

**CITY OF SAPULPA, OKLAHOMA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**AND ACCOMPANYING**  
**INDEPENDENT AUDITOR'S REPORTS**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2011**

**CITY OF SAPULPA, OKLAHOMA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 AND ACCOMPANYING INDEPENDENT AUDITOR'S REPORTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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Oklahoma's Most Connected City

425 East Dewey Avenue  
P O Box 1130 Sapulpa, OK 74067

April 11, 2012

To the Honorable Mayor Doug Haught, City Councilors, and Citizens:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Sapulpa for the fiscal year ended June 30, 2011. The report was prepared by the Finance Department of the City of Sapulpa to present the financial position of the City and the results of the City's financial operations in accordance with generally accepted accounting principles. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material respects, and all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included. The Management's Discussion and Analysis provide additional narrative and detailed analysis of the City's financial affairs, and we encourage readers to consider that information in conjunction with the information presented here.

To facilitate the understanding of the City's financial affairs, the CAFR is divided into the following sections:

- **Introductory Section** – Includes a table of contents, a letter of transmittal, the City's organizational chart, and a list of City Officials.
- **Financial Section** – Consists of the independent auditor's report, management's discussion and analysis, the basic financial statements, required supplementary information, and other supplementary information.
- **Statistical Section** – Presents unaudited financial, economic and demographic data and other information relative to the community.

## Governmental Structure

The City of Sapulpa, the County seat of Creek County, Oklahoma, is located in the extreme northeast corner of the County, only twelve miles from the City of Tulsa, Oklahoma. The City lies astride Interstate Highway 44 (Turner Turnpike) connecting the cities of Tulsa and Oklahoma City. First incorporated prior to Oklahoma statehood, its first City Charter was adopted in 1910, with major revisions thereto in 1922, 1970, 2002, and 2005. Currently operating under a Municipal Charter form of Government pursuant to Oklahoma Statutes 1991, Sect. 13-101, et seq., the city is governed by a Board of Councilors consisting of ten councilors, two council members from each of five wards. The mayor is chosen from among the council itself. The City Council also serves as trustees of the Sapulpa Municipal Authority. The Mayor and Council appoint a City Manager, a City Attorney, and a City Treasurer. The responsibility for the day-to-day operations of the City rests with the City Manager.

## Economic Conditions and Outlook

The effects of the national recession continued to be felt locally for most of the fiscal year resulting in further decline of revenues for fiscal year 2011. During the last couple of months revenues did begin to improve signaling a possible end to the decline. The primary measure of local economic activity is sales tax revenue which increased approximately 5% from the prior fiscal year but still has not reached levels shown prior to the economic downturn. City officials are cautiously optimistic, anticipating a slow recovery which resulted in a budget for fiscal year 2011/2012 which continues to pose a major concern. The FY 2011/2012 budget included increased revenues, continued reduced staffing levels, and reduced operational costs but which were offset by costs associated with federal mandates and regulatory compliance requirements.

## Acknowledgments

The preparation of this report is a combined effort of the staff of the Finance Department with the professional assistance of our consultants, Crawford & Associates, P.C., and our independent auditors, Arledge & Associates, P.C. We would like to express our appreciation to all individuals who assisted in the preparation of this report.

We would also like to thank the Mayor and the members of the City Council for their leadership, encouragement and support in our effort to provide the citizens with quality services, management and financial reporting.

