

CITY OF OWASSO, OKLAHOMA

June 30, 2011

CITY OF OWASSO, OKLAHOMA

June 30, 2011

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CITY OF OWASSO, OKLAHOMA
LIST OF PRINCIPAL OFFICIALS

June 30, 2011

City Council

Doug Bonebrake, Mayor

Bryan Stovall, Vice Mayor

Steve Cataudella

Charlie Brown

Patrick Ross

City Manager

Rodney Ray

Administrative Services Director/City Clerk/Treasurer

Sherry Bishop

Finance Director

Angela Hess

Deputy Finance Director

Janet Isaacs

BASIC FINANCIAL STATEMENTS

Independent Auditors' Report

Honorable Mayor and City Council
City of Owasso
Owasso, Oklahoma

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Owasso (the "City") as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City'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 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, 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 opinions.

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

As reflected in the balance sheet of the governmental funds and in the notes to the financial statements, the City has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2011, 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.

The Management's Discussion and Analysis, General Fund Budgetary Comparison Schedule and Schedules of Pension Plan Funding Progress and Other Post-Employment Benefits Funding Progress, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Owasso's basic financial statements. The combining and individual nonmajor fund financial statements and other supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and other supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cole & Reed P.C.

Oklahoma City, Oklahoma
December 2, 2011

City of Owasso, Oklahoma
Management's Discussion and Analysis
June 30, 2011

Our discussion and analysis of the City of Owasso's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL AND ACTIVITY HIGHLIGHTS

- For the fiscal year ended June 30, 2011, the City's total net assets increased by \$5,945,932 or 5.5% from the prior year.
- During the year, the City's expenses for governmental activities were \$20,511,274 and were funded by program revenues of \$6,629,937 and further funded with taxes and other general revenues (net of transfers) that totaled \$15,076,119.
- In the City's business-type activities, such as utilities and golf course, total program revenues were less than expenses by \$435,178.
- At June 30, 2011, the General Fund reported a total fund balance of \$3,944,512, which is an increase of 12.1% from the prior year.
- For budgetary reporting purposes, the General Fund reported total resources more than estimates of \$92,529, or 0.3%, while actual expenditures were under the final charges to appropriations by \$2,421,212 or 6.9%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Owasso (the "City") and its component units using the integrated approach as prescribed by GASB Statement No. 34. Included in this report are governmental-wide statements for three categories of activities--governmental, business type, and discretely presented component units. The government-wide financial statements present the complete financial picture of the City from the economic resources management 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 capital assets) as well as all liabilities (including all long-term debt.)

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 expenses are taken into account regardless of when cash is received or paid.

See independent auditors' report as it relates to required supplementary information.

City of Owasso, Oklahoma
Management's Discussion and Analysis (Continued)
June 30, 2011

REPORTING THE CITY AS A WHOLE (Continued)

The Statement of Net Assets and the Statement of Activities--Continued

These two government-wide 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 tax base, the condition of the City's roads, and the quality of services to assess the overall health and performance of the City.

As mentioned above, in the Statement of Net Assets and the Statement of Activities, we divide the City into three 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, fines, and state and federal grants finance most of these activities.

Business-type activities--The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's water, wastewater, sanitation, and golf course activities are reported here.

Discretely-presented component units--These account for the activities of the City's reporting entity that do not meet the criteria for blending. The activities of the Owasso Economic Development Authority are presented 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.

See independent auditors' report as it relates to required supplementary information.

City of Owasso, Oklahoma
Management's Discussion and Analysis (Continued)
June 30, 2011

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS (Continued)

Fund Financial Statements--Continued

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 which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic service 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 detail and additional information, such as cash flows.

Fiduciary funds – When the City is responsible for assets that – because of a trust arrangement or other fiduciary requirement – can be used only for trust beneficiaries or other parties. The City is responsible for ensuring that the assets to be reported in these funds are used for their intended purpose. All of the City's fiduciary activities, if any, are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance operations.

See independent auditors' report as it relates to required supplementary information.

City of Owasso, Oklahoma
Management's Discussion and Analysis (Continued)
June 30, 2011

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

NET ASSETS

The City's combined net assets increased from \$109,087,889 to \$115,453,862 between fiscal years 2010 and 2011. Looking at the net assets of governmental and business-type activities separately, governmental activities increased \$1,194,782 while business-type activities increased \$4,751,150. A comparative, condensed presentation of net assets follows (*reported in thousands*).

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>		<u>Total</u>
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010-2011</u>
Current and other assets	\$ 12,979	\$ 12,129	\$ 8,488	\$ 8,036	\$ 21,467	\$ 20,165	-6.1%
Capital assets, net	<u>78,732</u>	<u>79,836</u>	<u>57,075</u>	<u>66,339</u>	<u>135,807</u>	<u>146,175</u>	<u>7.6%</u>
Total assets	91,711	91,965	65,563	74,375	157,274	166,340	5.8%
Long-term debt outstanding	1,867	1,887	42,222	46,028	44,089	47,915	8.7%
Other liabilities	<u>2,193</u>	<u>1,232</u>	<u>1,905</u>	<u>2,159</u>	<u>4,098</u>	<u>3,391</u>	<u>-17.3%</u>
Total liabilities	4,060	3,119	44,127	48,187	48,187	51,306	6.5%
Net Assets							
Invested in capital assets, net of related debt	78,732	79,836	16,470	21,843	95,202	101,679	6.8%
Restricted	2,539	3,891	2,438	2,453	4,977	6,344	27.5%
Unrestricted	<u>6,380</u>	<u>5,119</u>	<u>2,528</u>	<u>1,892</u>	<u>8,908</u>	<u>7,011</u>	<u>-21.3%</u>
Total net assets	<u>\$ 87,651</u>	<u>\$ 88,846</u>	<u>\$ 21,436</u>	<u>\$ 26,188</u>	<u>\$ 109,087</u>	<u>\$ 115,034</u>	<u>5.5%</u>

See independent auditors' report as it relates to required supplementary information.

City of Owasso, Oklahoma
Management's Discussion and Analysis (Continued)
June 30, 2011

CHANGES IN NET ASSETS

For the year ended June 30, 2011, the change in net assets of the primary government was the result of the following (*amounts are reported in thousands*):

	Governmental		Business-Type		Total		Total
	Activities		Activities				Percentage
	2010	2011	2010	2011	2010	2011	Change
							2010-2011
EXPENSES							
General government	\$ 4,393	\$ 3,845	\$ -	\$ -	\$ 4,393	\$ 3,845	-12.5%
Public safety	10,930	12,207	-	-	10,930	12,207	11.7%
Highways and Streets	2,435	2,633	-	-	2,435	2,633	8.1%
Culture and recreation	849	798	-	-	849	798	-6.0%
Economic development	294	236	-	-	294	236	-19.7%
Stormwater	650	792	-	-	650	792	21.8%
Water	-	-	4,863	5,277	4,863	5,277	8.5%
Sewer	-	-	3,191	3,186	3,191	3,186	-0.2%
Sanitation	-	-	1,368	1,360	1,368	1,360	-0.6%
Recycle center	-	-	337	292	337	292	-13.4%
Golf	-	-	875	1,180	875	1,180	34.9%
TOTAL EXPENSES	<u>19,551</u>	<u>20,511</u>	<u>10,634</u>	<u>11,295</u>	<u>30,185</u>	<u>31,806</u>	<u>5.4%</u>
PROGRAM REVENUES							
Charges for services	3,552	3,563	9,899	10,229	13,451	13,792	2.5%
Operating grants and contributions	373	1,228	-	-	373	1,228	229.2%
Capital grants and contributions	974	1,839	394	631	1,368	2,470	80.6%
Total program revenues	<u>4,899</u>	<u>6,630</u>	<u>10,293</u>	<u>10,860</u>	<u>15,192</u>	<u>17,490</u>	<u>15.1%</u>
NET REVENUES (EXPENSES)	<u>(14,652)</u>	<u>(13,881)</u>	<u>(341)</u>	<u>(435)</u>	<u>(14,993)</u>	<u>(14,316)</u>	<u>-4.5%</u>
General revenues							
Sales taxes	17,205	17,603	-	-	17,205	17,603	2.3%
Use taxes	533	530	-	-	533	530	-0.6%
Franchise and public service taxes	919	1,024	-	-	919	1,024	11.4%
Cigarette/tobacco tax	242	255	-	-	242	255	5.4%
Hotel taxes	218	267	-	-	218	267	22.5%
Alcoholic beverage tax	31	32	-	-	31	32	3.2%
E-911 taxes	191	195	-	-	191	195	2.1%
Investment income	82	74	32	31	114	105	-7.9%
Miscellaneous	145	251	-	-	145	251	73.1%
Transfers	<u>(5,511)</u>	<u>(5,155)</u>	<u>5,511</u>	<u>5,155</u>	<u>-</u>	<u>-</u>	<u>0.0%</u>
TOTAL GENERAL REVENUES AND TRANSFERS	<u>14,055</u>	<u>15,076</u>	<u>5,543</u>	<u>5,186</u>	<u>19,598</u>	<u>20,262</u>	<u>3.4%</u>
CHANGE IN NET ASSETS	<u>\$ (597)</u>	<u>\$ 1,195</u>	<u>\$ 5,202</u>	<u>\$ 4,751</u>	<u>\$ 4,605</u>	<u>\$ 5,946</u>	<u>29.1%</u>

The 2011 activities reflected in the table above indicate that the City's financial condition, as a whole, improved from the prior year.

See independent auditors' report as it relates to required supplementary information.

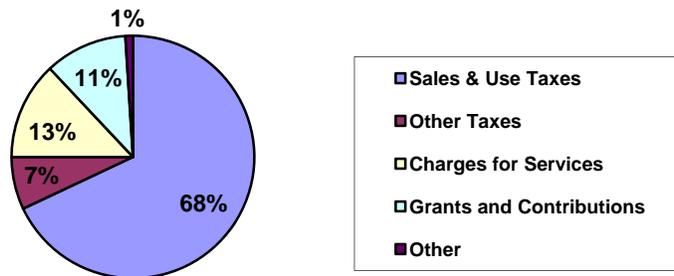
**City of Owasso, Oklahoma
Management's Discussion and Analysis (Continued)
June 30, 2011**

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

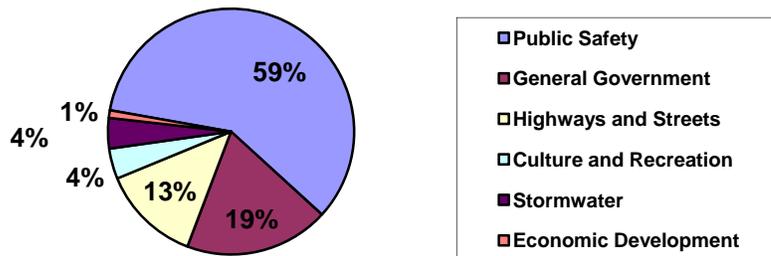
For the year ended June 30, 2011, the City's governmental activities were funded as follows:

Governmental Activities Sources



Uses of governmental activities in 2011 were as follows:

Governmental Activities Uses



See independent auditors' report as it relates to required supplementary information.

CITY OF OWASSO, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued
June 30, 2011

GOVERNMENTAL ACTIVITIES (Continued)

For the year ended June 30, 2011, expenses for governmental activities totaled \$20,511,274. Of these total expenses, taxpayers and other general revenues funded \$20,231,199, transfers from business-type activities used \$5,155,080, and revenues that directly benefited from the program funded \$3,067,375 from grants and other contributions and \$3,562,562 from charges for services.

	Total Expense of Services	Net Revenue (Expense) of Services
General government	\$ 3,844,820	\$ (3,416,246)
Public safety	12,207,137	(8,903,362)
Highways and streets	2,633,294	(835,691)
Culture and recreation	797,426	(305,956)
Economic development	236,214	(228,450)
Stormwater	<u>792,383</u>	<u>(191,632)</u>
TOTAL	<u>\$ 20,511,274</u>	<u>\$ (13,881,337)</u>

BUSINESS-TYPE ACTIVITIES

In reviewing the business-type activities net (expense)/revenue, the following highlights should be noted:

- Total business-type activities reported net revenues (expenses) of \$(435,178) for the year ended June 30, 2011.

Net Revenue (Expense) of Business-Type Activities for the year ended June 30, 2011 was as follows:

	Total Expense of Services	Net Revenue (Expense) of Services
Water	\$ 5,277,153	\$ 55,236
Wastewater	3,186,115	118,115
Sanitation	1,360,370	288,507
Recycle center	291,571	(230,617)
Golf course	<u>1,179,539</u>	<u>(666,419)</u>
TOTAL	<u>\$ 11,294,748</u>	<u>\$ (435,178)</u>

See independent auditors' report as it relates to required supplementary information.

CITY OF OWASSO, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued
June 30, 2011

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2011, the City had \$146,175,575 invested in capital assets, net of depreciation. (See table below). This represents a net increase of \$10,368,584 or 7.6% over last year.

	City of Owasso Capital Assets (Net of Accumulated depreciation)					
	Governmental Activities		Business-Type Activities		Total	
	2010	2011	2010	2011	2010	2011
Land	\$ 7,562,909	\$ 7,562,909	\$ 322,519	\$ 322,519	\$ 7,885,428	\$ 7,885,428
Buildings	7,903,104	7,720,816	1,590,245	1,541,431	9,493,349	9,262,247
Improvements	4,553,035	4,423,174	2,039,696	1,981,448	6,592,731	6,404,622
Utilities	161,340	157,979	41,565,328	46,108,527	41,726,668	46,266,506
Machinery & Equipment	4,251,001	3,781,795	1,842,495	1,615,273	6,093,496	5,397,068
Infrastructure	50,617,023	52,343,507	-	-	50,617,023	52,343,507
Construction in Progress	3,683,985	3,846,254	9,714,311	14,769,943	13,398,296	18,616,197
Totals	<u>\$ 78,732,397</u>	<u>\$ 79,836,434</u>	<u>\$ 57,074,594</u>	<u>\$ 66,339,141</u>	<u>\$ 135,806,991</u>	<u>\$ 146,175,575</u>

This year's more significant capital asset additions included:

- Wastewater Treatment Plant Expansion
- Various sewer system and stormwater improvements
- Various street improvements

See Note 3.E to the financial statements for more detail on the City's capital assets and changes therein.

See independent auditors' report as it relates to required supplementary information.

**CITY OF OWASSO, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued
June 30, 2011**

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Long-Term Debt

At year-end, the City had \$47,914,739 in long-term debt outstanding which represents a \$3,826,446 (8.7%) increase from the prior year. The City's long-term debt by type of debt is as follows:

	Primary Government Long-Term Debt						Total Percentage Change
	Governmental Activities		Business-Type Activities		Total		
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	
Accrued absences	\$ 735,243	\$ 788,285	\$ 61,136	\$ 53,947	\$ 796,379	\$ 842,232	5.76%
Net OPEB obligation	-	155,211	-	39,685	-	194,896	100.00%
Claims liability	1,131,400	943,100	-	-	1,131,400	943,100	-16.64%
Deposits subject to refund	-	-	417,735	454,489	417,735	454,489	8.80%
Notes payable, net	-	-	16,883,129	25,781,700	16,883,129	25,781,700	52.71%
Revenue notes payable	-	-	24,859,650	19,698,322	24,859,650	19,698,322	-20.76%
TOTALS	<u>\$ 1,866,643</u>	<u>\$ 1,886,596</u>	<u>\$42,221,650</u>	<u>\$46,028,143</u>	<u>\$44,088,293</u>	<u>\$47,914,739</u>	<u>8.68%</u>

See Note 3.F. to the financial statements for more detailed information on the City's long-term debt and changes therein.

See independent auditors' report as it relates to required supplementary information.

CITY OF OWASSO, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued
June 30, 2011

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Owasso's economic outlook based on sales tax revenue received in 2011 recognized a moderate increase of 1.5% from that of the previous fiscal year 2009-2010. The negative national economic condition has not resulted in as significant affect on the City of Owasso as many other cities across the state and nation have experienced.

Sales tax collections for FY2011 totaled \$17,528,943 compared to \$17,266,692 in FY2010. The total increase in sales tax collections was \$262,251 in fiscal year comparisons. Sales tax collections for fiscal year 2012 remain strong. As of the September 2011 sales tax reporting, the city has realized a \$164,555 or 3.8% increase over the same periods in FY2011.

