

**THE CITY OF BIXBY,  
OKLAHOMA**

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

**AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2012**

**CITY OF BIXBY, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2012**

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ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2012**

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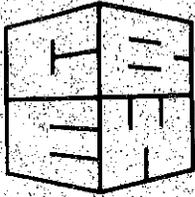
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**INDEPENDENT AUDITOR'S REPORT**

December 31, 2012

Honorable Board of City Commissioners  
City of Bixby  
Bixby, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bixby, Oklahoma, (City) as of and for the year ended June 30, 2012, 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's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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. 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 provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bixby, Oklahoma, as of June 30, 2012, 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 December 31, 2012 on our consideration of the City's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* 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 on pages 7 through 14 and budgetary comparison information on page 55 and the notes on page 55 through 56 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.

City of Bixby  
December 31, 2012

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bixby's financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for 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 not a required part of the basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual non-major fund financial statements and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*CBEW Professional Group, LLP*

CBEW Professional Group, LLP  
Certified Public Accountants

**CITY OF BIXBY, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2012**

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**MANAGEMENT DISCUSSION AND ANALYSIS**

**CITY OF BIXBY, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2012**

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Our discussion and analysis of the City of Bixby's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the transmittal letter and the City's financial statements, which follow.

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

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

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

### **About the City**

The City of Bixby, Oklahoma (Bixby or the City) was admitted as a township in 1906. The City is under a Home Rule Charter and is ruled by a "Council-Manager Government" as designated under Title 11 of the Oklahoma Statutes. As a charter city, the citizens from each of the City's five wards elect a council member to represent their respective ward. At the first meeting after the time prescribed for the beginning of the terms of newly elected council members, the council elects from its membership a mayor and vice-mayor. The current population of the City is approximately 21,000.

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

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

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

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

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

### **Using This Annual Report**

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

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

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

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

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

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

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

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

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

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

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

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

#### **Fund Financial Statements**

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

**CITY OF BIXBY, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2012**

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

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

**The City as a Whole**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the year ended June 30, 2012, net assets were as follows:

**TABLE 1**  
**NET ASSETS (in Thousands)**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	(restated)						(restated)		
	2012	2011	2012	2011	2012	2011			
Current assets	\$ 20,446	\$ 26,937	-24%	\$ 10,179	\$ 9,836	3%	\$ 30,625	\$ 36,773	-17%
Capital assets, net	65,687	58,479	12%	45,689	42,307	8%	111,376	100,786	11%
<b>Total assets</b>	<b>86,133</b>	<b>85,416</b>	<b>1%</b>	<b>55,868</b>	<b>52,143</b>	<b>7%</b>	<b>142,001</b>	<b>137,559</b>	<b>3%</b>
Current liabilities	3,813	3,557	7%	2,072	1,218	70%	5,885	4,775	23%
Non-current liabilities	24,498	27,149	-10%	10,693	9,551	12%	35,191	36,700	-4%
<b>Total liabilities</b>	<b>28,311</b>	<b>30,706</b>	<b>-8%</b>	<b>12,765</b>	<b>10,769</b>	<b>19%</b>	<b>41,076</b>	<b>41,475</b>	<b>-1%</b>
<b>Net assets</b>									
Invested in capital assets, net of related debt	47,180	42,460	11%	34,462	32,408	6%	81,642	74,868	9%
Restricted	5,639	8,889	-37%	5,901	5,946	-1%	11,540	14,835	-22%
Unrestricted	3,003	3,361	49%	2,735	3,020	-9%	7,738	6,381	21%
<b>Total net assets</b>	<b>\$ 57,822</b>	<b>\$ 54,710</b>	<b>6%</b>	<b>\$ 43,103</b>	<b>\$ 41,374</b>	<b>4%</b>	<b>\$ 100,925</b>	<b>\$ 96,084</b>	<b>5%</b>

The above numbers reflect an increase in net assets of 6% for governmental activities and an increase of 4% for business type activities. Overall, the net assets for both governmental and business-type activities increased 5% over last fiscal year.

Governmental activities current assets decreased approximately \$6.5 million or 24% due mainly to the purchase of capital assets, which caused capital assets to increase approximately \$7.2 million or 12%.

Business-type activities liabilities increased approximately \$2 million or 19% due mainly to new long-term debt that was issued during the year.

**CITY OF BIXBY, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2012**

For the year ended June 30, 2012, net assets of the primary government changed as follows:

**TABLE 2**  
**CHANGES IN NET ASSETS (in Thousands)**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2012	2011		2012	2011		2012	2011	
<b>Revenues</b>									
Charges for service	\$ 1,783	\$ 1,713	4%	\$ 7,411	\$ 6,596	12%	\$ 9,194	\$ 8,309	11%
Operating grants and contributions	618	627	-1%	-	-	-	618	627	-1%
Capital grants and contributions	800	5,163	-85%	441	1,484	-70%	1,241	6,647	-81%
Taxes	11,535	10,746	7%	-	-	-	11,535	10,746	7%
Intergovernmental revenue	139	125	11%	-	-	-	139	125	11%
Investment income	98	107	-8%	25	40	-38%	123	147	-16%
Miscellaneous	726	1,349	-46%	32	130	-79%	758	1,499	-49%
<b>Total revenues</b>	<b>15,699</b>	<b>19,830</b>	<b>-21%</b>	<b>7,909</b>	<b>8,270</b>	<b>-4%</b>	<b>23,608</b>	<b>28,100</b>	<b>-16%</b>
<b>Expenses</b>									
General government	2,498	2,520	-1%	-	-	-	2,498	2,520	-1%
Public safety	5,251	4,996	5%	-	-	-	5,251	4,996	5%
Streets	1,548	1,692	-9%	-	-	-	1,548	1,692	-9%
Culture, parks and recreation	942	831	13%	-	-	-	942	831	13%
Conceivry	137	142	-4%	-	-	-	137	142	-4%
Economic development	140	127	10%	-	-	-	140	127	10%
Interest on long-term debt	1,019	810	26%	-	-	-	1,019	810	26%
Water	-	-	-	5,529	4,637	19%	5,529	4,637	19%
Wastewater	-	-	-	1,703	1,528	11%	1,703	1,528	11%
<b>Total expenses</b>	<b>11,535</b>	<b>11,118</b>	<b>4%</b>	<b>7,232</b>	<b>6,165</b>	<b>17%</b>	<b>18,767</b>	<b>17,283</b>	<b>9%</b>
Excess (deficiency) before transfers	4,164	8,712	-52%	677	2,105	-68%	4,841	10,817	-55%
Transfers	(1,052)	(1,864)	44%	1,052	1,864	-44%	-	-	-
<b>Change in net assets</b>	<b>3,112</b>	<b>6,848</b>	<b>-55%</b>	<b>1,729</b>	<b>3,969</b>	<b>-56%</b>	<b>4,841</b>	<b>10,817</b>	<b>-55%</b>
Beginning net assets (restated)	55,710	47,861	14%	41,374	37,485	11%	96,084	85,266	13%
<b>Ending net assets</b>	<b>\$ 57,822</b>	<b>\$ 54,709</b>	<b>6%</b>	<b>\$ 43,103</b>	<b>\$ 41,374</b>	<b>4%</b>	<b>\$ 100,928</b>	<b>\$ 96,083</b>	<b>5%</b>

Governmental Activities capital grants and contributions decreased approximately \$4.4 million or 85% due to \$1.2 million contribution from Tulsa County and \$2.8 million from BPWA contributed for streets in prior year that was not received this year. Miscellaneous revenue decreased approximately \$623 thousand or 46% due to an allocation from the City of Tulsa for the Fry Creek agreement in the prior year that was not received this year.

Business-type Activities capital grants and contributions decreased approximately \$1 million or 70% due to contributed capital that was received in FY11. The charges for services increase was due to an increase in rates from the City's water provider. Included in expenses of Business-type Activities of the Water Department are expenses related to debt service requirements which are funded with Sales Tax Revenues apportioned to the fund. The taxes are classified as general revenue on the Statement of Activities.

### Governmental Activities

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

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

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

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

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2012	2011		2012	2011	
General government	\$ 2,498	\$ 2,520	-1%	\$(2,153)	\$ (1,067)	-102%
Public safety	5,251	4,996	5%	(3,741)	(3,667)	-2%
Streets	1,548	1,692	-9%	(337)	2,779	112%
Culture, parks and recreation	942	831	13%	(909)	(682)	-33%
Cemetery	137	142	-4%	(33)	(40)	18%
Economic development	140	127	10%	(140)	(127)	-10%
Interest on long-term debt	1,019	810	26%	(1,019)	(810)	-26%
<b>Total</b>	<b>\$ 11,535</b>	<b>\$ 11,118</b>	<b>4%</b>	<b>\$(8,334)</b>	<b>\$(3,614)</b>	<b>-131%</b>

**Business-type Activities**

The business-type activities had an increase in net assets of \$1,729,003.

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

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	2012	2011		2012	2011	
Water	\$ 5,529	\$ 4,637	19%	\$ 749	\$ 1,305	-43%
Wastewater	1,703	1,528	11%	(129)	610	-121%
<b>Total</b>	<b>\$ 7,232</b>	<b>\$ 6,165</b>	<b>17%</b>	<b>\$ 620</b>	<b>\$ 1,915</b>	<b>-68%</b>

**General Fund Budgetary Highlights**

For the year ended June 30, 2012, the General Fund reported actual budgetary basis revenues over final estimates by \$603,205 or a 9.4% positive variance. General Fund actual expenditures were under final appropriations by about \$493,645 or a 7.3% positive variance.

**CITY OF BIXBY, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2012**

**Capital Asset and Debt Administration**

**Capital Assets**

At the end of June 30, 2012, the City has \$111.4 million invested in capital assets including police and fire equipment, buildings, water and sewer lines, roads, and park facilities.

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

	Governmental Activities		Business-Type Activities		Total	
	(restated)				(restated)	
	2012	2011	2012	2011	2012	2011
Land	\$ 13,655	\$ 13,026	\$ 489	\$ 489	\$ 14,144	\$ 13,515
Buildings and improvements	3,230	3,273	726	773	3,956	4,046
Machinery, furniture and equipment	3,135	3,462	220	299	3,355	3,761
Infrastructure	34,420	26,368	44,115	39,837	78,535	66,205
Construction in progress	11,247	12,350	139	910	11,386	13,260
<b>Totals</b>	<b>\$ 65,687</b>	<b>\$ 58,479</b>	<b>\$ 45,689</b>	<b>\$ 42,308</b>	<b>\$ 111,376</b>	<b>\$ 100,787</b>

See note 4 for additional details.

**Debt Administration**

At year-end, the City has \$37.9 million in outstanding notes, bonds, and capital leases. Additionally, the City had \$1.4 million in accrued compensated absences and utility deposits. The decrease in long-term debt is attributed to normal debt service payments.

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2012	2011	2012	2011	2012	2011	
General obligation bonds	\$ 26,300	\$ 28,250	\$ -	\$ -	\$ 26,300	\$ 28,250	-6.9%
Capital leases payable	211	555	-	-	211	555	-62.0%
Revenue bonds payable	-	-	3,310	5,985	3,310	5,985	-44.7%
Notes payable	-	-	8,048	4,094	8,048	4,094	96.6%
Deposits subject to refund	-	-	477	468	477	468	1.9%
Accrued compensated absences	831	703	105	109	936	812	15.3%
<b>Totals</b>	<b>\$ 27,342</b>	<b>\$ 29,508</b>	<b>\$ 11,940</b>	<b>\$ 10,656</b>	<b>\$ 39,282</b>	<b>\$ 40,164</b>	<b>-2.2%</b>

See note 5 for additional details.