Respectfully submitted,

  
Tom DeArman  
City Manager

  
Pamela Vann  
Finance Director

**CITY OF SAPULPA**  
**LIST OF CITY OFFICIALS**  
**FOR THE FISCAL YEAR**  
**JULY 1, 2010 – JUNE 30, 2011**

**DOUG HAUGHT, MAYOR**  
**REG GREEN, VICE-MAYOR**

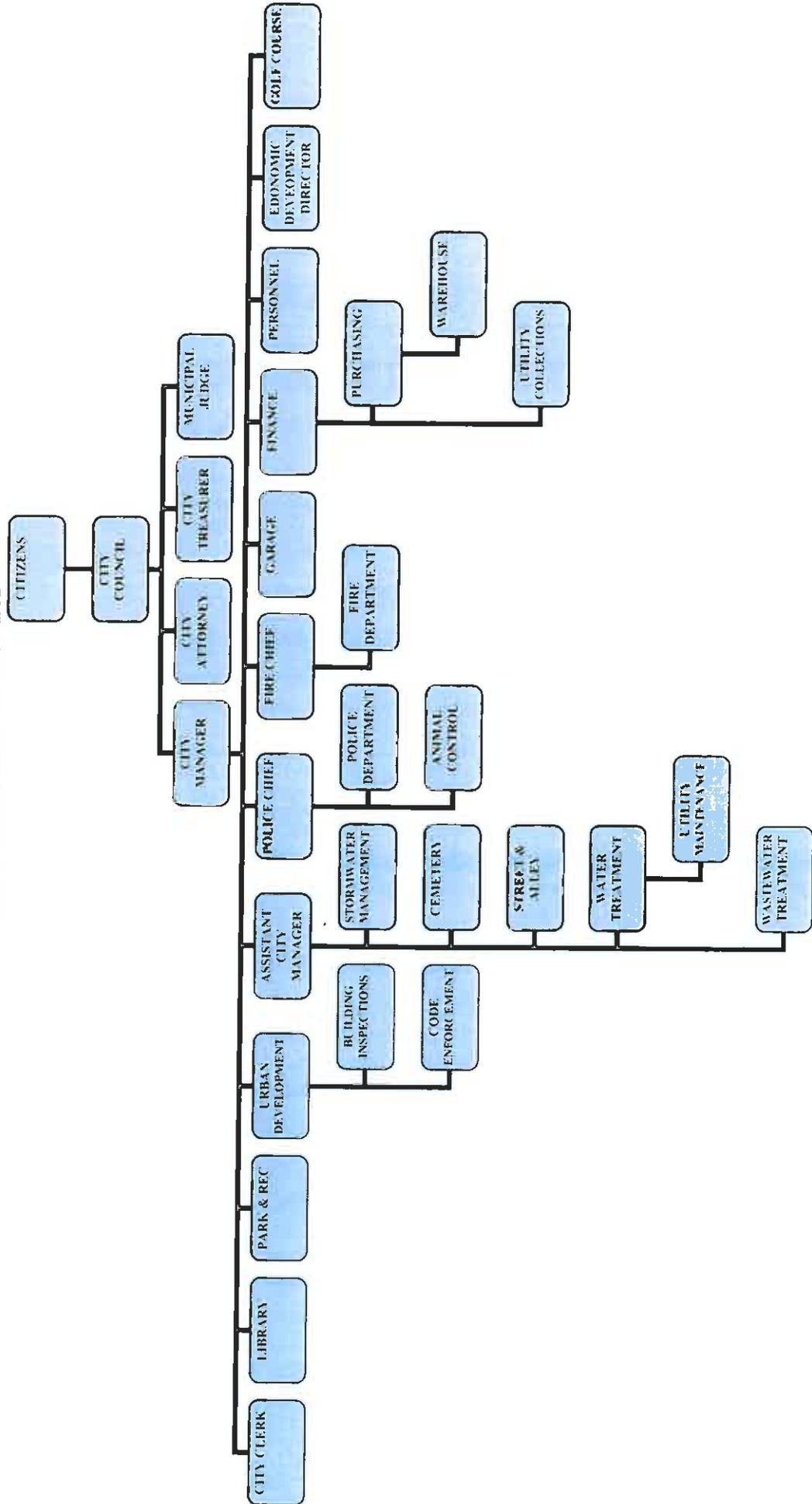
**COUNCIL:**

**LOUIS MARTIN, JR.**  
**THERESA JONES**  
**CHARLES STEPHENS**  
**JOHN ANDERSON**

**MARTY CUMMINS**  
**CARLOS HERNANDEZ**  
**ALAN H. JONES**  
**BILL ROLLINGS**

**Tom M. DeArman, City Manager**  
**David Widdoes, City Attorney**  
**David E. Gilliland, Assistant City Manager**  
**Shirley Burzio, City Clerk**  
**Pamela Vann, Finance Director**

# CITY OF SAPULPA ORGANIZATIONAL CHART







## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council  
City of Sapulpa, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sapulpa, Oklahoma, (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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, other supplementary information, and statistical section, as listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Arledge & Associates, P.C.*

Edmond, Oklahoma  
March 21, 2012

Our discussion and analysis of the City of Sapulpa'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 HIGHLIGHTS**

- For the fiscal year ended June 30, 2011, the City's total net assets decreased by \$1.3 million from the prior year.
- During the year, the City's expenses for governmental activities were \$17.3 million and were funded by program revenues of \$3.4 million and further funded with taxes, other general revenues and transfers that totaled \$12.3 million.
- In the City's business-type activities, such as utilities and golf course, total expenses exceeded program revenues by \$3.1 million, funded with general revenues and transfers of \$3.4 million.
- At June 30, 2011, the General Fund reported an unassigned fund balance of \$0.8 million.
- For budgetary reporting purposes, the General Fund reported revenues more than estimates by \$0.15 million or 0.7%, while expenditures were less than final appropriations by \$0.3 million or 1.6%.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements presented herein include all of the activities of the City of Sapulpa (the "City") and its component units using the integrated approach as prescribed by GASB Statement No. 34. Included in this report are government-wide statements for each of two categories of activities – governmental and business-type. The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately and combined. These statements include all assets of the City (including infrastructure 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.

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 two kinds of activities:

- **Governmental activities** -- Most of the City's basic services are reported here, including the police, fire, general administration, streets, and parks. Sales taxes, franchise fees, 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, stormwater and golf course activities are reported here.

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

#### **Fund Financial Statements**

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

*Governmental funds* -- Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic 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.