From July 2010 through June 2011, there were 177 new single family residential permits with a total construction value of \$19,923,846 and 10 commercial permits issued with a total construction value of \$47,255,616. The cost of the commercial permits increased sharper due to the construction of the new TTC campus. The number of residential permits issued this year was relatively the same as compared with the previous year; however the value of residential permits is about 18% lower. This in large part can be attributed to the new permits for the Villas at Coffee Creek apartments that were issued in 2010.

The outlook for fiscal year 2012 is on pace for similar or slightly less than 2011 for new residential single family permits. However, commercial permits will outperform those for FY 2011 due to some recent new development commitments. The economic climate remains uncertain with respect to job growth and new commercial permits remain slow. Owasso's permits remain stable with no sharp increases or decreases expected.

Retail, restaurants, and hospitality have experienced a lull in activity this past year due to the recovering economy. Inquiries began to pick up toward the end of the fiscal year; giving staff some indication the local market is turning a corner. The medical community is on the rise with two new dialysis centers opening next year.

See independent auditors' report as it relates to required supplementary information.

CITY OF OWASSO, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued
June 30, 2011

The City of Owasso leadership, staff and Economic Development team have prepared a strategic plan that will take our City far into the future. The City seeks to lay the foundation for a future in which Owasso attracts both residents and jobs, encourages sustainable living practices, and provides an array of amenities to those who live and work here.

Water, wastewater and storm water rates remained the same in FY11. An additional \$1.00 was added to the monthly mandatory ambulance fee effective August 1, 2011. This additional fee will go to a newly created Public Safety Fund, replacing the previous Fire Capital Fund. Money collected in this fund will be used to purchase apparatus, equipment and facilities, including improvements or repair of any of the foregoing, by the City of Owasso's Fire Department and Police Department.

The budget for fiscal year 2011-2012 was adopted by the City of Owasso City Council on June 21, 2011, and went into effect on July 1, 2011. No cost of living increases were authorized and most operation and maintenance budgets were based on zero growth estimates.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors a general overview of the City's finances and 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 111 N. Main, P. O. Box 180, Owasso, Oklahoma 74055-0180 or phone (918)376-1500.

See independent auditors report as it relates to required supplementary information.

STATEMENT OF NET ASSETS
CITY OF OWASSO, OKLAHOMA

June 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development Authority
ASSETS:				
Cash and cash equivalents	\$ 5,792,361	\$ 5,541,790	\$ 11,334,151	\$ 9,038
Investments	993,010	431,926	1,424,936	-
Interest receivable	-	43,666	43,666	-
Accounts receivable, net of allowance	497,617	830,186	1,327,803	-
Court fine receivable, net of allowance	58,247	-	58,247	-
Other receivables	445,357	102,000	547,357	-
Internal balances	1,527,479	(1,527,479)	-	-
Due from other governments	2,774,822	227,354	3,002,176	-
Prepaid items	39,593	-	39,593	-
Inventory	-	66,817	66,817	-
Lease receivable	-	1,335,000	1,335,000	-
Unamortized bond issuance costs	-	984,139	984,139	-
Capital assets:				
Land and construction in progress	11,409,163	15,092,462	26,501,625	-
Other capital assets, net of depreciation	68,427,271	51,246,679	119,673,950	-
TOTAL ASSETS	91,964,920	74,374,540	166,339,460	9,038
LIABILITIES:				
Accounts payable	512,425	605,428	1,117,853	-
Accrued payroll liabilities	506,893	110,579	617,472	-
Accrued interest payable	-	422,040	422,040	-
Retainage payable	101,982	940,703	1,042,685	-
Due to other governments	4,466	-	4,466	-
Due to bondholders	20,686	-	20,686	-
Other liabilities	85,604	80,093	165,697	-
Long-term liabilities:				
Due within one year	851,584	5,978,278	6,829,862	-
Due in more than one year	1,035,012	40,049,865	41,084,877	-
TOTAL LIABILITIES	3,118,652	48,186,986	51,305,638	-
NET ASSETS:				
Invested in capital assets, net of related debt	79,836,434	21,843,258	101,679,692	-
Restricted for:				
Debt service	-	2,452,621	2,452,621	-
Culture and recreation	483,013	-	483,013	-
Public safety	138,210	-	138,210	-
Capital projects	3,190,519	-	3,190,519	-
Other purposes	79,563	-	79,563	-
Unrestricted	5,118,529	1,891,675	7,010,204	9,038
TOTAL NET ASSETS	\$ 88,846,268	\$ 26,187,554	\$ 115,033,822	\$ 9,038

See accompanying notes to the basic financial statements.

STATEMENT OF ACTIVITIES

CITY OF OWASSO, OKLAHOMA

For the fiscal year ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
		Charges for Services	Operating Grant and Contributions	Capital Grants and Contributions	Primary Government			Economic Development Authority
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental activities:								
General government	\$ 3,844,820	\$ 428,574	\$ -	\$ -	\$ (3,416,246)	\$ -	\$ (3,416,246)	\$ -
Public safety	12,207,137	2,302,919	1,000,856	-	(8,903,362)	-	(8,903,362)	-
Highways and streets	2,633,294	130,389	227,031	1,440,183	(835,691)	-	(835,691)	-
Culture and recreation	797,426	92,165	-	399,305	(305,956)	-	(305,956)	-
Economic development	236,214	7,764	-	-	(228,450)	-	(228,450)	-
Stormwater	792,383	600,751	-	-	(191,632)	-	(191,632)	-
TOTAL GOVERNMENTAL ACTIVITIES	20,511,274	3,562,562	1,227,887	1,839,488	(13,881,337)	-	(13,881,337)	-
Business-type activities:								
Water	5,277,153	4,701,775	-	630,614	-	55,236	55,236	-
Wastewater	3,186,115	3,304,230	-	-	-	118,115	118,115	-
Sanitation	1,360,370	1,648,877	-	-	-	288,507	288,507	-
Recycle center	291,571	60,954	-	-	-	(230,617)	(230,617)	-
Golf	1,179,539	513,120	-	-	-	(666,419)	(666,419)	-
TOTAL BUSINESS-TYPE ACTIVITIES	11,294,748	10,228,956	-	630,614	-	(435,178)	(435,178)	-
Total primary government	\$ 31,806,022	\$ 13,791,518	\$ 1,227,887	\$ 2,470,102	(13,881,337)	(435,178)	(14,316,515)	-
Component Unit:								
Economic Development	\$ -	\$ -	\$ -	\$ -				
General Revenues:								
Taxes:								
Sales taxes					17,602,952	-	17,602,952	-
Use taxes					529,662	-	529,662	-
Franchise and public service taxes					1,024,470	-	1,024,470	-
Cigarette/tobacco tax					255,181	-	255,181	-
Hotel taxes					266,868	-	266,868	-
Alcoholic beverage tax					31,649	-	31,649	-
E-911 taxes					194,617	-	194,617	-
Investment income					74,525	31,248	105,773	8
Miscellaneous					251,275	-	251,275	-
Transfers-Internal activity					(5,155,080)	5,155,080	-	-
Total general revenues and transfers					15,076,119	5,186,328	20,262,447	8
Change in net assets					1,194,782	4,751,150	5,945,932	8
Net assets-beginning of year					87,651,486	21,436,404	109,087,890	9,030
Net assets-end of year					\$ 88,846,268	\$ 26,187,554	\$ 115,033,822	\$ 9,038

See accompanying notes to the basic financial statements.

BALANCE SHEET--GOVERNMENTAL FUNDS

CITY OF OWASSO, OKLAHOMA

June 30, 2011

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:			
Cash and cash equivalents	\$ 59,000	\$ 5,617,094	\$ 5,676,094
Investments	332,288	572,080	904,368
Receivables:			
Account receivable, net of allowance	-	497,617	497,617
Due from other funds	2,605,114	-	2,605,114
Due from other governments	2,445,031	329,791	2,774,822
Court fines receivable, net of allowance	58,247	-	58,247
Other receivables	<u>134,536</u>	<u>16,918</u>	<u>151,454</u>
Total assets	<u>\$ 5,634,216</u>	<u>\$ 7,033,500</u>	<u>\$ 12,667,716</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ 232,855	\$ 138,066	\$ 370,921
Accrued payroll liabilities	461,631	37,045	498,676
Due to other funds	862,704	239,212	1,101,916
Due to other governments	4,466	-	4,466
Due to bondholders	20,686	-	20,686
Retainage payable	-	101,982	101,982
Deferred revenue	21,758	163,409	185,167
Other liabilities	<u>85,604</u>	<u>-</u>	<u>85,604</u>
Total liabilities	<u>1,689,704</u>	<u>679,714</u>	<u>2,369,418</u>
Fund Balances:			
Restricted for:			
Culture and recreation	-	483,013	483,013
Public safety	-	138,210	138,210
Capital projects	-	3,190,519	3,190,519
Other	71,434	8,129	79,563
Committed			
Public safety	-	448,865	448,865
Culture and recreation	-	219,549	219,549
Stormwater management	-	1,183,275	1,183,275
Capital projects	-	682,226	682,226
Assigned to Homeowners' Association	105	-	105
Unassigned	<u>3,872,973</u>	<u>-</u>	<u>3,872,973</u>
Total fund balances	<u>3,944,512</u>	<u>6,353,786</u>	<u>10,298,298</u>
Total liabilities and fund balances	<u>\$ 5,634,216</u>	<u>\$ 7,033,500</u>	<u>\$ 12,667,716</u>

(Continued)

See accompanying notes to the basic financial statements.

BALANCE SHEET--GOVERNMENTAL FUNDS

CITY OF OWASSO, OKLAHOMA

June 30, 2011

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

Total fund balances- governmental funds \$ 10,298,298

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$35,684,977, and net of capital assets of Internal Service Funds of \$195,011 79,641,423

Certain assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:
Accounts receivable 185,167

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Assets.
Net assets of the Internal Service Fund (340,807)

Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:
Accrued compensated absences (782,602)
Net OPEB obligation (155,211)

Net assets of governmental activities \$ 88,846,268
(Concluded)

See accompanying notes to the basic financial statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
GOVERNMENTAL FUNDS

CITY OF OWASSO, OKLAHOMA

For the fiscal year ended June 30, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 19,157,084	\$ -	\$ 19,157,084
Intergovernmental	1,514,717	860,790	2,375,507
Charges for services	517,616	2,166,009	2,683,625
Fines and forfeitures	807,499	3,425	810,924
Licenses and permits	175,579	58,200	233,779
Investment income	28,029	23,443	51,472
Miscellaneous	<u>248,482</u>	<u>19,763</u>	<u>268,245</u>
Total Revenues	<u>22,449,006</u>	<u>3,131,630</u>	<u>25,580,636</u>
Expenditures			
Current:			
General government	4,023,158	-	4,023,158
Public safety	10,137,304	1,260,311	11,397,615
Highway and streets	584,387	-	584,387
Culture and recreation	532,131	-	532,131
Economic development	107,205	127,056	234,261
Stormwater	343,878	199,921	543,799
Capital outlay	<u>188,980</u>	<u>2,879,030</u>	<u>3,068,010</u>
Total Expenditures	<u>15,917,043</u>	<u>4,466,318</u>	<u>20,383,361</u>
Excess (deficiency) of revenues over expenditures	6,531,963	(1,334,688)	5,197,275
Other Financing Sources (Uses):			
Transfers in	11,497,432	1,375,740	12,873,172
Transfers out	<u>(17,604,721)</u>	<u>(423,531)</u>	<u>(18,028,252)</u>
Total Other Financing Sources (Uses)	<u>(6,107,289)</u>	<u>952,209</u>	<u>(5,155,080)</u>
Net change in fund balances	424,674	(382,479)	42,195
Fund balance - beginning of year	<u>3,519,838</u>	<u>6,736,265</u>	<u>10,256,103</u>
Fund balance - end of year	<u>\$ 3,944,512</u>	<u>\$ 6,353,786</u>	<u>\$ 10,298,298</u>

(Continued)

See accompanying notes to the basic financial statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
 GOVERNMENTAL FUNDS

CITY OF OWASSO, OKLAHOMA

For the fiscal year ended June 30, 2011

Reconciliation of the Statement of Revenues, Expenditures and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities:

Net change in fund balances- total governmental funds \$ 42,195

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

Governmental funds report capital outlays and issue costs as expenditures
 while governmental activities report depreciation and amortization expense
 to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	3,068,010
Depreciation expense	(3,388,194)
Loss on disposal of capital assets	<u>(6,489)</u>
	<u>(326,673)</u>

Revenues in the Statement of Activities that do not provide current
 financial resources are not reported as revenues in the funds:

Contributed assets	1,440,183
Deferred revenue	<u>(165,767)</u>
	<u>1,274,416</u>

Some expenses reported in the Statement of Activities do not require
 the use of current financial resources and, therefore, are not reported
 as expenditures in governmental funds:

Accrued compensated absences	(52,372)
Net Other Post-Employment Benefit Obligation (Asset)	<u>(195,562)</u>
	<u>(247,934)</u>

Internal service funds are used by management to charge the costs of
 certain activities, such as insurance, to individual funds. The assets and
 liabilities of the internal service fund is included in governmental activities
 in the Statement of Net Assets.

Change in Net Assets of the Internal Service Fund	<u>452,778</u>
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Change in net assets of governmental activities	<u>\$ 1,194,782</u>
	(Concluded)

See accompanying notes to the basic financial statements.

STATEMENT OF NET ASSETS -- PROPRIETARY FUNDS

CITY OF OWASSO, OKLAHOMA

June 30, 2011

	Enterprise Funds			Internal Service Funds
	Owasso Public Works Authority	Owasso Public Golf Authority	Total	
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$ 2,251,262	\$ 5,044	\$ 2,256,306	\$ 116,267
Investments	431,926	-	431,926	88,642
Restricted cash and cash equivalents	2,243,078	-	2,243,078	-
Accounts receivable, net of allowance	830,186	-	830,186	-
Other receivables	100,800	1,200	102,000	293,903
Due from other funds	1,494,078	-	1,494,078	24,281
Due from other governments	227,354	-	227,354	-
Prepaid items	-	-	-	39,593
Inventory	-	66,817	66,817	-
Total Current Assets	7,578,684	73,061	7,651,745	562,686
Noncurrent Assets:				
Restricted Assets:				
Cash and cash equivalents	1,042,406	-	1,042,406	-
Interest receivable	43,666	-	43,666	-
Lease purchase receivable from other governments	1,335,000	-	1,335,000	-
Land and construction in progress	15,092,462	-	15,092,462	-
Other depreciable capital assets, net	50,632,725	613,954	51,246,679	195,011
Unamortized debt issuance costs	984,139	-	984,139	-
Total Noncurrent Assets	69,130,398	613,954	69,744,352	195,011
Total assets	76,709,082	687,015	77,396,097	757,697
LIABILITIES:				
Current Liabilities:				
Accounts payable	543,163	62,265	605,428	141,504
Accrued payroll liabilities	79,265	31,314	110,579	8,217
Interest payable	422,040	-	422,040	-
Contracts and retainage payable	940,703	-	940,703	-
Due to other funds	7,597	3,013,960	3,021,557	-
Other liabilities	53,348	26,745	80,093	-
Current portion of noncurrent liabilities				
Deposits subject to refund	84,426	-	84,426	-
Notes payable	992,283	-	992,283	-
Revenue note payable	4,875,000	-	4,875,000	-
Incurred but not reported claims	-	-	-	462,119
Accrued compensated absences	22,079	4,490	26,569	2,808
Total Current Liabilities	8,019,904	3,138,774	11,158,678	614,648
Noncurrent liabilities:				
Deposits subject to refund	370,063	-	370,063	-
Notes payable, net	24,789,417	-	24,789,417	-
Revenue note payable	14,823,322	-	14,823,322	-
Net OPEB obligation	30,866	8,819	39,685	-
Incurred but not reported claims	-	-	-	480,981
Accrued compensated absence	22,752	4,626	27,378	2,875
Total Noncurrent Liabilities	40,036,420	13,445	40,049,865	483,856
Total liabilities	48,056,324	3,152,219	51,208,543	1,098,504
Net Assets				
Invested in capital assets, net of related debt	21,229,304	613,954	21,843,258	195,011
Restricted for:	-	-	-	-
Debt service	2,452,621	-	2,452,621	-
Unrestricted	4,970,833	(3,079,158)	1,891,675	(535,818)
Total net assets	\$ 28,652,758	\$ (2,465,204)	\$ 26,187,554	\$ (340,807)