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

After stabilizing the year before, the City of Bixby's primary revenue source, the municipal sales tax, in Fiscal 2011/2012 continued to recover towards pre-recession levels, coming in 5.24% greater than the prior year. For the forthcoming fiscal 2012/2013 period, budgeted sales tax revenues were forecast to grow by 9.0% over the prior year budget, in large part due to the entrance of a large new grocery retailer into the market. This means revenues will have returned to their 2008/2009 level. Expenses for 2012/2013 were budgeted to grow by 10.6% over prior year budget, including one-time contingencies which were budgeted for using prior year cash carryover.

The 2012/2013 budget is essentially a maintenance level or "steady state" budget, in which normal revenue growth was consumed by increases in fixed costs (e.g., energy costs, health insurance, workers compensation premiums, etc.). Fortunately, the mid-year opening of the community's largest grocery store made possible, for the first time in several years, the granting of ongoing cost-of-living pay increases to our workforce. Improving employee compensation will continue to be a focus of management in the next few years, a goal which will require us to continue to operate at present staffing levels. The City did establish a new Fire Marshal position within the 2012/2013, but only at the expense of a vacant Assistant Fire Chief position.

After months of research and analysis including conducting a rate study by outside financial advisers, the Bixby Public Works Authority (BPWA) enacted a series of multi-year phased utility rate increases, designed to ensure revenues are generated to make various required capital improvements to the system infrastructure. BPWA also passed along to its customers an increase in water rates enacted by the city's water provider, the City of Tulsa, and adopted the first increase in Bixby's stormwater management fee since its inception 20 years ago to restore purchasing power of the fee and enable us to better accomplish stormwater management infrastructure objectives. Finally, the City of Bixby also increased its residents' monthly EMS fee in response to an increased charge by its service provider, EMSA, triggered by Bixby's increased census count. At the same time, EMSA significantly expanded its level of service to the community. Bixby's overall utility rates and service fees remain roughly comparable to those found in other area communities.

While operating budgets will remain lean for the foreseeable future, there are a number of significant capital improvement projects slated to be completed or initiated in fiscal 2012/2013 and following years, funded largely by the 2011 General Obligation bond issues, various grants, and long-term low interest loans. These include major street improvements, expansion of the Police Department quarters within City Hall, sewer system improvements (including a major study evaluating the best option for replacing our lagoon systems with a mechanical plant, locally or regionally), and completion of master plan projects at the award-winning Bentley Youth Sports Complex. A continuing special emphasis is being placed on investment in technology, as resources allow, improving the operating efficiency and effectiveness of various departments. This year's efforts include launching a major GIS update and automating police and court citation processes.

The long term outlook for the City of Bixby remains positive, as long term local economic development initiatives take root and the national economy experiences growth. City of Bixby officials aggressively market the community as a potential home to retailers in an effort to expand the number of locally available shopping and dining options and boost municipal operating revenues. Bixby is known as a friendly, attractive and rewarding place to which to relocate and prosper. Opportunity for new business activity abounds in Bixby, which features some of the highest population growth trends and most

**CITY OF BIXBY, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2012**

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favorable income and educational attainment demographics found in the state of Oklahoma, as well as a documented retail trade gap in excess of \$1.18 billion. This market potential, along with Bixby's high quality of schools, status as the safest community in the state for cities its size, with a stable, progressive government, a dynamic chamber of commerce, and very attractive quality of life, continue to make Bixby a top choice for people and businesses looking to relocate to the Tulsa metro area in NE Oklahoma.

Official 2010 Census results revealed Bixby was indeed one of the fastest growing cities in Oklahoma in the past decade, and second fastest growing in the Tulsa metro region, having grown by 57%. At just under 21,000 people in the 2010 Census, Bixby is now the 20th largest city in the state, up from 32nd a decade ago. And while some Tulsa metro area communities are approaching "built-out" status, Bixby has plenty of remaining land within its fence line to accommodate both additional residential growth and significant commercial development, including along the Arkansas River.

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

After conducting an extensive analysis of the City of Bixby's fiscal conditions and performance in mid 2011, the national rating agency Standard & Poor's assigned an "AA" rating with stable outlook to Bixby's 2011 General Obligation bonds. Only one city in Oklahoma has a better G.O. bond rating.

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

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

Bixby is well connected to the state and regional economy via an excellent set of state highways and is less than a thirty minute drive to Tulsa International Airport and downtown Tulsa.

Bixby's percentage of citizens holding B.S. degrees or higher is very high, (at 38%, more than 2/3rds higher than statewide average). Bixby has the highest median home values in the Tulsa Metro Region (at \$168,500, is 70% higher than the state as a whole). Finally, Bixby has the highest Per Capita Income in the Tulsa Metro Region, (at \$34,004, is 51% higher than state as a whole).

The Bixby Public Schools district is one of the fastest growing in the state, having this year alone experienced a 7% growth in student population. In 2010, voters approved by an overwhelming majority

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a multi-year \$62,000,000 bond issue, without raising taxes, for the construction and renovation of school buildings. A new middle school was constructed and opened in the Fall of 2012 on Mingo between 151st and 161st, and a new elementary school, currently under construction on 131st between Garnett and 129th, will open next Fall. This award-winning school system boasts excellent state test scores and outstanding activity programs. Beginning with the 2012-2013 school year, the Oklahoma State Department of Education launched its A-F grading system of the state's schools. Bixby Public Schools received some of the highest grades awarded by the state, including three individual schools with A's grades and two with a 4.0, the highest grade possible. Less than 7% of the schools in the state received 4.0 grades.

The 4,500 seat Spirit Bank Event Center which has for several years regularly hosted world-class entertainment and numerous events attracting visitors from throughout the region, recently became the home venue for the Tulsa 66ers professional NBA Development league basketball team, the farm club for the world runner-up champion Oklahoma City Thunder. Having experienced such a favorable leasing response, owners of a newly-constructed \$20 million Class "A" 248 unit apartment complex, Encore on Memorial, are now making expansion plans. This Fall, Reasor's opened in north Bixby what is widely considered the finest grocery store in this state and region. The first Sprouts Farmers' Market grocery store to locate in Eastern Oklahoma is now under construction with plans to open later this Spring, further expanding the shopping choices available to residents. A \$5 million park expansion and upgrade at Bentley Youth Sports Complex now underway will improve several of the existing sports venues and add an additional softball quad. These improvements will enable this outstanding sports complex to hold even more sports tournaments in the coming years, something which has proven to be a major stimulus to area hotel and restaurant and other retail business in recent years.

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

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

Respectfully submitted,

Betty Koehn  
City Treasurer/Finance Director

**CITY OF BIXBY, OKLAHOMA  
ANNUAL FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2012**

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**BASIC FINANCIAL STATEMENTS - GOVERNMENT-WIDE**

**CITY OF BIXBY, OKLAHOMA**  
**ANNUAL FINANCIAL STATEMENTS**  
**As of and for the Year Ended June 30, 2012**

**Statement of Net Assets- June 30, 2012**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,556,790	\$ 3,518,771	\$ 10,075,561
Investments	11,784,361	4,609,305	16,393,666
Accounts receivable, net of allowance	772,314	1,449,509	2,221,823
Internal balances	(47,671)	47,671	-
Due from other governments	934,282	212,306	1,146,588
Capital Assets:			
Land and construction in progress	24,901,894	628,050	25,529,944
Other capital assets, net of depreciation	40,785,518	45,061,409	85,846,927
Unamortized debt issuance costs	445,439	341,208	786,647
Total Assets	<u>\$ 86,132,927</u>	<u>\$ 55,868,229</u>	<u>\$ 142,001,156</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 759,956	\$ 839,266	\$ 1,599,222
Accrued interest payable	83,775	90,334	174,109
Due to bondholders	54,420	-	54,420
Long-term liabilities			
Due within one year	2,915,199	1,142,356	4,057,555
Due in more than one year	24,497,230	10,692,911	35,190,141
Total liabilities	<u>\$ 28,310,580</u>	<u>\$ 12,764,867</u>	<u>\$ 41,075,447</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	47,179,541	34,466,914	81,646,455
Restricted by:			
State statutes	4,041,930	-	4,041,930
Enabling legislation	507,786	540,031	1,047,817
Contractual	1,089,656	5,361,025	6,450,681
Unrestricted	5,003,434	2,735,392	7,738,826
Total net assets	<u>\$ 57,822,347</u>	<u>\$ 43,103,362</u>	<u>\$ 100,925,709</u>

See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA**  
**ANNUAL FINANCIAL STATEMENTS**  
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**Statement of Activities – Year Ended June 30, 2012**

Functions/Programs	Expenses	Program Revenue			Net (Expenses) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
<b>Governmental Activities:</b>							
General Government	\$ 2,497,531	\$ 342,547	\$ -	\$ -	\$ (2,154,984)	\$ -	\$ (2,154,984)
Public Safety	5,251,057	1,033,923	439,523	39,899	(3,740,722)	-	(3,740,722)
Streets	1,548,391	270,093	181,848	759,913	(336,707)	-	(336,707)
Culture and Recreation	941,802	32,674	-	-	(909,228)	-	(909,228)
Cemetery	137,320	104,280	-	-	(33,030)	-	(33,030)
Economic Development	140,198	-	-	-	(140,198)	-	(140,198)
Interest on Long-term debt	1,019,404	-	-	-	(1,019,404)	-	(1,019,404)
Total governmental activities	<u>11,536,673</u>	<u>1,763,427</u>	<u>618,171</u>	<u>799,802</u>	<u>(8,334,273)</u>	<u>-</u>	<u>(8,334,273)</u>
<b>Business-Type Activities:</b>							
Water	8,528,801	6,277,401	-	-	-	748,800	748,800
Wastewater	1,702,833	1,133,600	-	440,348	-	(128,987)	(128,987)
Total business-type activities	<u>7,231,834</u>	<u>7,410,801</u>	<u>-</u>	<u>440,348</u>	<u>-</u>	<u>619,813</u>	<u>619,813</u>
<b>Total primary government</b>	<b>\$ 18,767,307</b>	<b>\$ 9,194,328</b>	<b>\$ 618,171</b>	<b>\$ 1,240,148</b>	<b>\$ (8,334,273)</b>	<b>\$ 619,813</b>	<b>\$ (7,714,660)</b>
<b>General revenues:</b>							
<b>Taxes:</b>							
Property taxes	-	-	-	-	\$ 2,680,511	\$ -	\$ 2,680,511
Sales and use taxes	-	-	-	-	7,702,809	-	7,702,809
Franchise taxes and public service taxes	-	-	-	-	874,998	-	874,998
Hotel/motel taxes	-	-	-	-	136,567	-	136,567
EB14 taxes	-	-	-	-	181,340	-	181,340
Intergovernmental revenue not restricted to specific programs	-	-	-	-	139,264	-	139,264
Unrestricted investment earnings	-	-	-	-	87,828	25,446	123,273
Miscellaneous	-	-	-	-	728,428	32,307	756,735
Transfers	-	-	-	-	(1,051,638)	1,051,638	-
Total general revenues and transfers	-	-	-	-	<u>11,447,067</u>	<u>1,109,390</u>	<u>12,556,457</u>
Change in net assets	-	-	-	-	3,112,794	1,728,003	4,841,797
Net assets - beginning (restated)	-	-	-	-	54,709,553	41,374,359	96,083,912
Net assets - ending	-	-	-	-	<u>\$ 57,822,247</u>	<u>\$ 43,102,362</u>	<u>\$ 100,924,609</u>

See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA  
ANNUAL FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2012**

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**BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS**

