotel TIF District</u>
ADDITIONS:			
Property taxes for specific purposes	\$ -	218,749	-
General sales tax	-	3,507	7,291
Hotel/motel tax	-	-	7,798
Interest	209	1,497	
Total additions	<u>209</u>	<u>223,753</u>	<u>15,089</u>
DEDUCTIONS:			
General government	-	53	-
Interest expense	-	83,886	-
Principal payments	-	121,171	-
Total deductions	<u>-</u>	<u>205,110</u>	<u>-</u>
Change in net assets	209	18,643	15,089
Net assets - beginning	<u>13,156</u>	<u>21,631</u>	<u>-</u>
Net assets - ending	<u>\$ 13,365</u>	<u>40,274</u>	<u>15,089</u>

See accompanying notes to the financial statements

CITY OF BARTLESVILLE
Combining Statement of Net Assets
Discretely Presented Component Units
June 30, 2011

	Component Units		
	Bartlesville Development Corporation	Bartlesville Development Authority	Total
<u>ASSETS</u>			
Cash and equivalents	\$ 319,132	-	319,132
Receivables	1,152,360	-	1,152,360
Restricted cash	1,244,546	66,667	1,311,213
Other assets	2,187	-	2,187
Capital assets:			
Non-depreciable	1,328,061	734,675	2,062,736
Depreciable, less depreciation	265,760	53,833,027	54,098,787
Total capital assets	1,593,821	54,567,702	56,161,523
Total assets	4,312,046	54,634,369	58,946,415
<u>LIABILITIES</u>			
Accounts payable and accrued expenses	42,119	-	42,119
Due to other governmental agencies	66,667	-	66,667
Long-term liabilities			
Due within one year			
Bonds, capital leases and contracts	9,275	481,894	491,169
Compensated absences	-	-	-
Claims payable	-	-	-
Due in more than one year			
Bonds, capital leases and contracts	16,410	5,002,120	5,018,530
Total liabilities	134,471	5,484,014	5,618,485
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	-	49,083,688	49,083,688
Restricted for:			
Capital projects	-	-	-
Debt service	-	-	-
Other projects	2,544,546	66,667	2,611,213
Unrestricted	1,633,029	-	1,633,029
Total net assets	\$ 4,177,575	49,150,355	53,327,930

See accompanying notes to the financial statements

CITY OF BARTLESVILLE

Combining Statement of Activities – Discretely Presented Component Units For the Fiscal Year Ended June 30, 2011

Functions/Programs Component Units	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Bartlesville Development Corporation	Bartlesville Development Authority	Total
Bartlesville Development Corporation	\$ 1,137,538	-	-	(162,232)	-	(162,232)
Bartlesville Development Authority	1,634,056	-	-	-	(885,495)	(885,495)
Total component units	\$ 2,771,594	-	-	(162,232)	(885,495)	(1,047,727)
General revenues:						
Unrestricted investment earnings				\$ 68,504	-	68,504
Miscellaneous				149	-	149
Pass through revenue				81,200	-	81,200
Transfers				1,300,000	-	1,300,000
Total general revenues, special items, and transfers				1,449,853	-	1,449,853
Change in net assets				1,287,621	(885,495)	402,126
Net assets - beginning				2,889,954	50,035,850	52,925,804
Net assets - ending				\$ 4,177,575	49,150,355	53,327,930

See accompanying notes to the financial statements

CITY OF BARTLESVILLE

Notes to Basic Financial Statements – Index

June 30, 2011

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CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.A. INTRODUCTION

The financial statements of the *City of Bartlesville, Oklahoma* (the City) are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The following represent the more significant accounting and reporting policies and practices of the City.

1.B. FINANCIAL REPORTING ENTITY

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

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

Due to restrictions of the State Constitution relating to the issuance of municipal debt, the City created public trusts to finance City services with revenue bonds or other non-general obligation financing, and provide for multi-year contracting. Financing services by these public trusts are solely for the benefit of the City. Public trusts created to provide financing services are blended into the City's primary government although retaining separate legal identity. Component units that do not meet the criteria for blending are reported discretely.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2011
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.B. FINANCIAL REPORTING ENTITY (continued)

Component units are reported in the City’s basic financial statements as shown in the following table:

Blended Component Units Reported with the Primary Government	Brief Description of Activity’s Relationship to City	Reporting Funds
Bartlesville Municipal Authority	Finance projects and development for the City’s water and wastewater utilities. The City Council is the governing body. Assets financed by the Trust are managed by City employees who provide services to citizens.	Enterprise Fund
Bartlesville Community Center Trust Authority	Develop, finance and operate the Community Center for cultural and recreational activities for the citizens of Bartlesville. Their Board consists of eight members appointed by the City Council and one Council member. (Classified as Governmental Special Revenue prior to July 1, 2010)	Enterprise Fund
Bartlesville Library Trust Authority	Encourage, finance and promote the public library. The City Council appoints members of the Trust Authority Board. City employees manage trust assets and provide services to citizens.	Special Revenue Fund
Bartlesville History Museum Trust Authority	Establish, improve, maintain, administer and operate facilities for use as a history museum. Their Board consists of nine members, one of whom must be a member of the City Council. Members are appointed by the Mayor with the approval of City Council.	Special Revenue Fund
Adult Center Trust Authority	Encourage, finance and promote cultural and recreational activities for the older citizens of Bartlesville. Their Board consists of six members appointed by the City Council. (Classified as Governmental Special Revenue prior to July 1, 2010)	Enterprise Fund

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2011
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.B. FINANCIAL REPORTING ENTITY (continued)

Blended Component Units Reported with the Primary Government	Brief Description of Activity's Relationship to City	Reporting Funds
Bartlesville Redevelopment Trust Authority	Develop, redevelop, restore and beautify a certain portion of central Bartlesville, Oklahoma jurisdictional boundaries. (Classified as Discretely Presented prior to July 1, 2010)	Enterprise Fund
Discretely Presented Component Unit	Brief Description of Activities Relationship to City	Reporting Funds
Bartlesville Development Corporation	Develop, finance and promote economic development activities. The City Council appoints three members of the Board and the Bartlesville Area Chamber of Commerce appoints three members. These six members then appoint the other three members. The City Council reviews the BDC budget, as well as approves any incentive awards. The City funds this program with ¼ cent sales tax.	Discretely Presented
Bartlesville Development Authority	Finances certain facilities for the purpose of promoting economic development in the <i>City of Bartlesville, Oklahoma</i> and surrounding areas.	Discretely Presented

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2011
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.C. BASIS OF PRESENTATION

Government-wide Financial Statements:

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

Fund Financial Statements:

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

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent (10%) of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent (5%) of the corresponding total for all governmental and enterprise funds combined.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2011
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.C. BASIS OF PRESENTATION (continued)

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

Governmental Fund Types:

General Fund – The General Fund is the primary fund of the City, which accounts for all financial transactions not accounted for in other funds and certain Public Trust activities that require separate accountability for services rendered.

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

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

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

Proprietary Fund Types:

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2011
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.C. BASIS OF PRESENTATION (continued)

Proprietary Fund Types: (continued)

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

<u>Fund</u>	<u>Brief Description</u>
Workers' Compensation	Accounts for the revenues and expenditures of the City's workers' compensation plan.
Health Insurance	Accounts for the revenues and expenditures of the City's health insurance plan.

Fiduciary Fund Types:

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

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2011
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.C. BASIS OF PRESENTATION (continued)

Fiduciary Fund Types: (continued)

Agency Funds – (Not included in government-wide statements.) Agency Funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governmental funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

<u>Fund</u>	<u>Brief Description</u>
TIF Districts Fund	Accounts for ad valorem and general sales taxes that are to be used to fund infrastructure improvements to the designated Tax Increment Financing (TIF) areas.
Hotel TIF District Fund	Accounts for sales taxes and hotel/motel taxes that are to be used to fund the Hilton Garden Inn.

Major and Nonmajor Funds

The funds are further classified as major or nonmajor as follows:

<u>Fund</u>	<u>Brief Description</u>
Major:	
General	See above for description.
Special Revenue Fund: Debt Service Fund	See above for description.
Capital Project Fund: 2010 G.O. Bond Fund	Accounts for proceeds and expenditures associated with street improvements.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2011
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.C. BASIS OF PRESENTATION (continued)

Major and Nonmajor Funds (continued)

<u>Fund</u>	<u>Brief Description</u>
Major: (continued)	
Enterprise Funds:	
Wastewater Fund	Accounts for activities of the public trust in providing wastewater services to the public.
Water Fund	Accounts for activities of the public trust in providing water services to the public.
Solid Waste Fund	Accounts for activities of the public trust in providing solid waste services to the public.
Bartlesville Municipal Authority	See above for description.
Bartlesville Community Center Trust Authority	See above for description.
Nonmajor:	
Special Revenue Funds:	
Bartlesville History Museum Trust Authority	See above for description.
E-911 Fund	Accounts for revenues and expenditures of the E-911 service that is legally restricted for public safety use.
Special Library Fund	Accounts for State Library Assistance and library donations which are provided to the library for operations
Special Museum Fund	Accounts for museum grants and donations that are provided primarily by the BHMTA.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2011
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.C. BASIS OF PRESENTATION (continued)

Nonmajor: (continued)

Economic Development Fund	Accounts for revenues and expenditures of promoting economic diversification.
Bartlesville Library Trust Authority	See blended component units above for description.
Restricted Donations Fund	Accounts for receipts and expenditures of donations that are restricted for specific purposes.
Municipal Airport Fund	See above for description.
Golf Course Memorial Fund	Accounts for donations and proceeds of an annual memorial golf tournament.
Justice Assistance Grant Fund (JAG)	Accounts for revenues and expenditures related to the Justice Assistance Grant
Neighborhood Park Fund	Accounts for the receipt and expenditures of development fees that are reserved for use in the various parks of the City
Cemetery Perpetual Care Fund	Accounts for revenues and expenditures of the cemetery's upkeep in accordance with State law.
Memorial Stadium Operating Fund	Accounts for receipt of stadium fees and transfers from the City for capital improvements.
Capital Project Funds:	
Capital Improvement-Sales Tax	Accounts for revenues and expenditures related to a sales tax issue restricted for capital improvements.
Capital Improvement - Wastewater Fund	Accounts for the revenues and expenditures associated with improving the wastewater system.
Capital Improvement – Wastewater Regulatory Fund	Accounts for revenues and expenditures associated with the wastewater capital investment fees, which are assessed as \$1.00/1,000 gallons of billable wastewater.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2011
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.C. BASIS OF PRESENTATION (continued)

Nonmajor: (continued)

Capital Project Funds:
(continued)

Capital Improvement - Park and Recreation Fund	Accounts for revenues and expenditures associated with improving the parks and recreation facilities.
Capital Improvement - Storm Sewer Fund	Accounts for revenues and expenditures associated with improving the storm sewer system.
Community Development Block Grant Fund	Accounts for revenues and expenditures related to the Community Development Block Grant.
2005 G.O. Bond Fund	Accounts for bond proceeds and expenditures associated with improving the streets, water system, buildings and water system.
2007 G.O. Bond Fund	Accounts for bond proceeds and expenditures associated with improving the streets.
2008A G.O. Bond Fund	Accounts for bond proceeds and expenditures associated with improving the streets and drainage.
2008B G.O. Bond Fund	Accounts for bond proceeds and expenditures associated with park improvements.
2009 G.O. Bond Fund	Accounts for bond proceeds and expenditures associated with street improvements.
Proprietary Funds:	
Adams Municipal Golf Course	Accounts for revenues and expenses of the municipal golf course.
Sooner Pool	Accounts for revenues and expenses of Sooner Pool.
Frontier Pool	Accounts for revenues and expenses of Frontier Pool.
Adult Center Trust Authority	See above for description.
Bartlesville Redevelopment Trust Authority	See above for description.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2011
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING:

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2011
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING: (continued)

Basis of Accounting

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

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter 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 and trust 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.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2011
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.E. ASSETS, LIABILITIES AND EQUITY

Cash and Investments

For the purposes of these financial statements, “cash and cash equivalents” includes all demands and savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less.

Investments are carried at fair value. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Note 2.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Interfund receivables and payables between funds within governmental activities or business type activities are eliminated in the statement of Net Assets. See Note 5 for details of interfund transactions, including receivables and payables at year-end.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants, police fines, and ambulance fees. Business-type activities report utilities and interest earnings as its major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2011
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.E. ASSETS, LIABILITIES AND EQUITY (continued)

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 and interest earnings comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Deposit with Third-Party Administrator

The City provides life and health insurance benefits to its employees as a participant in the Municipal Assurance Group, a public entity risk pool. The City was classified as a Class I municipality in this plan. Class I municipalities fund the costs of coverage based upon an anticipated contribution and claim cost. To the extent the funded contributions are in excess of benefits paid, amounts are refundable to the City or can be used to reduce future contributions or any future claims. This plan has been discontinued but some funds remain on deposit with the third party administrator to pay claim run out on claims incurred prior to June 30, 2002.

The City has notes payable to Oklahoma Water Resource Board payable in semi-annual installments. The semi-annual payments are made by the Bank of Oklahoma from accounts prefunded in monthly installments by the City.

Inventory

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

Fixed Assets

The accounting treatment of property, plant and equipment (fixed 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.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2011
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.E. ASSETS, LIABILITIES AND EQUITY (continued)

Fixed Assets (continued)

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation.

Prior to July 1, 2002, governmental funds' infrastructure assets were not capitalized. Since that time, all governmental infrastructure assets have been recorded as acquired. The governmental infrastructure assets for the preceding 20 years were recorded at their actual historical cost, or estimated historical cost if actual was unavailable, as of July 1, 2006.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is recorded over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	15-50 years
Other Improvements	5-100 years
Machinery and Equipment	10-40 years
Office Machinery and Equipment	2-15 years
Vehicles	5-15 years
Infrastructure	25-50 years

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2011
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.E. ASSETS, LIABILITIES AND EQUITY (continued)

Fixed Assets (continued)

Fund Financial Statements

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

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to promissory note trustee accounts.

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 primarily of notes payable, general obligation bonds, accrued compensated absences, and workers' compensation claims payable.