See accompanying notes to the basic financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS--PROPRIETARY FUNDS

CITY OF OWASSO, OKLAHOMA

For the fiscal year ended June 30, 2011

	Enterprise Funds			Internal Service Funds
	Owasso Public Works Authority	Owasso Public Golf Authority	Total	
Operating Revenues:				
Charges for services:				
Pledged as security for revenue bonds				
Water	\$ 4,395,745	\$ -	\$ 4,395,745	\$ -
Wastewater	3,304,230	-	3,304,230	-
Sanitation	1,648,877	-	1,648,877	-
Penalties/late charges	224,409	-	224,409	-
Golf	-	510,994	510,994	-
Unpledged revenues				
Recycle	60,954	-	60,954	-
Internal service charges for services	-	-	-	4,246,848
Other	81,621	2,126	83,747	219,821
Total operating revenues	<u>9,715,836</u>	<u>513,120</u>	<u>10,228,956</u>	<u>4,466,669</u>
Operating Expenses:				
Utility billing	327,010	-	327,010	-
Administration	673,241	-	673,241	674,850
Water	3,109,266	-	3,109,266	-
Wastewater treatment plant	885,606	-	885,606	-
Wastewater collection	470,584	-	470,584	-
Refuse collections	777,430	-	777,430	-
Recycle center	190,892	-	190,892	-
Golf	-	1,103,241	1,103,241	-
Claims expense	-	-	-	2,996,734
City garage	-	-	-	338,915
Depreciation	1,240,765	76,065	1,316,830	9,284
Other	792,990	-	792,990	190
Total operating expenses	<u>8,467,784</u>	<u>1,179,306</u>	<u>9,647,090</u>	<u>4,019,973</u>
Operating income (loss)	1,248,052	(666,186)	581,866	446,696
Non-Operating Revenues (Expenses):				
Investment income	31,248	-	31,248	6,082
Interest expense and amortization of bond issue costs	<u>(1,647,425)</u>	<u>(233)</u>	<u>(1,647,658)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>(1,616,177)</u>	<u>(233)</u>	<u>(1,616,410)</u>	<u>6,082</u>
Net income (loss) before contributions and transfers	(368,125)	(666,419)	(1,034,544)	452,778
Capital contributions	630,614	-	630,614	-
Transfers in- pledged as security for debt	17,602,952	-	17,602,952	-
Transfers in- unpledged	972,671	-	972,671	-
Transfers out	<u>(13,420,543)</u>	<u>-</u>	<u>(13,420,543)</u>	<u>-</u>
Change in net assets	5,417,569	(666,419)	4,751,150	452,778
Total net assets-beginning	<u>23,235,189</u>	<u>(1,798,785)</u>	<u>21,436,404</u>	<u>(793,585)</u>
Total net assets-ending	<u>\$ 28,652,758</u>	<u>\$ (2,465,204)</u>	<u>\$ 26,187,554</u>	<u>\$ (340,807)</u>

See accompanying notes to the basic financial statements.

STATEMENT OF CASH FLOWS--PROPRIETARY FUNDS

CITY OF OWASSO, OKLAHOMA

For the fiscal year ended June 30, 2011

	Enterprise Funds			Internal Service Funds
	Owasso Public Works Authority	Owasso Public Golf Authority	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 9,586,041	\$ 511,492	\$ 10,097,533	\$ 4,246,848
Payments to suppliers	(4,350,606)	(408,903)	(4,759,509)	(4,185,586)
Payments to employees	(2,103,158)	(655,637)	(2,758,795)	(280,294)
Receipts of customer meter deposits	121,180	-	121,180	-
Customer meter deposits refunded or applied	(84,426)	-	(84,426)	-
Other receipts (payments)	(1,330,081)	611,228	(718,853)	224,520
Net Cash Provided by Operating Activities	<u>1,838,950</u>	<u>58,180</u>	<u>1,897,130</u>	<u>5,488</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	18,575,623	-	18,575,623	-
Transfers to other funds	(13,420,543)	-	(13,420,543)	-
Net Cash Provided by Noncapital Financing Activities	<u>5,155,080</u>	<u>-</u>	<u>5,155,080</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from the issuance of debt	10,153,726	-	10,153,726	-
Purchases of capital assets	(9,767,152)	(29,900)	(9,797,052)	-
Principal paid on capital debt	(6,034,186)	(28,000)	(6,062,186)	-
Interest paid on capital debt	(1,454,872)	(280)	(1,455,152)	-
Net Cash Used in Capital and Related Financing Activities	<u>(7,102,484)</u>	<u>(58,180)</u>	<u>(7,160,664)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of investments	40,447	-	40,447	104
Repayment of lease purchase receivable	140,000	-	140,000	-
Investment income received	35,827	-	35,827	6,082
Net Cash Provided by Investing Activities	<u>216,274</u>	<u>-</u>	<u>216,274</u>	<u>6,186</u>
Net Increase (Decrease) in Cash and Cash Equivalents	107,820	-	107,820	11,674
Balances- beginning of the year	<u>5,428,926</u>	<u>5,044</u>	<u>5,433,970</u>	<u>104,593</u>
Balances- end of the year	<u>\$ 5,536,746</u>	<u>\$ 5,044</u>	<u>\$ 5,541,790</u>	<u>\$ 116,267</u>

(Continued)

See accompanying notes to the basic financial statements.

STATEMENT OF CASH FLOWS--PROPRIETARY FUNDS

CITY OF OWASSO, OKLAHOMA

For the fiscal year ended June 30, 2011

	Enterprise Funds			Internal Service Funds
	Owasso Public Works Authority	Owasso Public Golf Authority	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 1,248,052	\$ (666,186)	\$ 581,866	\$ 446,696
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation expense	1,240,765	76,065	1,316,830	9,284
Loss on disposal of capital assets	-	-	-	190
Change in assets and liabilities				
Accounts receivables, net	12,780	498	13,278	-
Other receivables	-	-	-	(158,903)
Inventory	-	5,101	5,101	-
Due from other funds	(678,894)	-	(678,894)	4,699
Net OPEB asset/obligation	47,678	12,793	60,471	-
Accounts payable	(67,742)	17,049	(50,693)	(107,889)
Accrued payroll liabilities	9,184	7,354	16,538	(959)
Estimated liability for claims	-	-	-	(188,300)
Customer meter deposits payable	36,754	-	36,754	-
Due to other funds	(772)	609,102	608,330	-
Other liabilities	(4,930)	(332)	(5,262)	-
Accrued compensated absences	(3,925)	(3,264)	(7,189)	670
Net Cash Provided by Operating Activities	<u>\$ 1,838,950</u>	<u>\$ 58,180</u>	<u>\$ 1,897,130</u>	<u>\$ 5,488</u>
NONCASH ACTIVITIES				
Contributed capital assets	<u>\$ 630,614</u>	<u>\$ -</u>	<u>\$ 630,614</u>	<u>\$ -</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS				
Cash and cash equivalents - current	\$ 2,251,262	\$ 5,044	\$ 2,256,306	\$ 116,267
Cash and cash equivalents - restricted current	2,243,078	-	2,243,078	-
Cash and cash equivalents - restricted noncurrent	<u>1,042,406</u>	<u>-</u>	<u>1,042,406</u>	<u>-</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 5,536,746</u>	<u>\$ 5,044</u>	<u>\$ 5,541,790</u>	<u>\$ 116,267</u> (Concluded)

See accompanying notes to the basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF OWASSO, OKLAHOMA

June 30, 2011

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NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF OWASSO, OKLAHOMA

June 30, 2011

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared as required by generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards 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 business-type activities and enterprise funds, GASB Statement Nos. 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent sections of this note.

1. A--Financial Reporting Entity

The City's financial reporting entity is comprised of the following:

Primary government:	City of Owasso
Blended Component Units:	Owasso Public Works Authority Owasso Public Golf Authority
Discretely Presented Component Unit:	Owasso Economic Development Authority

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity* and includes all component units which the City is fiscally accountable.

Each of these component units is a Public Trust established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. The Authorities generally retain 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 of the Authorities to the Trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

1. A--Financial Reporting Entity--Continued

Blended Component Units: Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate fund category to comprise the primary government presentation.

The component units that are blended into the primary governments' fund categories are presented below:

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>	<u>Included Funds</u>
Owasso Public Works Authority	Created January 10, 1973, to finance, develop and operate the water, wastewater and refuse disposal facilities. The current City Council serves as entire governing body (Trustees) of the OPWA. Any issuances of debt would require a two-thirds approval of the City Council.	OPWA Enterprise Fund
Owasso Public Golf Authority	Created August 8, 1989, to acquire, construct, own, maintain, equip, operate and conduct a golf course and incidental facilities. The current City Council serves as entire governing body (Trustees) of OPGA. Any issuances of debt would require a two-thirds approval of the City Council.	OPGA Enterprise Fund

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

1. A--Financial Reporting Entity--Continued:

Discretely Presented Component Units: Discretely presented component units are separate legal entities whose governing body (in majority) is appointed by the Mayor or City Council, but whose governing body is not substantially the same as the City Council or is an entity established to provide services primarily to the primary government. Since these component units are not as closely associated with the primary government as are blended component units, they are reported in discretely presented columns on the government-wide financial statements labeled "Component Units". The City has one component unit that is discretely presented in the City's report as described below:

Owasso Economic Development Authority (OEDA)	Created October 21, 1987, to promote and encourage development of industry and commerce on behalf of the City. The OEDA governing body is comprised of seven members: one council member of the Beneficiary, one board member of the Chamber of Commerce, and five appointed members. Any issuances of debt would require a two-thirds approval of the City Council.
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The discretely presented component unit of the City does not issue separately audited component unit financial statements.

1.B--Basis of Presentation

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

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

1.B--Basis of Presentation--Continued

Fund Financial Statements: Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The City presently has no fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a) Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b) Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c) A fund that does not meet the criteria of (a) and (b), but for which management has determined is of such significance to be reported as a major fund.

The funds of the financial reporting entity are described below:

GOVERNMENTAL FUNDS:

General Fund: The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds: Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditure for certain purposes. The reporting entity includes the following special revenue funds:

Funds

Ambulance Service Fund

Brief Description

Accounts for the revenue received from ambulance subscriptions and billings. Fifteen percent (15%) of all revenue is required to be transferred to the ambulance capital improvement fund. Allocated revenue is 85% of receipts for ambulance billings and 31.7% of receipts for ambulance subscriptions.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

1.B--Basis of Presentation--Continued

Special Revenue Funds--Continued:

<u>Funds</u>	<u>Brief Description</u>
Emergency Siren Fund	Accounts for the per acre fees received when new subdivisions are platted as required by subdivision regulations. Funds are used for the acquisition and/or purchase of emergency sirens.
Cemetery Care Fund	Accounts for 12.5% of revenue from cemetery service fees (lot sales and interments). These funds may only be used for capital improvements to the cemetery.
Park Development Fund	Accounts for revenue received from building permit charges required by ordinance as in-lieu-of payments in subdivisions that do not donate park property. Funds are used for improvements to and development of the park system.
Emergency 911 Fund	Accounts for the revenue received from the emergency service fee on telephone bills. Funds are used to pay monthly service charges for the 911 system. Remaining funds may be used for any other emergency communications need.
Juvenile Court Fund	Accounts for fines generated as a result of prosecution of juveniles under the "Agreement for Municipal Court Jurisdiction Concerning Juveniles". Funds are used for local programs that address problems of juvenile crime.
Hotel Tax Fund	Accounts for a 3% tax to be used in economic development and promotion of tourism and a 2% tax designated to fund the Owasso Strong Neighborhoods Initiative.
Stormwater Management Fund	Established by ordinance to account for revenues derived from the storm water system service charge. Funds are used for expenses attributable to storm water management services.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

1.B--Basis of Presentation--Continued

Capital Project Fund: Capital Project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items. The reporting entity includes the following capital project funds:

<u>Funds</u>	<u>Brief Description</u>
Capital Improvement Fund	Accounts for the funds remaining from the one-cent capital improvements sales tax after payment of principal and interest on debt to fund capital projects. The expenditure items in this budget are based on priorities and recommendations established by the capital improvements committee and approved by the City Council.
Ambulance Capital Fund	Accounts for the fifteen percent (15%) of revenue from ambulance billings and ten percent (10%) of revenue from ambulance subscriptions transferred from the ambulance service fund. Expenditures are for ambulance capital outlay for the ambulance service.
Fire Capital Fund	Accounts for 31.7% of the revenue received from ambulance subscriptions. Expenditures are for capital outlay for the fire department.
Capital Project Grant Fund	Accounts for grant revenue from state and federal grants. Funds are used for infrastructure capital improvements as specified in grant contracts.

PROPRIETARY FUNDS:

Proprietary funds include both enterprise funds and internal service funds. Enterprise funds are used to account for business-like activities provided to the general public. Internal service funds are used to account for business-like activities provided and charged to other funds or entities within the reporting entity. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Non-operating revenues of the proprietary funds include such items as investment earnings, interest expense and subsidies. The reporting entity includes the following enterprise funds and internal service funds:

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

1.B--Basis of Presentation--Continued

Enterprise Funds:

<u>Funds</u>	<u>Brief Description</u>
Owasso Public Works Authority	Accounts for activities of the public trust in providing water, wastewater and refuse disposal services to the public.
Owasso Public Golf Authority	Accounts for activities of the public trust in providing recreational golf activities to the public.

Internal Service Funds:

<u>Funds</u>	<u>Brief Description</u>
City Garage Fund	Accounts for the financing of goods and services provided by one department to other departments of the City. The city garage bills for vehicle parts and services used by other departments.
General Liability / and Property Self-Insurance	Accounts for the funds reserved for payments of expenses of property claims and for collision repairs to city vehicles. The City carries only liability insurance on City vehicles.
Worker's Comp Self Insurance	Accounts for the funds reserved for the payment of expenses and administration for workers' compensation benefits for all City employees. Expenditures from this fund are approved by the City Council but, by ordinance, are not subject to limitations on spending amounts as are other City purchases.
Healthcare Self-Insurance	Accounts for the funds reserved for the payment of expenses and administration for healthcare benefits for all City employees. Plan is administered by a third party administrator.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

1.B--Basis of Presentation--Continued

COMPONENT UNITS:

The City has the following discretely presented component unit:

<u>Component Unit</u>	<u>Brief Description</u>
Owasso Economic Development Authority	Accounts for revenues and expenditures of the public trust used in establishing and operating economic development activities.

Major and Non-Major Funds: The funds are further classified as major or non-major as follows:

<u>Major Funds</u>	<u>Non-Major Funds</u>
General Fund	Special Revenue Funds: Ambulance Service Fund Emergency Siren Fund Cemetery Care Fund Park Development Fund Emergency 911 Fund Juvenile Court Fund Hotel Tax Fund Stormwater Management Fund
Enterprise Funds: Owasso Public Works Authority Owasso Public Golf Authority	Capital Project Funds: Capital Improvement Fund Ambulance Capital Fund Capital Projects Grants Fund Fire Capital Fund
	Internal Service Funds: City Garage Fund Workers' Comp Self-Insurance Fund General Liability / Property Self-Insurance Fund Health Care Self-Insurance Fund

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

1.C--Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe **how** transactions are recorded within the 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-type activities are presented using the economic resources measurement focus as defined in item 2, below.

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

1. All governmental fund types and similar component units 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.
2. Proprietary fund types and similar component units utilize 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, financial or nonfinancial) 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.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

1.C--Measurement Focus and Basis of Accounting--Continued

Basis of Accounting--Continued: In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the 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 (defined by the City as 60 days after year end) to pay current liabilities. Sales and use taxes, franchise taxes, hotel taxes, court fines, and interest are considered susceptible to accrual. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general long-term debt principal and interest, claims and judgments, and accrued compensated absences, which are recorded as expenditures to the extent they have matured. Proceeds of general long-term debt and capital leases are reported as other financial sources.

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.

1.D--Assets, Liabilities and Net Assets

Cash and Cash Equivalents: Cash and cash equivalents include all demand, savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less. Revenue bond and promissory note trust account investments in open-ended mutual fund shares are also considered cash equivalents and are reported at the funds' current share prices.