**A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

**Net Assets**

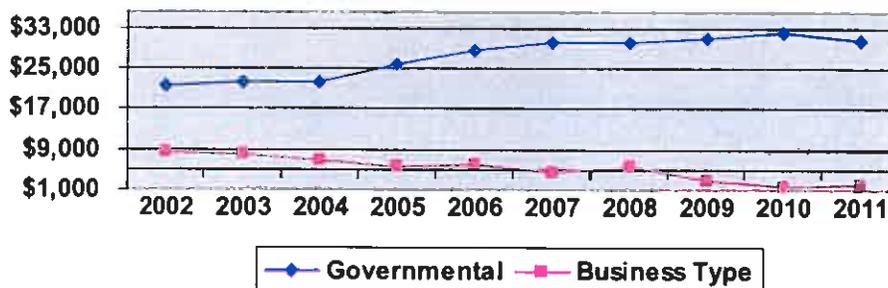
The City's combined net assets decreased from \$33.9 million to \$32.6 million between fiscal years 2010 and 2011. Looking at the net assets of governmental and business-type activities separately, governmental activities decreased \$1.7 million while business-type activities increased \$0.3 million. A comparative, condensed presentation of net assets follows (reported in thousands).

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$12,294	\$13,829	\$9,854	\$10,883	\$22,148	\$24,712
Capital assets, net	37,525	38,183	60,102	58,378	97,627	96,561
<b>Total assets</b>	<b>49,819</b>	<b>52,012</b>	<b>69,956</b>	<b>69,261</b>	<b>119,775</b>	<b>121,273</b>
Long-term debt outstanding	18,427	19,222	65,770	65,362	84,197	84,584
Other liabilities	936	682	2,075	2,114	3,011	2,796
<b>Total liabilities</b>	<b>19,363</b>	<b>19,904</b>	<b>67,845</b>	<b>67,476</b>	<b>87,208</b>	<b>87,380</b>
<b>Net assets</b>						
Invested in capital assets, net of related debt	25,254	28,413 *	(5,290)	(6,587)	19,964	21,826
Restricted	3,492	3,852 *	3,198	3,076 **	6,690	6,928
Unrestricted	1,710	(157)	4,203	5,296 **	5,913	5,139
<b>Total net assets</b>	<b>\$30,456</b>	<b>\$32,108</b>	<b>\$2,111</b>	<b>\$1,785</b>	<b>\$32,567</b>	<b>\$33,893</b>

\* - Prior year restricted net assets related to unspent bond proceeds of \$6.227 million were reclassified to Invested in Capital Assets, Net of Related Debt.

\*\* - Prior year unrestricted net assets related to \$0.778 million of restricted governmental funds, classified as business-type activities at the government-wide level, were reclassified as restricted.

**Net Assets**  
(in 000's)



**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):

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Expenses</b>						
Administration	\$ 1,070	\$ 1,068	\$ -	\$ -	\$ 1,070	\$ 1,068
General government	1,251	1,167	-	-	1,251	1,167
Legal and judicial	290	282	-	-	290	282
Public safety	10,075	10,313	-	-	10,075	10,313
Urban development	421	454	-	-	421	454
Streets	2,175	2,430	-	-	2,175	2,430
Culture and recreation	1,383	1,282	-	-	1,383	1,282
Interest on long-term debt	661	449	-	-	661	449
Water	-	-	4,200	3,781	4,200	3,781
Wastewater	-	-	6,521	6,437	6,521	6,437
Sanitation	-	-	1,255	1,291	1,255	1,291
Stormwater	-	-	389	581	389	581
Golf	-	-	729	710	729	710
Interest charges - governmental activities	-	-	159	280	159	280
<b>Total expenses</b>	<u>17,326</u>	<u>17,445</u>	<u>13,253</u>	<u>13,080</u>	<u>30,579</u>	<u>30,525</u>
<b>Program revenues</b>						
Charges for services	1,721	1,883	10,171	10,030	11,892	11,913
Operating grants and contributions	1,381	1,496	-	-	1,381	1,496
Capital grants and contributions	280	754	-	-	280	754
<b>Total program revenues</b>	<u>3,382</u>	<u>4,133</u>	<u>10,171</u>	<u>10,030</u>	<u>13,553</u>	<u>14,163</u>
<b>Net revenues (expenses)</b>	<u>(13,944)</u>	<u>(13,312)</u>	<u>(3,082)</u>	<u>(3,050)</u>	<u>(17,026)</u>	<u>(16,362)</u>
<b>General revenues</b>						
<b>Taxes:</b>						
Sales and use taxes	11,726	11,286	-	-	11,726	11,286
Property taxes	1,755	1,444	-	-	1,755	1,444
Franchise and public service taxes	518	505	-	-	518	505
Payment in lieu of tax	439	440	-	-	439	440
Hotel/motel tax	189	186	-	-	189	186
E-911 taxes	215	217	-	-	215	217
Intergovernmental revenue not restricted to specific programs	269	253	-	-	269	253
Interest income	88	76	34	55	122	131
Miscellaneous	326	1,705	142	143	468	1,848
Transfers - Internal activity	(3,232)	(1,674)	3,232	1,674	-	-
<b>Total general revenues and transfers</b>	<u>12,293</u>	<u>14,438</u>	<u>3,408</u>	<u>1,872</u>	<u>15,701</u>	<u>16,310</u>
<b>Change in Net Assets</b>	<u>(\$1,651)</u>	<u>\$1,126</u>	<u>\$326</u>	<u>(\$1,178)</u>	<u>(\$1,325)</u>	<u>(\$52)</u>

Explanations for the more significant changes include:

Streets Expense - \$255,000 decrease (10.5%) due to a construction project expensed in the prior year.