**CITY OF BIXBY, OKLAHOMA  
ANNUAL FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2012**

**Governmental Funds Balance Sheet - June 30, 2012**

	<u>General Fund</u>	<u>Citizen's Planned Fund</u>	<u>2008 Bond Fund</u>	<u>2011 Bond Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 2,286,902	\$ 865,317	\$ 44	\$ 878,820	\$ 680,107	\$ 3,981,578	\$ 8,122,588
Investments	1,323,728	3,037,727	-	7,345,187	869,013	2,286,868	14,872,487
Interest receivable	-	-	-	-	-	-	-
Receivable from other governments	808,713	212,308	-	-	-	-	-
Due from other funds	88,081	-	-	6,420	20,825	304,744	1,146,588
Taxes receivable, net	91,464	-	-	-	473	35,824	140,886
Court fines receivable, net	571,200	-	-	-	-	22,231	113,696
Art balance receivable, net	14,038	-	-	-	-	-	571,200
Utilities receivable, net	-	-	-	-	-	-	14,038
Other receivables	25,004	-	-	-	-	19,877	19,677
Inventories	-	-	-	-	2,048	26,162	53,704
Prepaid expenses	-	-	-	-	-	-	-
Total assets	<u>\$ 4,889,827</u>	<u>\$ 3,915,350</u>	<u>\$ 44</u>	<u>\$ 7,930,207</u>	<u>\$ 1,552,486</u>	<u>\$ 6,667,161</u>	<u>\$ 25,054,865</u>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 144,610	-	-	\$ 280,067	-	\$ 482,083	\$ 886,620
Accrued payroll payable	192,436	-	-	-	-	20,183	212,610
Due to other funds	148,633	-	44	-	-	108,883	253,560
Due to bondholders	54,420	-	-	-	-	-	54,420
Deferred revenue	466,764	-	-	-	12,186	35,280	504,209
Other payables	8,325	-	-	-	-	-	8,325
Total liabilities	<u>1,004,818</u>	<u>-</u>	<u>44</u>	<u>280,067</u>	<u>12,186</u>	<u>651,369</u>	<u>1,817,963</u>
<b>Fund balances:</b>							
Restricted	-	3,878,396	-	7,027,691	1,481,182	4,126,249	17,122,488
Assigned	3,694,423	36,964	-	52,469	49,119	1,890,543	5,023,498
Unassigned	890,886	-	-	-	-	-	890,886
Total fund balances	<u>3,695,309</u>	<u>3,915,360</u>	<u>-</u>	<u>7,680,160</u>	<u>1,530,301</u>	<u>6,016,792</u>	<u>23,136,872</u>
Total liabilities and fund balances	<u>\$ 4,889,827</u>	<u>\$ 3,915,350</u>	<u>\$ 44</u>	<u>\$ 7,930,207</u>	<u>\$ 1,552,486</u>	<u>\$ 6,667,161</u>	<u>\$ 25,054,865</u>

See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA  
ANNUAL FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2012**

**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Year Ended June 30, 2012**

	General Fund	Citizen's Planned Fund	2008 Bond Fund	2011 Bond Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 2,667,060	\$ -	\$ 2,667,060
Sales and use tax	4,197,309	1,573,986	-	-	-	2,119,166	7,884,457
Franchise and miscellaneous taxes	874,988	-	-	-	-	296,897	1,171,885
Intergovernmental	801,343	-	-	-	-	46,160	847,503
Licenses and permits	334,899	-	-	-	-	-	334,899
Charges for services	278,005	-	-	-	20,292	604,820	901,117
Fines & forfeitures	783,458	-	-	-	-	-	783,458
Investment earnings	10,481	13,694	8,260	62,459	6,569	23,614	116,057
Miscellaneous	327,082	-	28,935	-	-	401,249	755,266
<b>Total revenues</b>	<b>7,405,639</b>	<b>1,587,682</b>	<b>33,185</b>	<b>62,459</b>	<b>2,695,911</b>	<b>3,464,526</b>	<b>15,269,802</b>
<b>EXPENDITURES</b>							
Administration	386,690	-	-	-	-	-	386,690
City attorney	94,764	-	-	-	-	-	94,764
Municipal court	98,879	-	-	-	-	-	98,879
Community service	3,767	-	-	-	-	-	3,767
General government	775,764	-	-	-	-	-	775,764
Police	2,474,605	-	-	-	-	-	2,474,605
Fire	2,010,811	-	-	-	-	-	2,010,811
Emergency Management	26,081	-	-	-	-	323,816	349,897
Streets	476,224	-	-	-	-	731,337	1,207,561
Culture and recreation	19,335	-	-	-	-	2,012	21,347
Cemetery	122,782	-	-	-	-	139,239	262,021
Economic development	-	-	-	-	-	84,389	84,389
E-911	-	-	4,087,209	2,223,051	-	2,777,688	9,113,285
Capital outlay	46,037	-	-	-	-	-	46,037
Debt service:							
Principal	35,326	-	-	-	1,960,000	309,112	2,294,437
Interest and other charges	8,451	-	-	-	996,016	6,942	1,011,409
<b>Total expenditures</b>	<b>6,678,405</b>	<b>-</b>	<b>4,087,209</b>	<b>2,223,051</b>	<b>2,956,016</b>	<b>4,374,817</b>	<b>20,169,496</b>
Excess (deficiency) of revenues over expenditures	827,234	1,587,682	(4,034,024)	(2,170,592)	(250,105)	(689,891)	(4,929,993)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	118,747	-	1,474,306	-	-	3,666,510	5,259,563
Transfers out	(170,000)	(1,345,501)	(44)	-	-	(6,183,282)	(7,698,827)
<b>Total other financing sources and uses</b>	<b>(51,253)</b>	<b>(1,345,501)</b>	<b>1,474,262</b>	<b>-</b>	<b>-</b>	<b>(2,516,772)</b>	<b>(2,139,264)</b>
<b>Net change in fund balances</b>	<b>775,981</b>	<b>242,181</b>	<b>(2,559,762)</b>	<b>(2,170,592)</b>	<b>(250,105)</b>	<b>(3,106,663)</b>	<b>(7,068,960)</b>
Fund balances - beginning	3,208,328	3,679,189	2,539,762	8,690,742	1,780,376	9,122,455	30,205,832
<b>Fund balances - ending</b>	<b>\$ 3,984,309</b>	<b>\$ 3,921,370</b>	<b>\$ -</b>	<b>\$ 7,520,150</b>	<b>\$ 1,530,271</b>	<b>\$ 6,015,792</b>	<b>\$ 23,136,572</b>

See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA  
ANNUAL FINANCIAL STATEMENTS  
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**Reconciliation of Governmental Funds and Government-Wide Financial Statements:**

Total fund balance, governmental funds	\$	23,136,872
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		65,687,412
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		
Unamortized debt issuance costs		445,439
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		504,209
Certain special revenue funds are used by management to perform business-type activities. The assets and liabilities of these special revenue funds are included in business-type activities in the Statement of Net Assets.		
Water and Sewer Development Fund		(540,031)
Citizen's Planned Fund		(3,915,350)
		(4,455,381)
Some liabilities (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.		
Accrued interest payable		(83,776)
Capital lease obligation		(210,948)
General obligation bonds		(26,300,000)
Bond premium		(70,053)
Accrued compensated absences		(831,428)
		(27,496,204)
Net Assets of Governmental Activities in the Statement of Net Assets	\$	87,822,347

See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA  
ANNUAL FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2012**

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

Net change in fund balances - total governmental funds: \$ (7,068,960)

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

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

Capital asset purchases capitalized	9,071,554
Capital assets contributed	697,518
Depreciation expense	(2,534,860)
Book value of disposed capital assets	<u>(25,521)</u>
	<u>7,208,691</u>

Governmental funds report bond issuance costs as expenditures while governmental activities report amortization expense to allocate those expenditures over the term of the bonds:

Amortization expense	(45,930)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Deferred revenue	73,862
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Certain special revenue funds are used by management to perform business-type activities. The net change in fund balances of these special revenue funds are included in business-type activities in the Statement of Net Assets:

Water and Sewer Development Fund	1,029,270
Citizen's Planned Fund	(242,181)
	<u>787,089</u>

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

Principal payments on long-term debt	2,294,457
Amortization of bond premium	5,423
	<u>2,299,880</u>

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

Change in accrued interest payable	(13,417)
Change in accrued compensated absences	(128,422)
	<u>(141,839)</u>

Change in net assets of governmental activities	<u>\$ 3,112,794</u>
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See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA  
ANNUAL FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2012**

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**BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS**

**CITY OF BIXBY, OKLAHOMA**  
**ANNUAL FINANCIAL STATEMENTS**  
As of and for the Year Ended June 30, 2012

**Proprietary Funds Statement of Net Assets - June 30, 2012**

	<u>Bixby Public Works Authority</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 1,323,093
Investments	102,679
Restricted:	
Cash and cash equivalents	35,087
Due from other funds	134,124
Accounts receivable, net	1,449,509
Total current assets	3,044,492
Non-current assets:	
Restricted:	
Cash and cash equivalents	848,783
Investments	1,164,530
Capital assets:	
Land and construction in progress	628,050
Other capital assets, net of accumulated depreciation	45,061,409
Unamortized issue costs	341,208
Total non-current assets	48,043,980
Total assets	\$ 61,088,472
 <b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 452,631
Salaries payable	40,797
Accrued interest payable	90,334
Due to other funds	21,462
Deposits subject to refund	47,633
Compensated absences	20,962
Notes payable	718,761
Bonds payable	355,000
Total current liabilities	1,747,580
Non-current liabilities:	
Compensated absences	83,847
Deposits subject to refund	429,688
Notes payable	7,329,092
Bonds payable	2,850,284
Total non-current liabilities	10,692,911
Total liabilities	12,440,491
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	34,466,914
Restricted for debt service	1,445,675
Unrestricted	2,735,392
Total net assets	\$ 38,647,981

See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA**  
**ANNUAL FINANCIAL STATEMENTS**  
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**Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Assets - Year Ended June 30, 2012**

	<u>Bixby Public Works Authority</u>
<b>REVENUES</b>	
Water	\$ 6,142,023
Sewer	985,301
Miscellaneous	32,307
Total operating revenues	7,159,631
<b>OPERATING EXPENSES</b>	
Administration	1,399,819
Water	3,833,965
Wastewater	436,912
Amortization expense	105,322
Depreciation	982,690
Total Operating Expenses	6,758,508
Operating income	401,123
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest and investment revenue	8,216
Loss on disposal of capital assets	(84,642)
Interest expense	(383,465)
Total non-operating revenue (expenses)	(459,891)
Income (loss) before transfers	(58,768)
Capital contributions	435,506
Transfers in	5,354,859
Transfers out	(3,215,595)
Change in net assets	2,516,092
Total net assets - beginning	36,131,889
Total net assets - ending	\$ 38,647,981

See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA  
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**Reconciliation of Proprietary Funds and Government-Wide Financial Statements:**

Total net assets, proprietary funds	\$ 38,647,981
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Amounts reported for business-type activities in the Statement of Net Assets are different because:

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

Water and Sewer Development Fund	540,031
Citizen's Planned Fund	3,915,350
	4,455,381

Net Assets of Business-type Activities in the Statement of Net Assets	\$ 43,103,362
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Net change in net assets - total proprietary funds:	\$ 2,516,092
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Amounts reported for Business-type Activities in the Statement of Activities are different because:

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

Water and Sewer Development Fund	(1,029,270)
Citizen's Planned Fund	242,181
	(787,089)

Change in net assets of business-type activities	\$ 1,729,003
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See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA**  
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**Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2012**

	<u>Bixby Public</u> <u>Works Authority</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 6,903,329
Payments to suppliers	(3,797,706)
Payments to employees	(1,507,381)
Receipts of customer meter deposits	88,206
Refunds of customer meter deposits	(78,397)
Interfund receipts	52,317
Interfund payments	(448,234)
<b>Net cash provided by operating activities</b>	<u>1,212,134</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from other funds	5,354,859
Transfers to other funds	(3,215,595)
<b>Net cash provided by noncapital financing activities</b>	<u>2,139,264</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchases of capital assets	(4,449,732)
Proceeds from debt	4,715,595
Principal paid on debt	(3,000,980)
Bond issuance costs paid	(49,500)
Interest and fiscal agent fees paid on debt	(369,920)
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(3,154,537)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Sale of investments	64,192
Interest and dividends	8,216
<b>Net cash provided by investing activities</b>	<u>72,408</u>
<b>Net Increase in cash and cash equivalents</b>	269,269
<b>Balances - beginning of year</b>	<u>1,937,694</u>
<b>Balances - end of year</b>	<u>\$ 2,206,963</u>
<b>Reconciliation to Statement of Net Assets:</b>	
Cash and cash equivalents	\$ 1,323,093
Restricted cash and cash equivalents - current	35,087
Restricted cash and cash equivalents - noncurrent	848,783
<b>Total cash and cash equivalents, end of year</b>	<u>\$ 2,206,963</u>

(Continued)

See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA**  
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**Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2012, (Continued)**

<b>Reconciliation of operating income to net cash provided by</b>	
<b>Operating Activities:</b>	
Operating income	\$ 401,123
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	982,690
Amortization expense	105,322
<b>Change in assets and liabilities:</b>	
Due from other funds	52,317
Due to other funds	(448,234)
Accounts receivable	(256,302)
Accounts payable	373,151
Accrued salaries payable	11,340
Deposits subject to refund	9,809
Accrued compensated absences	(4,375)
Due to other governments	(14,707)
<b>Net cash provided by operating activities</b>	<u>\$ 1,212,134</u>
 <b>Noncash activities:</b>	
Forgiveness of debt	\$ 435,596
	<u>\$ 435,596</u>

See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA**  
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**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**

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**Footnotes to the Basic Financial Statements:**

**1. Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

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

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

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

The City of Bixby has a population of approximately 21,000 located in northeast Oklahoma. The City is a Council/Manager form of government that provides for three branches of government:

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

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

**Blended Component Units:**

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

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

**B. Basis of Presentation and Accounting**

*Government-Wide Financial Statements:*

The statements of net assets and activities are reported on the accrual basis of accounting and economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized when

**CITY OF BIXBY, OKLAHOMA**  
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earned and expenses (including depreciation and amortization) are recorded when the liability is incurred or economic asset used.