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2011
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.E. ASSETS, LIABILITIES AND EQUITY (continued)

Compensated Absences

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

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

Equity Classifications

Government-wide Statements

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

- a. Invested in capital assets, net of related debt – 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 assets – consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, (2) law through constitutional provisions or enabling legislation, or (3) external contracts.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2011
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.E. ASSETS, LIABILITIES AND EQUITY (continued)

Equity Classifications (continued)

- c. Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

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

Governmental Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

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

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2011
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.E. ASSETS, LIABILITIES AND EQUITY (continued)

Equity Classifications (continued)

Governmental Fund Financial Statements (continued)

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

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

e. Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2011
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.E. ASSETS, LIABILITIES AND EQUITY (continued)

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within the unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

1.F. REVENUES, EXPENDITURES AND EXPENSES

Sales Tax

The City presently levies a three-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. The Tax Commission receives the sales tax approximately one month after collection by vendors. The Sales Tax is allocated among three funds: The General Fund, the Economic Development Fund, and the Sales Tax Capital Improvement Fund. Seventy-five percent (75%) of the tax collected is deposited in the General Fund, eight and one-third percent (8 1/3%) is deposited in the Economic Development Fund, and sixteen and two-thirds percent (16 2/3%) is deposited in the Sales Tax Capital Improvement Fund. Sales taxes collected by the State in June and July (which represent sales for May and June) and received by the City in July and August have been accrued and are included under the caption "Due from other governments".

Property Tax

Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and any court-assessed judgments. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied annually on November 1 and are due one-half by December 31 and one-half by March 31. The Treasurer of Washington County bills and collects the property taxes and remits to the City its portion. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2011
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.F. REVENUES, EXPENDITURES AND EXPENSES (continued)

Operating Revenues and Expenses

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

Cigarette, Tobacco and Tobacco Products Tax

Beginning in January 2005, the City receives tax levied on wholesalers for cigarettes, tobacco and tobacco products. The tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. The Tax Commission receives the tax approximately one month after accumulation by wholesalers. The cigarette, tobacco and tobacco products tax is allocated among three funds: The General Fund, the Economic Development Fund, and the Sales Tax Capital Improvement Fund. Seventy-five percent (75%) of the tax collected is deposited in the General Fund, eight and a third percent (8 1/3%) is deposited in the Economic Development Fund, and sixteen and two-thirds (16 2/3%) is deposited in the Sales Tax Capital Improvement Fund. The cigarette, tobacco and tobacco products tax collected by the State in June and July (which represents collections for May and June) and received by the City in July and August have been accrued and are included under the caption “Due from other governments”.

Expenditures and 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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2011
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.F. REVENUES, EXPENDITURES AND EXPENSES (continued)

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

Interfund Transfers

Permanent re-allocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2011
(continued)

NOTE 2 – DEPOSITS, INVESTMENTS AND COLLATERAL

The following is a table of deposits and investments of the City at June 30, 2011 by type.

	<u>Credit Rating</u>	<u>Carrying Value</u>	<u>On Demand</u>	<u>Maturities in Years</u>	
				<u>Less Than One</u>	<u>1-5</u>
Type Deposits:					
Petty Cash	N/A	\$ 2,775	2,775		
Demand Deposits	N/A	5,500,076	5,500,076		
Time Deposits	N/A	19,577,616		2,717,625	16,859,991
Total Deposits		<u>25,080,467</u>			
Investments:					
Corporate Stocks and Bonds					
Community Center	N/A	4,578,104			
Library Trust Authority	AAAAA	9,399			
Agencies of the U.S. Govt.					
FHLB/FFCB/FHLMC/FNMA	AAA	16,306,520			
Mutual Funds					
Library Trust Authority	AAA-AAAAA	1,044,720			
Total Investments:		<u>21,938,743</u>			
Note Payments held in trust and cash with fiscal agent		179,947			
Total:		<u>\$ 47,199,157</u>			
Reconciliation to Statement of Net Assets:					
Cash and Cash Equivalents:					
Government-wide		\$ 3,049,617			
Mausoleum		1,428			
TIF Districts		40,348			
Investments:					
Government-wide		18,675,573			
Mausoleum		14,927			
Restricted Cash and Cash Equivalents:					
Government-wide		229,749			
Restricted Investments:					
Government-wide		25,187,515			
Total:		<u>\$ 47,199,157</u>			

Custodial Credit Risk – All of the City’s deposits at financial institutions were either covered by FDIC insurance or collateralized with securities held by the pledging financial institution.

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the City’s investment policy limits the City’s investment portfolio to maturities of not more than two years.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2011
(continued)

NOTE 3 – CAPITAL ASSETS

3.A. CAPITAL ASSET ACTIVITY – GOVERNMENTAL ACTIVITIES

Capital asset activity for governmental activities for the year ended June 30, 2011 was as follows:

Class	Governmental Activities				Ending
	Ending	Additions	Deletions	Transfers	Balance
	Balance				June 30, 2011
	June 30, 2010				June 30, 2011
Capital assets, not being depreciated:					
Land	\$ 5,302,546	-	-	(1,942,013)	3,360,533
Construction in progress	8,878,244	4,670,924	-	(5,982,960)	7,566,208
Total capital assets, not being depreciated	14,180,790	4,670,924	-	(7,924,973)	10,926,741
Capital assets, being depreciated:					
Infrastructure and improvements	69,027,193	-	-	2,141,520	71,168,713
Buildings	26,306,124	-	(253,703)	(15,173,787)	10,878,634
Equipment and furniture	12,094,594	422,411	(370,401)	(1,231,708)	10,914,896
Total capital assets, being depreciated	107,427,911	422,411	(624,104)	(14,263,975)	92,962,243
Less accumulated depreciation for:					
Infrastructure and improvements	(22,091,832)	(2,212,728)	-	24,559	(24,280,001)
Buildings	(14,664,992)	(508,926)	226,889	9,596,988	(5,350,041)
Equipment and furniture	(6,632,962)	(716,841)	314,216	12,729	(7,022,858)
Total accumulated depreciation	(43,389,786)	(3,438,495)	541,105	9,634,276	(36,652,900)
Total capital assets, being depreciated, net	64,038,125	(3,016,084)	(82,999)	(4,629,699)	56,309,343
Governmental activities capital assets, net	\$ 78,218,915	1,654,840	(82,999)	(12,554,672)	67,236,084

Included in the transfers column above is the reclassification of the Bartlesville Community Center Trust Authority and Adult Center Trust Authority assets from governmental activities to business-type activities, which is not included in the government-wide statement of activities. On October 16, 2010, the BDC received a quit-claim deed from the City of Bartlesville for the Sunset Industrial Park. The land was given to the BDC on a condition that they would maintain, insure, and market it as a possible location for local business development. With the quit-claim deed, the Bartlesville City Council has the right to ask for the return of the deed and the property after twelve months. As of January 30, 2012, the Council has not requested the return of the land.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2011
(continued)

NOTE 3 – CAPITAL ASSETS (continued)

3.B. CAPITAL ASSET ACTIVITY – BUSINESS-TYPE ACTIVITIES

Capital asset activity for business-type activities for the year ended June 30, 2011, was as follows:

Class	Business-type Activities				Ending
	Ending Balance June 30, 2010	Additions	Deletions	Transfers	Balance June 30, 2011
Capital assets, net being depreciated:					
Land	\$ 1,340,474	25,000	-	1,087,429	2,452,903
Works of Art	-	-	-	46,137	46,137
Construction in progress	6,405,847	1,539,446	-	(7,799,360)	145,933
Total capital assets not being depreciated	7,746,321	1,564,446	-	(6,665,794)	2,644,973
Capital assets, being depreciated:					
Infrastructure and improvements	67,264,224	78,957	-	8,666,075	76,009,256
Buildings	66,319,277	9,895	-	17,816,436	84,145,608
Equipment and furniture	10,188,960	222,794	(210,815)	1,382,470	11,583,409
Total capital assets, being depreciated	143,772,461	311,646	(210,815)	27,864,981	171,738,273
Less accumulated depreciation for:					
Infrastructure and improvements	(34,235,559)	(1,785,931)	-	(71,124)	(36,092,614)
Buildings	(18,610,924)	(2,106,461)	-	(8,958,849)	(29,676,234)
Equipment and furniture	(8,295,607)	(377,520)	209,953	(604,304)	(9,067,478)
Total accumulated depreciation	(61,142,090)	(4,269,912)	209,953	(9,634,277)	(74,836,326)
Total capital assets, being depreciated, net	82,630,371	(3,958,266)	(862)	18,230,704	96,901,947
Business-type capital assets	\$ 90,376,692	(2,393,820)	(862)	11,564,910	99,546,920

3.C. DEPRECIATION CHARGES

Depreciation expense by functional category for the governmental type funds was as follows:

Functional Category	Amount
General Government	\$ 669,080
Public Safety	431,099
Public Works	1,852,552
Culture and Recreation	485,764
Total depreciation	\$ 3,438,495

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2011
(continued)

NOTE 3 – CAPITAL ASSETS (continued)

3.D. CAPITAL ASSET ACTIVITY – COMPONENT UNITS

Capital asset activity for component units for the year ended June 30, 2011 was as follows:

Bartlesville Development Corporation	Ending Balance July 1, 2010	Additions	Deletions	Ending Balance June 30, 2011
Non-depreciable:				
Land	\$ 28,061	-	-	28,061
Depreciable:				
Building	252,549	-	-	252,549
Office Furniture and fixtures	54,439	-	-	54,439
Automobile	37,366	-	-	37,366
Less accumulated depreciation	(57,679)	-	-	(57,679)
Net depreciable assets	286,675	-	-	286,675
BDC capital assets, net	<u>\$ 314,736</u>	<u>-</u>	<u>-</u>	<u>314,736</u>
Bartlesville Development Authority	Ending Balance July 1, 2010	Additions	Deletions	Ending Balance June 30, 2011
Non-depreciable:				
Land	\$ 734,675	-	-	734,675
Depreciable:				
Building	62,860,158	-	-	62,860,158
Less accumulated depreciation	(7,641,490)	(1,385,641)	-	(9,027,131)
Net depreciable assets	55,218,668	(1,385,641)	-	53,833,027
BDA capital assets, net	<u>\$ 55,953,343</u>	<u>(1,385,641)</u>	<u>-</u>	<u>54,567,702</u>

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2011
(continued)

NOTE 4 – LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2011:

	General Obligation Bonds Payable	Notes Payable	Workers' Comp Claims Liability	Accrued Compensated Absences	Total
Long-term debt, July 1, 2010	\$ 16,055,000	48,745,367	834,928	816,304	66,451,599
Debt issued	5,000,000	2,300,243	278,287	-	7,578,530
Debt retired	<u>(2,375,000)</u>	<u>(1,468,546)</u>	<u>(402,545)</u>		<u>(4,246,091)</u>
Long-term debt, June 30, 2011	<u>\$ 18,680,000</u>	<u>49,577,064</u>	<u>710,670</u>	<u>816,304</u>	<u>69,784,038</u>
Amount due in one year	<u>\$ 2,770,000</u>	<u>3,635,476</u>	<u>710,670</u>	<u>816,304</u>	<u>7,932,450</u>

4.A. GENERAL OBLIGATION BONDS TO BE REPAID THROUGH GOVERNMENTAL TYPE ACTIVITY

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

General obligation bonds payable at June 30, 2011, are comprised of the following issues:

On December 1, 2010, \$5,000,000 General Obligation Bonds, Series 2010, serial bonds due in annual installments of \$710,000, except for a final installment of \$740,000 through December 1, 2018; semi-annual interest at rates varying from 2.15% to .75% for street improvements.	Current	\$ -
	Long-term	<u>5,000,000</u>
	Total	<u>5,000,000</u>

On June 1, 2008, \$4,000,000 General Obligation Bonds, Series 2008A, serial bonds due in annual installments of \$440,000, except for a final installment of \$480,000 through June 1, 2018; semi-annual interest at rates varying from 2.7% to 4.75% for street and drainage improvements.	Current	440,000
	Long-term	<u>2,680,000</u>
	Total	<u>3,120,000</u>

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2011
(continued)

NOTE 4 – LONG-TERM DEBT (continued)

4.A. GENERAL OBLIGATION BONDS TO BE REPAID THROUGH GOVERNMENTAL TYPE ACTIVITY (continued)

General obligation bonds payable at June 30, 2011, are comprised of the following issues:
(continued)

On April 1, 2007, \$4,500,000 General Obligation Bonds, Series 2007, serial bonds due in annual installments of \$500,000 from April 1, 2009 through April 1, 2017; semi-annual interest at rates varying from 3.40% to 4.75% commencing April 1, 2008 for street improvements.	Current Long-term Total	\$ 500,000 <u>2,500,000</u> <u>3,000,000</u>
\$3,000,000 Combined Bonds of 2001, serial bonds due in annual installments of \$330,000, except for a final installment of \$360,000 through November 1, 2011; semi-annual interest at rates varying from 3.10% through 4.95%.	Current Long-term Total	360,000 - <u>360,000</u>
\$3,500,000 Sanitary Sewer System Improvement Bonds of 2002, serial bonds due in annual installments of \$385,000, except for a final installment of \$420,000, through February 1, 2012; semi-annual interest at rates varying from 3.25% through 4.30%.	Current Long-term Total	420,000 - <u>420,000</u>
On September 1, 2008, \$2,000,000 General Obligation Bonds Series 2008B, due in annual installments of \$220,000 through September 1, 2018; semi-annual interest at rates varying from 2.7% through 5.7%.	Current Long-term Total	220,000 <u>1,560,000</u> <u>1,780,000</u>
On May 1, 2005, \$4,500,000 General Obligation Bonds, Series 2005, serial bonds due in annual installments of \$500,000 from May 1, 2007 through May 1, 2015; semi-annual interest at rates varying from 3.05% to 3.9% commencing May 1, 2006.	Current Long-term Total	500,000 <u>1,500,000</u> <u>2,000,000</u>
On September 1, 2009, \$3,000,000 General Obligation Bonds Series 2009, due in annual installments of \$330,000 through September 1, 2020; semi-annual interest at rates varying from 2.7% to 5.7%.	Current Long-term Total	330,000 <u>2,670,000</u> <u>3,000,000</u>
Total current portion		2,770,000
Total long-term portion		<u>15,910,000</u>
Total general obligation bonds		\$ <u><u>18,680,000</u></u>