Investments: Investments consist of non-negotiable certificates of deposit whose original maturity term exceeds three months and investments in revenue anticipation notes. The non-negotiable certificates of deposit are carried at cost and investments in revenue anticipation notes are reported at fair value. Since the City's investments in revenue anticipation notes of the Owasso Public Works Authority and Owasso Public Golf Authority do not have readily determinable market prices and management intends to hold these investments to maturity, fair value has been determined to be equivalent to the cost of the investments.

Receivables: Material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in accordance with GASB 33 at the fund level. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available at the fund level.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

1.D--Assets, Liabilities and Net Assets--Continued

Receivables--Continued: Material receivables in proprietary funds consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories: The City has chosen to record consumable materials and supplies as expenditures in the governmental funds at the time of purchase, and year-end inventory on-hand is not material; therefore, no balances for inventory on-hand are reported on the balance sheet for such funds. However, in the Owasso Public Golf Authority, the golf pro shop and food/beverage inventory is recorded as an asset when purchased and expensed when consumed. Such inventory is valued at the lower cost or market. The City considers all other propriety fund inventory on-hand as immaterial and therefore they are expensed when purchased.

Capital Assets:

The accounting treatment of 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, property, plant and equipment are accounted for as capital assets. The City's capitalization threshold is \$5,000. 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. General infrastructure assets (such as roads, bridges, and traffic systems) acquired prior to July 1, 2002 are reported at estimated historical cost using deflated replacement costs. The cost of normal maintenance and repairs to these assets that do not add materially to the value of the assets or extend the assets' useful lives are not capitalized.

Depreciation of all exhaustible capital assets is recorded as an operating expense in proprietary fund financial statements and 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. The range of estimated useful lives by type of asset is as follow:

Buildings	20-100 years
Other improvements	20-100 years
Infrastructure	50-100 years
Equipment and vehicles	5-10 years

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

1.D--Assets, Liabilities and Net Assets--Continued

Capital Asset--Continued:

Fund Financial Statements: In the governmental fund financial statements, capital assets acquired are accounted for as capital outlay expenditures.

Restricted Assets: Restricted assets include current assets of enterprise funds and business-type activities that are legally restricted as to their use. The primary restricted assets are related to revenue bond and promissory note trustee accounts restricted for debt service and deposits held for refund.

Deferred Revenue: Revenue received prior to being earned is recorded as deferred revenue. Currently the City's deferred revenue consists of a portion of ambulance receivable, court receivable and grant receivable not collectible within 60 days, golf course gift certificates outstanding, and sales of patron cards for which cash was received during the current fiscal year but the service/goods were not yet used for their intended purpose.

Long-Term Debt: Accounting treatment of long-term debt varies depending upon the source of repayment and the measurement focus applied and whether the debt is reported in the government-wide or fund financial statements.

Government-Wide Statements: All long-term debt to be repaid from governmental activities, business-type activities, proprietary fund and component unit resources are reported as liabilities incurred. The long-term debt consists primarily of accrued compensated absences; capital leases payable, notes payable, and revenue bonds payable. This long-term debt is reported net of unamortized premiums, discounts, and amounts deferred from refundings.

Fund Financial Statements: Long-term debt of 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 proprietary funds is the same in the fund statements as it is in the government-wide statements.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

1.D--Assets, Liabilities and Net Assets--Continued

Compensated Absences: After a six month probationary period, all regular full-time and part-time employees are granted vacation benefits in amounts from 80 hours to 160 hours per year depending upon tenure with the City, with a maximum of 200 hours. After a twelve month probationary period, police officers are granted vacation benefits in amounts from 96 hours to 216 hours per year depending upon tenure with the City, with a maximum 500 hours. Firefighters accrue 144 vacation hours a year during the first year of employment, after a twelve month probationary period, firefighters are granted vacation benefits in amounts from 264 hours to 384 hours per year depending upon tenure with the City, with a maximum of 504 hours. All vacation benefits accumulate pro rata on a monthly basis. Accumulated vacation leave vests and the City is obligated to make payment even if the employee terminates.

Regular full-time and part-time employees accrue 96 hours of sick leave per year up to a maximum of 1,000 hours. Police officers accrue 111 hours of sick leave per year up to a maximum of 1,105 hours. Firefighters accrue 216 hours of sick leave per year up to a maximum of 1,440 hours. Sick leave benefits accumulate pro rata on a monthly basis. However, sick leave is not paid upon termination.

The estimated liabilities for vested benefits also include salary-related payments such as employment taxes. Compensated absences are reported as accrued in the government-wide, proprietary, fiduciary and component unit 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 bond, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted net assets - Consists of net assets with constraints placed on their 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.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

1.D--Assets, Liabilities and Net Assets--Continued

Equity Classifications--Continued:

Governmental Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balances of the government funds are classified as follows:

- a) Restricted - Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- b) Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the City through formal action of the highest level of decision making authority.
- c) Assigned - Includes fund balance amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent can be stipulated either through the governing body or by an official to whom the authority has been given.
- d) Unassigned - Includes the residual balance of the general fund that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The City uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City first uses committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" for the year ended June 30, 2011.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

1.E--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.

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 is not eliminated in the statement of activities.
3. Primary government and component unit activity and balances - resource flows between the primary government (the City, OPWA and OPGA) and the discretely-presented component unit (the Owasso Economic Development Authority) are reported as if they were external transactions.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

1.E--Internal and Interfund Balances and Activities--Continued

Fund Financial Statements:

Interfund activity, if any, within and among the governmental, proprietary fund and fiduciary 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.

1. F--Revenues, Expenditures and Expenses

Sales Tax: The City levies a three cent sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Oklahoma Tax Commission. The entire sales tax is recorded as revenue within the General Fund. Upon receipt the General Fund distributes the dedicated portion of the sales tax as follows:

- 3 cents transferred to the OPWA as required by revenue bond indentures; with
 - 1 cent used to retire principal and interest on OPWA debt with any remaining sales tax transferred to Capital Improvement Fund, followed by
 - 2 cents less payback agreements transferred back to the General Fund from the OPWA for operations.
 - ½ cent and 1 cent transferred to OPWA sales tax sub account for various development agreements

Sales tax resulting from sales occurring prior to year end and received by the City after year end has been accrued and is included under the caption *Due from Other Governments* because they represent taxes on sales occurring during the reporting period.

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 no property tax.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

1. F--Revenues, Expenditures and Expenses--Continued

Program Revenues: In the statement of activities, revenues that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following program revenues in each activity:

General government	Cemetery lot sales and interments, zoning fees, other fees, licenses and permits
Public safety	Fine and forfeiture revenue, court costs and fees, police and fire reports; operating and capital grants include U.S. Department of Justice and Federal Emergency Management Agency grants.
Highways and streets	Surcharge for streets; operating and capital grants and contributions from the U.S. Department of Housing and Urban Development, motor fuel and commercial vehicle revenues, and capital contributions from outside sources.
Culture and recreation	Park development fees and community center user fees.
Economic development	Surcharge for economic development
Stormwater	Stormwater system service charges.

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.

Expenditures/Expenses: In the government-wide statement of activities, expenses, including depreciation of capital assets, are reported by function or activity. In the governmental fund financial statements, expenditures are reported by class as current (further reported by function), capital outlay and debt service. In proprietary fund financial statements, expenses are reported by object or activity.

1.G--Use of Estimates

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

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

NOTE 2--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the City and its component units are subject to various federal, state and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

2.A--Deposits and Investments Laws and Regulations

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at no more than market value. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations, surety bonds or certain letters of credit. As required by 12 U.S.C.A., Section 1823 (e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee. As reflected in Note 3.A., the City's uninsured deposits were sufficiently collateralized in accordance with these provisions for the year ended June 30, 2011.

Investments of a city (excluding public trusts) are limited by state law to the following:

- 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 of Oklahoma 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) With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d) County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e) Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f) Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c., and d.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

2.A--Deposits and Investments Laws and Regulations--Continued

Public trusts created under O.S. Title 60, are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2011, the City and its public trusts complied in all material respects, with these investment restrictions.

2.B--Debt Restrictions and Covenants

General Long-Term Debt: As required by the Oklahoma State Constitution, the City, (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval. For the year ended June 30, 2011, no such debt was incurred by the City.

Revenue Bond and Promissory Note Debt: The various bond and note indentures relating to the revenue bond and promissory note issuances of the OPWA contain a number of restrictions or covenants that are financial related. These include covenants such as a required flow of funds through special accounts, required reserve account balances, and revenue bond debt service coverage requirements. The following schedule presents a brief summary of the most significant requirements and the OPWA's level of compliance thereon as of June 30, 2011.

<u>Requirement</u>	<u>Level of Compliance</u>
a. Reserve Account Requirement:	
1. 1999B OWRB Note Payable Balance to be \$38,000	Balance in account at June 30, 2011 is \$38,000
2. 2001B OWRB Note Payable: Balance to be \$125,500	Balance in account at June 30, 2011 is \$125,500
3. 2001C OWRB Note Payable: Balance to be \$68,000	Balance in account at June 30, 2011 is \$68,000
4. 2002B OWRB Note Payable: Balance to be \$118,048	Balance in account at June 30, 2011 is \$123,906
5. 2004 OWRB Note Payable: Balance to be \$235,000	Balance in account at June 30, 2011 is \$235,000
6. 2006 OWRB Note Payable: Balance to be \$386,500	Balance in account at June 30, 2011 is \$386,500
7. 2010 OWRB Note Payable: Balance to be \$65,500	Balance in account at June 30, 2011 is \$65,500

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

2.B--Debt Restrictions and Covenants--Continued

b. Revenue Bond Coverage:

- | | |
|--|--|
| <p>1. Net operating revenue plus pledged sales tax must equal 125% of maximum annual debt service on the 2004 OWRB Note.</p> | <p>Net revenues available, including sales tax transferred, amounted to \$15,065,425. The maximum annual debt service on the bonds and any subordinate debt amounted to \$4,390,394. Actual coverage was 343%.</p> |
| <p>2. Net operating revenue plus pledged sales tax must equal 125% of maximum annual debt service on the 1999A, 1999B, 2001A, 2001B, 2001C, 2002A, 2002B, 2006, 2009A, 2009B, 2009C and 2010 OWRB Notes, 2006 and 2007 Sales Tax Revenue Note.</p> | <p>Net revenues available, including sales tax transferred, amounted to \$14,473,178. The maximum annual debt service on the bonds and any subordinate debt amounted to \$4,390,394. Actual coverage was 330%.</p> |

2.C--Fund Equity/Net Asset Restrictions

Deficit Prohibition: Title 11, Section 17-211 of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund of the City (excluding public trusts). For the year ended June 30, 2011, the City incurred no deficit fund balances.

2.D--Budgetary Compliance

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

- a. Prior to June 1, the City manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1.
- b. Public hearings are conducted to obtain citizen comments. At least one public hearing must be held no later than 15 days prior to July 1.
- c. Subsequent to the public hearings but no later than seven days prior to July 1, the budget is adopted by resolution of the City Council.
- d. The adopted budget is filed with the Office of State Auditor and Inspector within 30 days of the start of the year.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

2.D--Budgetary Compliance--Continued

All funds of the City with revenues and expenditures are required to have annual budgets. The legal level of control at which expenditures may not legally exceed appropriations is the department level within a fund.

All supplemental appropriations require City Council approval. The City Manager may transfer appropriations between departments without City Council approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector.

In accordance with Title 60 of the Oklahoma State Statutes, the OPWA, the OPGA and the OEDA are required to prepare an annual budget and submit a copy to the City as beneficiary. However, there are no further requirements such as form of budget, approval of the budget or definition of a legal level of control.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

NOTE 3--DETAIL NOTES--TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues and expenditures/expenses.

3.A--Deposit and Investment Risks

Primary Government:

The City, including its blended component units, held the following deposits and investments at June 30, 2011:

	<u>Carrying Value</u>		
Deposits			
Demand deposits	\$ 7,339,803		
BNY Mellon Cash Reserve	<u>2,515,051</u>		
Total Deposits	<u>9,854,854</u>		
	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Maturity Date</u>
Investments			
Money Market Mutual Funds			
Federated Government Obligations Fund	1,496,714	AAAm	N/A
Revenue Anticipation Note (1)	<u>1,407,519</u>	N/A	9/1/2017
Total Investments	<u>2,904,233</u>		
Total Deposits and Investments	<u>\$ 12,759,087</u>		
Reconciliation to Statement of Net Assets			
Cash and cash equivalents	\$ 11,334,151		
Investments	<u>1,424,936</u>		
	<u>\$ 12,759,087</u>		

(1) This obligations of the OPWA has been purchased by the City. See repayment terms at Note 3.F.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

3.A--Deposit and Investment Risks--Continued

Custodial Credit Risk: Exposure to custodial credit risk related to deposits exists when the City holds deposits that are uninsured and uncollateralized; collateralized 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 100% of the uninsured deposits and accrued interest thereon. The investment policy also limits acceptable collateral to U.S. Treasury securities and direct debt obligations of municipalities, counties, and school districts in the State of Oklahoma. As required by federal 12 U.S.C.A., Section 1823 (e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee.

The bank balances of the City's deposits totaled \$7,282,501 at June 30, 2011. The difference between the carrying amount of deposits and the bank balance is due to outstanding checks. At June 30, 2011, the City does not believe that it had any exposure to custodial credit risk.

Investment Credit Risk: The City's investment policy limits investments to those allowed in state law applicable to municipalities. These investment limitations are described in Note 2.C. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations (rating agencies) as of the year end. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

As noted in the schedule of deposits and investments above, at June 30, 2011, all of the City's investments in debt securities were rated either AAAM by Standard and Poor's or Aaa by Moody's Investor Service.

Investment Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

3.A--Deposit and Investment Risks--Continued

As noted in the schedule of deposits and investments above, June 30, 2011, the investments held by the City mature September 2017.

Concentration of Investment Credit Risk: Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration.

At June 30, 2011, the City had no concentration of credit risk as defined above.

Component Units:

Total bank deposits of \$9,038 of the discretely presented component unit were insured with Federal Deposit Insurance Corporation Insurance. Total carrying value of the deposits was \$9,038.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

3.B--Accounts Receivable

Accounts receivable outstanding at June 30, 2011 consists of the following:

	<u>Governmental Activities</u>			
	Utility Billing	Fire and Emergency Service Billings	Hotel Taxes Due	Total
Accounts Receivable	\$ 67,827	\$ 472,819	\$ 26,924	\$ 567,570
Allowance for Uncollectible Accounts	-	(69,953)	-	(69,953)
Accounts receivables, net	<u>\$ 67,827</u>	<u>\$ 402,866</u>	<u>\$ 26,924</u>	<u>\$ 497,617</u>
	<u>Business-Type Activities</u>			
	Utility Billing	Golf Billing	Total	
Accounts Receivable	\$ 1,191,980	\$ -	\$ 1,191,980	
Allowance for Uncollectible Accounts	(361,794)	-	(361,794)	
Accounts receivables, net	<u>\$ 830,186</u>	<u>\$ -</u>	<u>\$ 830,186</u>	

3.C--Leasehold Receivables

During the year ended June 30, 2007, the City, through the Owasso Public Works Authority, entered into a lease purchase agreement with the Board of Education of Independent School District No. 9 (Owasso Public Schools) to acquire land owned by the City. Under the terms of the agreement, Owasso Public Schools agrees to pay to the City annual rental payments for the use of the land, and upon receipt of the annual payment, the City will transfer title equal to 1/12th of the tracts of land to Owasso Public Schools. The agreement is dated as of December 1, 2006, and the annual payments are due each August 15, beginning August 15, 2007, and commencing through August 15, 2018.