Stormwater Expense - \$192,000 decrease (33%) due to \$275,000 decrease in professional services expense.

Property Tax Revenue - \$311,000 increase (21.5%) due to prior year issuance of \$6.8 million Series 2010 G.O. Bonds.

Miscellaneous Revenue (Governmental Activities) - \$1,379,000 decrease (80.9%) due to prior year pool donation of \$1.5 million.

**Governmental Activities**

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

The following table compares fiscal year 2011 and 2010 total Governmental Activities expenses and net revenue (expense) of services:

Net Revenue (Expense) of Governmental Activities				
(In thousands of dollars)				
	<u>Total Expense</u> <u>of Services</u>		<u>Net Revenue</u> <u>(Expense)</u> <u>of Services</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Administration	\$1,070	\$1,068	(\$1,070)	(\$1,068)
General government	1,251	1,167	(1,008)	(634)
Legal and judicial	290	282	(290)	(282)
Public safety	10,075	10,313	(7,801)	(7,806)
Urban development	421	454	(246)	(448)
Streets	2,175	2,430	(1,752)	(1,628)
Culture and recreation	1,383	1,282	(1,117)	(997)
Interest on long-term debt	661	449	(661)	(449)
<b>Total</b>	<u>\$17,326</u>	<u>\$17,445</u>	<u>(\$13,945)</u>	<u>(\$13,312)</u>

In addition to explanations given for significant changes in total revenues and expenses, additional reasons for major changes in Net Revenue (Expenses) are as follows:

General Government – Increase of \$374,000 (59%) in net expense due mainly to a \$200,000 capital grant received in the prior year.

Urban Development – Decrease of \$202,000 (45%) in net expense due primarily to a \$190,000 CDBG operating grant received in the current year.

Interest on long-term debt – Increase of \$212,000 (47%) in net expense due to \$260,000 increased interest on \$6.8 million Series 2010 G.O. Bonds.

**Business-type Activities**

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

Water – Decrease of \$283,000 (64.6%) in net revenue due primarily to increased uncapitalized capital outlay of about \$340,000 which was offset by an increase in utility revenue of \$130,000.

Stormwater – Increase of \$229,000 (111.2%) in net revenue due to previously mentioned decrease of \$275,000 in professional services expense.

**Net Revenue (Expense) of Business-Type Activities**  
(In thousands of dollars)

	<b>Total Expense of Services</b>		<b>Net Revenue (Expense) of Services</b>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Water	\$4,200	\$3,781	\$155	\$438
Wastewater	6,521	6,437	(3,290)	(3,171)
Sanitation	1,255	1,291	86	50
Stormwater	389	581	435	206
Golf	729	710	(309)	(293)
Interest charges - govt'l activities	159	280	(159)	(280)
<b>Total</b>	<u>\$13,253</u>	<u>\$13,080</u>	<u>(\$3,082)</u>	<u>(\$3,050)</u>

The \$3.29 million net expense of the wastewater activities is funded with dedicated sales taxes, which amounted to \$3.10 million in 2011.

**A FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As the City completed its 2011 fiscal year, the governmental funds reported a combined fund balance of \$10.5 million or a 13.1% decrease from the prior year due the use of prior year G. O. bond proceeds for capital projects. The enterprise funds reported combined net assets of \$1.2 million or an 18.6% increase from 2010.

<u>Fund Balance/Net Assets</u>			
(In thousands of dollars)			
Governmental Funds		Enterprise Funds	
Nonspendable	\$ 133		
Restricted	7,320		
Committed	9	Invested in capital assets, net of related debt	\$ (5,290)
Assigned	2,288	Restricted for debt service	2,281
Unassigned	<u>766</u>	Unrestricted	<u>4,203</u>
Total Fund Balance	<u>\$ 10,516</u>	Total Net Assets	<u>\$ 1,194</u>

Other fund highlights include:

- For the year ended June 30, 2011, the General Fund's total fund balance increased by \$0.5 million or 31.4%. This was mainly the result of increased operating transfers from the Sapulpa Municipal Authority.
- Due to the implementation of GASB 54, a comparison of unreserved fund balance to unassigned fund balance will not be made in the current year since the definitions of these fund balance types are different.
- The Sapulpa Municipal Authority enterprise fund reported a slight increase in net assets, after transfers, of \$0.2 million.

### **General Fund Budgetary Highlights**

Over the course of the year, the City Council revised the General Fund budget various times. The revised budget included an increase in overall revenue projections of less than 6.6% or \$1.2 million mainly related to increased sales tax collections over original estimates; and an increase in appropriations of 5.9% or \$1.1 million and most of the increased appropriations were related to required sales tax transfers.