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2011
(continued)

NOTE 4 – LONG-TERM DEBT (continued)

4.B NOTES PAYABLE TO BE REPAID BY BUSINESS-TYPE ACTIVITY

Notes payable at June 30, 2011 are comprised of the following obligations:

Note payable to the Oklahoma Water Resources Board, proceeds of \$743,591 were used to refinance an interim construction loan on November 19, 2002, principle payments of \$19,066 are due semi-annually starting March 15, 2003. This note is interest free, but is subject to a 0.5% administrative fee. The note will mature 2022.	Current	\$ 38,133	
	Long-term	381,329	
	Total	<u>419,462</u>	

Note payable to the Oklahoma Water Resources Board, proceeds of \$726,006 were used to refinance an interim construction loan on March 31, 2004, principle payments of \$18,150 are due semi-annually starting September 15, 2004. This note bears no interest but is subject to a 1/2% administrative fee. The note will mature 2024.	Current	36,300	
	Long-term	435,605	
	Total	<u>471,905</u>	

Note payable to JP Morgan Chase Bank, N.A. proceeds of \$2,000,000 were used to finance construction and extension of Silver Lake Road on November 19, 2004, principal payments of \$13,812 are due semi-annually starting September 15, 2004. This note bears no interest but is subject to a 1/2% administrative fee. The note will mature 2024.	Current	27,625	
	Long-term	331,498	
	Total	<u>359,123</u>	

Note payable to Oklahoma Water Resources Board. proceeds of \$7,620,000 were used to finance construction improvements to the drinking water system on September 1, 2009, draws as of June 30, 2010 were \$5,182,845. This note bears interest at a rate of 2.77% per annum. Principal and interest are due semiannually starting March 15, 2011. The note will mature on September 15, 2030.	Current	2,198,691	
	Long-term	5,131,997	
	Total	<u>7,330,688</u>	

Note payable to Bank of America proceeds of \$3,030,000 were used to refinance three variable interest rate loans with Oklahoma Water Resources Board to a fixed interest rate of 3.8% per annum on March 1, 2005. Principal and interest are due semiannually starting on October 1, 2005. Principal payments range from \$130,000 to \$175,000. This note matures March 1, 2015.	Current	315,000	
	Long-term	1,020,000	
	Total	<u>1,335,000</u>	

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2011
(continued)

NOTE 4 – LONG-TERM DEBT (continued)

4.C NOTES PAYABLE TO BE REPAID BY BUSINESS-TYPE ACTIVITY
(continued)

Notes payable at June 30, 2011 are comprised of the following obligations:
(continued)

<p>Note payable to the Oklahoma Water Resources Board, proceeds of \$40,445,000 were used to refinance indebtedness incurred for construction water system. Principle and interest payments of \$2,387,700 will be due in two semi-annual installments commencing on March 15, 2009. This note bears interest at a rate of 3.91% per annum. The note will mature on March 15, 2036.</p>	<p>Current \$ 900,000 Long-term <u>37,425,000</u> Total <u>38,325,000</u></p>
<p>Note payable to Marjorie E. Pitzer, proceeds of \$256,000 were used to purchase real property. Principle and interest payments of \$51,346 will be due in annual installments commencing on April 1, 2009. This note bears interest at a rate of 5.5% per annum. The note will mature on April 1, 2014.</p>	<p>Current 43,727 Long-term <u>94,801</u> Total <u>138,528</u></p>
<p>Note payable to BancFirst proceeds of \$1,200,000 were used to finance costs associated with the construction of Downtown Bartlesville Hotel. Principal and interest are due annually on June 1st with a variable interest rate starting at 5.5%. The note will mature on June 1, 2022.</p>	<p>Current 76,000 Long-term <u>1,121,358</u> Total <u>1,197,358</u></p>
<p>Total current portion</p>	<p>3,635,476</p>
<p>Total long-term portion</p>	<p><u>45,941,588</u></p>
<p>Total notes payable</p>	<p>\$ <u>49,577,064</u></p>

4.D. WORKERS' COMPENSATION CLAIMS LIABILITY

The City self-insures workers' compensation claims liability. The administration of claims for self-insurance is primarily performed by third party administrators. At June 30, 2011, the City's workers' compensation claims liability was \$710,670 based upon the estimated claims payable reported as reserves in the third party administrator's monthly and quarterly reports to the City. \$553,831 of the liability is payable from governmental type activities and is reported in claims payable of the governmental type activities in the government-wide statements. \$156,839 is payable from the Proprietary Funds and is recorded in claims payable. Due to the uncertainty of when these liabilities will be paid, the entire amount is considered to be a component of the current portion of long-term debt. All court ordered judgments are levied in accordance with State law over three years.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2011
(continued)

NOTE 4 – LONG-TERM DEBT (continued)

4.E. DEBT SERVICE REQUIREMENTS TO MATURITY

The annual requirements to amortize long-term debt outstanding as of June 30, 2011, are as follows:

<u>Period</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 6,405,476	2,210,185	8,615,661
2013	4,396,418	2,084,230	6,480,648
2014	4,461,802	1,957,900	6,419,702
2015	4,476,205	1,822,717	6,298,922
2016	3,680,512	1,689,688	5,370,200
2017-2021	13,894,891	6,918,258	20,813,149
2022-2026	9,024,329	5,153,134	14,177,463
2027-2031	10,207,431	3,359,535	13,566,966
2032-2036	10,540,000	1,394,894	11,934,894
2037	1,170,000	22,874	1,192,874
Total	\$ <u>68,257,064</u>	<u>26,613,415</u>	<u>94,870,479</u>

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2011
(continued)

NOTE 5 – INTERFUND TRANSACTIONS

5.A. INTERFUND TRANSFERS

	Transfers In										
	Adams	Municipal	E-911	Special	Wastewater	General	Water	Special	Fronter	Capital	Bartlesville
Transfers Out	Fund	Golf Course Fund	Fund	Library Fund	Fund	Fund	Fund	Museum Fund	Pool Fund	Improvement Sales Tax Fund	Municipal Authority
General Fund	\$ 212,908	113,110	-	-	-	-	-	-	34,000	-	-
Bartlesville Library Trust Authority	-	-	51,463	-	-	-	-	-	-	-	-
Bartlesville History Museum Trust Authority	-	-	-	-	2,500	-	42,516	-	-	-	-
Bartlesville Municipal Authority	-	-	-	-	3,373,979	5,248,255	-	-	-	-	-
Wastewater Fund	-	-	-	-	738,082	-	-	-	-	-	-
Water Fund	-	-	-	-	997,347	-	-	-	-	-	-
Solid Waste Fund	-	-	-	-	750,731	-	-	-	-	-	-
Neighborhood Park Fund	-	-	-	-	-	-	-	-	-	-	51,346
Bartlesville Redevelopment Trust Authority	-	-	-	-	51,917	-	-	-	-	-	-
Economic Development Fund	-	-	-	-	-	-	-	-	-	153,164	-
Transfers In Total	\$ 212,908	113,110	51,463	3,373,979	2,540,577	5,248,255	42,516	34,000	153,164	51,346	

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2011
(continued)

NOTE 5 – INTERFUND TRANSACTIONS (continued)

5.A. INTERFUND TRANSFERS (continued)

<u>Transfers Out</u>	<u>Transfers In (continued)</u>		<u>Transfers Out Total</u>
	<u>Bartlesville Community Center Trust Authority</u>	<u>Bartlesville Development Corporation</u>	
General Fund	\$ 232,262	-	592,280
Bartlesville Library Trust Authority	-	-	51,463
Bartlesville History Museum Trust Authority	-	-	45,016
Bartlesville Municipal Authority	-	-	8,622,234
Wastewater Fund	-	-	738,082
Water Fund	-	-	997,347
Solid Waste Fund	-	-	750,731
Neighborhood Park Fund	-	-	51,346
Bartlesville Redevelopment Trust Authority	-	-	51,917
Economic Development Fund	-	956,000	1,109,164
Transfers In Total	\$ <u>232,262</u>	<u>956,000</u>	<u>13,009,580</u>

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2011
(continued)

NOTE 5 – INTERFUND TRANSACTIONS (continued)

5.B. INTERFUND RECEIVABLES AND PAYABLES

<u>Interfund Payables</u>	<u>Bartlesville Community Center Trust Authority</u>	<u>General Fund</u>	<u>Payables Total</u>
General Fund	\$ 48,256	-	48,256
Mausoleum Endowment	-	3,086	3,086
Police Grant Fund	-	60,053	60,053
CDBG Fund	-	1,541	1,541
Workers' Compensation Fund	-	30,511	30,511
Municipal Court Bond	-	133	133
Receivables total	<u>\$ 48,256</u>	<u>95,324</u>	<u>143,580</u>

NOTE 6 – RETIREMENT PLANS

The City participates in a Defined Contribution Plan, the Employee Retirement System Defined Benefit Plan, the Oklahoma State Police Pension and Retirement System and the Oklahoma State Firefighters Pension and Retirement System, which together provide coverage to substantially all full-time City employees. Plans in place are described in detail as follows:

6.A. DEFINED CONTRIBUTION PLAN

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

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2011
(continued)

NOTE 6 – RETIREMENT PLANS (continued)

6.A. DEFINED CONTRIBUTION PLAN (continued)

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

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

Employees direct how their money is invested.

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

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

For the fiscal year ended June 30, 2011 the City contributed \$54,058 to the plan.

6.B. OKLAHOMA MUNICIPAL RETIREMENT FUND – DEFINED BENEFIT PLAN

A. Plan Description, Contribution Information and Funding Policies – The City contributes to an Employee Retirement Plan (the "Plan"), which is a single employer defined benefit pension plan.

All regular, full-time employees of the *City of Bartlesville*, except police, firefighters and other employees who are covered under an approved system, (with two years of service-prior to July 1, 1996 until July 1, 2006), participate in the Employee Retirement Plan. Employees had a onetime chance to change from the Defined Benefit Plan to the Defined Contribution

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2011
(continued)

NOTE 6 – RETIREMENT PLANS

6.B. OKLAHOMA MUNICIPAL RETIREMENT FUND – DEFINED BENEFIT PLAN (continued)

Plan in December 2009. Approximately 25% of the employees in the Defined Benefit Plan changed to the Defined Contribution Plan. The plan was funded through a Group Annuity Contract with Southwestern Life Insurance Company, through July 1, 1997. The City began participation in the Oklahoma Municipal Retirement Fund on July 1, 1997.

The number of Fund participants by category is as follows:

Terminated members entitled to but not yet receiving benefits	36
Retirees and beneficiaries currently receiving benefits	84
Fully vested employees	133
Non-vested employees	60
Total as of 1/1/11	<u>313</u>

City employees participating in the defined benefit plan become vested in retirement benefits upon completion of seven years of employment with the City. Participants are eligible for normal retirement at or after age 65 and with at least seven years of service. Early retirement benefits are available under two separate formulas, "Rule of 80" or early retirement option. Under the "rule of 80", an employee may elect to retire when total years of consecutive service plus the employee's age are equal to 80 or more. Under this rule, the employee receives his total accrued benefit beginning at any age. If an employee has seven years of service, early retirement may be taken as early as age 55, however, the benefit received is an actuarial equivalent of the benefit accrued to the date which the employee would receive at age 65, the normal retirement date.

- B. Summary of Significant Accounting Policies and Plan Asset Matters - Basis of Accounting – Disclosures of the Fund's financial condition are prepared using the accrual basis of accounting.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2011
(continued)

NOTE 6 – RETIREMENT PLANS (continued)

6.B. OKLAHOMA MUNICIPAL RETIREMENT FUND – DEFINED BENEFIT PLAN (continued)

C. Actuarially Determined Contribution Requirements and Contribution Made – Prior to July 1, 1997, the City purchased an annuity for each participating employee which would yield an annual payment equal to 2% of the normal annual compensation of the employee at the employee's normal retirement date. On July 1, 2006, the plan was revised to an annual payment equal to 2.5% of the normal annual compensation of the employee at the employee's normal retirement date and the employees are now required to contribute 3.0% of their pay. On January 1, 2010, the plan was revised. No new entrants may join the plan and the employee contribution rate increased to 6% of pay. Active participants were given a one-time election to opt out of the plan. Employees who opted out will continue to accrue service for eligibility as long as they remain employed, but will not accrue any benefits for service after January 1, 2010. Upon reaching age 65, the employee's retirement benefit is equal to 2.5% of their career average salary. Currently, the municipality-required contribution rate is actuarially measured each plan year as the amount necessary to fund the plan on a long-term basis using the actuarial cost methods. The required contribution rate changes each year, reflecting the investment earnings and the demographic experience of the participant group. The significant actuarial assumptions are as follows:

Cost method	Unit Credit
Interest rate	7.5% per annum
Pay increases	Rates by age
Mortality	1994 Group Annuity Mortality (projected to 2010)
Retirement age	Rates by age
Turnover	Rates by age and service
Asset value	Actuarial method

The unfunded actuarial liability is being amortized over 23 years through the annual required contribution. The City is currently making additional contributions toward the unfunded actuarial liability.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2011
(continued)

NOTE 6 – RETIREMENT PLANS (continued)

6.B. OKLAHOMA MUNICIPAL RETIREMENT FUND – DEFINED BENEFIT PLAN (continued)

Schedule of employer and employee contributions per actual paid payroll based on actuaries percentage of payroll:

<u>Fiscal Year</u>	<u>Required Contribution Rate</u>	<u>Annual Required Contribution</u>	<u>Annual Actual Contribution</u>	<u>Percentage Contributed</u>
2009	\$ 13.86%	1,160,338	1,160,338	100%
2010	17.85%	1,363,177	1,150,830	84%
2011	22.75%	1,419,921	1,419,921	100%

In fiscal year 2010 the City had implemented several cost-cutting measures related to the pension plan, therefore the City elected to keep contributions consistent with that of the prior year while awaiting the result of those changes.