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

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

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

*Governmental Funds:*

The City's governmental funds include:

*Major Funds:*

- General Fund – accounts for all activities not accounted for in other special-purpose funds. Due to the implementation of GASB 54, the General Fund also includes the Rural Fire, Fishing License, Cemetery Beautification and Cemetery Maintenance accounts.
- Citizen's Planned Fund – a capital project fund that accounts for ¼ cent sales tax restricted for sewer system improvements and debt service.
- 2008 Bond Fund – a capital project fund that accounts for bond proceeds used to finance parks and street improvements.
- 2011 Bond Fund – a capital project fund that accounts for bond proceeds used to finance streets, parks and recreation, and public safety improvements.
- Debt Service Fund – a debt service fund that accounts for receipt of ad valorem taxes and used to make debt service payments for general obligation bonds.

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

*Special Revenue Funds:*

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

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**Capital Project Funds:**

- Cemetery Care Fund – accounts for 12.5% of cemetery revenue restricted by State law for cemetery capital improvements.
- Capital Improvement Fund – accounts for ¼ cent sales tax for capital improvements.
- Street and Alley Fund – accounts for revenues received from gasoline excise tax, motor vehicle tax and expenditures made for street maintenance and operations.
- 2007 Bond Fund – accounts for bond proceeds used to finance parks and street improvements.
- Stormwater Management Fund – accounts for revenues from stormwater fees and expenses for maintenance and capital improvements of the stormwater system.
- Water and Sewer Development Fund – accounts for revenue from water and sewer development fee and expenses for water and sewer maintenance and improvements.

**Debt Service Funds:**

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

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

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

The General Fund, Citizen's Planned Fund, 2008 Bond Fund, 2011 Bond Fund, and Debt Service Fund are considered major funds and are therefore displayed in separate columns. All other governmental funds are considered non-major funds and are aggregated under the column titled Other Governmental Funds.

**Proprietary Funds:**

The City's proprietary funds include:

**Enterprise Fund**

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

The proprietary funds are reported on the accrual basis of accounting and economic resources measurement focus. For business-type activities and enterprise funds, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

For purposes of the statement of revenues, expenses and changes in fund net assets, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues

and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

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

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

#### **Measurement Focus**

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 fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

#### **Basis of Accounting**

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

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

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

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**D. Assets, Liabilities, and Equity**

**Cash and Investments**

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

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

**Receivables**

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

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

**Capital Assets**

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

*Government-Wide Statements*

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

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

- Buildings	10-60 years
- Machinery and Equipment	3-30 years

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- Infrastructure	5-60 years
- Other Improvements	5-60 years

***Fund Financial Statements***

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

**Restricted Assets**

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

**Long-Term Debt**

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

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

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

**Compensated Absences**

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

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

**Equity Classifications**

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

Equity is classified as net 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.

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- 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, or 2) law through constitutional provisions or enabling legislation.
- 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 further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

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

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

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

**Sales Tax**

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

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

**Property Tax**

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

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

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

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

For the year ended June 30, 2012, the City's net assessed valuation of taxable property was \$194,438,075. The taxes levied by the City per \$1,000 of net assessed valuation for the year ended June 30, 2012 was \$13.50.

**Operating Revenues and Expenses**

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

**Expenditures/Expenses**

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

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

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

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**Proprietary Fund - By Operating and Non-Operating**

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

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

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

*Fund Financial Statements:*

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

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

*Government-Wide Financial Statements:*

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

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

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**G. Use of Estimates**

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

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

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

At June 30, 2012, the reporting entity held the following deposits and investments:

**Primary Government:**

Type	Maturities	Rating	Carrying Value
<b>Deposits:</b>			
Demand deposits			\$ 9,213,222
Cash on hand			250
Time deposit	Due within 1 year		16,393,666
			<u>25,607,138</u>
<b>Investments:</b>			
Goldman Sachs FS Tax Fund #0477		Aaa-mf	56
Caval Hill Cash MG Fund #0051		Aaa-mf	831,497
Caval Hill US Treas-Admin #0002		Aaa-mf	30,536
			<u>862,089</u>
<b>Total deposits and investments</b>			<u>\$ 26,469,227</u>
<b>Reconciliation to Statement of Net Assets:</b>			
Cash and cash equivalents			\$ 10,075,561
Investments			16,393,666
			<u>\$ 26,469,227</u>

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

The City's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 110% of the uninsured deposits and accrued interest thereon. At June 30, 2012, the City was not exposed to custodial credit risk.

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

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

As noted in the schedule of deposits and investments above at June 30, 2012, all of the City's investments in debt securities were rated Aaa-mf by Moody's.

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

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

*Restricted Cash and Investments* - The amounts reported as restricted assets of the proprietary fund statement of net assets are comprised of amounts restricted for debt service, debt reserve, construction purposes, worker's compensation escrow and Public Works Authority customer utility deposits. The restricted assets as of June 30, 2012 are as follows:

	Current	Noncurrent	
	Cash and cash equivalents	Cash and cash equivalents	Investments
Series 2002 Revenue Bond Account	\$ 56	\$ -	\$ -
Series 2002 Reserve Account	-	476,112	-
Series 2002 Sinking Fund Account	3	-	-
2009 OWRB DWSRF Construction Account	30,536	-	-
Series 1994 Sinking Account	14	-	-
Series 1994 Reserve Account	-	355,368	-
BPWA Debt Service CDs	-	-	704,512
Worker's Comp Escrow	4,478	-	-
Meter deposits	-	17,303	460,018
<b>Total</b>	<b>\$ 35,087</b>	<b>\$ 848,783</b>	<b>\$ 1,164,530</b>

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**3. Accounts and Notes Receivable**

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

	Accounts Receivable	Less: Allowance for Uncollectible Accounts	Net Accounts Receivable
<b>Governmental Activities:</b>			
Franchise taxes	\$ 91,464	\$ -	\$ 91,464
Court fines	1,142,827	(571,200)	571,627
Ambulance fees	34,021	-	34,021
Stormwater	45,829	-	45,829
Other taxes	29,373	-	29,373
Total Governmental Activities	<u>\$ 1,343,514</u>	<u>\$ (571,200)</u>	<u>\$ 772,314</u>
<b>Business-Type Activities:</b>			
Utilities	<u>\$ 1,604,386</u>	<u>\$ (154,877)</u>	<u>\$ 1,449,509</u>

**4. Capital Assets and Depreciation**

*Capital Assets:*

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. Capital assets are reported at actual or estimated historical cost. Donated capital assets are recorded at their fair value at the date of donation. For the year ended June 30, 2012, capital assets balances changed as follows:

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	Restated Balance at July 01, 2011	Additions	Disposals	Balance at June 30, 2012
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 13,026,246	\$ 628,575	\$ -	\$ 13,654,821
Construction in progress	12,349,873	8,352,038	9,454,838	11,247,073
Total capital assets not being depreciated	<u>25,376,119</u>	<u>8,980,613</u>	<u>9,454,838</u>	<u>24,901,894</u>
<b>Other capital assets:</b>				
Buildings and improvements	4,499,590	60,853	-	4,560,443
Infrastructure	44,188,211	9,669,270	-	53,857,481
Machinery, furniture and equipment	9,636,676	513,174	219,083	9,930,767
Total other capital assets at historical cost	<u>58,324,477</u>	<u>10,243,297</u>	<u>219,083</u>	<u>68,348,691</u>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	1,226,755	104,067	-	1,330,822
Infrastructure	17,820,490	1,615,667	-	19,436,157
Machinery, furniture and equipment	6,174,629	815,127	193,562	6,796,194
Total accumulated depreciation	<u>25,221,875</u>	<u>2,534,860</u>	<u>193,562</u>	<u>27,563,173</u>
Other capital assets, net	33,102,602	7,708,437	25,521	40,785,518
Governmental activities capital assets, net	<u>\$ 58,478,721</u>	<u>\$ 16,689,050</u>	<u>\$ 9,480,359</u>	<u>\$ 65,687,412</u>
<b>Business-type activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 488,651	\$ -	\$ -	\$ 488,651
Construction in progress	909,841	4,412,109	5,182,551	139,399
Total capital assets not being depreciated	<u>1,398,492</u>	<u>4,412,109</u>	<u>5,182,551</u>	<u>628,050</u>
<b>Other capital assets:</b>				
Buildings and improvements	1,503,905	6,648	-	1,510,553
Machinery, furniture and equipment	1,886,398	4,282	12,355	1,878,326
Infrastructure	50,472,042	5,209,242	85,955	55,595,329
Total other capital assets at historical cost	<u>53,862,345</u>	<u>5,220,172</u>	<u>98,310</u>	<u>58,984,208</u>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	731,252	53,312	-	784,564
Machinery, furniture and equipment	1,587,804	81,988	12,355	1,657,437
Infrastructure	10,634,721	847,389	1,313	11,480,797
Total accumulated depreciation	<u>12,953,777</u>	<u>982,690</u>	<u>13,668</u>	<u>13,922,799</u>
Other capital assets, net	40,908,568	4,237,482	84,642	45,061,409
Business-type activities capital assets, net	<u>\$ 42,307,060</u>	<u>\$ 8,649,591</u>	<u>\$ 5,267,193</u>	<u>\$ 45,689,458</u>

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

**Governmental Activities:**

General government	\$ 1,075,551
Public safety	566,635
Streets	699,437
Culture and recreation	181,445
Cemetery	11,792
	<u>\$ 2,534,860</u>

**Business-Type Activities:**

Water	\$ 375,250
Wastewater	581,862
Administration	25,578
	<u>\$ 982,690</u>

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

For the year ended June 30, 2012, the reporting entity's long-term debt changed as follows:

<i>Type of Debt</i>	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Due Within One Year
<b>Governmental Activities:</b>					
General obligation bonds	\$ 28,250,000	\$ -	\$ 1,950,000	\$ 26,300,000	\$ 2,640,000
Capital lease payable	555,405	-	344,457	210,948	108,913
Accrued compensated absences	703,005	128,423	-	831,428	166,286
<b>Total Governmental Activities</b>	<b>\$ 29,508,410</b>	<b>\$ 128,423</b>	<b>\$ 2,294,457</b>	<b>\$ 27,342,376</b>	<b>\$ 2,915,199</b>
<b>Business-Type Activities:</b>					
Revenue bonds payable	\$ 5,985,000	\$ -	\$ 2,675,000	\$ 3,310,000	\$ 355,000
Notes Payable	4,093,834	4,715,595	761,576	8,047,853	718,761
Deposits Subject to Refund	467,512	9,809	-	477,321	47,633
Accrued compensated absences	109,184	-	4,375	104,809	20,962
<b>Total Business-Type Activities</b>	<b>10,655,530</b>	<b>4,725,404</b>	<b>3,440,951</b>	<b>11,939,983</b>	<b>1,142,356</b>
<b>Total Long-Term Debt</b>	<b>\$ 40,163,940</b>	<b>\$ 4,853,827</b>	<b>\$ 5,735,408</b>	<b>\$ 39,282,359</b>	<b>\$ 4,057,555</b>

**Reconciliation to Statement of Net Assets:**

<b>Governmental Activities:</b>	
Due within one year	\$ 2,915,199
Due in more than one year	24,497,230
Less unamortized bond premium	(70,053)
<b>Total Governmental Activities Long-Term Liabilities</b>	<b>\$ 27,342,376</b>

<b>Business-Type Activities:</b>	
Due within one year	\$ 1,142,356
Due in more than one year	10,692,911
Add back unamortized charge on refunding and discount	104,716
<b>Total Business-Type Activities Long-Term Liabilities</b>	<b>\$ 11,939,983</b>

**Governmental activities long-term debt:**

**Capital Lease Obligations:**

\$218,811 lease obligation for the purchase of a 2001 Pierce Custom Contender, payable in annual installments of \$22,958 with an annual interest rate of 5.4%, final payment due June 2014. \$ 42,353

\$561,649 lease obligation for purchase of 2008 Pierce Pumper, payable in monthly installments of \$12,560 with an annual interest rate of 3.5%, final payment due November 2012. 62,179

\$135,5239 lease obligation for purchase of 2 new mowers, payable in monthly installments of \$2,508 with an annual interest rate of 4.25%, final payment due April 2016. 106,416

	<b>Total Capital Leases Payable</b>	<b>\$ 210,948</b>
	Current portion	\$ 108,913
	Noncurrent portion	102,035
	<b>Total Capital Leases Payable</b>	<b>\$ 210,948</b>

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**General Obligation Bonds Payable:**

\$4,010,000 General Obligation Bonds of 1999, due in annual installments of \$21,000 with an annual interest rate between 4.90% and 8.75%, final payment due November 2019.	\$	1,700,000
\$2,999,000 General Obligation Bonds of 2000, due in annual installments of \$270,000 with an annual interest rate between 4.60% and 8.0%, final payment due November 2012.		290,000
\$6,600,000 General Obligation Bonds of 2006, due in annual installments of \$475,000 with an annual interest rate between 3.70% and 5.50%, final payment due June 2021.		4,275,000
\$7,000,000 General Obligation Bonds of 2007, due in annual installments of \$500,000 with an annual interest rate between 3.65% and 3.95%, final payment due June 2022.		5,000,000
\$6,400,000 General Obligation Bonds of 2008, due in annual installments of \$455,000 with an annual interest rate between 3.00% and 4.10%, final payment due June 2023.		5,035,000
\$10,000,000 General Obligation Bonds of 2011, due in annual installments of \$710,000 and a final installment of \$770,000 with an annual interest rate between 2.00% and 4.00%, final payment due June 2026.		10,000,000
<b>Total Notes Payable</b>	<b>\$</b>	<b><u>26,300,000</u></b>
	Current portion	\$ 2,640,000
	Noncurrent portion	23,660,000
	<b>Total Notes Payable</b>	<b><u>\$ 26,300,000</u></b>

**Accrued Compensated Absences:**

	Current portion	166,286
	Noncurrent portion	665,142
<b>Total Accrued Compensated Absences</b>	<b>\$</b>	<b><u>831,428</u></b>

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*Business-type activities long-term debt:*

Notes Payable:

1998 CWSRF Note Payable to Oklahoma Water Resources Board dated November 18, 1998, original amount of \$4,938,787 with an annual interest rate of 3.22% due in semi-annual installments of principal and interest beginning September 15, 2001, final installment due March 15, 2021, payable from and secured by utility revenues.	\$ 2,525,544
2009 DWSRF Note Payable to Oklahoma Water Resources Board dated November 19, 2009, original amount of \$2,160,000 with an annual interest rate of 3.23% due in semi-annual installments of principal and interest beginning March 15, 2011, final installment due September 15, 2030, payable from and secured by utility revenues.	1,258,401
2011 CWSRF Note Payable to Oklahoma Water Resources Board dated June 15, 2011, original amount of \$2,860,000 with an annual interest rate of 2.7% due in semi-annual installments of principal and interest beginning September 15, 2012, final installment due March 15, 2032, payable from and secured by utility revenues.	2,204,998
Revolving Note Payable to Oklahoma Department of Commerce dated June 30, 2001, original amount of \$69,466 due in monthly installments of \$386, final installment due July 2016.	18,910
2011 Series Refunding Note original issue amount of \$2,075,000, dated October 27, 2011, issued by Bixby Public Works Authority, secured by pledged sales tax, and a security interest in the personal property used in conjunction with the water and sewer systems, interest rate of 1.87%, final maturity May 1, 2019.	2,040,000
<b>Total Notes Payable</b>	<b>\$ 8,047,853</b>
Current portion	\$ 718,761
Noncurrent portion	7,329,092
<b>Total Notes Payable</b>	<b>\$ 8,047,853</b>

Revenue Bonds Payable:

2002 Refunding Series Utility System Revenue Bonds original issue amount of \$6,080,000, dated August 1, 2002, issued by Bixby Public Works Authority, secured by certain utility revenue and pledged sales tax, and a security interest in the personal property used in conjunction with the water and sewer systems, interest rates from 2.45% to 7.00%, final maturity November 1, 2019.

	\$ 3,310,000
Total Revenue Bonds Payable	\$ 3,310,000
Less: Unamortized Charge on Refunding	(104,716)
Net Revenue Bonds Payable	\$ 3,205,284
Current portion	\$ 355,000
Noncurrent portion	2,850,284
Total Revenue Bonds Payable	\$ 3,205,284

Deposits subject to Refund:

	\$ 47,633
Current portion	\$ 47,633
Noncurrent portion	429,688
Total Deposits Subject to Refund	\$ 477,321

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Accrued Compensated Absences:

	Current portion	\$ 20,962
	Noncurrent portion	83,847
Total Accrued Compensated Absences		\$ 104,809

Debt Service Requirements to Maturity:

<u>Year Ending June 30,</u>	Governmental Activities			
	General Obligation Bonds		Capital Lease obligations	
	Principal	Interest	Principal	Interest
2013	\$ 2,640,000	\$ 911,851	\$ 108,913	\$ 6,872
2014	2,350,000	829,379	48,999	4,060
2015	2,350,000	753,576	28,417	1,684
2016	2,350,000	677,095	24,619	476
2017	2,350,000	599,580	-	-
2018-2022	10,875,000	1,760,338	-	-
2023-2026	3,385,000	306,948	-	-
Totals	\$ 26,300,000	\$ 5,838,767	\$ 210,948	\$ 13,092

<u>Year Ending June 30,</u>	Business-type Activities			
	Revenue Bonds Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2013	\$ 355,000	\$ 133,217	\$ 718,761	\$ 196,568
2014	370,000	118,895	733,513	198,737
2015	390,000	103,695	748,586	181,109
2016	405,000	87,593	763,749	163,265
2017	420,000	70,470	775,485	144,682
2018-2022	1,370,000	94,050	2,860,576	456,636
2023-2027	-	-	1,087,772	221,030
2028-2032	-	-	1,014,412	70,273
Totals	\$ 3,310,000	\$ 607,920	\$ 8,702,854	\$ 1,632,300
			Less: Amount not drawn down (655,001)	
			\$ 8,047,853	

**Advance Refunding**

On October 27, 2011 the City issued \$2,075,000 Promissory Note, Refunding Series 2011 with an interest rate of 1.87% to advance refund \$2,330,000 Utility System Revenue Bonds, Series 2001. The net proceeds of \$2,025,500 plus an additional \$364,996 taken from the debt service and reserves fund were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the Utility System Revenue Bonds, Series 2001. Utility System Revenue Bonds, Series 2001 were paid in full by June 30, 2012.

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The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$60,496. This difference was charged to operations in the current year. The City completed the advance refunding to reduce its total debt service payments over the next nine years by \$248,275 and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of \$255,142.

**6. Fund Equity**

The following tables show the fund balance classifications as shown in the Governmental Funds Balance Sheet in accordance with GASB Statement 54 and Proprietary Fund Statement of Net Assets:

Fund Balance:	General Fund	Major Capital Project Funds			Major Debt Service Fund	Other Governmental Funds	TOTAL
		Citizen's Planned Fund	2008 Bond Fund	2011 Bond Fund	Debt Service Fund		
Restricted for:							
Streets						328,484	328,484
Park/street improvements							
Park/street/public safety improvements				7,627,691			7,627,691
Debt service					1,491,152	1,624,459	3,115,611
Economic development							
Bentley park						25,088	25,088
911						101,859	101,859
Fry creek						745,089	745,089
Economic development						38,408	38,408
Cemetery capital						483,781	483,781
Capital improvements						270,295	270,295
Sewer system improvements		3,878,396					3,878,396
Stormwater system							
Water and sewer maintenance						507,786	507,786
Sub-total Restricted		3,878,396		7,627,691	1,491,152	4,125,249	17,122,488
Assigned to:							
Subsequent year budget	1,178,755						1,178,755
Pande case employees	874,942						874,942
Disaster recovery contingency	250,000						250,000
Technology and systems	200,000						200,000
PF13 operations	12,325						12,325
Litigation contingency	50,000						50,000
Economic development contingency	200,000						200,000
Transfers to other funds	140,000						140,000
HVAC	125,000						125,000
Sales tax rebates - Regal Plaza	391,430						391,430
Juvenile court fines	59,000						59,000
Rural fire	1,692						1,692
Fishing activities	64,476						64,476
Cemetery maintenance	45,480						45,480
Cemetery beautification	1,323						1,323
Streets						16,123	16,123
Park/street/public safety improvements				52,459			52,459
Debt service					49,119	5,301	54,420
Bentley park						209,271	209,271
911						2,480	2,480
Fry creek						397,397	397,397
Economic development						97,986	97,986
Capital improvements						407,596	407,596
Sewer system improvements		36,954					36,954
Stormwater system						214,358	214,358
Water and sewer maintenance						540,031	540,031
Sub-total Assigned	3,594,423	36,954		52,459	49,119	1,890,543	5,623,498
Unassigned:	390,886						390,886
<b>TOTAL FUND BALANCES</b>	<b>\$ 3,985,309</b>	<b>\$ 3,915,350</b>	<b>\$ -</b>	<b>\$ 7,680,150</b>	<b>\$ 1,540,271</b>	<b>\$ 6,015,792</b>	<b>\$ 23,136,872</b>

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**Enterprise Funds:**  
Restricted For Debt Service \$ 1,445,675

Net asset restrictions are as follows:

	State Statutes	Enabling Legislation	Contractual Agreements	Total
<b>Governmental Activities:</b>				
<b>Capital Projects:</b>				
Stormwater management	\$ -	\$ 507,786	\$ -	\$ 507,786
Street and Alley Fund	328,484	-	-	328,484
Economic Development	-	-	38,408	38,408
Capital Improvement Fund	-	-	1,051,248	1,051,248
Sub-total Capital Projects	<u>328,484</u>	<u>507,786</u>	<u>1,089,656</u>	<u>1,925,926</u>
<b>Debt Service:</b>				
2006 Debt Service Fund	1,624,459	-	-	1,624,459
Debt Service Fund	1,503,347	-	-	1,503,347
Sub-total Debt Service	<u>3,127,806</u>	<u>-</u>	<u>-</u>	<u>3,127,806</u>
<b>Other</b>				
911 Fund	483,781	-	-	483,781
Cemetery Care Fund	101,859	-	-	101,859
Sub-total Other	<u>585,640</u>	<u>-</u>	<u>-</u>	<u>585,640</u>
<b>Total Governmental Activities</b>	<u>4,041,930</u>	<u>507,786</u>	<u>1,089,656</u>	<u>5,639,372</u>
<b>Business-Type Activities:</b>				
Revenue Bond Trustee Accounts	-	540,031	5,361,025	5,901,056
<b>TOTAL RESTRICTED NET ASSETS</b>	<u>\$ 4,041,930</u>	<u>\$ 1,047,817</u>	<u>\$ 6,450,681</u>	<u>\$ 11,540,428</u>

Beginning balances/net assets were restated as of July 1, 2011 as follows:

	Government- Wide Governmental Activities
Beginning net assets, as previously reported	\$ 51,576,932
Understatement of capital assets	3,132,621
Beginning net assets, restated	<u>\$ 54,709,553</u>

**7. Internal and Interfund Balances and Transfers**

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

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**Transfers:**

Internal transfers between funds and activities for the year ended June 30, 2012 were as follows:

Transfer From	Transfer To	Amount	Purpose of Transfer
ES11	General Fund	\$ 60,000	Operations
ES11	General Fund	1,747	Debt service
General Fund	Cemetery Maintenance Fund	50,000	Operations
General Fund	Economic Development Fund	20,000	Operations
General Fund	Park Fund	100,000	Operations
Street and Alley Fund	2008 Bond Fund	418,793	Capital expenditures
Capital Improvement Fund	Rural Fire Fund	7,000	Reimburse expenses
Citizen's Planned Fund	BPWA	917,501	Debt service
Citizen's Planned Fund	Water and Sewer Development	428,000	Operations
Stormwater Management Fund	Fry Creek Maintenance Fund	190,000	Transfer funding
Stormwater Management Fund	Capital Improvement Fund	12,971	Reimburse expenses
BPWA	Water and Sewer Development	3,215,595	Loan proceeds
BPWA	Water and Sewer Development	4,436,858	Capital expenditures
Water and Sewer Development	BPWA	500	Trustee fees
Water and Sewer Development	2008 Bond Fund	263,504	Capital expenditures
2007 Bond Fund	2008 Bond Fund	792,209	Reclass of prior year reimbursement
2008 Bond Fund	Water and Sewer Development	44	Interest
<b>Total</b>		<b>\$ 10,914,422</b>	

Reconciliation to Fund Financial Statements:		Reconciliation - BTA -		Reconciliation		Reconciliation		Net Transfers	
	Transfer In	Transfer Out	Special Revenue Funds	Sales tax reclaim	Capital Asset Transfer				
Governmental Funds	\$ 5,559,583	\$ (7,694,827)	\$ 2,402,934	\$ (1,573,988)	\$ 259,090	\$ (1,031,638)			
Proprietary Funds	\$ 5,354,839	\$ (3,215,595)	\$ (2,402,934)	\$ 1,573,988	\$ (259,090)	\$ 1,031,638			
	<b>\$ 10,914,422</b>	<b>\$ (10,914,422)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>			

**Balances:**

Interfund receivable and payables at June 30, 2012 were comprised of the following:

Due From	Due To	Amount	Nature of Balance
General Fund	Stormwater Management	\$ 28,015	Expense reimbursement
General Fund	BPWA	52,086	Correct deposit
General Fund	Debt Service Fund	58	Correct deposit
General Fund	2002 Revenue Bonds Fund	68,856	Correct deposit
ES11	General Fund	13,585	Correct deposit
Meter Deposit	BPWA	13,182	Meter deposits
Cemetery Maintenance	General Fund	578	Fuel usage
Water and Sewer Development	General Fund	65,250	Grant money
Economic Development	General Fund	9,374	Correct deposit
Capital Improvement Fund	General Fund	570	Correct deposit
Capital Improvement Fund	2011 Bond Fund	6,420	Correct deposit
BPWA	Stormwater Management	7,650	Split deposit
BPWA	Water and Sewer Development Fund	215	Split deposit
BPWA	Debt Service Fund	415	Split deposit
Park Fund	General Fund	8,684	Fuel usage
2008 Bond Fund	Water and Sewer Development Fund	44	Correct deposit
Fishing License Fund	General Fund	40	Correct deposit
<b>Total</b>		<b>\$ 275,022</b>	

Reconciliation to Fund Financial Statements:		Reconciliation		Net Internal Balances	
	Due From	Due To	BTA - Special Revenue Funds		
Governmental Funds	\$ 140,898	\$ (253,560)	\$ 64,991	\$ (47,671)	
Proprietary Funds	\$ 134,124	\$ (21,462)	\$ (64,991)	\$ 47,671	
<b>Total</b>	<b>\$ 275,022</b>	<b>\$ (275,022)</b>	<b>\$ -</b>	<b>\$ -</b>	

**8. Pledged Future Revenues**

**Sales Tax and Utility Net Revenues Pledge** - The City has pledged one cent (or 28.6%) of future sales tax revenues and net utility revenues to repay \$6,080,000 of the 2002 Refunding Series Utility System Revenue Bonds and \$2,075,000 of the Promissory Note, Refunding Series 2011. Proceeds from the bonds provided for the purchase or construction of water and sewer systems. The bonds

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are payable from pledged sales tax revenues and net water and sewer utility revenues. These bonds are both payable through 2019. The total principal and interest payable for the remainder of the life of these bonds is \$6,104,154. Pledged sales taxes received in the current year were \$2,098,652 and net water and sewer utility revenues were \$1,489,135 for total pledged revenues of \$3,587,787. Debt service payments of \$608,690 for the current fiscal year were 17% of total pledged revenues for these bonds.

Utility Net Revenues Pledge – The City has also pledged the net water and sewer utility revenues to repay the following notes payable: \$4,938,787 of 1998 CWSRF, \$2,160,000 of 2009 DWSRF and \$2,860,000 of 2011 CWSRF Oklahoma Water Resources Board Notes Payable. Proceeds from the bonds provided for the purchase or construction of water and sewer systems. The bonds are payable from pledged net water and sewer utility revenues through 2021, 2030 and 2032, respectively. The total principal and interest payable for the remainder of the life of these notes is \$8,130,010. Pledged net water and utility revenues in the current fiscal year were \$1,489,135. Debt service payments of \$856,278 for the current fiscal year were 57.5% of total pledged revenues for these notes.

## 9. Risk Management

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

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

### *(1) Liability Protection Plan*

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

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

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

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

*(2) Worker's Compensation*

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

Specific aggregate stop loss coverage is provided by Comp Source.

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

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

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

## 10. Commitments and Contingencies

*Litigation:*

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

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*Federal and State Award Programs:*

The City of Bixby participates in various federal or state grant/loan programs from year to year. In 2012, the City's involvement in federal and state award programs was material. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

*Non-cancelable Operating Leases:*

The City has a lease with the City of Tulsa for the purchase of water. The lease is based on a price per gallon. Purchases were approximately \$3,384,000 during the year.

*Construction Commitments:*

The following construction contracts were outstanding and payable at June 30, 2012:

<u>Project by Activity</u>	<u>Amount Outstanding</u>
Public Safety	\$ 433,465
Streets	\$ 346,874
Water and Sewer Projects	\$ 124,850

**11. Pension Plan Participation**

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

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

*Firefighters' Plan:*

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

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

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***Police Plan:***

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

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

***Employees Plan:***

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

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

***Summary of Contributions – Cost Sharing Plans:***

Oklahoma Firefighter's Pension and Retirement System			Oklahoma Police Pension and Retirement System			Oklahoma Public Employees Retirement System		
Fiscal Year	Required Contribution	Percentage Contributed	Fiscal Year	Required Contribution	Percentage Contributed	Fiscal Year	Required Contribution	Percentage Contributed
2010	\$ 129,707	100%	2010	\$ 137,583	100%	2010	\$ 315,455	100%
2011	\$ 120,467	100%	2011	\$ 131,369	100%	2011	\$ 336,980	100%
2012	\$ 130,366	100%	2012	\$ 130,198	100%	2012	\$ 361,636	100%

The state made on-behalf payments of \$115,913 for the police pension system and \$278,775 for the fire pension during the current fiscal year. These are reported as both intergovernmental revenues and public safety expenses.

***OMRF Plans:***

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

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

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

In the second plan: The City Manager vests after 4 years from his hire date of May 22, 2010. The budgeted rate was based on contractual terms where the City contributes 4.75% of the City Manager's annual base salary at the conclusion of each year served. The City Manager is permitted to make voluntary after-tax contributions. No such election was made.

For the year ended June 30, 2012, the following amounts related to both defined contribution plans were:

Payroll for covered employees \$ 153,976  
Employer (City) contributions \$ 10,415

**12. Subsequent Events**

On July 23, 2012, the BPWA approved the awarding of the Bixby Public Works Authority Utility System Revenue Promissory Note, Refunding Series 2012 to JP Morgan Chase Bank at the interest rate of 1.43%, principal amount of \$5,255,000. This is to refund the Utility System Revenue Bonds, Series 2002 and the 1998 CWSRF Note Payable.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**Budgetary Comparison Schedule (Budgetary Basis) – Year Ended June 30, 2012**

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget - Positive (Negative)
<b>Beginning Budgetary Fund Balance:</b>	\$ 2,319,232	\$ 2,319,232	\$ 3,106,254	\$ 787,022
<b>Resources (Inflows):</b>				
Sales and use tax	3,914,299	3,914,299	4,197,303	283,004
Franchise and miscellaneous taxes	819,500	819,500	934,968	115,468
Intergovernmental	197,000	197,000	206,655	9,655
Licenses and permits	300,700	300,700	326,095	25,395
Charges for services	223,000	223,000	237,585	14,585
Fines & forfeitures	650,000	661,403	783,458	122,055
Investment earnings	12,000	12,000	10,179	(1,821)
Miscellaneous	201,000	233,965	327,082	93,117
Transfer in	60,000	60,000	1,747	(58,253)
<b>Total resources (Inflows)</b>	<u>6,377,499</u>	<u>6,421,867</u>	<u>7,025,072</u>	<u>603,205</u>
<b>Amounts available for appropriation</b>	<u>8,696,731</u>	<u>8,741,099</u>	<u>10,131,326</u>	<u>1,390,227</u>
<b>Charges to Appropriations (Outflows):</b>				
Administration	371,667	407,088	386,890	20,198
Attorney	48,810	92,072	94,764	(2,692)
Municipal court	84,605	100,409	98,679	1,730
Community service	5,005	5,005	3,757	1,248
General government	1,209,224	1,211,346	775,784	435,562
Police	2,287,550	2,353,213	2,388,891	(35,678)
Fire	1,759,330	1,776,319	1,737,916	38,403
Emergency Management	35,634	35,634	26,061	9,573
Streets	461,818	486,920	485,082	1,838
Park	50,761	50,761	30,240	20,521
Cemetery	62,442	63,866	60,924	2,942
Transfers out	90,000	170,000	170,000	-
<b>Total Charges to Appropriations</b>	<u>6,466,846</u>	<u>6,752,633</u>	<u>6,258,988</u>	<u>493,645</u>
<b>Fund balances - ending</b>	<u>\$ 2,229,885</u>	<u>\$ 1,988,466</u>	<u>\$ 3,872,338</u>	<u>\$ 1,883,372</u>
<b>Reconciliation to Statement of Revenues, Expenditures, and Change in Fund Balance:</b>				
Rural Fire Fund Balance			1,692	
Fishing License Fund Balance			64,476	
Cemetery Beautification Fund Balance			1,323	
Cemetery Maintenance Fund Balance			45,480	
<b>Total General Fund Fund Balance</b>			<u>\$ 3,985,309</u>	