For budgetary reporting purposes, the General Fund reported revenues less than final estimates by \$0.1 million or 0.75%, while expenditures were less than the final appropriations by \$0.3 million or 1.55%.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At the end of June 30, 2011, the City had \$97.6 million invested in capital assets, net of depreciation, including police and fire equipment, buildings, park facilities, water lines and sewer lines. (See table below). This represents a net increase of \$1.1 million or 1.1% over last year.

**Primary Government Capital Assets**  
(Net of accumulated depreciation - in thousands of dollars)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$4,354	\$4,335	\$52	\$52	\$4,406	\$4,387
Buildings	7,703	7,583	2,863	2,941	10,566	10,524
Imp. other than buildings	2,611	1,311	673	738	3,284	2,049
Equipment	4,282	4,417	1,465	1,660	5,747	6,077
Intangible water rights	-	-	4,915	4,916	4,915	4,916
Utility property	-	-	44,456	45,866	44,456	45,866
Infrastructure	17,543	17,752	1,505	141	19,048	17,893
Construction in progress	1,031	2,785	4,173	2,063	5,204	4,848
<b>Totals</b>	<u>\$37,524</u>	<u>\$38,183</u>	<u>\$60,102</u>	<u>\$58,377</u>	<u>\$97,626</u>	<u>\$96,560</u>

This year's more significant capital asset additions included:

- \$45,902 – (2) 2011 Ford F350 4x4 Trucks
- \$29,137 – 2011 Ford Escape 4WD Hybrid
- \$1,390,868 – Storm Sewer System/Drainage Construction
- \$172,016 – Highway 97 & Turnpike Gate Signalization
- \$253,970 – Dudley Avenue Street Construction
- \$89,000 – Excavator
- \$70,950 – Backhoe with Hydraulic Hammer
- \$297,698 – Sapulpa Aquatics Center Bath House
- \$1,398,720 – Sapulpa Aquatics Center Construction

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

**Long- Term Debt**

At year-end, the City had \$90.6 million in long-term debt outstanding which represents a \$1.6 million or 1.8% decrease from the prior year resulting mainly from normal debt service payments. The City's changes in long-term debt by type of debt are as follows:

**Primary Government Long-Term Debt**  
(In thousands of dollars)

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Accrued absences	\$1,678	\$1,795	\$128	\$117	\$1,806	\$1,912
Revenue bonds	-	-	68,506	68,985	68,506	68,985
Due to depositors	-	-	249	243	249	243
Water contract obligations	-	-	2,923	3,187	2,923	3,187
Notes payable	-	-	393	512	393	512
General obligation bonds	14,905	15,565	-	-	14,905	15,565
Judgments payable	18	210	-	-	18	210
Estimated claims payable	384	713	-	-	384	713
OPEB liability	672	506	-	-	672	506
Capital leases	746	407	-	-	746	407
<b>Totals</b>	<b>\$18,403</b>	<b>\$19,196</b>	<b>\$72,199</b>	<b>\$73,044</b>	<b>\$90,602</b>	<b>\$92,240</b>

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

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Economic factors play a key role in developing the City's Budget. The overall economic outlook for the City of Sapulpa seems to be fairly positive. Total sales tax collections, which is the major revenue for the General fund, had an increase of \$414,645, or 3.8%, from fiscal year 2009-2010 (\$10,865,027) to fiscal year 2010-2011 (\$11,279,672). However, due to some continued uncertainty of the national economy, the City projected a slight decrease, 1.6%, for fiscal year 2011-2012 (\$11,101,364) from 2010-2011 (\$11,279,672).

The Sapulpa Municipal Authority (SMA) charges for service, which include water, sewer, and refuse revenues, shows a slight increase, 1.5%, for fiscal year 2010-2011 (\$8,939,953) from 2009-2010 actual (\$8,807,201). Total revenues for fiscal 2012, excluding transfers in, were projected 3.3% higher than fiscal year 2010-2011 actual. A contributing factor for this was a 3% rate increase, including water, sewer, and refuse revenues.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director's office at 425 E. Dewey, P. O. Box 1130, Sapulpa, Oklahoma 74067-1130 or by phone at (918) 248-5911.