6.C. COST SHARING, MULTIPLE EMPLOYER PLANS

Oklahoma Police Pension and Retirement System – The *City of Bartlesville*, as the employer, and full-time police officers participate in the statewide cost-sharing multi-employer Police Pension and Retirement System (the Police Pension System). This system, a defined benefit plan, is managed by agencies of the State of Oklahoma and is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The Oklahoma Insurance Department made a contribution to the OPPRS of \$212,006 on behalf of the City’s employed police officers who participate in the Oklahoma Police Pension & Retirement System. This was recorded as a miscellaneous revenue and public safety expense on the government-wide financial statements.

All full-time officers, employed with a police department of a participating municipality, are eligible to participate in the System if not less than 21 years of age or more than 45 years of age when hired. Employees who retire upon completion of 20 years of credited service are entitled to a retirement benefit equal to 2-1/2% of the final average salary multiplied by the years of credited service, with a maximum of

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2011
(continued)

NOTE 6 – RETIREMENT PLANS (continued)

6.C. COST SHARING, MULTIPLE EMPLOYER PLANS (continued)

30 years of service considered. Benefits fully vest on reaching 10 years of service. Vested employees may retire at or after age 50, or after 10 but before 20 years of service, and receive reduced retirement benefits. The System also provides death and disability benefits. Benefits are established by State statute.

As of June 30, 2011, the System held no related party investments of the City or any of its entities.

Oklahoma Firefighters Pension and Retirement System – The City, as the employer, and full-time firefighters participate in the statewide cost-sharing multi-employer Firefighters Pension and Retirement System (Fire Pension System) administered by agencies of the State of Oklahoma and is funded by participants, employers and state appropriations, as necessary, which covers both paid and volunteer firefighters.

All full-time or voluntary firefighters hired before the age of 45, employed with a fire department of a participating municipality, are eligible to participate in the System. Full-time employees who retire upon completion of 20 years of credited service are entitled to a retirement benefit equal to 2-1/2% of the final average salary multiplied by the years of credited service considered with a maximum of 30 years credited service. Benefits fully vest on reaching 10 years of service. Vested employees may retire at or after age 50, or after 10 but before 20 years of service, and receive reduced retirement benefits. The System also provides death and disability benefits. Benefits are established by State statute.

As of June 30, 2011, the System held no related party investments of the City or any of its entities.

The City's liability to these Systems is limited to monthly contributions of the statutorily set percentages of covered payroll, and the State assumes the full obligations for any unfunded actuarial accrued liability.

Cost-Sharing, Multiple-Employer Plans – The "pension benefit obligation" (the "PBO") is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure,

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2011
(continued)

NOTE 6 – RETIREMENT PLANS (continued)

6.C. COST SHARING, MULTIPLE EMPLOYER PLANS (continued)

which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems and employers. The Systems do not make separate measurements of assets and pension benefit obligation for individual employers.

	Police Pension System	Fire Pension System
City contribution as a percent of covered payroll	13%	13%
Employee contributions as a percent of covered payroll	8%	8%

Fiscal Year	Oklahoma Police Pension and Retirement System		Oklahoma Firefighters Pension and Retirement System	
	Required Contribution	Percentage Contributed	Required Contribution	Percentage Contributed
2009	\$ 286,523	100%	418,300	100%
2010	288,979	100%	413,460	100%
2011	276,578	100%	396,739	100%

Historical trend information showing the progress of the Police Pension System and the Fire Pension System in accumulating sufficient assets to pay benefits when due is presented in the System's annual financial reports for June 30, 2011. Copies of these reports may be obtained from the State Retirement System.

The Bartlesville Community Center Trust Authority employees participate in a 403(b) Thrift Plan whereby the Trust Authority contributes 5% of eligible employees' compensation received during the plan year. Employees may elect to make salary reduction contributions to the plan. For the fiscal year ended June 30, 2011, the employer contributed \$14,909 to the plan.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2011
(continued)

NOTE 6 – RETIREMENT PLANS (continued)

6.D. RETIREE MEDICAL PLAN

On July 1, 2006, the *City of Bartlesville* implemented a Retiree Medical Plan 401(h) benefit. Eligible employees are retired from active service under the pension plan, having completed at least 20 continuous years of credited service. The plan pays the retiree's medical (including dental and vision) premiums in the amount in effect under the State and Education Employees Group Insurance Act at the time of retirement, but the plan will not pay more than \$10 per month per year of service. Service considered in determining this maximum benefit includes only service completed on or before January 1, 2010; credited service for determining benefit eligibility, however, is not so limited. The payment of premiums under the retirement plan will terminate with respect to the retiree, the earlier of the date of the retiree's death or the 65th birthday of the retiree, with respect to the spouse or eligible dependent of a retiree, the 65th birthday of the retiree or, in the event that the retiree dies before attaining age 65, the date on which the retiree would have attained age 65. Funding requirement for fiscal year ending June 30, 2011 was \$104,856. Actual contributions were \$104,083. Pursuant to provisions of GASB 45 the health insurance premium rate differential (implied rate subsidy) is believed to be immaterial and therefore, the City is not required to report the amount of the subsidy as a liability in the government-wide statement of net assets.

6.E. COMPONENT UNIT RETIREMENT PLANS

Effective July 1, 1997, Bartlesville Development Corporation (BDC) adopted the American Chamber of Commerce Executives (ACCE) 401(k) Plan as a vehicle to provide retirement plan benefits to BDC employees. In May 2005, the BDC 401(k) plan was combined with the Bartlesville Regional Chamber of Commerce plan to provide retirement benefits to all employees of the Chamber of Commerce. BDC will pay an amount equal to 4 percent of a qualified employee's annual salary and match an employee's contribution up to 1 percent of the employee's annual salary. During the fiscal years ending June 30, 2011 and 2010, BDC paid a total of \$9,353 and \$10,304, respectively, to the plan, which has been recorded as employee benefits in the statement of activities.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2011
(continued)

NOTE 7 – FUND BALANCES AND NET ASSETS

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>2010 G.O. Bond Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund balances:					
Nonspendable					
Inventory	\$ 45,131	-	-	-	45,131
Prepaid items	71,460	-	-	-	71,460
Restricted for:					
Debt service	-	2,392,322	-	-	2,392,322
2010 G.O. bonds	-	-	4,571,576	-	4,571,576
History museum	-	-	-	213,756	213,756
E-911	-	-	-	32,136	32,136
Special library	-	-	-	267,463	267,463
Special museum	-	-	-	56,895	56,895
Economic development	-	-	-	2,360,856	2,360,856
Library	-	-	-	1,183,452	1,183,452
Restricted donations	-	-	-	124,291	124,291
Municipal airport	-	-	-	326,770	326,770
Justice assistance	-	-	-	11,413	11,413
Neighbor parks	-	-	-	64,048	64,048
Cemetery	-	-	-	101,015	101,015
Sales tax CI	-	-	-	5,536,900	5,536,900
CI parks & recreation	-	-	-	234,031	234,031
CI Wastewater	-	-	-	211,516	211,516
CI Wastewater Regulatory	-	-	-	1,891,129	1,891,129
CI Storm Sewer	-	-	-	36,391	36,391
2005 G.O. bonds	-	-	-	378,376	378,376
2007 G.O. bonds	-	-	-	646,327	646,327
2008A G.O. bonds	-	-	-	1,098,515	1,098,515
2008B G.O. bonds	-	-	-	15,231	15,231
2009 G.O. bonds	-	-	-	2,374,857	2,374,857
Committed to:					
Next year's budget	2,657,447	-	-	-	2,657,447
Municipal airport	-	-	-	1,225,849	1,225,849
Golf course	-	-	-	30,993	30,993
Memorial stadium	-	-	-	69,361	69,361
Unassigned:	1,203,645	-	-	-	1,203,645
Total fund balances	<u>\$ 3,977,683</u>	<u>2,392,322</u>	<u>4,571,576</u>	<u>18,491,571</u>	<u>29,433,152</u>

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2011
(continued)

NOTE 7 – FUND BALANCES AND NET ASSETS (continued)

Restricted net assets as reported in the Statement of Net Assets is comprised of the following:

	<u>Enabling Legislation</u>	<u>Statutory Requirement</u>	<u>External Contracts</u>
Restricted Net Assets - Governmental Activities:			
Economic Development	\$ 2,360,856	-	-
E-911	32,136	-	-
Special Library	267,463	-	-
Special Musuem	56,895	-	-
Municipal Airport	4,571,576	-	-
Bartlesville History Museum Trust Authority	213,756	-	-
Bartlesville Library Trust Authority	1,183,452	-	-
Restricted donations	-	-	124,291
Golf Course Memorial	-	-	30,993
Justice Assistance Grant	-	11,413	-
Neighborhood Park	64,048	-	-
Cemetary Perpetual Care	-	101,015	-
Memorial Statium Operations	-	-	69,361
Bartlesville Community Center	2,392,322	-	-
Debt Service	-	2,392,322	-
Capital Improvement Funds:			
Sales Tax Capital Improvement Fund	5,536,900	-	-
Park & Recreation Fund	234,031	-	-
Wastewater Fund	211,516	-	-
Wastewater Regulatory Fund	1,891,129	-	-
Storm Sewer Fund	36,391	-	-
CDBG Fund	-	-	-
General Obligation Bond Funds:			
2005 G.O. Bond Fund	-	378,376	-
2007 G.O. Bond Fund	-	646,327	-
2008A G.O. Bond Fund	-	1,098,515	-
2008B G.O. Bond Fund	-	15,231	-
2009 G.O. Bond Fund	-	2,374,857	-
2010 G.O. Bond Fund	-	4,571,576	-
Total restricted net assets	<u>\$ 19,052,471</u>	<u>7,018,056</u>	<u>224,645</u>
Restricted Net Assets - Business-type Activities:			
Bartlesville Municipal Authority	\$ -	-	9,305,952
Water	336,596	-	-
Community Center	107,500	-	-
Adams Municipal Golf Course	-	2,031	-
Bartlesville Redevelopment Trust Authority	-	-	1,133,323
Total restricted net assets	<u>\$ 444,096</u>	<u>2,031</u>	<u>10,439,275</u>

CITY OF BARTLESVILLE

Notes to Basic Financial Statements

June 30, 2011

(continued)

NOTE 8 – ACCOUNTS RECEIVABLE

Accounts receivable of the governmental and business-type activities is net of allowance for uncollectible accounts on the statement of net assets. Accounts receivable of the business-type activities consist of customers' utilities services provided, both billed and unbilled, due at year end.

The governmental activities accounts receivable include fines, taxes, interest and miscellaneous receivables as follows:

Governmental Activities:	<u>Interest</u>	<u>Taxes</u>	<u>Court</u>	<u>Other</u>	<u>Total</u>
Accounts receivable	\$ 233,829	2,828,819	610,321	225,009	3,897,978
Less: allowance for uncollectible accounts	-	-	(469,452)	-	(469,452)
Accounts receivable, net of allowance	<u>\$ 233,829</u>	<u>2,828,819</u>	<u>140,869</u>	<u>225,009</u>	<u>3,428,526</u>

The business-type activities accounts receivable follows:

Business-type Activities:	<u>Utility Accounts Receivable</u>	<u>Misc. Accounts Receivable</u>	<u>Total</u>
Water	\$ 792,897	323,906	1,116,803
Solid Waste	444,538	14,848	459,386
Wastewater	532,450	6,564	539,014
Community Center	-	123,883	123,883
Golf	-	3,928	3,928
Sooner Pool	-	572	572
Frontier Pool	-	433	433
Bartlesville Redevelopment Trust Authority	-	48,265	48,265
Total	<u>1,769,885</u>	<u>522,399</u>	<u>2,292,284</u>
Less: allowance for uncollectible accounts	<u>(920,341)</u>	<u>-</u>	<u>(920,341)</u>
Accounts receivable, net of allowance	<u>\$ 849,544</u>	<u>522,399</u>	<u>1,371,943</u>

CITY OF BARTLESVILLE
Required Supplementary Information
June 30, 2011

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Oklahoma Municipal Retirement Fund - Defined Benefit Retirement Program - Schedule of Funding Progress
- Budgetary Comparison Schedules – General Fund, Economic Development Fund, and Sales Tax Capital Improvement Fund

CITY OF BARTLESVILLE
 Required Supplementary Information on
 Pension Plan Funding Progress
 June 30, 2011

**OKLAHOMA MUNICIPAL RETIREMENT FUND - DEFINED BENEFIT
 RETIREMENT PLAN – SCHEDULE OF FUNDING PROGRESS**

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and any step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the Fund's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among other Public Employee Retirement Systems. The measure is independent of the actuarial funding method used to determine contributions to the defined benefit plans of each participant.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
1/1/05	\$ 3,361,482	4,476,154	1,114,673	75.1%	6,019,000	18.5%
1/1/06	3,997,881	5,452,141	1,454,260	73.3%	5,743,064	25.3%
1/1/07	4,660,888	8,392,743	3,711,855	55.8%	7,439,181	49.9%
1/1/08	5,496,136	9,733,979	4,237,843	56.5%	7,130,565	59.4%
1/1/09	5,857,260	13,096,204	7,238,944	44.7%	7,708,287	93.9%
1/1/10	6,735,427	15,940,247	9,204,821	42.3%	6,824,433	134.9%
1/1/11	7,827,081	17,433,271	9,606,190	44.9%	6,185,093	155.3%

(Unaudited - See independent auditor's report)