**Footnotes to Budgetary Comparison Schedules:**

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

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3. The budgetary basis differs from the modified accrual basis as shown in the schedule below:

	General Fund
Total revenue - budgetary basis	\$ 7,025,072
On-behalf revenue	394,688
Total revenue - GAAP basis	\$ 7,419,760
Total expenditures - budgetary basis	6,258,988
On-behalf expenses	394,688
Total expenses - GAAP basis	\$ 6,653,676

4. In the General Fund the City had a negative variance in the following departments:

General Fund – Attorney	\$ 2,692
General Fund – Police	\$ 35,678

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**OTHER SUPPLEMENTARY INFORMATION**

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**Combining Balance Sheet – General Fund Accounts – June 30, 2012**

	<u>General Fund</u>	<u>Rural Fire Account</u>	<u>Fishing License Account</u>	<u>Cemetery Beautification Account</u>	<u>Cemetery Maintenance Account</u>	<u>Total</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 2,171,189	\$ 1,892	\$ 28,208	\$ 1,373	\$ 64,440	\$ 2,266,902
Investments	1,287,337	-	36,388	-	-	1,323,725
Receivable from other governments	608,713	-	-	-	-	608,713
Due from other funds	98,081	-	-	-	-	98,081
Taxes receivable, net	91,464	-	-	-	-	91,464
Court fines receivable, net	571,200	-	-	-	-	571,200
Ambulance receivable, net	14,038	-	-	-	-	14,038
Other receivables	25,504	-	-	-	-	25,504
<b>Total assets</b>	<b>\$ 4,867,526</b>	<b>\$ 1,892</b>	<b>\$ 64,596</b>	<b>\$ 1,373</b>	<b>\$ 64,440</b>	<b>\$ 4,999,627</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 135,998	\$ -	\$ 80	\$ 50	\$ 8,382	\$ 144,510
Accrued payroll	192,435	-	-	-	-	192,435
Due to other funds	149,015	-	40	-	578	149,633
Due to bondholders	64,420	-	-	-	-	64,420
Deferred revenue	466,764	-	-	-	-	466,764
Other payables	6,558	-	-	-	-	6,558
<b>Total liabilities</b>	<b>995,186</b>	<b>-</b>	<b>120</b>	<b>80</b>	<b>8,960</b>	<b>1,004,318</b>
<b>Fund balances:</b>						
Assigned	3,481,462	1,892	64,476	1,323	45,480	3,594,423
Unassigned	390,866	-	-	-	-	390,866
<b>Total fund balances</b>	<b>3,872,328</b>	<b>1,892</b>	<b>64,476</b>	<b>1,323</b>	<b>45,480</b>	<b>3,985,309</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,867,526</b>	<b>\$ 1,892</b>	<b>\$ 64,596</b>	<b>\$ 1,373</b>	<b>\$ 64,440</b>	<b>\$ 4,999,627</b>

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**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund  
Accounts – For the Year Ended June 30, 2012**

	<u>General Fund</u>	<u>Rural Fire Account</u>	<u>Fishing License Account</u>	<u>Cemetery Beautification Account</u>	<u>Cemetery Maintenance Account</u>	<u>Total</u>
<b>REVENUES</b>						
Sales and use tax	\$ 4,197,303	\$ -	\$ -	\$ -	\$ -	\$ 4,197,303
Franchise and miscellaneous taxes	874,988	-	-	-	-	874,988
Intergovernmental	601,343	-	-	-	-	601,343
Licenses and permits	326,095	-	8,004	-	-	334,099
Charges for services	237,585	17,650	-	50	20,720	276,005
Fines & forfeitures	783,458	-	-	-	-	783,458
Investment earnings	10,179	-	190	-	112	10,481
Miscellaneous	327,082	-	-	-	-	327,082
<b>Total revenues</b>	<u>7,358,013</u>	<u>17,650</u>	<u>9,094</u>	<u>50</u>	<u>20,832</u>	<u>7,405,639</u>
<b>EXPENDITURES</b>						
Administration	388,890	-	-	-	-	388,890
City attorney	94,764	-	-	-	-	94,764
Municipal court	98,879	-	-	-	-	98,879
Community service	3,757	-	-	-	-	3,757
General government	775,784	-	-	-	-	775,784
Police	2,474,505	-	-	-	-	2,474,505
Fire	2,010,811	-	-	-	-	2,010,811
Emergency Management	28,081	-	-	-	-	28,081
Streets	476,224	-	-	-	-	476,224
Culture and recreation	9,422	-	9,913	-	-	19,335
Cemetery	60,924	-	-	100	61,758	122,782
Capital Outlay	45,037	-	-	-	-	45,037
Debt Service:						
Principal	16,807	19,518	-	-	-	36,325
Interest and other charges	5,011	3,440	-	-	-	8,451
<b>Total Expenditures</b>	<u>6,483,678</u>	<u>22,958</u>	<u>9,913</u>	<u>100</u>	<u>61,758</u>	<u>6,578,405</u>
Excess (deficiency) of revenues over expenditures	<u>874,337</u>	<u>(6,308)</u>	<u>(819)</u>	<u>(50)</u>	<u>(40,926)</u>	<u>627,234</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	61,747	7,000	-	-	50,000	118,747
Transfers out	(170,000)	-	-	-	-	(170,000)
<b>Total other financing sources and uses</b>	<u>(108,253)</u>	<u>7,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>(61,253)</u>
<b>Net change in fund balances</b>	<u>766,084</u>	<u>1,692</u>	<u>(819)</u>	<u>(50)</u>	<u>9,074</u>	<u>775,981</u>
Fund balances - beginning	3,108,254	-	65,295	1,373	36,406	3,209,328
<b>Fund balances - ending</b>	<u>\$ 3,874,338</u>	<u>\$ 1,692</u>	<u>\$ 64,476</u>	<u>\$ 1,323</u>	<u>\$ 45,480</u>	<u>\$ 3,985,309</u>

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**Combining Balance Sheet - Nonmajor Governmental Funds - June 30, 2012**

	Special Revenue Funds				Capital Project Funds				Debt Service Fund		Total Governmental Funds	
	Park Fund	EP11 Fund	Fwy Creek Maintenance Fund	Economic Development Fund	Community Care Fund	Capital Improvements Fund	Street & Alley Fund	2007 Road Fund	Stormwater Management Fund	Water & Sewer Distribution Fund		2006 Debt Service Fund
<b>ASSETS</b>												
Cash and cash equivalents	\$ 216,112	\$ 70,161	\$ 294,026	\$ 138,646	\$ 164,484	\$ 611,558	\$ 175,639	\$ -	\$ 548,534	\$ 980,880	\$ 803,881	\$ 3,981,578
Investments	70,768	100,827	657,186	-	328,297	100,880	153,334	-	100,880	755,431	755,431	2,298,855
Receivable from other governments	-	-	-	-	-	118,885	19,285	-	26,040	-	70,768	304,744
Due from other funds	-	9,731	-	12,500	-	-	-	-	35,865	259	-	36,824
Taxes receivable, net	-	-	-	-	-	-	-	-	-	-	-	23,291
Utilities receivable, net	-	-	-	-	-	-	-	-	19,877	-	-	19,877
Other receivables	-	-	-	-	-	-	-	-	26,132	-	-	26,132
Total assets	\$ 286,880	\$ 160,519	\$ 1,151,212	\$ 149,146	\$ 483,781	\$ 730,444	\$ 347,256	\$ -	\$ 757,045	\$ 981,119	\$ 1,629,760	\$ 6,687,181
<b>LIABILITIES AND FUND BALANCES</b>												
<b>Liabilities:</b>												
Accounts payable	\$ 28,691	\$ 62,595	\$ 8,726	\$ 351	\$ -	\$ 36,353	\$ 2,648	\$ -	\$ 6,061	\$ 346,038	\$ -	\$ 492,053
Payroll payable	17,156	-	-	3,027	-	-	-	-	-	-	-	26,183
Due to other funds	8,894	13,585	-	9,374	-	6,990	-	-	-	65,280	-	103,883
Deferred revenue	-	-	-	-	-	9,219	-	-	26,040	-	-	35,250
Total liabilities	\$ 54,741	\$ 76,180	\$ 8,726	\$ 12,752	\$ -	\$ 52,653	\$ 2,648	\$ -	\$ 34,901	\$ 411,083	\$ -	\$ 681,369
<b>Fund balances:</b>												
Restricted	25,968	101,839	745,088	38,408	483,731	270,295	328,484	-	507,786	1,624,459	-	4,125,246
Assigned	209,271	2,480	397,397	97,986	-	407,588	16,123	-	214,309	546,037	-	1,890,543
Total fund balances (deficits)	\$ 234,359	\$ 104,339	\$ 1,142,485	\$ 156,394	\$ 483,731	\$ 677,883	\$ 344,607	\$ -	\$ 722,144	\$ 546,037	\$ -	\$ 6,015,789
Total liabilities and fund balances	\$ 286,880	\$ 160,519	\$ 1,151,212	\$ 149,146	\$ 483,781	\$ 730,444	\$ 347,256	\$ -	\$ 757,045	\$ 981,119	\$ 1,629,760	\$ 6,687,181

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**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds - For the Year Ended June 30, 2012**

	Special Revenue Funds				Capital Project Funds				Debt Service Fund	Total Other Governmental Funds	
	Park Fund	911 Fund	Fry Creek Maintenance Fund	Economic Development Fund	Community Care Fund	Capital Improvements Fund	Street & Alley Fund	2017 Bond Fund			Stormwater Management Fund
<b>REVENUES</b>											
Sales and use tax	\$ 524,682	\$ -	\$ -	\$ -	\$ -	\$ 882,194	\$ -	\$ -	\$ -	\$ -	\$ 524,682
Franchise and miscellaneous taxes		161,340		135,557		12,415					296,957
Intergovernmental	19,600				31,220				28,015		45,160
Charges for services	510	907	4,628	785	2,633		2,633		270,893		604,620
Investment earnings	91,087			42,050	21,587		105,006		141,663		23,814
Miscellaneous	636,688	182,247	4,628	177,667	33,842	916,881	289,281		442,266		401,249
Total revenues											2,113,166
<b>EXPENDITURES</b>											
Streets	731,337		73,774				172,361		77,655		
Culture and recreation											
Community				139,233	2,012						
Economic development											
E-911		84,389									
Principal	9,283										
Interest and other charges	4,600					259,829					
Capital Outlay	745,220	179,845			440,243		738,783		1,149,398		6,942
Total Expenditures	(189,131)	(107,567)	(89,145)	38,458	31,830	189,577	(822,903)		(784,725)		309,112
Excess (deficiency) of revenues over expenditures	100,000	(60,000)	(60,000)	20,000	(7,000)	5,871	(418,733)		(202,871)		2,777,988
<b>OTHER FINANCING SOURCES (USES)</b>											
Transfers in			190,000								
Transfers out											
Total other financing sources and uses			190,000								
Net change in fund balances	(10,876)	(191,567)	120,854	58,468	31,830	175,848	(1,041,656)		(987,596)		3,986,510
Fund balances - beginning	245,237	266,306	1,021,632	77,596	431,951	502,143	1,385,303		1,709,740		6,983,283
Fund balances - ending	\$ 234,361	\$ 104,739	\$ 1,142,486	\$ 136,064	\$ 463,781	\$ 677,991	\$ 343,647	\$ -	\$ 722,144	\$ -	\$ 1,099,797
											\$ 6,215,772