3.D--Restricted Assets

The amounts reported as restricted assets of the business-type activities are comprised of cash and investments held by the trustee bank on behalf of the Public Trusts (Authorities) related to their required revenue bond and promissory note accounts as described in Note 2.B, and deposits held for refund.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

3.D--Restricted Assets--Continued

The restricted assets as of June 30, 2011 were as follows:

<u>Restricted Cash and Cash Equivalents</u>	<u>Current</u>	<u>Noncurrent</u>	<u>Accrued Interest</u>
1999B Promissory Note Accounts:			
Debt Service Account	\$ 33,024	\$ -	\$ -
Reserve Account	-	38,000	-
2001B Promissory Note Accounts:			
Debt Service Account	103,332	-	-
Reserve Account	-	125,500	-
2001C Promissory Note Accounts:			
Debt Service Account	58,127	-	-
Reserve Account	-	68,000	-
2002B Promissory Note Accounts:			
Debt Service Account	65,458	-	-
Reserve Account	-	123,906	-
2004 Promissory Note Accounts:			
Debt Service Account	191,027	-	-
Reserve Account	-	235,000	-
2004 Revenue Note Trustee Accounts:			
Debt Service Account	134,544	-	-
2005 Revenue Note Trustee Accounts:			
Debt Service Account	136,482	-	-
2006 Promissory Note Account			
Debt Service Account	414,869	-	-
2006 Revenue Note Trustee Accounts			
Reserve Fund	-	386,500	-
2007 Revenue Note Trustee Accounts			
Debt Service Account	552,909	-	-
2008 Revenue Note Trustee Accounts			
Debt Service Account	44,918	-	-
2010 Promissory Note			
Debt Service Account	53,899	-	-
Reserve Account	-	65,500	-
Accrued interest receivable (all accounts)	-	-	43,666
Deposits held for refund	454,489	-	-
TOTAL RESTRICTED ASSETS	<u>\$ 2,243,078</u>	<u>\$ 1,042,406</u>	<u>\$ 43,666</u>

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

3.E--Capital Assets

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

	July 1, 2010	Additions	Disposals / Reductions	June 30, 2011
Governmental activities				
Non-depreciable				
Land	\$ 7,562,909	\$ -	\$ -	\$ 7,562,909
Construction in-progress	<u>3,683,985</u>	<u>2,803,084</u>	<u>(2,640,815)</u>	<u>3,846,254</u>
Total non-depreciable assets at historical cost	<u>11,246,894</u>	<u>2,803,084</u>	<u>(2,640,815)</u>	<u>11,409,163</u>
Depreciable				
Buildings	9,832,030	-	-	9,832,030
Improvements	6,317,267	-	-	6,317,267
Machinery and equipment	8,267,112	277,457	(44,978)	8,499,591
Infrastructure	<u>75,544,209</u>	<u>4,068,466</u>	<u>-</u>	<u>79,612,675</u>
Total depreciable assets at historical cost	<u>99,960,618</u>	<u>4,345,923</u>	<u>(44,978)</u>	<u>104,261,563</u>
Less accumulated depreciation				
Buildings	(1,928,926)	(220,589)	38,301	(2,111,214)
Improvements	(1,602,892)	(291,201)	-	(1,894,093)
Machinery and equipment	(4,016,111)	(701,685)	-	(4,717,796)
Infrastructure	<u>(24,927,186)</u>	<u>(2,184,003)</u>	<u>-</u>	<u>(27,111,189)</u>
Total accumulated depreciation	<u>(32,475,115)</u>	<u>(3,397,478)</u>	<u>38,301</u>	<u>(35,834,292)</u>
Net depreciable assets	<u>67,485,503</u>	<u>948,445</u>	<u>(6,677)</u>	<u>68,427,271</u>
Governmental activities capital assets, net	<u>\$ 78,732,397</u>	<u>\$ 3,751,529</u>	<u>\$ (2,647,492)</u>	<u>\$ 79,836,434</u>
Business-type activities:				
Non-depreciable				
Land	\$ 322,519	\$ -	\$ -	\$ 322,519
Construction-in-progress	<u>9,714,311</u>	<u>10,010,114</u>	<u>(4,954,482)</u>	<u>14,769,943</u>
Total non-depreciable assets at historical cost	<u>10,036,830</u>	<u>10,010,114</u>	<u>(4,954,482)</u>	<u>15,092,462</u>
Depreciable				
Buildings	2,711,380	-	-	2,711,380
Improvements	3,555,983	-	-	3,555,983
Machinery and equipment	3,417,152	41,450	(10,709)	3,447,893
Infrastructure	<u>65,000,562</u>	<u>5,484,295</u>	<u>-</u>	<u>70,484,857</u>
Total depreciable assets at historical cost	<u>74,685,077</u>	<u>5,525,745</u>	<u>(10,709)</u>	<u>80,200,113</u>
Less accumulated depreciation				
Buildings	(1,121,135)	(48,814)	-	(1,169,949)
Improvements	(1,516,287)	(58,248)	-	(1,574,535)
Machinery and equipment	(1,574,657)	(268,672)	10,709	(1,832,620)
Infrastructure	<u>(23,435,234)</u>	<u>(941,096)</u>	<u>-</u>	<u>(24,376,330)</u>
Total accumulated depreciation	<u>(27,647,313)</u>	<u>(1,316,830)</u>	<u>10,709</u>	<u>(28,953,434)</u>
Net depreciable assets	<u>47,037,764</u>	<u>4,208,915</u>	<u>-</u>	<u>51,246,679</u>
Business-type activities capital assets, net	<u>\$ 57,074,594</u>	<u>\$ 14,219,029</u>	<u>\$ (4,954,482)</u>	<u>\$ 66,339,141</u>

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

3.E--Capital Assets--Continued

Depreciation expense was charged to functions in the statement of activities as follows:

Depreciation expense charged to governmental activities:

General government	\$ 268,355
Public safety	561,952
Streets and highways	2,042,418
Culture and recreation	265,295
Economic development	1,587
Stormwater	<u>248,587</u>
sub-total	3,388,194

In addition, depreciation on capital assets held by the City's internal service funds is charged to the various functions based on their usage of the assets	<u>9,284</u>
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Total Governmental Activities Depreciation Expense	<u>\$ 3,397,478</u>
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Depreciation expense charged to business-type activities:

Water	\$ 372,670
Refuse	120,213
Wastewater	746,380
Recycle center	1,502
Golf course	<u>76,065</u>

Total Business-Type Activities Depreciation Expense	<u>\$ 1,316,830</u>
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NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

3.F--Long Term Debt

The reporting entity's long-term debt is segregated by the amounts involving governmental activities, business-type activities and component units

Governmental Activities Long-Term Debt:

At June 30 2011, the governmental activities long-term debt consisted of the following:

Accrued Compensated Absences:

Accrued compensated absences reported in the governmental activities are comprised of accrued vacation and comp time.

Current portion	\$ 389,465
Non-current portion	<u>398,820</u>
Total Accrued Compensated Absences	<u>\$ 788,285</u>

Risk Management Claims Liability:

Risk management claims liability related to self-insurance

Current portion	\$ 462,119
Non-current portion	<u>480,981</u>
Total Risk Management Claims Liability	<u>\$ 943,100</u>

Other Postemployment Benefits Obligation:

Net obligation for medical insurance benefits for retired employees

Non-current portion	<u>\$ 155,211</u>
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Total Governmental Activities Long-Term Debt:

Current portion	\$ 851,584
Non-current portion	<u>1,035,012</u>
Total Governmental Activities Long-Term Debt	<u>\$ 1,886,596</u>

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

3.F--Long Term Debt--Continued

Business-Type Activities Long-Term Debt:

As of June 30, 2011, the long-term debt payable from enterprise fund resources consisted of the following:

Enterprise Funds

Notes Payable:

1999A OWRB Note Payable, dated June 30, 1999, original amount of \$931,610 with an administration fee of 0.5%, semiannual installments of principal and administration fee, final maturity August 15, 2018.	\$ 358,311
1999B OWRB Note Payable, dated June 30, 1999, original amount of \$570,000 with an annual variable interest rate, semiannual installments of principal and interest, final maturity September 1, 2019.	331,600
2001A OWRB Note Payable, dated June 27, 2001, original amount of \$1,029,535 with an administration fee of 0.5%, semiannual installments of principal and administration fee, final maturity February 15, 2021.	514,769
2001B OWRB Note Payable, dated June 27, 2001, original amount of \$1,805,000 with an annual variable interest rate, semiannual installments of principal and interest, final maturity September 1, 2019.	1,095,100
2001C OWRB Note Payable, dated June 27, 2001, original amount of \$1,005,000 with an annual variable interest rate, semiannual installments of principal and interest, final maturity September 1, 2019.	593,300
2002A OWRB Note Payable, dated December 30, 2002, original amount of \$886,418 with an administration fee of 0.5%, semiannual installments of principal and administration fee, final maturity August 15, 2022.	509,690
2002B OWRB Note Payable, dated December 30, 2002, original amount of \$1,550,000 with an annual variable interest rate, semiannual installments of principal and interest, final maturity September 15, 2022.	1,080,000
2004 OWRB Note Payable, dated May 12, 2004, original amount of \$2,350,000 with an annual variable interest rate, semiannual installments of principal and interest, final maturity September 1, 2015.	1,115,000
2006 OWRB Drinking Water SRF Promissory Note, dated March 8, 2006, original amount of \$4,853,250 fixed interest rate of 3.55%, semiannual installments of principal and interest, final maturity September 15, 2026.	3,112,980
2006 Promissory Note Payable, Ator land, dated December 14, 2006, original amount of \$1,865,000 with an interest rate of 3.925%; annual installments of principal and interest; final maturity September 1, 2018	1,335,000
2009A OWRB Note Payable, dated December 8, 2009, original amount of \$1,785,000 with an interest rate of 2.22% plus administration fee of 0.5%; semiannual installments of principal, interest and administration fee; final maturity September 15, 2030	1,537,771
2009B OWRB Note Payable, dated December 8, 2009, original amount of \$10,795,000 with an interest rate of 2.28% plus administration fee of 0.5%; semiannual installments of principal, interest and administration fee; final maturity September 15, 2031	9,624,366
2009C OWRB Note Payable, dated December 8, 2009, original amount of \$4,510,000 with an interest rate of 2.25% plus administration fee of 0.5%; semiannual installments of principal, interest and administration fee; final maturity March 15, 2031	3,909,236
2010 OWRB Note Payable, dated June 16, 2010, original amount of \$655,000 with an annual variable interest rate; annual installments of principal and interest; final maturity October 1, 2019	<u>655,000</u>
Total Notes Payable	25,772,123
Less: Unamortized loss on 2004 refunding	(16,890)
Plus: Unamortized premium on refinancing	<u>26,467</u>
Net notes payable	<u>\$ 25,781,700</u>
Current portion	\$ 992,283
Non-current portion	<u>24,789,417</u>
Net notes payable	<u>\$ 25,781,700</u>

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

3.F--Long Term Debt--Continued

Business-Type Activities Long-Term Debt, Continued:

Enterprise Funds, Continued

Revenue Notes Payable:

Series 2004 Sales Tax Revenue Note Payable dated December 22, 2004, issued by Owasso Public Works Authority, secured by pledged sales tax revenues, original amount of \$10,000,000 with an annual interest rate of 3.25%, semiannual principal payments varying from \$570,000 to \$800,000 with final maturity on November 15, 2011	800,000
Series 2005 Sales Tax Revenue Note Payable dated October 24, 2005, issued by Owasso Public Works Authority, secured by pledged sales tax revenues, original amount of \$10,000,000 with an annual interest rate of 3.675%, semiannual principal payments varying from \$600,000 to \$805,000, with final maturity on December 1, 2012	2,370,000
Series 2006 Sales Tax Revenue Note Payable dated November 27, 2006, issued by Owasso Public Works Authority, secured by pledge of sales tax and water system revenues, original amount of \$3,865,000 with an annual interest rate of 3.8%, annual principal payments varying from \$300,000 to \$420,000 due each July 1 with final maturity July 1, 2017, proceeds of note used to currently refund the Series 1996 Revenue Bonds	2,625,000
Series 2007 Sales Tax Revenue Note Payable dated September 1, 2007, issued by Owasso Public Works Authority, secured by pledge of sales tax and water system revenues, original amount of \$10,000,000 with an annual interest rate of 4.08%, semiannual principal payments varying from \$625,000 to \$815,000 due each March 1 with final maturity September 1, 2014	5,360,000
Series 2008 Sales Tax Revenue Note Payable dated December 1, 2008, issued by Owasso Public Works Authority, secured by pledge of sales tax and water system revenues, original amount of \$7,680,000 with an annual interest rate of 4.60%, semiannual principal payments varying from \$100,000 to \$585,000 due each June 1 and December 1 with final maturity December 1, 2018	7,200,000
Revenue Note Payable dated August 21, 2007, issued by Owasso Public Works Authority, original amount not to exceed \$3,500,000 with an annual interest rate of 4%, semiannual principal payments varying from \$80,000 to \$122,519 with final maturity on September 1, 2017. This note was purchased as an investment by the City of Owasso.	<u>1,407,519</u>
Total Revenue Notes Payable	19,762,519
Less: Unamortized loss on 2004 refunding and 1996 revenue bonds defeasance	<u>(64,197)</u>
Net Revenue Notes Payable	<u>\$ 19,698,322</u>
Current portion	4,875,000
Noncurrent portion	<u>14,823,322</u>
Net Revenue Notes Payable	<u>\$ 19,698,322</u>

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

3.F--Long Term Debt--Continued

Changes in Long-Term Debt:

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

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011	Amount Due Within One Year
Governmental Activities:					
Net OPEB obligation	\$ -	\$ 155,211	\$ -	\$ 155,211	\$ -
Accrued compensated absences	735,243	416,044	(363,002)	788,285	389,465
Risk management claims liability	1,131,400	3,330,445	(3,518,745)	943,100	462,119
Total Governmental Activities	<u>\$ 1,866,643</u>	<u>\$ 3,901,700</u>	<u>\$ (3,881,747)</u>	<u>\$ 1,886,596</u>	<u>\$ 851,584</u>
Business-Type Activities:					
Revenue notes payable	\$ 24,859,650	\$ -	\$ (5,161,328)	\$ 19,698,322	\$ 4,875,000
Notes payable	16,883,129	9,799,429	(900,858)	25,781,700	992,283
Deposits subject to refund	417,735	121,180	(84,426)	454,489	84,426
Net OPEB obligation	-	39,685	-	39,685	-
Accrued compensated absences	61,136	22,920	(30,109)	53,947	26,569
Total Business Type Activities	<u>\$ 42,221,650</u>	<u>\$ 9,983,214</u>	<u>\$ (6,176,721)</u>	<u>\$ 46,028,143</u>	<u>\$ 5,978,278</u>

Debt Service Requirements to Maturity- Primary Government:

The annual debt service requirements to maturity for long-term debt as of June 30, 2011 are as follows:

Year Ending June 30,	Business-Type Activities			
	Revenue Note Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2012	\$ 4,875,000	\$ 762,943	\$ 992,283	\$ 335,315
2013	3,760,000	578,737	1,012,788	307,537
2014	3,080,000	438,266	1,038,490	276,911
2015	2,395,000	306,982	1,074,396	242,580
2016	1,665,000	220,421	1,100,515	204,933
2017-2021	3,987,519	234,671	3,887,854	578,763
2022-2026	-	-	1,465,283	152,574
2027	-	-	129,141	2,292
	<u>19,762,519</u>	<u>2,542,020</u>	<u>10,700,750</u>	<u>2,100,905</u>
Construction loans	-	-	15,071,373	-
	<u>\$ 19,762,519</u>	<u>\$ 2,542,020</u>	<u>\$ 25,772,123</u>	<u>\$ 2,100,905</u>

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

3.G--Non-Commitment Special Assessment Debt

Pursuant to an agreement dated February 18, 1998, between the Tulsa County Sewer Improvement District No. 6 and the City, the District was consolidated into the City. Prior to this agreement, the District issued \$100,000 of special assessment bonds in May 1996 to finance certain sewer system improvements relating to Tulsa County Sewer Improvement District No. 6. The bonds issued are to be paid on or before May 2017. Interest is paid at a rate of 7% per annum payable semi-annually on the first days of May and November. The bonds may be called for payment on or before May 1, 2017, whenever the City Clerk has funds available from assessments levied and received.

The assessment bonds are payable in cash solely from assessments which have been levied upon the land benefited by the sewer system improvement including interest and penalties as provided by state law. The City acts only as an agent to collect said assessments and the bonds, in no event, shall become a liability of the City.