CITY OF BARTLESVILLE
 Budgetary Comparison Schedule - General Fund
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Sales and miscellaneous taxes	\$ 12,356,843	12,386,843	13,416,803	1,029,960
Fees and fines	764,600	764,600	760,305	(4,295)
Licenses and permits	213,000	213,000	232,036	19,036
Intergovernmental	556,421	561,421	667,903	106,482
Charges for services	411,326	411,326	458,694	47,368
Investment earnings	120,800	120,800	(185,328)	(306,128)
Contributions and donations	-	-	9,650	9,650
Miscellaneous	114,700	-	110,294	110,294
Total revenues	<u>14,537,690</u>	<u>14,457,990</u>	<u>15,470,357</u>	<u>1,012,367</u>
EXPENDITURES				
Current:				
General government	5,278,468	5,316,203	4,850,211	465,992
Public safety	9,046,834	9,139,772	9,054,212	85,560
Public works	1,215,533	1,219,161	1,046,874	172,287
Culture and recreation	2,176,222	1,990,662	1,988,584	2,078
Debt Service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	27,147	(27,147)
Total Expenditures	<u>17,717,057</u>	<u>17,665,798</u>	<u>16,967,028</u>	<u>698,770</u>
Excess (deficiency) of revenues over expenditures	<u>(3,179,367)</u>	<u>(3,207,808)</u>	<u>(1,496,671)</u>	<u>1,711,137</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,488,660	2,488,660	2,488,660	-
Transfers out	<u>(313,256)</u>	<u>(560,380)</u>	<u>(592,280)</u>	<u>(31,900)</u>
Total other financing sources and uses	<u>2,175,404</u>	<u>1,928,280</u>	<u>1,896,380</u>	<u>(31,900)</u>
SPECIAL ITEM				
Proceeds from sale of capital assets	-	-	63,977	63,977
Net change in fund balances	<u>(1,003,963)</u>	<u>(1,279,528)</u>	<u>463,686</u>	<u>(1,743,214)</u>
Fund balances - beginning	1,422,355	717,461	3,513,997	(2,796,536)
Fund balances - ending	<u>\$ 418,392</u>	<u>(562,067)</u>	<u>3,977,683</u>	<u>(4,539,750)</u>

(Unaudited - See independent auditor's report)

CITY OF BARTLESVILLE
 Budgetary Comparison Schedule –
 Debt Service Fund
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 3,201,099	3,201,099	3,166,969	(34,130)
Total revenues	<u>3,201,099</u>	<u>3,201,099</u>	<u>3,166,969</u>	<u>(34,130)</u>
EXPENDITURES				
Current:				
General government	2,250	2,250	9,719	(7,469)
Debt Service				
Principal	2,375,000	2,375,000	2,375,000	-
Interest and other charges	573,849	573,849	574,249	(400)
Total Expenditures	<u>2,951,099</u>	<u>2,951,099</u>	<u>2,958,968</u>	<u>(7,469)</u>
Excess (deficiency) of revenues over expenditures	<u>250,000</u>	<u>250,000</u>	<u>208,001</u>	<u>(41,599)</u>
Net change in fund balances	250,000	250,000	208,001	41,999
Fund balances - beginning	2,184,321	2,184,321	2,184,321	-
Fund balances - ending	<u>\$ 2,434,321</u>	<u>2,434,321</u>	<u>2,392,322</u>	<u>41,999</u>

(Unaudited – See independent auditor’s report)

CITY OF BARTLESVILLE
 Budgetary Comparison Schedule – 2010 G.O. Bond Fund
 For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment earnings	\$ -	2,920	70,677	67,757
Total revenues	<u>-</u>	<u>2,920</u>	<u>70,677</u>	<u>67,757</u>
EXPENDITURES				
Current:				
General government	-	62,635	62,622	13
Public works	-	-	17,597	(17,597)
Capital Outlay	-	4,940,285	418,882	4,521,403
Total Expenditures	<u>-</u>	<u>5,002,920</u>	<u>499,101</u>	<u>4,503,819</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(5,000,000)</u>	<u>(428,424)</u>	<u>4,571,576</u>
OTHER FINANCING SOURCES (USES)				
Loan proceeds	-	5,000,000	5,000,000	-
Total other financing sources and uses	<u>-</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>-</u>
Net change in fund balances	-	-	4,571,576	(4,571,576)
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>-</u>	<u>4,571,576</u>	<u>(4,571,576)</u>

(Unaudited - See independent auditor's report)

CITY OF BARTLESVILLE

Notes to Required Supplementary Information on Budgetary Accounting and Control June 30, 2011

BUDGETARY ACCOUNTING AND CONTROL

BUDGET LAW

The City prepares its annual operating budget under the provisions of the Oklahoma Municipal Budget Act of 1979 (the “Budget Act”). In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Prior to June 1, the City Manager submits to the Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at regular Council meetings to obtain taxpayer comments. Public hearings are held no later than 15 days prior to the beginning of the budget year.
- c. Subsequent to the public hearings but no later than seven days prior to July 1, the budget is legally enacted through the passage of a resolution by the City Council.
- d. Subsequent to City Council enactment, the adopted budget is filed with the office of the State Auditor and Inspector.

CITY OF BARTLESVILLE

Notes to Required Supplementary Information on Budgetary Accounting and Control

June 30, 2011

(continued)

BUDGETARY ACCOUNTING AND CONTROL (continued)

BUDGET LAW (continued)

All funds with revenues and/or expenditures/expenses as defined by State law are required to have annual budgets under this section of State law, except funds of public trusts or authorities. The legal level of control at which expenditures may not legally exceed appropriations is at the department level of each fund.

All supplemental appropriations require the approval of the City Council. All transfers of appropriation between department and object categories require the approval of the City Manager.

The City prepared and adopted a legal annual budget for all governmental funds.

In accordance with Title 60 of the Oklahoma State Statutes, the Bartlesville Municipal Authority, Bartlesville Downtown Trust Authority, Bartlesville Community Center Trust Authority, and Bartlesville Adult Center Trust Authority are required to prepare an annual budget and submit a copy to the City as beneficiary. However, there are no further requirements such as form of budget, approval of the budget, or definition of legal spending limit.

BUDGETARY ACCOUNTING

The annual operating budgets of governmental funds are prepared and presented on the modified accrual basis of accounting.

The City utilizes encumbrance accounting under which purchase orders, contracts, and other applicable commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation. The City considers all appropriations to lapse at year-end; any open purchase orders to be honored in the subsequent budget year are reappropriated in the new year's budget. As a result, encumbrances are not treated as the equivalent of expenditures in the budget and actual financial statements.

CITY OF BARTLESVILLE

Notes to Required Supplementary Information on
Budgetary Accounting and Control
June 30, 2011
(continued)

BUDGETARY ACCOUNTING AND CONTROL (continued)

BUDGET REQUIREMENTS

Supplemental increases and decreases in budget appropriations were properly approved by the City Council. For the year ended June 30, 2011, the following supplemental increases and decreases in appropriations were approved:

	<u>Original Appropriations</u>	<u>Net Supplemental Appropriations (Increases)</u>	<u>Revised Appropriations</u>
General fund	\$ 17,717,057	149,103	17,866,160
General fund transfers	313,256	46,762	360,018
Debt service	3,201,099	-	3,201,099
Special revenue funds	5,677,455	740,258	6,417,713
Special revenue funds transfers	51,346	153,164	204,510
Capital projects funds	14,507,946	5,561,231	20,069,177

CITY OF BARTLESVILLE
Other Supplementary Information
For the Year Ended June 30, 2011

Other supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

The supplementary information includes:

- Combining financial statements of nonmajor governmental funds
- Combining financial statements of nonmajor proprietary funds
- Combining financial statements of internal service funds
- Schedule of Expenditures of Federal Awards and notes

CITY OF BARTLESVILLE
 Other Supplementary Information
 Combining Balance Sheet – Nonmajor Governmental Funds
 June 30, 2011

	Special Revenue Funds						
	Bartlesville History Museum Trust Authority	E-911 Fund	Special Library Fund	Special Museum Fund	Economic Development Fund	Bartlesville Library Trust Authority	Restricted Donations Fund
ASSETS							
Cash and cash equivalents	\$ 212,036	38,448	70,267	57,390	-	128,293	124,291
Taxes receivable, net	-	37,357	-	-	230,013	-	-
Receivable from other governments	-	-	-	-	-	-	-
Other receivables	1,720	312	2,170	465	17,153	1,041	-
Cash - restricted	-	-	-	-	-	-	-
Investments - restricted	-	-	197,210	-	2,113,690	1,054,118	-
Total assets	\$ 213,756	76,117	269,647	57,855	2,360,856	1,183,452	124,291

LIABILITIES AND FUND BALANCES

Liabilities:							
Accounts payable	\$ -	-	131	960	-	-	-
Payable to other governments	-	-	-	-	-	-	-
Cash fund overdraft	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
Other accrued expenses	-	43,981	2,053	-	-	-	-
Other payables	-	-	-	-	-	-	-
Total liabilities	-	43,981	2,184	960	-	-	-
Fund balances:							
Restricted	213,756	32,136	267,463	56,895	2,360,856	1,183,452	124,291
Committed	-	-	-	-	-	-	-
Total fund balances	213,756	32,136	267,463	56,895	2,360,856	1,183,452	124,291
Total liabilities and fund balances	\$ 213,756	76,117	269,647	57,855	2,360,856	1,183,452	124,291

See independent auditor's report

CITY OF BARTLESVILLE
 Other Supplementary Information
 Combining Balance Sheet – Nonmajor Governmental Funds
 June 30, 2011
 (continued)

	Special Revenue Funds							Total Special Revenue Funds
	Municipal Airport Fund	Golf Course Memorial Fund	Justice Assistance Grant Fund	Neighborhood Park Fund	Cemetery Perpetual Care Fund	Memorial Stadium Operating Fund		
Cash and cash equivalents	\$ -	35,400	17,615	63,533	100,202	70,074	917,549	
Taxes receivable, net	-	-	-	-	-	-	267,370	
Receivable from other governments	-	-	-	-	-	-	-	
Other receivables	12,527	286	229	515	813	569	37,800	
Cash - restricted	-	-	-	-	-	-	-	
Investments - restricted	1,544,092	-	-	-	-	-	4,909,110	
Total assets	\$ 1,556,619	35,686	17,844	64,048	101,015	70,643	6,131,829	

LIABILITIES AND FUND BALANCES

Liabilities:							
Accounts payable	\$ 4,000	4,693	6,431	-	-	410	16,625
Payable to other governments	-	-	-	-	-	-	-
Cash fund overdraft	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
Other accrued expenses	-	-	-	-	-	872	46,906
Other payables	-	-	-	-	-	-	-
Total liabilities	4,000	4,693	6,431	-	-	1,282	63,531
Fund balances:							
Restricted	326,770	-	11,413	64,048	101,015	-	4,742,095
Committed	1,225,849	30,993	-	-	-	69,361	1,326,203
Total fund balances	1,552,619	30,993	11,413	64,048	101,015	69,361	6,068,298
Total liabilities and fund balances	\$ 1,556,619	35,686	17,844	64,048	101,015	70,643	6,131,829

See independent auditor's report

CITY OF BARTLESVILLE
 Other Supplementary Information
 Combining Balance Sheet – Nonmajor Governmental Funds
 June 30, 2011
 (continued)

	Capital Project Funds						2005 G.O. Bond Fund
	Sales Tax Capital Improvement Fund	Capital Improvement - Park & Recreation Fund	Capital Improvement - Wastewater Fund	Capital Improvement - Wastewater Regulatory Fund	Capital Improvement - Storm Sewer Fund	CDBG Fund	
ASSETS							
Cash and cash equivalents	\$ -	232,143	209,806	-	36,098	-	-
Taxes receivable, net	431,257	-	-	-	-	-	-
Receivable from other governments	-	-	-	-	-	-	-
Other receivables	41,585	1,888	1,710	16,320	293	1,541	3,077
Cash - restricted	-	-	-	-	-	-	-
Investments - restricted	5,116,618	-	-	2,011,931	-	-	379,336
Total assets	\$ 5,589,460	234,031	211,516	2,028,251	36,391	1,541	382,413
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 46,044	-	-	137,122	-	-	4,037
Payable to other governments	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	1,541	-
Deferred revenue	-	-	-	-	-	-	-
Other accrued expenses	-	-	-	-	-	-	-
Other payables	6,516	-	-	-	-	-	-
Total liabilities	52,560	-	-	137,122	-	1,541	4,037
Fund balances:							
Restricted	5,536,900	234,031	211,516	1,891,129	36,391	-	378,376
Committed	-	-	-	-	-	-	-
Total fund balances	5,536,900	234,031	211,516	1,891,129	36,391	-	378,376
Total liabilities and fund balances	\$ 5,589,460	234,031	211,516	2,028,251	36,391	1,541	382,413

See independent auditor's report

CITY OF BARTLESVILLE

Other Supplementary Information

Combining Balance Sheet – Nonmajor Governmental Funds

June 30, 2011

(continued)

	Capital Project Funds					Total Other Governmental Funds
	2007 G.O. Bond Fund	2008A G.O. Bond Fund	2008B G.O. Bond Fund	2009 G.O. Bond Fund	Total Capital Project Funds	
ASSETS						
Cash and cash equivalents	\$ -	-	15,108	-	493,155	1,410,704
Taxes receivable, net	-	-	-	-	431,257	698,627
Receivable from other governments	-	-	-	-	-	-
Other receivables	7,047	11,092	123	19,262	103,938	141,738
Cash - restricted	-	-	-	-	-	-
Investments - restricted	867,319	1,364,811	-	2,372,407	12,112,422	17,021,532
Total assets	\$ 874,366	1,375,903	15,231	2,391,669	13,140,772	19,272,601
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 228,039	277,388	-	16,812	709,442	726,067
Payable to other governments	-	-	-	-	-	-
Cash fund overdraft	-	-	-	-	1,541	1,541
Deferred revenue	-	-	-	-	-	-
Other accrued expenses	-	-	-	-	-	46,906
Other payables	-	-	-	-	6,516	6,516
Total liabilities	228,039	277,388	-	16,812	717,499	781,030
Fund balances:						
Restricted	646,327	1,098,515	15,231	2,374,857	12,423,273	17,165,368
Committed	-	-	-	-	-	1,326,203
Total fund balances	646,327	1,098,515	15,231	2,374,857	12,423,273	18,491,571
Total liabilities and fund balances	\$ 874,366	1,375,903	15,231	2,391,669	13,140,772	19,272,601

See independent auditor's report

CITY OF BARTLESVILLE

Other Supplementary Information Combining Statement of Revenues, Expenditures and Changes in Fund Balances Non-major Governmental Funds For the Fiscal Year Ended June 30, 2011