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**City of Sapulpa**  
**Statement of Net Assets**  
**June 30, 2011**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,930,628	\$ 4,493,403	\$ 6,424,031
Investments	6,627,463	1,128,426	7,755,889
Deposits with insurance pool	162,990	-	162,990
Deposits with fiscal agent	188	-	188
Internal balances	174,785	(174,785)	-
Interest receivable	32,650	326	32,976
Accounts receivable, net of allowance	-	944,631	944,631
Franchise tax receivable	44,632	-	44,632
Court fine receivable, net of allowance	761,560	-	761,560
Due from other governments	1,627,055	393,080	2,020,135
Deferred inflows	-	190,084	190,084
Other receivables	255,065	182,641	437,706
Escrow deposits	269,586	-	269,586
Inventory	57,521	100,475	157,996
Capital assets:			
Land and construction in progress	5,385,262	9,140,484	14,525,746
Other capital assets, net of depreciation	32,139,574	50,961,986	83,101,560
Unamortized bond issuance costs	349,715	2,595,267	2,944,982
<b>Total assets</b>	<b>49,818,674</b>	<b>69,956,018</b>	<b>119,774,692</b>
<b>LIABILITIES</b>			
Accounts payable	633,228	393,260	1,026,488
Accrued payroll liabilities	193,790	93,915	287,705
Accrued interest payable	52,482	1,584,203	1,636,685
Due to other governments	8,716	-	8,716
Due to bondholders	46,085	-	46,085
Unearned revenue	1,121	3,525	4,646
Long-term liabilities:			
Due within one year	1,976,784	1,043,074	3,019,858
Due in more than one year	16,450,070	64,726,715	81,176,785
<b>Total liabilities</b>	<b>19,362,276</b>	<b>67,844,692</b>	<b>87,206,968</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	25,253,598	(5,289,977)	19,963,621
Restricted for:			
Capital projects	613,421	-	613,421
Debt service	1,105,674	2,280,947	3,386,621
Public safety	1,773,342	-	1,773,342
Water or sewer maintenance	-	307,042	307,042
Water capital projects	-	315,326	315,326
Sewer capital projects	-	294,980	294,980
Unrestricted	1,710,363	4,203,008	5,913,371
<b>Total net assets</b>	<b>\$ 30,456,398</b>	<b>\$ 2,111,326</b>	<b>\$ 32,567,724</b>

See accompanying notes to the basic financial statements

City of Sapulpa  
Statement of Activities  
For the Year Ended June 30, 2011

Functions/Programs Primary government	Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Program Revenue and Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Administration	\$ 1,070,144	\$ -	\$ -	\$ -
General government	1,251,192	243,474	-	-
Legal and judicial	289,703	-	-	-
Public safety	10,075,409	1,280,684	993,924	(289,703)
Urban development	420,914	-	174,328	(7,800,801)
Streets	2,174,486	1,410	183,816	(246,586)
Culture and recreation	1,383,426	195,097	29,382	(1,751,680)
Interest on long-term debt	661,342	-	-	(1,116,549)
Total governmental activities	17,326,616	1,720,665	1,381,450	(661,342)
Business-type activities				
Water	4,200,477	4,355,677	-	155,200
Wastewater	6,520,715	3,230,851	-	(3,289,864)
Sanitation	1,254,592	1,340,120	-	85,528
Stormwater	389,019	824,475	-	435,456
Golf operations	728,809	420,077	-	(308,732)
Interest charges	159,201	-	-	(159,201)
Total business-type activities	13,252,813	10,171,200	-	(3,081,613)
Total primary government	\$ 30,579,429	\$ 11,891,865	\$ 1,381,450	\$ (3,081,613)
General revenues:				
Taxes:				
Sales and use taxes				11,726,417
Property taxes				1,754,809
Franchise and public service taxes				518,026
Payment in lieu of tax				439,422
Hotel/motel taxes				189,002
E-911 taxes				215,068
Intergovernmental revenue not restricted to specific programs				269,260
Investment income				88,060
Miscellaneous				325,436
Transfers - Internal activity				141,573
Total general revenues and transfers				3,232,145
Change in net assets				3,408,012
Net assets - beginning				(1,324,769)
Net assets - ending				33,892,493
				\$ 32,567,724

See accompanying notes to the basic financial statements

**City of Sapulpa  
Balance Sheet  
Governmental Funds  
June 30, 2011**

	<u>General Fund</u>	<u>G.O. Bond Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 599,984	\$ -	\$ 1,292,537	\$ 1,892,521
Investments	329,021	3,752,807	2,723,082	6,804,910
Deposits with insurance pool	162,990	-	-	162,990
Deposits with fiscal agent	-	-	188	188
Accrued interest receivable	343	25,491	7,142	32,976
Due from other funds	327,160	-	1,115	328,275
Due from other governments	808,224	-	1,211,911	2,020,135
Escrow deposit	113	-	269,473	269,586
Franchise tax receivable	44,632	-	-	44,632
Court fine receivable, net	703,456	-	58,104	761,560
Other receivables	202,998	-	46,690	249,688
Inventory	28,044	-	104,823	132,867
Total assets	<u>\$ 3,206,965</u>	<u>\$ 3,778,298</u>	<u>\$ 5,715,065</u>	<u>\$ 12,700,328</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 143,413	\$ 223,971	\$ 282,802	\$ 650,186
Accrued payroll liabilities	140,100	-	72,517	212,617
Due to other funds	2,733	150,757	-	153,490
Due to other governments	7,946	-	770	8,716
Refundable court bonds	43,927	-	-	43,927
Deferred revenue	668,410	-	445,166	1,113,576
Total liabilities	<u>1,006,529</u>	<u>374,728</u>	<u>801,255</u>	<u>2,182,512</u>
Fund balances:				
Non-spendable	28,044	-	104,823	132,867
Restricted	-	3,403,570	3,915,968	7,319,538
Committed	9,151	-	-	9,151
Assigned	1,396,679	-	890,861	2,287,540
Unassigned	766,562	-	-	766,562
Total fund balances	<u>2,200,436</u>	<u>3,403,570</u>	<u>4,911,652</u>	<u>10,515,658</u>
Total liabilities and fund balances	<u>\$ 3,206,965</u>	<u>\$ 3,778,298</u>	<u>\$ 5,712,907</u>	<u>\$ 12,698,170</u>

See accompanying notes to the basic financial statements.