Original Special Assessment Bonds Outstanding	\$ 100,000
Less: Principal paid through June 30, 2011	<u>(100,000)</u>
Special Assessment Bonds Outstanding at June 30, 2011	<u>\$ -</u>

3.H--Interfund Balances and Activities

Interfund receivables and payables at June 30, 2011 consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Nature of Interfund Balance</u>
General Fund	OPGA	\$ 2,367,106	negative share of pooled cash
General Fund	Capital Grants Project Fund	238,008	negative share of pooled cash
OPWA	OPGA	646,854	negative share of pooled cash
OPWA	General Fund	847,224	sales tax per debt indentures
City Garage	OPWA	7,597	garage billing for services
City Garage	General Fund	15,480	garage billing for services
City Garage	Ambulance Service Fund	1,204	garage billing for services

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

3.H--Interfund Balances and Activities--Continued

Interfund transfers for the year ended June 30, 2011 consist of the following:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Nature of Transfer</u>
General Fund	Cemetery Care Fund	\$ 1,769	12.5% of cemetery lot sales and internments
General Fund	OPWA	17,602,952	Pledged sales tax per debt indentures
Ambulance Service Fund	Fire Capital Improvement Fund	53,073	Budgeted transfer per ordinance
Ambulance Service Fund	Ambulance Capital Fund	135,657	Budgeted transfer per ordinance
OPWA	General Fund	10,997,432	Pledged sales tax per debt indenture
OPWA	Capital Improvement Fund	400,000	Capital improvements
OPWA	Stormwater	785,241	Development
OPWA	General Fund	500,000	Administrative functions
Stormwater	OPWA	234,801	Debt Service

3.I--Fund Balances and Net Assets

Committed Fund Balance: Fund balance classifications at June 30, 2011, include amounts committed for various purposes as detailed in the balance sheet for governmental funds. The City committed these balances through adoption of various City ordinances.

Assigned Fund Balance: Fund balance classifications at June 30, 2011, include amounts assigned to a Homeowners' Association by the City Manager.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

3.I--Fund Balances and Net Assets--Continued

Restricted Net Assets: Restricted net assets relate to revenue bond and promissory note trustee accounts. Balances at June 30, 2011, are as follows:

Debt service account- 1999B	\$ 33,024
Reserve account- 1999B	38,000
Debt service account- 2001B	103,332
Reserve account- 2001B	125,500
Debt service account- 2001C	58,127
Reserve account- 2001C	68,000
Debt service account- 2002B	65,458
Reserve account- 2002B	123,906
Debt service account- 2004	191,027
Reserve account- 2004	235,000
Revenue note account- 2004	134,544
Revenue note account- 2005	136,482
Debt service account- 2006	414,869
Revenue note account- 2006	386,500
Revenue note account-2007	552,909
Revenue note account-2008	44,918
Debt service account- 2010	53,899
Reserve account- 2010	65,500
Interest receivable	<u>43,666</u>
Subtotal	2,874,661
Less: Amounts payable from restricted assets - accrued interest	<u>(422,040)</u>
Restricted for Debt Service	<u>\$2,452,621</u>

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

NOTE 4--OTHER NOTES

4.A--Employee Pension and Other Benefit Plans

The City participates in four employee pension systems as follows:

<u>Name of System</u>	<u>Type of System</u>
Oklahoma Police Pension and Retirement System	Cost-Sharing Multiple Employers' Public Employees Retirement System - Defined Benefit Plan
Oklahoma Firefighter's Pension and Retirement System	Cost-Sharing Multiple Employers' Public Employees Retirement System - Defined Benefit Plan
Oklahoma Municipal Retirement Fund	Agent Multiple Employer Defined Benefit Plan
Oklahoma Municipal Retirement Fund	Agent Multiple Employer Defined Contribution Plan

Oklahoma Police and Firefighter's Pension and Retirement System:

The City participates in two statewide cost-sharing multi-employer defined benefit plans on behalf of City Police and Firefighters. Both the Police and the Firefighter's systems are funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The following table provides the eligibility factors, contribution methods and benefit provisions for the Police and Firefighter's pension and retirement systems:

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

4.A--Employee Pension and Other Benefit Plans--Continued

Oklahoma Police and Firefighter's Pension and Retirement Systems--Continued:

	<u>Oklahoma Police Pension and Retirement System</u>	<u>Oklahoma Firefighters' Pension and Retirement System</u>
Obtaining separately issued financial statements	Police Pension and Retirement 1001 N.W. 63rd Street, Suite 605 Oklahoma City, OK 73116-7335	Firefighters' Pension and Retirement 4545 N. Lincoln Blvd., Suite 265 Oklahoma City, OK 73105-3414
Authority establishing contributon obligations and benefits	State Statute. The authority to establish and amend benefit provisions and contribution requirements rests with the state legislature.	State Statute. The authority to establish and amend benefit provisions and contribution requirements rests with the state legislature.
Eligibility to participate	All full-time officers employed by a participating municipality; age not less than 21 nor more than 45 when accepted for membership	All full-time firefighters of participating municipalities and fire protection districts; minimum age 18, maximum age 45 when accepted for membership
Member contributions	8% of base salary. However, the City's contract with the union, provides that the member contribution will be 4%.	8% of base salary.
Employer contributions	13% of eligible salary. However, the City's contract with the union provides that the employer contribution will be 17%.	13% of eligible salary for each firefighter.
Benefit Provisions	The Police System provides defined retirement benefits based on members' final average compensation, age and terms of service. In addition, the Police System provides for death and disability benefits. Title 11 of the Oklahoma Statutes, Section 50-101 defines all retirement benefits.	The Firefighter's System provides defined retirement benefits based on members' final average compensation, age and terms of service. In addition, the Firefighter's System provides for death and disability benefits. Title 11 of the Oklahoma Statutes, Section 49-101 defines all retirement benefits.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

4.A--Employee Pension and Other Benefit Plans--Continued

Oklahoma Police and Firefighter's Pension and Retirement Systems--Continued:

For the year ended June 30, 2011, the State of Oklahoma contributed approximately \$221,000 to the Oklahoma Police Pension and Retirement System on behalf of the City. The State of Oklahoma also contributed approximately \$725,000 on behalf of the City to the Oklahoma Firefighter's Pension and Retirement System. These amounts have been recorded as both a revenue and expenditure of the governmental activities and General Fund in the financial statements.

B--Trend Information:

City contributions required by State statute were as follows:

Fiscal Year	Oklahoma Police Pension and Retirement System		Oklahoma Firefighter's Pension and Retirement System	
	Required Contribution	Percentage Contributed	Required Contribution	Percentage Contributed
2009	285,192	100%	332,161	100%
2010	311,099	100%	416,010	100%
2011	218,903	100%	294,819	100%

Trend information showing the progress of the Systems in accumulating sufficient assets to pay benefits when due is presented in their respective separate annual financial reports.

C. Related Party Investments:

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

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

4.A--Employee Pension and Other Benefit Plans--Continued

Oklahoma Municipal Retirement Fund-Defined Benefit Plan:

A. Plan Description Eligibility Factors, Contribution Methods, and Benefit Provision:

1. Plan Description:

Effective July 1, 1972, the City began contributing to the City of Owasso and Owasso Public Works Authority Plan and Trust in the form of The Oklahoma Municipal Retirement System Master Defined Benefit Plan and Trust, an agent multiple employer-defined benefit plan, for all eligible employees except for those covered by the Police and Firefighter Pension Systems. Administration of the City's individual plan rests with the City Council. The overall operations of OMRF are supervised by a nine-member Board of Trustees elected by the participating municipalities. JP Morgan Chase Bank, N.A. of Oklahoma City acts as administrator and securities custodian. OMRF issues separate plan financial statements which may be obtained by contacting the Oklahoma Municipal Retirement Fund, 100 N. Broadway, Oklahoma City, Oklahoma 73102.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

4.A--Employee Pension and Other Benefit Plans--Continued

Oklahoma Municipal Retirement Fund-Defined Benefit Plan--Continued:

A. Plan Description Eligibility Factors, Contribution Methods, and Benefit Provision, Continued:

2. Eligibility Factors, Contribution Methods, and Benefit Provisions:

<u>Provisions</u>	<u>OMRF Plan</u>
a. Eligible to Participate	All regular, full-time employees except police, firefighters and other employees covered under an approved system.
b. Contribution Requirements:	
- Authorization	By City Ordinance
- Actuarially Determined	Yes
- Employer Rate	8.83% of covered payroll
- Employee Rate	4.26% of gross pay
c. Period Required to Vest	5 years of credited service
d. Eligibility for Distribution	- Normal retirement at age 65 with 5 years of service or age 62 with 30 years of service - Early retirement at age 55 with 5 years of service - Disability retirement upon disability with 5 years of service - Death benefit with 5 years of service
e. Benefit Determination Base	Final average salary-the average of the five highest consecutive annual salaries out of the last 10 calendar years of service.
f. Benefit Determination Methods:	
- Normal Retirement	2.625% of final average salary multiplied by credited years of service.
- Early Retirement	Actuarially reduced benefit based upon age and years of service at termination
- Disability Retirement	Same as normal retirement
- Death Benefit	50% of employee's accrued benefit, but terminate upon spouse re-marriage.
- Prior to 5 Years Service	Return of employee contributions with accrued interest.
g. Form of Benefit Payments	Normal form is a 60-month certain and life thereafter basis.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

4.A--Employee Pension and Other Benefit Plans--Continued

Oklahoma Municipal Retirement Fund-Defined Benefit Plan--Continued:

B. Annual Pension Costs:

1. Current Year Contribution Information:

For the year ended June 30, 2011, the City's annual pension cost of \$436,293 was equal to actual contributions made by the City.

2. Actuarial Assumptions:

Date of Last Actuarial Valuation	January 1, 2011
Actuarial Cost Method	Entry age normal cost method
Rate of Return on Investments	7.5%
Projected Salary Increase	Average of 5%
Post Retirement Cost-of-Living Increase	N/A
Inflation Rate	Separate inflation rate not available; inflation included in projected salary increase.
Amortization Method of Unfunded Actuarial Accrued Liability	Level dollar
Remaining Amortization Period	Unfunded actuarial liabilities are amortized over 30 years
Asset Valuation Method	Actuarial method

C. Trend Information:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2009	\$ 359,183	100%	\$ -
June 30, 2010	\$ 461,060	100%	\$ -
June 30, 2011	\$ 436,293	100%	\$ -

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

4.A--Employee Pension and Other Benefit Plans--Continued

Oklahoma Municipal Retirement Fund-Defined Benefit Plan--Continued:

D. Funded Status and Funding Progress:

The funded status of the plan as of the date of the most recent actuarial valuation was as follows:

	<u>January 1, 2011</u>
Actuarial accrued liability (AAL)	\$ 9,539,179
Actuarial value of plan assets	<u>8,449,766</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,089,413</u>
Funded ratio (actuarial value of plan assets/AAL)	88.6%
Covered payroll (active plan members)	\$ 5,033,749
UAAL as a percentage of covered payroll	21.6%

Defined Contribution Plan-OMRF:

The City has also provided a defined contribution plan and trust known as the City of Owasso Plan and Trust in the form of The Oklahoma Municipal Retirement System Master Defined Contribution Plan (OMRF). OMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. The plan is administered by JP Morgan Chase Bank, N.A. The defined contribution plan is available to all full-time employees. Benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate upon hire, and may make contributions to the plan. Based upon employee contributions, the City's contributions vary from 0%-1% of covered payroll. The City's contributions for each employee (and interest allocated to the employee's account) are vested at a rate of 40% after two years and then 20% per year for the next three years. The employee is fully vested after 5 years of service. City contributions for, and interest forfeited by, employees who leave employment prior to fully vesting are allocated back to the City. The authority to establish and amend the provisions of the plan rests with the City Council.

For the year ended June 30, 2011, the following amounts related to the defined contribution plan:

Employee contributions	\$113,093
City contributions	\$ 56,547

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

4.B--Other Post-Employment Benefits

Plan Description:

The City provides medical insurance benefits to eligible retired employees until age 65. As of June 30, 2011, there were 222 active employees receiving health insurance benefits and 7 retirees receiving insurance benefits. The plan is a single-employer defined benefit plan that does not issue a stand-alone financial report, nor is it included in the financial report of another entity.

Funding Policy:

The contribution requirements are established and may be amended by the City Council.

Annual OPEB Cost:

The annual OPEB cost and net obligation for 2011 is as follows:

Annual required contribution	\$ 278,532
Interest on net OPEB obligation	(1,556)
Adjustment to annual required contribution	<u>4,795</u>
Annual OPEB cost	281,771
Contribution made	<u>(47,973)</u>
Decrease (Increase) in net OPEB obligation (asset)	233,798
Net OPEB obligation (asset) at beginning of year	<u>(38,902)</u>
Net OPEB obligation (asset) at end of year	<u><u>\$ 194,896</u></u>

OPEB Obligation (asset) included in the financial statements as follows:

Governmental Activities	\$ 155,211
Business-Type Activities	<u>39,685</u>
	<u><u>\$ 194,896</u></u>

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

4.B--Other Post-Employment Benefits--Continued

Trend Information:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
2009	\$ 29,483	204%	\$ (30,569)
2010	\$ 28,260	129%	\$ (38,902)
2011	\$ 281,771	17%	\$ 194,896

Funded Status and Funding Progress:

The funded status of the plan as of June 30 was as follows:

Actuarial accrued liability (AAL)	2011 \$ 1,286,240
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,286,240</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$ 8,870,000
UAAL as a percentage of covered payroll	14.5%

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

4.C--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; employees' health and life; and natural disasters. The City manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
General Liability: - Torts - Errors and omissions - Police liability - Vehicle	Self-insured effective November 2003.	Entire risk of loss retained in self-insurance fund.
Physical Property: - Theft - Damage to assets - Natural disasters	Property is fully insured by commercial carrier.	\$25,000 deductible
Workers Compensation: - Employee injuries	Self-insured within limits of Oklahoma worker's compensation laws.	Specific retention of \$750,000 per accident or disease with employer liability of \$1,000,000 per accident or disease.
Health: - Medical - Dental - Vision	Self-insured effective July 2004	Stop loss of \$100,000 per employee per plan year. Third party administrator is AETNA.

Claims Liability Analysis: The claims liabilities related to the above noted risks of loss that are retained are determined in accordance with the requirements of Statement of Financial Accounting Standards No. 5, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

4.C--Risk Management--Continued

For the risk management internal service self-insurance funds, changes in the claims liability for the City from July 1, 2009 to June 30, 2011 are as follows

	Worker's Compensations	General Liability / Property	Healthcare	Total Internal Service
Claims liability and related payables, June 30,2009	\$ 1,077,000	\$ 48,900	\$ 264,900	\$ 1,390,800
Claims incurred and changes in estimates	138,690	467	3,137,999	3,277,156
Claims paid	<u>(393,690)</u>	<u>28,633</u>	<u>(3,171,499)</u>	<u>(3,536,556)</u>
Claims liability and related payables, June 30,2010	822,000	78,000	231,400	1,131,400
Claims incurred and changes in estimates	120,928	(77,256)	3,286,773	3,330,445
Claims paid	<u>(256,928)</u>	<u>(744)</u>	<u>(3,261,073)</u>	<u>(3,518,745)</u>
Claims liability and related payables, June 30,2011	<u>\$ 686,000</u>	<u>\$ -</u>	<u>\$ 257,100</u>	<u>\$ 943,100</u>
Assets available to pay claims at June 30, 2011	<u>\$ 826,031</u>	<u>\$ -</u>	<u>\$ 3,776</u>	<u>\$ 829,807</u>

The City has elected to retain significant retained earnings in the internal service self-insurance funds as a reserve for catastrophes.

The City maintains a stop-loss policy for plans to limit risk associated with the self-insured plans. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have exceeded insurance coverage for the current year or prior year.

4.D--Commitments and Contingencies

Commitments:

The City has various construction contracts at year-end. A substantial amount of these commitments are being financed through the proceeds of revenue notes payable and other notes payable. At June 30, 2011, the City had several significant outstanding commitments on contract in excess of \$1,000,000. The total contract amounts were approximately \$8.8 million, and the remaining balance on those contracts totaled approximately \$5.8 million.

Contingencies:

Grant Program Involvement: In the normal course of operations, the City participates in various federal or state grant/loan programs from year to year. 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. Any liability of 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.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

4.D--Commitments and Contingencies--Continued

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 accrual 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. This statutory taxing ability is not available to the City's public trusts (Authorities). As of June 30, 2011, the City has established a sinking fund for judgments against it in the amount of approximately \$293,830.

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.

NOTE 5--FUTURE ACCOUNTING PRONOUNCEMENTS

The following accounting standards have been recently issued and will be adopted as applicable by the City in future years.

In 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Early implementation is encouraged. Management is still evaluating the effect this Statement will have on the City's financial statements.