	Special Revenue Funds						
	Bartlesville History Museum Trust Authority	E-911 Fund	Special Library Fund	Special Museum Fund	Economic Development Fund	Bartlesville Library Trust Authority	Restricted Donations Fund
REVENUES:							
Property taxes	-	-	-	-	-	-	-
Sales and miscellaneous taxes	-	444,173	-	-	1,437,981	-	-
Intergovernmental	-	-	35,299	-	-	-	-
Charges for services	-	2,400	3	-	-	-	-
Investment earnings	3,738	405	4,736	989	36,408	183,105	(1,315)
Miscellaneous	-	-	-	-	-	-	25,258
Contributions and donations	-	-	26,488	12,173	-	-	29,744
Total revenues	3,738	446,978	66,526	13,162	1,474,389	183,105	53,687
EXPENDITURES:							
Current:							
General government	-	-	-	-	967,631	-	1,941
Public safety	-	646,689	-	-	-	-	168,155
Highways and roads	72	-	122,775	20,329	-	-	264
Culture and recreation	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	19,324
Total expenditures	72	646,689	122,775	20,329	967,631	-	189,684
Excess (deficiency) of revenues over expenditures	3,666	(199,711)	(56,249)	(7,167)	506,758	183,105	(135,997)
OTHER FINANCING SOURCES (USES):							
Proceeds from long-term debt, net	-	-	-	-	-	-	-
Transfers in	-	212,908	51,463	42,516	-	-	-
Transfers out	(45,016)	-	-	-	(153,164)	(51,463)	-
Total other financing sources and uses	(45,016)	212,908	51,463	42,516	(153,164)	(51,463)	-
SPECIAL ITEM:							
Proceeds from sale of fixed assets	-	-	1,799	-	-	-	-
Net change in fund balances	(41,350)	13,197	(2,987)	35,349	353,594	131,642	(135,997)
Fund balances - beginning	255,106	18,939	270,450	21,546	2,007,262	1,051,810	260,288
Fund balances - ending	213,756	32,136	267,463	56,895	2,360,856	1,183,452	124,291

CITY OF BARTLESVILLE

Other Supplementary Information Combining Statement of Revenues, Expenditures and Changes in Fund Balances Non-major Governmental Funds For the Fiscal Year Ended June 30, 2011 (continued)

	Special Revenue Funds							Total Special Revenue Funds
	Municipal Airport Fund	Golf Course Memorial Fund	Justice Assistance Grant Fund	Neighborhood Park Fund	Cemetery Perpetual Care Fund	Memorial Stadium Operating Fund		
REVENUES:								
Property taxes	-	-	-	-	-	-	-	-
Sales and miscellaneous taxes	-	-	-	-	-	-	-	1,882,154
Intergovernmental	-	-	37,463	-	-	-	-	72,762
Charges for services	-	109	-	-	1,710	-	-	4,222
Investment earnings	24,908	429	598	1,258	1,750	1,060	-	258,069
Miscellaneous	-	-	-	-	-	22,089	-	47,347
Contributions and donations	-	52,653	-	2,175	1,934	-	-	125,167
Total revenues	<u>24,908</u>	<u>53,191</u>	<u>38,061</u>	<u>3,433</u>	<u>5,394</u>	<u>23,149</u>	<u>-</u>	<u>2,389,721</u>
EXPENDITURES:								
Current:								
General government	134,090	-	-	-	6,000	-	-	1,109,662
Public safety	-	-	38,143	-	-	-	-	852,987
Highways and roads	-	-	-	-	-	-	-	-
Culture and recreation	-	9,140	-	-	-	37,497	-	190,077
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-	-
Capital outlay	284,048	14,359	3,500	-	-	-	-	321,231
Total expenditures	<u>418,138</u>	<u>23,499</u>	<u>41,643</u>	<u>-</u>	<u>6,000</u>	<u>37,497</u>	<u>-</u>	<u>2,473,957</u>
Excess (deficiency) of revenues over expenditures	<u>(393,230)</u>	<u>29,692</u>	<u>(3,582)</u>	<u>3,433</u>	<u>(606)</u>	<u>(14,348)</u>	<u>-</u>	<u>(84,236)</u>
OTHER FINANCING SOURCES (USES):								
Proceeds from long-term debt, net	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	306,887
Transfers out	-	-	-	(51,346)	-	-	-	(300,989)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(51,346)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,898</u>
SPECIAL ITEM:								
Proceeds from sale of fixed assets	-	-	11,506	-	-	-	-	13,305
Net change in fund balances	<u>(393,230)</u>	<u>29,692</u>	<u>7,924</u>	<u>(47,913)</u>	<u>(606)</u>	<u>(14,348)</u>	<u>-</u>	<u>(65,033)</u>
Fund balances - beginning	<u>1,945,849</u>	<u>1,301</u>	<u>3,489</u>	<u>111,961</u>	<u>101,621</u>	<u>83,709</u>	<u>-</u>	<u>6,133,331</u>
Fund balances - ending	<u>1,552,619</u>	<u>30,993</u>	<u>11,413</u>	<u>64,048</u>	<u>101,015</u>	<u>69,361</u>	<u>-</u>	<u>6,068,298</u>

CITY OF BARTLESVILLE

Other Supplementary Information Combining Statement of Revenues, Expenditures and Changes in Fund Balances Non-major Governmental Funds For the Fiscal Year Ended June 30, 2011 (continued)

	Capital Project Funds						2005 G. O. Bond Fund
	Sales Tax Capital Improvement Fund	Capital Improvement - Park & Recreation Fund	Capital Improvement - Wastewater Fund	Capital Improvement - Wastewater Regulatory Fund	Capital Improvement - Storm Sewer Fund	CDBG Fund	
REVENUES:							
Property taxes	-	-	-	-	-	-	-
Sales and miscellaneous taxes	2,574,643	-	-	-	-	-	-
Intergovernmental	109,536	-	-	-	41,541	-	-
Charges for services	-	-	126,417	1,106,919	192	-	-
Investment earnings	85,258	4,029	3,453	35,774	625	-	6,016
Miscellaneous	2,606	-	-	-	-	-	-
Contributions and donations	-	-	-	-	-	-	-
Total revenues	<u>2,772,043</u>	<u>4,029</u>	<u>129,870</u>	<u>1,142,693</u>	<u>817</u>	<u>41,541</u>	<u>6,016</u>
EXPENDITURES:							
Current:							
General government	117,484	-	-	-	-	41,541	36,717
Public safety	26,049	-	-	-	-	-	-
Highways and roads	63,755	-	9,136	17,278	-	-	-
Culture and recreation	165,627	583	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-
Capital outlay	1,013,534	-	-	473,120	-	-	17,424
Total expenditures	<u>1,386,449</u>	<u>583</u>	<u>9,136</u>	<u>490,398</u>	<u>-</u>	<u>41,541</u>	<u>54,141</u>
Excess (deficiency) of revenues over expenditures	<u>1,385,594</u>	<u>3,446</u>	<u>120,734</u>	<u>652,295</u>	<u>817</u>	<u>-</u>	<u>(48,125)</u>
OTHER FINANCING SOURCES (USES):							
Proceeds from long-term debt, net	-	-	-	-	-	-	-
Transfers in	153,164	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources and uses	<u>153,164</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
SPECIAL ITEM:							
Proceeds from sale of fixed assets	-	-	-	-	-	-	-
Net change in fund balances	<u>1,538,758</u>	<u>3,446</u>	<u>120,734</u>	<u>652,295</u>	<u>817</u>	<u>-</u>	<u>(48,125)</u>
Fund balances - beginning	<u>3,998,142</u>	<u>230,585</u>	<u>90,782</u>	<u>1,238,834</u>	<u>35,574</u>	<u>-</u>	<u>426,501</u>
Fund balances - ending	<u>5,536,900</u>	<u>234,031</u>	<u>211,516</u>	<u>1,891,129</u>	<u>36,391</u>	<u>-</u>	<u>378,376</u>

CITY OF BARTLESVILLE

Other Supplementary Information Combining Statement of Revenues, Expenditures and Changes in Fund Balances Non-major Governmental Funds For the Fiscal Year Ended June 30, 2011 (continued)

	Capital Project Funds					Total Other Governmental Funds
	2007 G.O. Bond Fund	2008A G.O. Bond Fund	2008B G.O. Bond Fund	2009 G.O. Bond Fund	Total Capital Project Funds	Total Other Governmental Funds
REVENUES:						
Property taxes	-	-	-	-	-	-
Sales and miscellaneous taxes	-	-	-	-	2,574,643	4,456,797
Intergovernmental	-	-	-	-	151,077	223,839
Charges for services	-	-	-	-	1,233,528	1,237,750
Investment earnings	17,049	25,214	97	41,464	218,979	477,048
Miscellaneous	-	-	-	-	2,606	49,953
Contributions and donations	-	3,000	-	-	3,000	128,167
Total revenues	17,049	28,214	97	41,464	4,183,833	6,573,554
EXPENDITURES:						
Current:						
General government	-	-	-	-	195,742	1,305,404
Public safety	-	-	-	-	26,049	879,036
Highways and roads	18,773	65,326	-	201,125	375,393	375,393
Culture and recreation	-	-	-	-	166,210	356,287
Debt service:						
Principal	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-
Capital outlay	576,300	1,826,882	570	350,304	4,258,134	4,579,365
Total expenditures	595,073	1,892,208	570	551,429	5,021,528	7,495,485
Excess (deficiency) of revenues over expenditures	(578,024)	(1,863,994)	(473)	(509,965)	(837,695)	(921,931)
OTHER FINANCING SOURCES (USES):						
Proceeds from long-term debt, net	-	-	-	-	-	-
Transfers in	-	-	-	-	153,164	460,051
Transfers out	-	-	-	-	-	(300,989)
Total other financing sources and uses	-	-	-	-	153,164	159,062
SPECIAL ITEM:						
Proceeds from sale of fixed assets	-	-	-	-	-	13,305
Net change in fund balances	(578,024)	(1,863,994)	(473)	(509,965)	(684,531)	(749,564)
Fund balances - beginning	1,224,351	2,962,509	15,704	2,884,822	13,107,804	19,241,135
Fund balances - ending	646,327	1,098,515	15,231	2,374,857	12,423,273	18,491,571

CITY OF BARTLESVILLE
Combining Statement of Net Assets
Nonmajor Proprietary Funds
June 30, 2011

	<u>Adams Municipal Golf Course</u>	<u>Sooner Pool</u>	<u>Frontier Pool</u>	<u>Adult Center Trust Authority</u>	<u>Bartlesville Redevelop- ment Trust Authority</u>	<u>Total Other Enterprise Funds</u>
<u>ASSETS</u>						
Current assets:						
Cash	\$ 142,519	64,672	53,889	22,122	1,172,170	1,455,372
Investments	-	-	-	73,364	-	73,364
Accounts receivable, net of allowance	2,660	41	-	-	4,620	7,321
Other receivables	1,268	531	433	-	43,645	45,877
Prepaid expenses	2,031	-	-	-	-	2,031
Total current assets	<u>148,478</u>	<u>65,244</u>	<u>54,322</u>	<u>95,486</u>	<u>1,220,435</u>	<u>1,583,965</u>
Non-current assets:						
Restricted investments	-	-	-	-	82,224	82,224
Loan issue costs, net of amortization	-	-	-	-	37,831	37,831
Mortgage and security agreement	-	-	-	-	1,197,358	1,197,358
Capital assets:						
Land and improvements	498,500	-	-	97,615		596,115
Buildings	394,541	358,610	2,758,573	190,072		3,701,796
Equipment and furniture	610,291	19,027	-	-		629,318
Infrastructure and other improvements	2,095,389	394,114	-	20,581		2,510,084
Less accumulated depreciation	<u>(1,920,757)</u>	<u>(375,147)</u>	<u>(243,038)</u>	<u>(90,198)</u>		<u>(2,629,140)</u>
Total non-current assets	<u>1,677,964</u>	<u>396,604</u>	<u>2,515,535</u>	<u>218,070</u>	<u>1,317,413</u>	<u>6,125,586</u>
Total assets	<u>1,826,442</u>	<u>461,848</u>	<u>2,569,857</u>	<u>313,556</u>	<u>2,537,848</u>	<u>7,709,551</u>
<u>LIABILITIES</u>						
Current liabilities:						
Accounts payable	14,527	2,900	4,828	-	30,863	53,118
Accrued salaries payable	8,619	13,752	17,364	-	-	39,735
Accrued interest payable	-	-	-	-	4,870	4,870
Incentives payable	-	-	-	-	111,147	111,147
Deferred revenue	11,432	-	-	-	-	11,432
Compensated absences	4,748	-	-	-	-	4,748
Series 2009A note payable - current portion	-	-	-	-	76,000	76,000
Total current liabilities	<u>39,326</u>	<u>16,652</u>	<u>22,192</u>	<u>-</u>	<u>222,880</u>	<u>301,050</u>
Long-term liabilities:						
Series 2009A note payable	-	-	-	-	1,121,358	1,121,358
Total liabilities	<u>39,326</u>	<u>16,652</u>	<u>22,192</u>	<u>-</u>	<u>1,344,238</u>	<u>1,422,408</u>
<u>NET ASSETS</u>						
Invested in capital assets, net of related debt	1,677,964	396,604	2,515,535	218,070	-	4,808,173
Restricted net assets	2,031	-	-	-	1,133,323	1,135,354
Unrestricted	107,121	48,592	32,130	95,486	60,287	343,616
Total net assets	<u>\$ 1,787,116</u>	<u>445,196</u>	<u>2,547,665</u>	<u>313,556</u>	<u>1,193,610</u>	<u>6,287,143</u>

See independent auditor's report

CITY OF BARTLESVILLE

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets Nonmajor Proprietary Funds For the Fiscal Year Ended June 30, 2011