**City of Sapulpa**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets**  
**June 30, 2011**

**Fund Balance - Net Asset Reconciliation:** \$ 10,515,658

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$20,042,568 37,524,836

Certain long-term assets are not reported in the funds on the modified accrual basis of accounting; however, at the government-wide financial statements are reported due to the accrual basis of accounting:  
 Unamortized bond issuance costs 349,715

Internal service funds are used by management to charge costs of certain activities that benefit multiple funds, such as self-insurance costs, to individual funds. The assets and liabilities of these internal service funds are reported in the governmental activities of the Statement of Net Assets:  
 Internal service funds' net assets (33,660)

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

Water & sewer sales tax fund	(307,042)
Water resources fund	(315,326)
Sewer plant sales tax fund	(294,980)
	(917,348)

Certain long-term liabilities are not due and payable from current financial resources and therefore are not reported in the funds:

Deferred revenue	1,112,455
Accrued interest payable	(52,482)
Capital lease obligation	(746,025)
Judgments payable	(18,333)
General obligation bond	(14,905,000)
Unamortized premium on general obligation bonds	(23,783)
OPEB liability	(671,529)
Accrued compensated absences	(1,678,106)
	(16,982,803)

**Net Assets of Governmental Activities in the Statement of Net Assets** **\$ 30,456,398**

See accompanying notes to the basic financial statements.

**City of Sapulpa**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2011**

	General Fund	G.O. Bond Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 6,616,854	\$ -	\$ 8,006,636	\$ 14,623,490
Intergovernmental	1,199,141	-	406,276	1,605,417
Charges for services	677,906	-	279,475	957,381
Fines and forfeitures	817,170	-	37,476	854,646
Licenses and permits	103,452	-	-	103,452
Investment income	12,888	41,935	40,164	94,987
Miscellaneous	390,587	-	67,609	458,196
Total revenues	<u>9,817,998</u>	<u>41,935</u>	<u>8,837,636</u>	<u>18,697,569</u>
<b>EXPENDITURES</b>				
Current:				
Administration	1,053,102	-	-	1,053,102
General government	766,291	-	315,895	1,082,186
Legal and judicial	259,345	-	-	259,345
Public safety	9,359,578	-	176,485	9,536,063
Urban development	253,942	-	310,752	564,694
Streets	-	-	1,076,534	1,076,534
Culture and recreation	531,255	-	577,014	1,108,269
Water	-	-	657,752	657,752
Wastewater	-	288,046	6,008	294,054
Capital Outlay	369,576	2,577,527	1,080,627	4,027,730
Debt Service:				
Principal	23,864	-	1,025,593	1,049,457
Interest	6,629	-	654,893	661,522
Total expenditures	<u>12,623,582</u>	<u>2,865,573</u>	<u>5,881,553</u>	<u>21,370,708</u>
Excess (deficiency) of revenues over expenditures	<u>(2,805,584)</u>	<u>(2,823,638)</u>	<u>2,956,083</u>	<u>(2,673,139)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	5,426,113	-	1,354,757	6,780,870
Transfers out	(2,249,653)	-	(3,968,538)	(6,218,191)
Proceeds from long-term debt	154,918	-	373,948	528,866
Total other financing sources (uses)	<u>3,331,378</u>	<u>-</u>	<u>(2,239,833)</u>	<u>1,091,545</u>
Net change in fund balances	525,794	(2,823,638)	716,250	(1,581,594)
Fund balances - beginning	1,674,642	6,227,208	4,195,402	12,097,252
Fund balances - ending	<u>\$ 2,200,436</u>	<u>\$ 3,403,570</u>	<u>\$ 4,911,652</u>	<u>\$ 10,515,658</u>

See accompanying notes to the basic financial statements.

**City of Sapulpa**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of**  
**Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2011**

**Changes in Fund Balance - Changes in Net Asset Reconciliation:** \$ (1,581,594)

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

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

Capital asset purchases capitalized	914,221
Book value of disposed capital assets	(58,441)
Capital assets transferred to business-type activities	(5,075)
Depreciation expense	<u>(1,508,680)</u>
	<u>(657,975)</u>

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

Amortization expense	(22,429)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Deferred revenue	744
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Certain special revenue funds are used by management to perform business-type activities. The net change in fund balances of these special revenue funds are included in business-type activities in the Statement of Net Assets:

Water & Sewer Sales Tax Fund	(11,127)
Water Resources Fund	(107,854)
Sewer Plant Sales Tax Fund	<u>(20,006)</u>
	<u>(138,987)</u>

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

Principal payment on capital lease obligation	189,527
Principal payment on judgments payable	199,933
Principal payment on G.O. bonds payable	660,000
G.O. Bond premium amortized	1,253
Proceeds from capital lease obligation	(528,866)
Increase in judgments payable	<u>(8,000)</u>
	<u>513,848</u>

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

Change in accrued interest payable	6,924
Change in OPEB liability	(165,077)
Change in accrued compensated absences	<u>116,909</u>
	<u>(41,244)</u>

Internal service fund activity is reported as a proprietary fund in the fund financial statements, but certain net revenues are reported in governmental activities on the Statement of Activities:

Change in net assets for internal service funds	276,470
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Change in net assets of governmental activities	<u>\$ (1,651,168)</u>
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See accompanying notes to the basic financial statements.