REQUIRED SUPPLEMENTARY INFORMATION
 CITY OF OWASSO, OKLAHOMA
 SCHEDULE OF PENSION PLAN FUNDING PROGRESS
 June 30, 2011

OMRF Agent Multiple Employer Defined Benefit Pension Plan- Schedule of Funding Progress

Required Supplementary Information- Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>(1) Actuarial Accrued Liability (AAL)</u>	<u>Unfunded (Overfunded) AAL</u>	<u>Funded Ratio</u>	<u>(2) Covered Payroll</u>	<u>Unfunded (Overfunded) AAL as a Percentage of Covered Payroll</u>
1/1/2002	3,558,663	3,731,560	172,897	95.4%	3,420,346	5.1%
1/1/2003	3,574,131	3,961,096	386,965	90.2%	3,014,261	12.8%
1/1/2004	4,011,597	4,625,225	613,628	86.7%	3,239,801	18.9%
1/1/2005	4,573,934	5,050,783	476,849	90.6%	3,424,432	13.9%
1/1/2006	5,156,217	5,625,109	468,892	91.7%	3,929,968	11.9%
1/1/2007	5,998,573	6,328,244	329,671	94.8%	4,309,308	7.7%
1/1/2008	6,809,993	7,087,779	277,786	96.1%	4,462,389	6.2%
1/1/2009	6,931,144	7,862,597	931,453	88.2%	5,212,213	17.9%
1/1/2010	7,607,668	8,796,026	1,188,358	86.5%	5,229,822	22.7%
1/1/2011	8,449,766	9,539,179	1,089,413	88.6%	5,033,749	21.6%

(1) Actuarial accrued liability determined under the entry age normal cost method.

(2) Covered Payroll is the total annualized rate of pay as of the valuation date based on actual pay for the preceding year and not the actual covered payroll during the fiscal year.

See independent auditors' report as it relates to required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF OWASSO, OKLAHOMA

SCHEDULE OF OTHER POST-EMPLOYMENT BENEFIT OBLIGATION PROGRESS

June 30, 2011

Other Post-Employment Benefit Obligation

Required Supplementary Information- Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>(1) Actuarial Accrued Liability (AAL)</u>	<u>Unfunded (Overfunded) AAL</u>	<u>Funded Ratio</u>	<u>(2) Covered Payroll</u>	<u>Unfunded (Overfunded) AAL as a Percentage of Covered Payroll</u>
7/1/2008	\$ -	\$ 170,096	\$ 170,096	0.0%	\$ 8,000,000	2.1%
7/1/2010	\$ -	\$ 1,286,240	\$ 1,286,240	0.0%	\$ 8,870,000	14.5%

(1) Actuarial accrued liability determined under the entry age normal cost method.

(2) Covered Payroll is the total annualized rate of pay as of the valuation date based on actual pay for the preceding year and not the actual covered payroll during the fiscal year.

See independent auditors' report as it relates to required supplementary information.

BUDGETARY COMPARISON SCHEDULE -- GENERAL FUND

CITY OF OWASSO, OKLAHOMA

For the fiscal year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Resources (Inflows):	\$ 1,736,718	\$ 1,972,160	\$ 3,519,842	\$ 1,547,682
Add: Budget C/O	-	70,096	-	-
	<u>1,736,718</u>	<u>2,042,256</u>	<u>3,519,842</u>	<u>1,547,682</u>
TAXES:				
Sales Tax	16,830,000	17,528,943	17,602,952	74,009
Use Tax	555,000	555,000	529,662	(25,338)
Franchise Tax	1,015,200	1,015,200	1,024,470	9,270
Total Taxes	<u>18,400,200</u>	<u>19,099,143</u>	<u>19,157,084</u>	<u>57,941</u>
INTERGOVERNMENTAL:				
Alcoholic beverage tax	32,000	32,000	31,649	(351)
Commercial vehicle	132,000	132,000	132,362	362
Gas excise tax	52,000	52,000	53,925	1,925
Cigarette/tobacco tax	235,200	235,200	255,181	19,981
Grant revenue	452,300	1,912,526	94,965	(1,817,561)
Total Intergovernmental	<u>903,500</u>	<u>2,363,726</u>	<u>568,082</u>	<u>(1,795,644)</u>
CHARGES FOR SERVICES:				
Surcharge for economic development	7,560	7,560	7,764	204
Surcharge for streets	129,600	129,600	130,389	789
Rents, fees and other charges	370,500	376,300	379,463	3,163
OPWA Administrative Overhead	500,000	500,000	500,000	-
Total Charges for Services	<u>1,007,660</u>	<u>1,013,460</u>	<u>1,017,616</u>	<u>4,156</u>
FINES AND FORFEITURES	<u>778,700</u>	<u>778,700</u>	<u>807,499</u>	<u>28,799</u>
BUILDINGS AND OTHER LICENSES AND PERMITS	<u>239,300</u>	<u>239,300</u>	<u>175,579</u>	<u>(63,721)</u>
INVESTMENT INCOME	<u>50,000</u>	<u>50,000</u>	<u>28,029</u>	<u>(21,971)</u>
MISCELLANEOUS				
Reimbursements, rebate and restitution	27,500	27,500	30,606	3,106
Contributions and donations	9,300	316,031	198,939	(117,092)
Miscellaneous	10,000	10,000	18,937	8,937
Total Miscellaneous	<u>46,800</u>	<u>353,531</u>	<u>248,482</u>	<u>(105,049)</u>
OTHER FINANCING SOURCES:				
Transfers from other funds	10,487,000	10,487,000	10,997,432	510,432
Total Other Financing Sources	<u>10,487,000</u>	<u>10,487,000</u>	<u>10,997,432</u>	<u>510,432</u>
Total Resources (inflows)	<u>31,913,160</u>	<u>34,384,860</u>	<u>32,999,803</u>	<u>(1,385,057)</u>
Amount available for appropriation	<u>\$ 33,649,878</u>	<u>\$ 36,427,116</u>	<u>\$ 36,519,645</u>	<u>\$ 92,529</u>

(Continued)

See independent auditors' report as it relates to required supplementary information.

BUDGETARY COMPARISON SCHEDULE -- GENERAL FUND

CITY OF OWASSO, OKLAHOMA

For the fiscal year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Charges to Appropriations (Outflows):				
GENERAL GOVERNMENT:				
City Manager:				
Personal Services	\$ 757,462	\$ 764,592	\$ 764,584	\$ 8
Materials and supplies	3,200	4,200	3,964	236
Other services and charges	27,575	20,575	20,105	470
Capital Outlay	1,500	-	-	-
Total City Manager	<u>789,737</u>	<u>789,367</u>	<u>788,653</u>	<u>714</u>
Finance:				
Personal Services	475,329	497,429	495,056	2,373
Materials and supplies	2,900	2,300	2,095	205
Other services and charges	49,950	48,250	48,055	195
Capital Outlay	-	1,400	1,309	91
Total Finance	<u>528,179</u>	<u>549,379</u>	<u>546,515</u>	<u>2,864</u>
Community Development:				
Personal Services	387,002	387,002	385,198	1,804
Materials and supplies	7,500	7,500	6,562	938
Other services and charges	29,380	29,380	26,694	2,686
Capital Outlay	-	-	-	-
Total Community Development	<u>423,882</u>	<u>423,882</u>	<u>418,454</u>	<u>5,428</u>
Municipal Court:				
Personal Services	165,365	163,865	162,104	1,761
Materials and supplies	3,590	2,783	2,743	40
Other services and charges	42,125	56,232	52,766	3,466
Capital Outlay	-	-	-	-
Total Municipal Court	<u>211,080</u>	<u>222,880</u>	<u>217,613</u>	<u>5,267</u>
Engineering:				
Personal Services	519,329	425,529	425,102	427
Materials and supplies	10,100	13,553	13,476	77
Other services and charges	9,900	7,347	6,131	1,216
Capital Outlay	10,600	10,600	9,480	1,120
Total Engineering	<u>549,929</u>	<u>457,029</u>	<u>454,189</u>	<u>2,840</u>
Information Technology:				
Personal Services	378,548	375,148	369,759	5,389
Materials and supplies	2,100	2,100	1,804	296
Other services and charges	116,082	115,585	109,336	6,249
Capital Outlay	2,000	2,000	1,830	170
Total Information Systems	<u>498,730</u>	<u>494,833</u>	<u>482,729</u>	<u>12,104</u>

See independent auditors' report as it relates to required supplementary information.

CITY OF OWASSO, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE -- GENERAL FUND
 For the fiscal year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Charges to Appropriations (Outflows):				
General Government:				
Personal Services	-	-	-	-
Materials and supplies	17,800	22,300	22,256	44
Other services and charges	416,200	496,375	483,801	12,574
Capital Outlay	-	-	-	-
Total General Government	<u>434,000</u>	<u>518,675</u>	<u>506,057</u>	<u>12,618</u>
Support Services:				
Personal Services	260,234	260,234	251,092	9,142
Materials and supplies	20,230	20,230	19,644	586
Other services and charges	34,900	84,900	29,250	55,650
Capital Outlay	1,100	1,701,100	-	1,701,100
Total Support Services	<u>316,464</u>	<u>2,066,464</u>	<u>299,986</u>	<u>1,766,478</u>
Cemetery:				
Personal Services	-	-	-	-
Materials and supplies	3,800	4,390	4,224	166
Other services and charges	1,380	1,290	1,167	123
Capital Outlay	500	-	-	-
Total Cemetery	<u>5,680</u>	<u>5,680</u>	<u>5,391</u>	<u>289</u>
Human Resources:				
Personal Services	237,252	253,252	251,112	2,140
Materials and supplies	8,800	8,600	8,248	352
Other services and charges	54,150	58,850	56,830	2,020
Capital Outlay	300	300	-	300
Total Human Resources	<u>300,502</u>	<u>321,002</u>	<u>316,190</u>	<u>4,812</u>
TOTAL GENERAL GOVERNMENT	<u>\$ 4,058,183</u>	<u>\$ 5,849,191</u>	<u>\$ 4,035,777</u>	<u>\$ 1,813,414</u>

(Continued)

See independent auditors' report as it relates to required supplementary information.

BUDGETARY COMPARISON SCHEDULE -- GENERAL FUND

CITY OF OWASSO, OKLAHOMA

For the fiscal year ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Charges to Appropriations (Outflows):				
PUBLIC SAFETY:				
Police Services:				
Personal Services	\$ 4,078,973	\$ 4,105,633	\$ 4,094,344	\$ 11,289
Materials and supplies	177,000	225,233	225,193	40
Other services and charges	178,700	168,400	168,328	72
Capital Outlay	6,550	62,676	61,285	1,391
Total Police Services	<u>4,441,223</u>	<u>4,561,942</u>	<u>4,549,150</u>	<u>12,792</u>
Police Communications:				
Personal Services	564,171	576,771	576,710	61
Materials and supplies	4,200	3,600	3,176	424
Other services and charges	42,450	32,085	31,532	553
Capital Outlay	5,100	14,515	11,690	2,825
Total Police Communications	<u>615,921</u>	<u>626,971</u>	<u>623,108</u>	<u>3,863</u>
Animal Control:				
Personal Services	91,424	91,424	91,089	335
Materials and supplies	15,700	13,700	12,826	874
Other services and charges	23,300	19,000	17,857	1,143
Capital Outlay	-	-	-	-
Total Animal Control	<u>130,424</u>	<u>124,124</u>	<u>121,772</u>	<u>2,352</u>
Fire Services:				
Personal Services	3,979,671	3,979,671	3,611,612	368,059
Materials and supplies	123,000	144,400	122,906	21,494
Other services and charges	136,300	114,900	114,417	483
Capital Outlay	-	-	-	-
Total Fire Services	<u>4,238,971</u>	<u>4,238,971</u>	<u>3,848,935</u>	<u>390,036</u>
Emergency Management Operations:				
Personal Services	115,125	115,125	111,525	3,600
Materials and supplies	2,200	2,200	291	1,909
Other services and charges	9,670	9,670	8,863	807
Capital Outlay	6,500	6,500	3,055	3,445
Total Emergency Management Operations	<u>133,495</u>	<u>133,495</u>	<u>123,734</u>	<u>9,761</u>
TOTAL PUBLIC SAFETY	<u>\$ 9,560,034</u>	<u>\$ 9,685,503</u>	<u>\$ 9,266,699</u>	<u>\$ 418,804</u>
HIGHWAYS AND STREETS:				
Streets:				
Personal Services	300,067	297,756	293,034	\$ 4,722
Materials and supplies	124,400	111,995	97,478	14,517
Other services and charges	166,500	202,172	193,875	8,297
Capital Outlay	94,300	165,174	83,281	81,893
TOTAL HIGHWAYS AND STREETS	<u>\$ 685,267</u>	<u>\$ 777,097</u>	<u>\$ 667,668</u>	<u>\$ 109,429</u>

(Continued)

See independent auditors' report as it relates to required supplementary information.

BUDGETARY COMPARISON SCHEDULE -- GENERAL FUND

CITY OF OWASSO, OKLAHOMA

For the fiscal year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Charges to Appropriations (Outflows):				
CULTURE AND RECREATION				
Community Center:				
Personal Services	\$ 124,942	\$ 125,192	\$ 125,165	\$ 27
Materials and supplies	9,600	9,600	9,311	289
Other services and charges	23,950	23,700	23,033	667
Capital Outlay	3,500	7,731	7,367	364
Total Community Center	<u>161,992</u>	<u>166,223</u>	<u>164,876</u>	<u>1,347</u>
Park Maintenance:				
Personal Services	280,010	234,410	226,042	8,368
Materials and supplies	28,700	30,000	29,396	604
Other services and charges	78,200	76,900	70,464	6,436
Capital Outlay	10,000	10,000	9,200	800
Total Park Maintenance	<u>396,910</u>	<u>351,310</u>	<u>335,102</u>	<u>16,208</u>
Historical Museum:				
Personal Services	72,722	44,722	44,488	234
Materials and supplies	850	850	130	720
Other services and charges	6,800	6,800	4,102	2,698
Capital Outlay	-	-	-	-
Total Historical Museum	<u>80,372</u>	<u>52,372</u>	<u>48,720</u>	<u>3,652</u>
TOTAL CULTURE AND RECREATION	<u>\$ 639,274</u>	<u>\$ 569,905</u>	<u>\$ 548,698</u>	<u>\$ 21,207</u>
ECONOMIC DEVELOPMENT:				
Economic Development:				
Personal Services	98,102	100,102	98,734	\$ 1,368
Materials and supplies	1,500	1,500	1,274	226
Other services and charges	12,900	12,900	7,197	5,703
Capital Outlay	-	-	-	-
TOTAL ECONOMIC DEVELOPMENT	<u>112,502</u>	<u>114,502</u>	<u>107,205</u>	<u>7,297</u>
STORMWATER:				
Stormwater				
Personal Services	304,110	295,010	277,738	17,272
Materials and supplies	51,810	51,705	44,725	6,980
Other services and charges	23,080	23,185	21,415	1,770
Capital Outlay	25,500	25,500	483	25,017
TOTAL STORM WATER	<u>404,500</u>	<u>395,400</u>	<u>344,361</u>	<u>51,039</u>
OTHER FINANCING USES:				
Transfers to other funds	<u>16,831,075</u>	<u>17,604,743</u>	<u>17,604,721</u>	<u>22</u>
TOTAL Other Financing Uses	<u>16,831,075</u>	<u>17,604,743</u>	<u>17,604,721</u>	<u>22</u>
Total Charges to Appropriations	<u>\$ 32,290,835</u>	<u>\$ 34,996,341</u>	<u>\$ 32,575,129</u>	<u>\$ 2,421,212</u>

(Concluded)

See independent auditors' report as it relates to required supplementary information.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE

CITY OF OWASO, OKLAHOMA

For the fiscal year ended June 30, 2011

Budgetary Accounting: The annual operating budgets are prepared and presented on the modified accrual basis of accounting. Per City Ordinance, the City utilizes encumbrance accounting during the year on a limited basis for certain purchase orders and other commitments for the expenditure of funds which are recorded in order to reserve a portion of the applicable appropriation. Encumbrance's lapse at year-end, therefore, encumbrances outstanding at year-end are not considered expenditures for budgetary purposes, as the City will provide for supplemental appropriations in the following budget year.