	Adams Municipal Golf Course	Sooner Pool	Frontier Pool	Adult Center Trust Authority	Bartlesville Redevelop- ment Trust Authority	Total Other Enterprise Funds
REVENUES:						
Charges for services	\$ 365,500	25,706	44,669	27,855	-	463,730
Lease revenue	-	-	-	-	2,500	2,500
Total operating revenues	<u>365,500</u>	<u>25,706</u>	<u>44,669</u>	<u>27,855</u>	<u>2,500</u>	<u>466,230</u>
OPERATING EXPENSES:						
Personal services	224,524	22,281	30,146	24,437	122,765	424,153
Contractual services	108,582	-	-	-	54,860	163,442
Utilities	21,358	341	2,052	6,630	-	30,381
Repairs and maintenance	36,086	5,866	276	4,270	-	46,498
Other supplies and expenses	49,425	12,995	14,579	5,702	8,482	91,183
Programs	-	-	-	-	337,495	337,495
Depreciation	63,152	-	-	7,436	-	70,588
Total operating expenses	<u>503,127</u>	<u>41,483</u>	<u>47,053</u>	<u>48,475</u>	<u>523,602</u>	<u>1,163,740</u>
Operating income (loss)	<u>(137,627)</u>	<u>(15,777)</u>	<u>(2,384)</u>	<u>(20,620)</u>	<u>(521,102)</u>	<u>(697,510)</u>
NON-OPERATING REVENUES (EXPENSES):						
Interest and investment revenue	2,618	627	514	9	16,526	20,294
Sales taxes	-	-	-	-	103,280	103,280
Hotel/motel taxes	-	-	-	-	92,863	92,863
Ad valorem taxes	-	-	-	-	310,812	310,812
Grants and contributions	-	63,742	-	21,238	2,520	87,500
Total non-operating revenue (expenses)	<u>2,618</u>	<u>64,369</u>	<u>514</u>	<u>21,247</u>	<u>526,001</u>	<u>614,749</u>
Income (loss) before contributions and transfers	(135,009)	48,592	(1,870)	627	4,899	(82,761)
Capital asset transfers	29,992	396,604	2,515,535	-	-	2,942,131
Transfers in	113,110	-	34,000	-	-	147,110
Transfers out	-	-	-	-	(51,917)	(51,917)
Special item - gain (loss) on sale of capital assets	1,738	-	-	-	-	1,738
Change in net assets	9,831	445,196	2,547,665	627	(47,018)	2,956,301
Total net assets - beginning	<u>1,777,285</u>	<u>-</u>	<u>-</u>	<u>312,929</u>	<u>1,240,628</u>	<u>3,330,842</u>
Total net assets - ending	<u>\$ 1,787,116</u>	<u>445,196</u>	<u>2,547,665</u>	<u>313,556</u>	<u>1,193,610</u>	<u>6,287,143</u>

See independent auditor's report

CITY OF BARTLESVILLE
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2011

	Adams Municipal Golf Course	Sooner Pool	Frontier Pool	Adult Center Trust Authority	Bartlesville Redevelop- ment Trust Authority	Total Other Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 369,282	25,134	44,236	27,855	455,610	922,117
Receipts from grantors	-	-	-	-	2,520	2,520
Receipts for interest	-	-	-	-	15,954	15,954
Payments to suppliers	(221,767)	(16,302)	(12,079)	(17,651)	(450,925)	(718,724)
Payments to beneficiary government	-	-	-	-	(51,917)	(51,917)
Payments to employees	(228,987)	(8,529)	(12,782)	(24,437)	-	(274,735)
Net cash provided (used) by operating activities	<u>(81,472)</u>	<u>303</u>	<u>19,375</u>	<u>(14,233)</u>	<u>(28,758)</u>	<u>(104,785)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Other income	-	63,742	-	21,238	-	84,980
Interfund transfers in (out)	113,110	-	34,000	-	-	147,110
Net cash provided (used) by noncapital financing activities	<u>113,110</u>	<u>63,742</u>	<u>34,000</u>	<u>21,238</u>	<u>-</u>	<u>232,090</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from sale of capital assets	1,738	-	-	-	-	1,738
Purchases of capital assets	(12,250)	-	-	(9,895)	-	(22,145)
Principal paid on capital debt	-	-	-	-	(2,642)	(2,642)
Interest paid on capital debt	-	-	-	-	(66,918)	(66,918)
Net cash (used) by capital and related financing activities	<u>(10,512)</u>	<u>-</u>	<u>-</u>	<u>(9,895)</u>	<u>(69,560)</u>	<u>(89,967)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment income	2,618	627	514	9	-	3,768
Sale of investments	118,775	-	-	8,583	-	127,358
Net cash provided (used) by investing activities	<u>121,393</u>	<u>627</u>	<u>514</u>	<u>8,592</u>	<u>-</u>	<u>131,126</u>
Net (decrease) in cash and cash equivalents	142,519	64,672	53,889	5,702	(98,318)	168,464
Cash and cash equivalents, beginning of year	-	-	-	16,420	1,352,712	1,369,132
Cash and cash equivalents, end of year	<u>\$ 142,519</u>	<u>64,672</u>	<u>53,889</u>	<u>22,122</u>	<u>1,254,394</u>	<u>1,537,596</u>

See independent auditor's report

CITY OF BARTLESVILLE
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Fiscal Year ended June 30, 2011
(continued)

	<u>Municipal Golf Course</u>	<u>Sooner Pool</u>	<u>Frontier Pool</u>	<u>Center Trust Authority</u>	<u>Redevelop- ment Trut Authority</u>	<u>Total</u>
OPERATING ACTIVITIES						
Operating income (loss)	\$ (137,627)	(15,777)	(2,384)	(20,620)	(47,018)	(223,426)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization expense	63,152	-	-	7,436	3,735	74,323
(Increase) decrease in accounts receivable	142	(572)	(433)	-	26,871	26,008
Increase (decrease) in accounts payable	(6,316)	2,900	4,828	(1,049)	(12,346)	(11,983)
Increase (decrease) in deferred revenue	3,640	-	-	-	-	3,640
Increase (decrease) in payroll liabilities	(4,463)	13,752	17,364	-	-	26,653
Total adjustments	<u>56,155</u>	<u>16,080</u>	<u>21,759</u>	<u>6,387</u>	<u>18,260</u>	<u>118,641</u>
Net cash provided (used) by operating activities	<u>\$ (81,472)</u>	<u>303</u>	<u>19,375</u>	<u>(14,233)</u>	<u>(28,758)</u>	<u>(104,785)</u>

CITY OF BARTLESVILLE
 Combining Statement of Net Assets
 Internal Service Funds
 June 30, 2011

	Workers'	Health	Total
	Compensation	Insurance	
<u>ASSETS</u>			
Cash held by third party	\$ 60,000	7,814	67,814
Investments	-	298,977	298,977
Other receivables	-	9,300	9,300
Total assets	60,000	316,091	376,091
<u>LIABILITIES</u>			
Accounts payable	12,050	24,196	36,246
Due to other funds	30,511	-	30,511
Total liabilities	42,561	24,196	66,757
<u>NET ASSETS</u>			
Restricted for other purposes	60,000	7,814	67,814
Unrestricted	(42,561)	284,081	241,520
Total net assets	\$ 17,439	291,895	309,334

CITY OF BARTLESVILLE

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets Internal Service Funds For the Fiscal Year Ended June 30, 2011

	<u>Workers'</u> <u>Compensation</u>	<u>Health</u> <u>Insurance</u>	<u>Total</u>
REVENUES:			
Charges for services	\$ 462,144	2,472,204	2,934,348
Total operating revenues	<u>462,144</u>	<u>2,472,204</u>	<u>2,934,348</u>
OPERATING EXPENSES:			
Personal services	415,050	1,942,376	2,357,426
Contractual services	20,100	364,142	384,242
Total operating expenses	<u>435,150</u>	<u>2,306,518</u>	<u>2,741,668</u>
Operating income (loss)	<u>26,994</u>	<u>165,686</u>	<u>192,680</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest and investment revenue	-	5,194	5,194
Miscellaneous revenue	8,309	-	8,309
Total non-operating revenue (expenses)	<u>8,309</u>	<u>5,194</u>	<u>13,503</u>
Income (loss) before contributions and transfers	<u>35,303</u>	<u>170,880</u>	<u>206,183</u>
Change in net assets	35,303	170,880	206,183
Total net assets - beginning	(17,864)	121,015	103,151
Total net assets - ending	<u>\$ 17,439</u>	<u>291,895</u>	<u>309,334</u>

CITY OF BARTLESVILLE
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2011

	Workers' Compensation	Health Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 462,144	2,483,645	2,945,789
Payments to suppliers	(445,461)	(2,299,671)	(2,745,132)
Net cash provided (used) by operating activities	16,683	183,974	200,657
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Other income	8,309	-	8,309
Net cash provided (used) by noncapital financing activities	8,309	-	8,309
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Cash held by third party	(20,000)	-	(20,000)
Net cash provided by capital and related financing activities	(20,000)	-	(20,000)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	-	5,194	5,194
Purchase of investments	-	(189,168)	(189,168)
Net cash provided (used) by investing activities	-	(183,974)	(183,974)
Net (decrease) in cash and cash equivalents	4,992	-	4,992
Cash and cash equivalents, beginning of year	(35,503)	-	(35,503)
Cash and cash equivalents, end of year	\$ (30,511)	-	(30,511)
RECONCILIATION OF OPERATING INCOME (LOSS) OF NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 26,994	165,686	192,680
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
(Increase) decrease in accounts receivable	-	11,441	11,441
Increase (decrease) in accounts payable	(10,311)	6,847	(3,464)
Total adjustments	(10,311)	18,288	7,977
Net cash provided (used) by operating activities	\$ 16,683	183,974	200,657

See independent auditor's report

CITY OF BARTLESVILLE
 Schedule of Expenditures of Federal Awards
 For the Fiscal Year Ended June 30, 2011

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Award Number</u>	<u>Disbursements/ Expenditures</u>
Department of Housing and Urban Development			
Passed through the Oklahoma Department of Commerce CDBG Small Cities Program	14.228	13896 CDBG 09	\$ <u>49,260</u>
Total Department of Housing and Urban Development			<u>49,260</u>
U.S. Department of Justice:			
COPS Technology Program Grant	16.710	2010-CKWX-0023	<u>60,053</u>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-1447	10,037
Edward Byrne Memorial Justice Assistance Grant Program	16.738	201-DJ-BX-1355	9,808
ARRA Edward Byrne Memorial Justice Assistance Grant	16.804	2009-SB-B9-3219	<u>24,954</u>
Total Justice Assistance Grant Program Cluster			<u>44,799</u>
Total U.S. Department of Justice			<u>104,852</u>
U.S. Department of Transportation:			
Safe Routes to School	20.205	SRS-155F(709),(710)ST	<u>97,502</u>
Total U.S. Department of Transportation			<u>97,502</u>
Environmental Protection Agency:			
Passed through the Oklahoma Water Resources Board Safe Drinking Water State Revolving Fund	66.468	ORF-09-0003-DW	<u>56,745</u>
Total Environmental Protection Agency			<u>56,745</u>
U.S. Department of Energy:			
ARRA-Energy Efficiency & Conservation Block Grant	81.128	EE0002237	<u>155,200</u>
Total U.S. Department of Energy			<u>155,200</u>
Department of Homeland Security			
Passed through the Oklahoma Department of Emergency Management			
Disaster Grants Public Assistance	97.036	1876-DR-OK	30,119
Disaster Grants Public Assistance	97.036	1883-DR-OK	<u>31,509</u>
Total Disaster Grants Public Assistance Cluster			<u>61,628</u>
Hazard Mitigation Grant	97.039	FEMA 1712-DR-OK	4,875
Hazard Mitigation Grant	97.039	FEMA 1678-DR-OK	<u>113,177</u>
Total Hazard Mitigation Grant Cluster			<u>118,052</u>
Total Department of Homeland Security			<u>179,680</u>
Total Expenditures of Federal Awards			<u>\$ 643,239</u>

CITY OF BARTLESVILLE

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2011

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the *City of Bartlesville, Oklahoma* and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**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**

Honorable Mayor and City Council
City of Bartlesville, State of Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Bartlesville, Oklahoma*, as of and for the year ended June 30, 2011, which collectively comprise the *City of Bartlesville, Oklahoma's* basic financial statements and have issued our report thereon dated March 15, 2012. Our report includes a reference to other auditors. 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. The financial statements of the Bartlesville Development Corporation were not audited in accordance with *Governmental Auditing Standards*. Other auditors audited the financial statements of Bartlesville Community Center Trust Authority, Bartlesville Development Authority and Bartlesville Redevelopment Trust Authority, as described in our report on the *City of Bartlesville, Oklahoma's* financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

Management of the *City of Bartlesville* is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the *City of Bartlesville, Oklahoma's* internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the *City of Bartlesville, Oklahoma's* internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the *City of Bartlesville, Oklahoma's* internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. See Items 2011-1 through 2011-3 in the accompanying schedule.

In addition, we identified certain deficiencies in internal control related to financial data that is not serious enough to be considered a significant deficiency or material weakness as defined above. These deficiencies and our recommendations for strengthening internal control are listed on the accompanying schedule of deficiencies in internal control that are neither significant deficiencies or material weaknesses as items 2011-4 through 2011-9.

Compliance and Other Matters

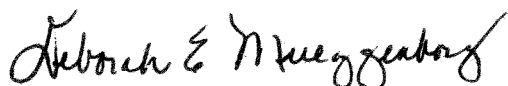
As part of obtaining reasonable assurance about whether the *City of Bartlesville, Oklahoma's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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 the following instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2011-1 through 2011-3.

We noted certain matters that we reported to management of the *City of Bartlesville, Oklahoma*, orally.

City of Bartlesville, Oklahoma's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the *City of Bartlesville, Oklahoma's* response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, federal awarding agencies and pass-through entities, and the Oklahoma State Auditor and Inspector and is not intended to be and should not be used by anyone other than these specified parties.

JOSEPH EVE
Certified Public Accountants
Fraud Examiners and Consultants

A handwritten signature in black ink that reads "Deborah E. Mueggenborg". The signature is written in a cursive style with a large, stylized initial 'D'.

Deborah E. Mueggenborg, CPA
Engagement Partner

March 15, 2012

CITY OF BARTLESVILLE

Deficiencies in Internal Control that are Neither Significant Deficiencies or Material Weaknesses For the Year Ended June 30, 2011

2011-4

Criteria or Specific Requirement: Inventory software should not allow a quantity and dollar amount to be changed without entering a work order or purchase order number.