**CITY OF BIXBY, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2012**

**Combining Schedule of Net Assets – Enterprise Fund Accounts – June 30, 2012**

	<u>BPWA</u>	<u>Meter Deposit Account</u>	<u>DAWES Account</u>	<u>2002 Utility Revenue Bond Construction Account</u>	<u>Total</u>
<b>ASSETS</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ 1,231,176	\$ 76,296	\$ 15,621	\$ -	\$ 1,323,093
Investments	-	102,679	-	-	102,679
<b>Restricted:</b>					
Cash and cash equivalents	35,031	-	-	56	35,087
Due from other funds	65,268	-	-	68,868	134,124
Accounts Receivable, net	1,449,609	-	-	-	1,449,609
<b>Total current assets</b>	<u>2,780,984</u>	<u>178,975</u>	<u>15,621</u>	<u>68,912</u>	<u>3,044,492</u>
<b>Non-current assets:</b>					
<b>Restricted:</b>					
Cash and cash equivalents	831,480	17,303	-	-	848,783
Investments	704,512	480,018	-	-	1,164,530
<b>Capital Assets:</b>					
Land and construction in progress	593,050	-	35,000	-	628,050
Other capital assets, net of accumulated depreciation	44,574,257	-	467,162	-	45,041,400
Unamortized debt issue costs	341,208	-	-	-	341,208
<b>Total non-current assets</b>	<u>47,044,607</u>	<u>477,321</u>	<u>522,162</u>	<u>-</u>	<u>48,043,990</u>
<b>Total assets</b>	<u>49,825,491</u>	<u>656,296</u>	<u>637,773</u>	<u>68,912</u>	<u>51,988,472</u>
<b>LIABILITIES</b>					
<b>Current Liabilities:</b>					
Accounts payable	452,631	-	-	-	452,631
Payroll payable	40,797	-	-	-	40,797
Accrued interest payable	90,334	-	-	-	90,334
Due to other funds	8,260	13,182	-	-	21,442
Deposits subject to refund	-	47,633	-	-	47,633
Compensated absences	20,962	-	-	-	20,962
Notes payable	718,761	-	-	-	718,761
Bonds payable	355,000	-	-	-	355,000
<b>Total current liabilities</b>	<u>1,698,765</u>	<u>60,815</u>	<u>-</u>	<u>-</u>	<u>1,747,680</u>
<b>Non-current liabilities:</b>					
Compensated absences	83,847	-	-	-	83,847
Deposits subject to refund	-	429,668	-	-	429,668
Notes payable	7,329,092	-	-	-	7,329,092
Bonds payable	2,650,284	-	-	-	2,650,284
<b>Total non-current liabilities</b>	<u>10,263,223</u>	<u>429,668</u>	<u>-</u>	<u>-</u>	<u>10,692,911</u>
<b>Total liabilities</b>	<u>11,942,088</u>	<u>490,503</u>	<u>-</u>	<u>-</u>	<u>12,442,491</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	33,944,762	-	522,162	-	34,466,914
Restricted for debt service	1,448,675	-	-	-	1,448,675
Unrestricted	2,485,098	165,793	15,621	68,912	2,739,392
<b>Total net assets</b>	<u>\$ 37,878,503</u>	<u>\$ 165,793</u>	<u>\$ 537,773</u>	<u>\$ 68,912</u>	<u>\$ 38,647,981</u>

**CITY OF BIXBY, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2012**

**Combining Schedule of Revenues, Expenses, and Changes in Net Assets – Enterprise Fund  
Accounts – Year Ended June 30, 2012**

	<u>BPWA</u>	<u>Meter Deposit Account</u>	<u>DAWES Account</u>	<u>2002 Utility Revenue Bond Construction Account</u>	<u>Total</u>
<b>REVENUES</b>					
Charges for services:					
Water	\$ 6,142,023	-	-	-	\$ 6,142,023
Sewer	985,301	-	-	-	985,301
Miscellaneous	25,343	-	6,984	-	32,307
Total operating revenues	<u>7,152,667</u>	<u>-</u>	<u>6,984</u>	<u>-</u>	<u>7,159,651</u>
<b>OPERATING EXPENSES</b>					
Administration	1,399,819	-	-	-	1,399,819
Water	3,833,985	-	-	-	3,833,985
Wastewater	436,912	-	-	-	436,912
Amortization expense	106,322	-	-	-	106,322
Depreciation	957,112	-	25,578	-	982,690
Total operating expenses	<u>6,732,930</u>	<u>-</u>	<u>25,578</u>	<u>-</u>	<u>6,758,508</u>
Operating income (loss)	<u>419,737</u>	<u>-</u>	<u>(18,594)</u>	<u>-</u>	<u>401,143</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest and investment revenue	8,166	-	8	42	8,216
Gain (loss) on capital asset disposal	(84,642)	-	-	-	(84,642)
Interest expense	(383,465)	-	-	42	(383,465)
Total non-operating revenue (expenses)	<u>(459,941)</u>	<u>-</u>	<u>8</u>	<u>42</u>	<u>(459,891)</u>
Income (loss) before transfers	<u>(40,204)</u>	<u>-</u>	<u>(18,606)</u>	<u>42</u>	<u>(58,768)</u>
Capital contributions	436,598	-	-	-	436,598
Transfers in	5,354,859	-	-	-	5,354,859
Transfers out	(3,215,695)	-	-	-	(3,215,695)
Change in net assets	<u>2,534,656</u>	<u>-</u>	<u>(18,606)</u>	<u>42</u>	<u>2,516,092</u>
Total net assets - beginning	<u>35,340,847</u>	<u>165,793</u>	<u>558,379</u>	<u>68,870</u>	<u>36,134,989</u>
Total net assets - ending	<u>\$ 37,875,503</u>	<u>\$ 165,793</u>	<u>\$ 539,773</u>	<u>\$ 68,912</u>	<u>\$ 38,647,981</u>

**CITY OF BIXBY, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2012**

**Schedule of Debt Service Coverage Requirements – Year Ended June 30, 2012**

	<u>2002 Utility Revenue Bonds</u>	<u>1998, 2009 &amp; 2011 OWRB Notes</u>
<b>Gross Revenue Available for Debt Service:</b>		
Operating revenues of leased systems (1)	\$ 7,159,631	\$ 7,159,631
Sales tax pledged	<u>2,098,652</u>	<u>-</u>
<b>Total Gross Revenues Available</b>	<b>9,258,283</b>	<b>7,159,631</b>
<b>System Operating Expenses (1)</b>	<b><u>5,670,496</u></b>	<b><u>5,670,496</u></b>
<b>Net Revenues Available for Debt Service</b>	<b><u>\$ 3,587,787</u></b>	<b><u>\$ 1,489,135</u></b>
 <b>Debt Service Requirements:</b>		
Average annual debt service - 2002 utility revenue bonds	\$ 476,113	\$ -
Maximum annual debt service - OWRB promissory note - 1998 CWSRF	-	326,168
Maximum annual debt service - OWRB promissory note - 2009 DWBRF	-	102,686
Maximum annual debt service - OWRB promissory note - 2011 CWSRF	-	<u>215,802</u>
<b>Total Debt Services Requirements</b>	<b><u>\$ 476,113</u></b>	<b><u>\$ 644,656</u></b>
 Coverage	 <u>754%</u>	 <u>231%</u>
 Coverage Requirement	 <u>125%</u>	 <u>125%</u>

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

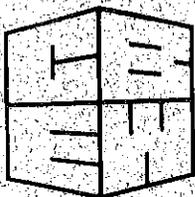
**Schedule of Reserve Requirements**

	<u>2002 Utility Revenue Bond</u>	<u>1998 OWRB Note Payable</u>
Balance in Reserve Account, June 30, 2012	\$476,112	\$355,368
Required Balance of Reserve per Agreement	<u>476,112</u>	<u>355,368</u>
Excess of Account Balance over Required Balance	<u>-</u>	<u>-</u>

**CITY OF BIXBY, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2012

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**SINGLE AUDIT AND INTERNAL CONTROL COMPLIANCE INFORMATION**



**CBEW**  
**Professional**  
**Group, LLP**

Certified Public Accountants

DON K. ETHRIDGE, CPA  
WALTER H. WEBB, CPA  
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

December 31, 2012

Honorable Board of City Commissioners  
City of Bixby  
Bixby, Oklahoma

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Bixby, Oklahoma, (City) as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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

Compliance and Other Matters

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

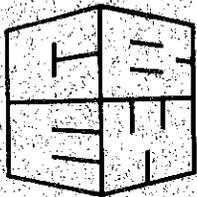
City of Bixby  
December 31, 2012

We also noted certain additional matters that we have reported to management of the City in a separate letter dated December 31, 2012.

This report is intended solely for the information and use of management, City Council, others within the entity, and all federal awarding and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*CBEW Professional Group LLP*

CBEW Professional Group, LLP  
Certified Public Accountants



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

December 31, 2012

Honorable Board of City Commissioners  
City of Bixby  
Bixby, Oklahoma

Compliance

We have audited the compliance of the City of Bixby, Oklahoma, (City) 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 Bixby's major federal programs for the year ended June 30, 2012. The City'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's management. Our responsibility is to express an opinion on the City of Bixby, Oklahoma's compliance based on our audit.

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 Bixby, Oklahoma'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's compliance with those requirements.

In our opinion, the City of Bixby, 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, 2012.

Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Bixby, Oklahoma's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order 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's internal control over compliance.

City of Bixby  
December 31, 2012

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance 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, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*CBEW Professional Group, LLP*

CBEW Professional Group, LLP  
Certified Public Accountants

**CITY OF BIXBY**  
**Bixby, Oklahoma**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2012**

<u>Federal Grantor/ Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Revenue Collected</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department of Transportation:</u></b>				
Recreational Trails Program	20.219	65,000	26,085	26,085
National Highway Traffic Safety Administration	20.614	3,000	2,205	2,205
Alcohol Impaired Driving Countermeasures	20.601	20,000	13,110	13,110
<b>Sub-total U.S. Department of Transportation</b>		88,000	41,400	41,400
<b><u>U.S. Department of Housing and Urban Development:</u></b>				
<b><u>Passed through the Oklahoma Department of Commerce:</u></b>				
CDBG - 09	14.228	71,215	4,750	4,750
CDBG - 10	14.228	76,268	1,975	1,975
CDBG - 11	14.228	53,987	52,080	52,080
<b>Sub-total U.S. Department of Housing and Urban Development</b>		201,470	58,805	58,805
<b><u>U.S. Department of Justice:</u></b>				
<b><u>Passed through the Oklahoma Department of Justice:</u></b>				
Edward Byrne Memorial Justice Assistance	16.738	10,000	10,000	10,000
Bulletproof Vest Partnership Program	16.607	4,400	435	435
<b>Sub-total U.S. Department of Justice</b>		14,400	10,435	10,435
<b><u>Environmental Protection Agency:</u></b>				
<b><u>Passed through the Oklahoma Water Resources Board:</u></b>				
Capitalization Grants for Clean Water Revolving	66.458	1,183,810	1,183,810	1,183,810
<b>Sub-total Environmental Protection Agency</b>		1,183,810	1,183,810	1,183,810
<b>Total Expenditures of Federal Awards</b>		\$ 1,487,680	\$ 1,294,450	\$ 1,294,450

Note A - This schedule was prepared on an accrual (GAAP) basis of accounting consistent with the preparation of the basic financial statements.

**CITY OF BIXBY  
Bixby, Oklahoma**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012**

**SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the City of Bixby.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Schedule of Findings and Questioned Costs. No material weaknesses are identified.
3. No instances of noncompliance material to the financial statements of City of Bixby were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the "Independent Auditor's Report on Compliance with Requirements That Could Have a Direct Material Effect on Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133". No material weaknesses are identified.
5. The auditor's report on compliance for the major federal award programs for City of Bixby expresses an unqualified opinion on all major federal programs.
6. There were no audit findings relative to the major federal award programs for City of Bixby required to be reported in this Schedule.
7. The programs tested as major programs included: Capitalization Grants for Clean Water State Revolving Funds – CFDA No. 66.458.
8. The threshold used for distinguishing between Types A and B programs was \$300,000.
9. The City of Bixby did qualify as a low-risk auditee.

**FINDINGS - FINANCIAL STATEMENT AUDIT**

1. None

**FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

1. None

**CITY OF BIXBY  
Bixby, Oklahoma**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2012**

There were no prior year audit findings.