REQUIRED SUPPLEMENTARY
INFORMATION

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

CITY OF OWASSO, OKLAHOMA

June 30, 2011

ASSETS	SPECIAL REVENUE FUNDS					
	Ambulance Service Fund	Emergency Siren Fund	Cemetery Care Fund	Park Development Fund	Emergency 911 Fund	Juvenile Court Fund
Cash and cash equivalents	\$ 251,281	\$ 18,664	\$ 7,201	\$ 194,471	\$ 99,875	\$ 8,511
Investments	32,403	2,407	928	25,078	12,880	1,098
Due from other governments	-	-	-	-	22,902	-
Accounts receivable, net	360,577	-	-	-	-	90
Other receivables	-	-	-	-	-	-
Total Assets	<u>\$ 644,261</u>	<u>\$ 21,071</u>	<u>\$ 8,129</u>	<u>\$ 219,549</u>	<u>\$ 135,657</u>	<u>\$ 9,699</u>
LIABILITIES						
Accounts payable	\$ 20,553	\$ -	\$ -	\$ -	\$ 6,146	\$ 1,000
Accrued payroll liabilities	31,301	-	-	-	-	-
Due to other funds	1,204	-	-	-	-	-
Retainage payable	-	-	-	-	-	-
Deferred revenue	163,409	-	-	-	-	-
Total Liabilities	<u>216,467</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,146</u>	<u>1,000</u>
FUND EQUITY						
Fund Balances:						
Restricted	-	-	8,129	-	129,511	8,699
Committed	427,794	21,071	-	219,549	-	-
Total Fund Balance	<u>427,794</u>	<u>21,071</u>	<u>8,129</u>	<u>219,549</u>	<u>129,511</u>	<u>8,699</u>
Total Liabilities and Fund Equity	<u>\$ 644,261</u>	<u>\$ 21,071</u>	<u>\$ 8,129</u>	<u>\$ 219,549</u>	<u>\$ 135,657</u>	<u>\$ 9,699</u>

(Continued)

CITY OF OWASSO, OKLAHOMA

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

June 30, 2011

ASSETS	SPECIAL REVENUE FUNDS		CAPITAL PROJECTS FUNDS				TOTALS
	Hotel Tax Fund	Stormwater Management Fund	Capital Improvements Fund	Capital Projects Grants Fund	Fire Capital Fund	Ambulance Capital Fund	
Cash and cash equivalents	\$ 409,750	\$ 1,095,603	\$ 2,964,380	\$ -	\$ 329,024	\$ 238,334	\$ 5,617,094
Investments	52,838	141,282	230,003	-	42,429	30,734	572,080
Due from other governments	-	-	-	306,889	-	-	329,791
Accounts receivable, net	26,924	67,827	-	-	32,122	10,077	497,617
Other receivables	-	-	16,918	-	-	-	16,918
Total Assets	<u>\$ 489,512</u>	<u>\$ 1,304,712</u>	<u>\$ 3,211,301</u>	<u>\$ 306,889</u>	<u>\$ 403,575</u>	<u>\$ 279,145</u>	<u>\$ 7,033,500</u>
LIABILITIES							
Accounts payable	\$ 1,156	\$ 52,741	\$ 5,480	\$ 50,496	\$ 270	\$ 224	\$ 138,066
Accrued payroll liabilities	5,343	401	-	-	-	-	37,045
Due to other funds	-	-	-	238,008	-	-	239,212
Retainage payable	-	68,295	15,302	18,385	-	-	101,982
Deferred revenue	-	-	-	-	-	-	163,409
Total Liabilities	<u>6,499</u>	<u>121,437</u>	<u>20,782</u>	<u>306,889</u>	<u>270</u>	<u>224</u>	<u>679,714</u>
FUND EQUITY							
Fund Balances:							
Restricted	483,013	-	3,190,519	-	-	-	3,819,871
Committed	-	1,183,275	-	-	403,305	278,921	2,533,915
Total Fund Balance	<u>483,013</u>	<u>1,183,275</u>	<u>3,190,519</u>	<u>-</u>	<u>403,305</u>	<u>278,921</u>	<u>6,353,786</u>
Total Liabilities and Fund Equity	<u>\$ 489,512</u>	<u>\$ 1,304,712</u>	<u>\$ 3,211,301</u>	<u>\$ 306,889</u>	<u>\$ 403,575</u>	<u>\$ 279,145</u>	<u>\$ 7,033,500</u>

(Concluded)

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN
FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS

CITY OF OWASSO, OKLAHOMA

For the fiscal year ended June 30, 2011

SPECIAL REVENUE FUNDS

	Ambulance Service Fund	Emergency Siren Fund	Cemetery Care Fund	Park Development Fund	Emergency 911 Fund	Juvenile Court Fund
REVENUES:						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 194,617	\$ -
Charges for services	1,311,782	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	3,425
Licenses and permits	-	-	-	58,200	-	-
Investment income	2,837	169	102	1,668	955	64
Miscellaneous	53	2,626	101	-	-	-
Total Revenues	<u>1,314,672</u>	<u>2,795</u>	<u>203</u>	<u>59,868</u>	<u>195,572</u>	<u>3,489</u>
EXPENDITURES:						
Current:						
General Government	-	-	-	-	-	-
Public Safety	1,079,594	-	-	-	179,717	1,000
Economic Development	-	-	-	-	-	-
Stormwater	-	-	-	-	-	-
Capital outlay	-	-	7,464	23,036	1,651	-
Total Expenditures	<u>1,079,594</u>	<u>-</u>	<u>7,464</u>	<u>23,036</u>	<u>181,368</u>	<u>1,000</u>
Revenues over (under) expenditures	235,078	2,795	(7,261)	36,832	14,204	2,489
Other Financing Sources (Used):						
Transfers in	-	-	1,769	-	-	-
Transfers out	(188,730)	-	-	-	-	-
Revenues and other sources over (under) expenditures and other uses	46,348	2,795	(5,492)	36,832	14,204	2,489
Fund Balance- beginning of year	<u>381,446</u>	<u>18,276</u>	<u>13,621</u>	<u>182,717</u>	<u>115,307</u>	<u>6,210</u>
Fund Balance- end of year	<u>\$ 427,794</u>	<u>\$ 21,071</u>	<u>\$ 8,129</u>	<u>\$ 219,549</u>	<u>\$ 129,511</u>	<u>\$ 8,699</u>

(Continued)

COMBINING STATEMENT OF REVENUE
EXPENDITURES AND CHANGES IN
FUND BALANCE
NONMAJOR GOVERNMENTAL FUND:

CITY OF OWASSO, OKLAHOMA

For the fiscal year ended June 30, 2011

	SPECIAL REVENUE FUNDS		CAPITAL PROJECTS FUNDS				TOTALS
	Hotel Tax Fund	Stormwater Management Fund	Capital Improvement Fund	Capital Projects Grants Fund	Fire Capital Fund	Ambulance Capital Fund	
REVENUES:							
Intergovernmental	\$ 266,868	\$ -	\$ -	\$ 399,305	\$ -	\$ -	\$ 860,790
Charges for services	-	600,751	-	-	192,651	60,825	2,166,009
Fines and forfeitures	-	-	-	-	-	-	3,425
Licenses and permits	-	-	-	-	-	-	58,200
Investment income	3,294	9,142	233	-	2,434	2,545	23,443
Miscellaneous	65	-	16,918	-	-	-	19,763
Total Revenues	<u>270,227</u>	<u>609,893</u>	<u>17,151</u>	<u>399,305</u>	<u>195,085</u>	<u>63,370</u>	<u>3,131,630</u>
EXPENDITURES:							
Current:							
General Government	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	1,260,311
Economic Development	127,056	-	-	-	-	-	127,056
Stormwater	-	199,921	-	-	-	-	199,921
Capital outlay	<u>13,865</u>	<u>768,886</u>	<u>1,410,554</u>	<u>399,305</u>	<u>113,862</u>	<u>140,407</u>	<u>2,879,030</u>
Total Expenditures	<u>140,921</u>	<u>968,807</u>	<u>1,410,554</u>	<u>399,305</u>	<u>113,862</u>	<u>140,407</u>	<u>4,466,318</u>
Revenues over (under) expenditures	129,306	(358,914)	(1,393,403)	-	81,223	(77,037)	(1,334,688)
Other Financing Sources (Used):							
Transfers in	-	785,241	400,000	-	53,073	135,657	1,375,740
Transfers out	<u>-</u>	<u>(234,801)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(423,531)</u>
Revenues and other sources over (under) expenditures and other uses	129,306	191,526	(993,403)	-	134,296	58,620	(382,479)
Fund Balance- beginning of year	<u>353,707</u>	<u>991,749</u>	<u>4,183,922</u>	<u>-</u>	<u>269,009</u>	<u>220,301</u>	<u>6,736,265</u>
Fund Balance- end of year	<u>\$ 483,013</u>	<u>\$ 1,183,275</u>	<u>\$ 3,190,519</u>	<u>\$ -</u>	<u>\$ 403,305</u>	<u>\$ 278,921</u>	<u>\$ 6,353,786</u>

(Concluded)

SCHEDULE OF DEBT SERVICE COVERAGE REQUIREMENTS

CITY OF OWASSO, OKLAHOMA

For the fiscal year ended June 30, 2011

	2004 OWRB Loan Issue	1999A, 1999B, 2001A, 2001B, 2001C, 2002A, 2002B, 2006, 2007, 2009A, 2009B, 2009C, and 2010 OWRB Loan Issues
Gross Revenue Available for Debt Service:		
Charges for services:		
Water charges	\$ 4,395,745	\$ 4,395,745
Wastewater charges	3,304,230	3,304,230
Sanitation	1,648,877	1,648,877
Penalties	224,409	224,409
Golf course	-	510,994
Sales tax pledged and transferred	<u>11,735,301</u>	<u>11,735,301</u>
Total Gross Revenues Available	<u>21,308,562</u>	<u>21,819,556</u>
Operating Expenses:		
Administration	673,241	673,241
Utility billing	327,010	327,010
Water	3,109,266	3,109,266
Wastewater treatment plant and collection	1,356,190	1,356,190
Refuse	777,430	777,430
Golf course operations	<u>-</u>	<u>1,103,241</u>
Total Operating Expenses	<u>6,243,137</u>	<u>7,346,378</u>
Net Revenues Available for Debt Service	<u>\$ 15,065,425</u>	<u>\$ 14,473,178</u>
Total Debt Service Requirements	<u>\$ 4,390,394</u>	<u>\$ 4,390,394</u>
Computed Coverage	<u>343%</u>	<u>330%</u>
Coverage Requirement	<u>125%</u>	<u>125%</u>

Note 1: The above gross revenue and operating expenses only include the activities of the Authorities related to water, wastewater, refuse services and golf course operations (golf excluded on OWRB note issue coverage - see Note 3 below), excluding depreciation and bad debt expense.

Note 2: The coverage requirements on the OWRB notes are calculated using maximum annual debt service on these notes and any subordinate debt.

Note 3: Golf course revenues of the Owasso Public Golf Authority have been included as "Gross Revenue Available" for Debt Service in the 1999A, 1999B, 2001A, 2001B, 2001C, 2002A, 2002B, 2006, 2007, 2009A, 2009B, 2009C and 2010 note issues of the Owasso Public Works Authority.

REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS
AND OMB CIRCULAR A-133

Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

Honorable Mayor and Members of City Council
City of Owasso, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Owasso, Oklahoma, (the "City") as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 2, 2011. Our report contained an explanatory paragraph describing the City's adoption of GASB Statement No. 54 in the year ended June 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective 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 opinions on the 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 of 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City'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 was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 of Owasso, Oklahoma's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City Council and management of the City of Owasso, and 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.

Cole & Reed P.C.

Oklahoma City, Oklahoma
December 2, 2011

Independent Auditors' Report on Compliance with Requirements That
Could Have a Direct and Material Effect on Each Major Program and on
Internal Control Over Compliance in Accordance With OMB Circular
A-133 and on the Schedule of Expenditures of Federal Awards

Honorable Mayor and Members of City Council
City of Owasso, Oklahoma

Compliance

We have audited the compliance of the City of Owasso, Oklahoma (the "City") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in the summary of auditors' 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 are the responsibility of the City's management. Our responsibility is to express an opinion on the City'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 of America 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'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 Owasso, Oklahoma complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the City 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's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our 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.

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 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 compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discrete component unit, each major fund and the aggregate remaining fund information of the City as of and for the year ended June 30, 2011, and have issued our report thereon dated December 2, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City Council and management of the City and 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.

Cole & Reed P.C.

Oklahoma City, Oklahoma
December 2, 2011

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITY OF OWASSO, OKLAHOMA

FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA	Agency or Pass-through Number	Program or Award Amount	Federal Expenditures
U.S. DEPARTMENT OF ENERGY:				
Passed through Oklahoma Department of Commerce:				
CNG Fuel & Vehicle Conversion	81.041	DE-EE0000133	\$ 1,450,000	\$ -
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
Passed through Oklahoma Department of Commerce:				
Community Development Block Grant - Entitlement Program-CBDG 08	14.210	B-08-Owasso	96,429	96,429
Community Development Block Grant - Entitlement Program-CBDG 09	14.210	B-09-Owasso	99,106	99,043
Community Development Block Grant - Entitlement Program-CBDG 10	14.210	B-09-Owasso	106,555	71,102
Community Development Block Grant - Entitlement Program-CBDG 11	14.210	applied for	108,114	-
			<u>410,204</u>	<u>266,574</u>
Tulsa County Industrial Authority				
Vision 2025 Capital Improvement Agreement	N/A	B-08-UY-40-0001	114,346	114,346
			<u>114,346</u>	<u>114,346</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY				
OK Water Resources Board - 2009A Detention Facility	66.458 ARRA	2W-966885-01	1,785,000	774,646
OK Water Resources Board - 2009B Wastewater Treatment Plant	66.458	CS-400002-08	10,795,000	1,638,217
OK Water Resources Board - 2009C 76th St. Interceptor	66.458	CS-400002-08	4,510,000	559,129
			<u>17,090,000</u>	<u>2,971,992</u>
FEDERAL HIGHWAY 2007 TREE PLANTING PROGRAM				
Transportation Enhancement Pass-thru Grant				
OK Department of Agriculture - Forestry Services		SAFETEALU-07-10	25,000	-
Local Matching portion			8,333	8,333
FEDERAL EMERGENCY MANAGEMENT AGENCY:				
Passed through Oklahoma Department of Emergency Management				
Feb 2011 Winter Storm Disaster - PW - \$45,927 applied for	97.036	FEMA-1985-DR-OK	34,445	45,927
Feb 2011 Winter Storm Disaster - Police - \$5,464 applied for	97.036	FEMA-1985-DR-OK	4,098	5,464
Feb 2011 Winter Storm Disaster - Fire - \$35,403 applied for	97.036	FEMA-1985-DR-OK	3,629	4,838
Total (Applied for \$86,793)			<u>42,172</u>	<u>56,229</u>
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through Oklahoma Highway Safety Office				
State and Community Highway Safety - FY10	20.600	PT-10-03-32-05	62,000	1,131
State and Community Highway Safety - FY11	20.600	SE-11-03-08-06	50,000	39,612
State and Community Highway Safety - FY12	20.600	applied for	107,990	-
Total U.S. Department of Transportation			<u>219,990</u>	<u>40,743</u>
U.S. DEPARTMENT OF JUSTICE:				
Passed through Bureau of Justice Assistance:				
Bulletproof Vest Partnership Grant - reimbursed at 50%	16.607	FY2009 BPV	2,343	1,306
Bulletproof Vest Partnership Grant - reimbursed at 50%	16.607	FY2010 BPV	6,399	517
Total award available			<u>8,742</u>	<u>1,823</u>
Edward Byrne Memorial Justice Assistance Grant (JAG)-software	16.738 ARRA	2010-DJ-BX-1067	10,226	10,226
Total			<u>\$ 19,379,013</u>	<u>\$ 3,470,266</u>

See notes to schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITY OF OWASSO, OKLAHOMA

Year Ended June 30, 2011

NOTE A--BASIS OF ACCOUNTING

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

NOTE B--SUBRECIPIENTS

The City provided no federal awards to subrecipients.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF OWASSO, OKLAHOMA

June 30, 2011

Section I--Summary of Auditors' Results

Financial statements

Type of auditors' report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Type of auditors' report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes no

Identification of major programs:

<u>Program</u>	<u>CFDA Number</u>
U.S. Environmental ProtectionAgency	66.458 ARRA
U.S. Environmental ProtectionAgency	66.458

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

Section II--Findings Required to be Reported in Accordance with *Government Auditing Standards*:

None to report for the June 30, 2011 period.

Section III--Findings Required to be Reported in Accordance with OMB Circular A-133:

None to report for the June 30, 2011 period.