Condition: The Water Department parts inventory software allows the quantity and dollar amounts to be changed without entering a work order or purchase order number.

Context: The parts inventory software allows changes to be made to previously entered amounts.

Effect: The parts inventory software could be changed by staff, leaving no audit trail.

Cause: The purchase of software that the Water Department was intending to acquire has been delayed.

Auditors' Recommendations: We recommend that the City implement compensating controls over parts inventory in the Water Department to prevent changes from being made to previously-entered amounts.

Management Response: The software that the Water Department was intending to purchase to correct this problem has been delayed due to several factors. The most important is that the City of Bartlesville is planning to purchase an Accounting/Enterprise Management software system that will include an inventory and work order module. This purchase was expected to be made within the 2008-2009 budget year, but with capital expenditure freezes and reductions in budgets due to the economic crisis, this purchase was delayed indefinitely. However, funding for this system is currently included in a proposed G.O. Bond issue.

2011-5

Criteria or Specific Requirement: Payroll software should calculate Form 941 correctly.

Condition: The Form 941 information was not generated correctly by the payroll software, and City staff did not detect the error when completing the official Form 941 for submission to the Internal Revenue Service.

Context: The payroll software does not generate the Form 941 correctly for submission to the Internal Revenue Service.

Effect: Incorrect information is submitted to the Internal Revenue Service who uses the Form 941 to reconcile the tax deposits for the quarter.

Cause: Payroll software needs to be updated to generate the official Form 941 for submission to the Internal Revenue Service..

CITY OF BARTLESVILLE

Deficiencies in Internal Control that are Neither Significant Deficiencies or Material Weaknesses For the Year Ended June 30, 2011 (continued)

2011-5 (continued)

Auditors' Recommendations: We recommend that the City contact their software provider to determine what has caused the errors and if it can be updated to print the official Form 941 for submission to the Internal Revenue Service. We also recommend that, once the problem is resolved, City staff submit software-prepared forms to governmental agencies to ensure calculations are correct and that quarterly reports reconcile to the general ledger. Staff should be trained in the reconciliation process.

Management Response: City Staff is aware of the issues with the payroll system and the automatically generated 941s. City Staff worked with the auditors during the audit to identify the errors and calculate the corrected balances. The errors for the entire year under audit totaled less than \$180. However, given the sensitive nature of payroll calculations and remittances, City Staff is working to address the issue with our software vendor and are double checking all system generated payroll tax forms manually.

2011-6

Criteria or Specific Requirement: Credit card purchases should not include sales tax, and the employee and supervisor should sign off on the monthly statements.

Condition: Some credit card purchases included sales tax and some monthly statements were not signed off by either the employee or the supervisor.

Context: Employees using credit cards to purchase items need to ensure that sales tax is not being charged.

Effect: The City is expending funds on sales tax when purchases are tax exempt. Without signatures indicating expenditures have been properly authorized, unauthorized credit card purchases could be paid for by the City.

Cause: Staff need to be aware of the tax exempt status for City purchases and trained to follow the procedures for authorization of monthly credit card charges.

Auditors' Recommendations: We recommend that statements have the signature of the cardholder and supervisor, or at least the supervisor if the cardholder is unavailable, and that receipts be itemized and have written documentation as to the purpose, if not apparent on the receipt (such as food, travel, gas). We understand that it is not always practical to provide a copy of the sales tax exemption to a vendor; however, the City's Cardholder Guide specifically stipulates that "it is the Cardholder's responsibility to make sure that City of Bartlesville is not charged sales tax for any purchases". Written policies should be reviewed and modified to describe actual authorized practices of the City.

CITY OF BARTLESVILLE
Deficiencies in Internal Control that are Neither
Significant Deficiencies or Material Weaknesses
For the Year Ended June 30, 2011
(continued)

2011-6 (continued)

Management Response: The City's "User Guide" for cardholders does state that it is the cardholder's responsibility to ensure that sales tax is not charged. However, the policy is too inflexible as it relates to meal purchases. Most restaurants and convenience stores will not or cannot remove sales tax at the time of purchase without a lengthy verification process involving exemption certificates and other steps. To avoid this conflict, the policy will be amended to allow limited exceptions for these items.

The comment relating to improper approvals of credit cards was further investigated by City Staff after notification was received by our auditors. There are instances where cardholders are not approving their purchases by signing their statements. This was always mitigated by a supervisor's or designee's approval, but it is still necessary for the cardholders to approve their purchases personally. All cardholders, supervisors, and personnel responsible for processing these have been reminded of this, and the policy will be strictly enforced from this point forward.

2011-7

Criteria or Specific Requirement: Utility allowance for doubtful accounts increased 15% over the prior year and business licenses receivable increased by 215%.

Condition: The City's collection agency has not been actively pursuing collection of outstanding utility accounts and City staff have not been pursuing collection of outstanding business license fees.

Context: The City's utility accounts receivable that are past due more than 90 days has increased and business license fees are not paid when renewed or initiated.

Effect: The longer it takes to start actively pursuing a bad debt, the harder it is to collect it.

Cause: City and collection agency staff are working on a process for pursuing collection of accounts over 90 days past due, but City staff have not been assigned to pursue collection of business license fees.

Auditors' Recommendations: We recommend that the City's collection agency start collection proceedings as soon as possible, and that the City assign a staff member to contact businesses about their unpaid license fees.

CITY OF BARTLESVILLE

Deficiencies in Internal Control that are Neither Significant Deficiencies or Material Weaknesses For the Year Ended June 30, 2011 (continued)

2011-7 (continued)

Management Response: The City employs collection agents for Municipal Court, Utility Billing, Business Licenses, and Vending Machine permits. The contract for the business licenses and vending machine permits is year to year and was not renewed during fiscal year 2010, however the contract has been renewed for fiscal year 2011 and the agent is currently working on these cases. The contract for Municipal Court is fully implemented, but there have been delays in the implementation of our Utility Billing contract. The collection agent employed for both of these utilized a system that integrates with our software systems. Due to issues with the City's recently upgraded Customer Information System, we have been unable to implement the utility billing side of this contract. However, the final fix for the software glitch is currently being tested, and it is anticipated that we will be able to integrate this system within the next month.

2011-8

Criteria or Specific Requirement: The Construction in Progress spreadsheet should only contain open construction jobs at the end of the fiscal year.

Condition: The construction in progress spreadsheet contained many open jobs that were completed and should have been closed and many projects that should have never been recorded as jobs.

Context: Tracking of construction in progress needs to be accurate.

Effect: Construction in progress could be overstated and expenditures/expenses could be understated on the financial statements.

Cause: Project managers did not adequately review the list of outstanding projects that were provided to them by accounting staff.

Auditors' Recommendations: We recommend that the client closely review the construction in progress accounts and discuss with directors the criteria for designating a project as construction in progress.

Management Response: The spreadsheet used to track outstanding construction projects had become bloated with projects whose current status was unclear. Accounting staff worked with the City's auditors and engineering staff to clarify the status of all questioned projects. The end result is an accurate accounting of the City's construction in progress. The clean listing of projects can be more easily managed, and future communications about the status of existing projects will be given a higher priority by both the accounting and engineering staff.

CITY OF BARTLESVILLE

Deficiencies in Internal Control that are Neither Significant Deficiencies or Material Weaknesses For the Year Ended June 30, 2011 (continued)

2011-9

Criteria or Specific Requirement: Outstanding checks over a year old need to be reviewed and handled according to State guidelines for municipalities.

Condition: There are 401 long-outstanding checks totaling \$28,515.42 dated from October 4, 2002 through June 18, 2010.

Context: The State guidelines for municipalities govern how old outstanding checks should be handled.

Effect: The bank reconciliation is cumbersome and individuals/vendors are not receiving the funds they are due. In addition, the City's cash balance is understated.

Auditors' Recommendations: We recommend that the City review the long-outstanding checks and properly handle them in accordance with the State's escheat law.

Management Response: Management is aware of the laws relating to uncleared checks and will take the legal steps necessary to void these items and remove them from our records.

Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Honorable Mayor and City Council
City of Bartlesville, State of Oklahoma

Compliance

We have audited the *City of Bartlesville, Oklahoma's* compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the *City of Bartlesville's* major federal programs for the year ended June 30, 2011. The *City of Bartlesville's* major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the *City of Bartlesville's* management. Our responsibility is to express an opinion on the *City of Bartlesville's* compliance based on our audit. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined below.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the *City of Bartlesville's* compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the *City of Bartlesville's* compliance with those requirements.

In our opinion, the *City of Bartlesville, Oklahoma* complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

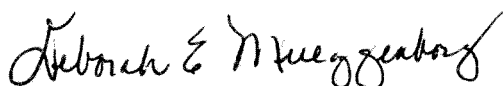
Management of the *City of Bartlesville* is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the *City of Bartlesville*'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the *City of Bartlesville*'s internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of management, City Council, federal awarding agencies and pass-through entities, and the Oklahoma State Auditor and Inspector and is not intended to be and should not be used by anyone other than these specified parties.

JOSEPH EVE
Certified Public Accountants
Fraud Examiners and Consultants



Deborah E. Mueggenborg, CPA
Engagement Partner

March 15, 2012

CITY OF BARTLESVILLE

Schedule of Findings and Questioned Costs For the Fiscal Year Ended June 30, 2011

Section II – Financial Statement Findings

2011-1

Criteria or Specific Requirement: The City is responsible for maintaining and implementing adequate internal controls, which should be documented with accounting policies and procedures.

Condition: The accounting policies and procedures used by the City are not fully documented and many are primarily the result of the present office staff's experience and understanding. While much of the staff appears adequately cross-trained, should certain individuals be required to perform unfamiliar accounting functions, only limited documentation is available for reference and training purposes.

Context: The City does not have formal accounting written policies and procedures.

Effect: This could result in errors due to lack of performance or improper performance of accounting functions.

Cause: Time constraints have delayed the implementation of formal accounting written policies and procedures.

Recommendation: The City should consider developing and keeping current a formally documented accounting policies and procedures manual. The manual should address such topics as:

- Fixed asset recording, inventory
- Utility revenue
- Court revenue
- Other revenue
- Purchasing and cash disbursements
- Payroll and personnel
- Budgeting
- Treasury
- General ledger accounting and balancing
- Financial reporting
- Compliance with laws and regulations

Views of responsible officials and planned corrective actions: City staff has worked diligently towards full documentation of all accepted accounting policies and procedures. This project is now nearly complete and all procedures have been fully documented. The project has moved to the management review phase, and once this step has been completed, the entire document will be submitted for City Council approval.

CITY OF BARTLESVILLE
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2011
(continued)

Section II – Financial Statement Findings
(continued)

2011-2

Criteria: For entities with fiscal year end of June 30 and requiring a Single Audit, the auditee is responsible for electronically submitting the Data Collection Form and the reporting package to the Federal Audit Clearinghouse within the earlier of 30 days after the receipt of the auditor's reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

Condition: The Data Collection Form and reporting package for the fiscal year ending June 30, 2010 was submitted and accepted by the Federal Audit Clearinghouse April 8, 2011.

Context: The auditee did not electronically submit the Data Collection Form and reporting package by the required deadline.

Effect: The late submission requires a finding in the audit report for the fiscal year ending June 30, 2011. This may affect the auditee's ability to compete for grants and awards.

Cause: A component unit audit report was received after the SEFA filing deadline, causing a delay in preparing the Management Discussion and Analysis (MD&A) to include in the audit presentation to the City Council.

Recommendation: It is recommended that the auditee have a timetable for completing required elements and meetings that will ensure the timely submission of the Data Collection Form and the reporting package to the Federal Audit Clearinghouse for all future audits, where such submission is required.

Views of responsible officials and planned corrective actions: The City's audit has been unreasonably delayed for the last two years, and this finding is the result. Many of these delays revolve around the City's component units that are included as part of our audit. City Staff is attempting to schedule an audit planning meeting that will involve the management, accountants, and auditors for all of the involved entities. If successful, this meeting should assist in coordinating the schedules of all those being audited, so that the delays of the last two years will not be repeated.

CITY OF BARTLESVILLE
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2011
(continued)

Section II – Financial Statement Findings
(continued)

2011-3

Criteria or Specific Requirement: The court bonds payable detail report should match the general ledger account.

Condition: The court bonds payable detail report didn't match the general ledger account by \$7,330.

Context: The court bonds payable detail report should list each individual that has a bond on deposit with the City court.

Effect: The general ledger account is overstated by \$7,330.

Auditors' Recommendations: We recommend that the detailed report be reviewed and, once the correct balance is determined, the general ledger account be adjusted to match the detail. Reconciliation of the detail to the general ledger should be performed on a regular basis.

Views of responsible officials and planned corrective actions: Corrections are being made to balance the court bonds payable currently, and a monthly reconciliation is being designed to ensure the records stay in balance. The original cause appears to be unrelated to cash and is actually caused by a glitch in the reporting system. The ongoing reconciliation should ensure that any future issues are caught and corrected as they occur.

Schedule of Prior Year Findings

Section III – Federal Award Findings and Questioned Costs

None

CITY OF BARTLESVILLE
 Summary of Auditor's Results
 For the Fiscal Year Ended June 30, 2011

<u>Section 1</u>	<u>Summary of Auditor's Results</u>
<u>Financial Statements</u>	
1. Type of auditor's report issued	Unqualified
2. Internal control over financial reporting:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	Yes
3. Noncompliance material to the financial statements noted?	Yes
<u>Federal Awards</u>	
1. Internal control over major program:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	None reported
2. Type of auditor's report issued on compliance for major program:	Unqualified
3. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	No
4. Identification of major program:	
<u>CFDA Number</u>	<u>Name of Federal Program</u>
16.738	Justice Assistance Grant Program Cluster:
16.804	Justice Assistance Grant
66.468	Safe Drinking Water State Revolving Fund Federal Loan Balance
81.128	Energy Efficiency and Conservation Block Grant Program—ARRA
97.039	Hazard Mitigation Grant Program
5. Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530?	No