City of Sapulpa  
Statement of Net Assets  
Proprietary Funds  
June 30, 2011

	Enterprise Funds			
	SMA Utility Fund	Golf Course Fund	Total	Internal Service Fund
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 136,026	\$ 93,303	\$ 229,329	\$ 345,041
Restricted cash and cash equivalents	2,066,072	-	2,066,072	-
Investments	776,949	-	776,949	-
Accounts receivable, net	941,793	2,638	944,631	-
Other receivables	182,641	-	182,641	5,377
Due from other funds	11,200	-	11,200	-
Due from governments	-	-	-	-
Deferred inflows	190,084	-	190,084	-
Inventory	-	25,129	25,129	-
Total current assets	<u>4,304,765</u>	<u>121,270</u>	<u>4,426,035</u>	<u>350,418</u>
Non-current assets				
Restricted cash and cash equivalents	1,891,068	-	1,891,068	-
Restricted investments	157,000	-	157,000	-
Derivative instrument	17,030	-	17,030	-
Capital assets:				
Land and other non-depreciable assets	9,119,824	20,660	9,140,484	-
Other capital assets, net of depreciation	50,113,743	848,243	50,961,986	-
Unamortized debt issuance costs	2,595,267	-	2,595,267	-
Total non-current assets	<u>63,893,932</u>	<u>868,903</u>	<u>64,762,835</u>	<u>-</u>
Total assets	<u>68,198,697</u>	<u>990,173</u>	<u>69,188,870</u>	<u>350,418</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	356,455	18,485	374,940	-
Accrued payroll liabilities	57,374	19,076	76,450	-
Due to other funds	185,985	-	185,985	-
Accrued interest payable	1,584,203	-	1,584,203	-
Deferred revenue	-	3,525	3,525	-
Estimated liability for claims	-	-	-	384,078
Current portion of				
Due to depositors	49,798	-	49,798	-
Notes payable	88,328	36,696	125,024	-
Water contract obligations	275,416	-	275,416	-
Revenue bonds payable	580,000	-	580,000	-
Accrued compensated absences	10,550	2,286	12,836	-
Total current liabilities	<u>3,188,109</u>	<u>80,068</u>	<u>3,268,177</u>	<u>384,078</u>
Non-current liabilities:				
Due to depositors	199,192	-	199,192	-
Notes payable	229,800	37,793	267,593	-
Water contract obligations	2,647,196	-	2,647,196	-
Revenue bonds payable, net	61,497,218	-	61,497,218	-
Accrued compensated absences	94,940	20,576	115,516	-
Total non-current liabilities	<u>64,868,346</u>	<u>58,369</u>	<u>64,728,715</u>	<u>-</u>
Total liabilities	<u>67,856,455</u>	<u>138,437</u>	<u>67,994,892</u>	<u>384,078</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	(6,084,391)	794,414	(5,289,977)	-
Restricted for debt service	2,280,947	-	2,280,947	-
Unrestricted	4,145,686	57,322	4,203,008	(33,660)
Total net assets (deficit)	<u>\$ 342,242</u>	<u>\$ 851,736</u>	<u>\$ 1,193,978</u>	<u>\$ (33,660)</u>

Amounts reported for business-type activities in the Statement of Net Assets are different because:

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

917,348

Net assets of business-type activities

\$ 2,111,326

See accompanying notes to the basic financial statements

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

	<u>Enterprise Funds</u>			<u>Internal Service Fund</u>
	<u>SMA Utility Fund</u>	<u>Golf Course Fund</u>	<u>Total</u>	
<b>REVENUES</b>				
Water charges	\$ 4,063,036	\$ -	\$ 4,063,036	\$ -
Sewer charges	3,211,456	-	3,211,456	-
Sanitation	1,303,594	-	1,303,594	-
Water taps	13,500	-	13,500	-
Sewer taps	19,395	-	19,395	-
Late charges	176,890	-	176,890	-
Trucked water	36,526	-	36,526	-
Stormwater	824,475	-	824,475	-
Golf course	-	417,720	417,720	-
Self insurance charges	-	-	-	3,134,403
Miscellaneous	102,251	2,357	104,608	-
Total operating revenues	<u>9,751,123</u>	<u>420,077</u>	<u>10,171,200</u>	<u>3,134,403</u>
<b>OPERATING EXPENSES</b>				
General government	186,701	-	186,701	-
Administration	146,614	-	146,614	-
Utility collections	305,244	-	305,244	-
Water treatment plant	1,704,952	-	1,704,952	-
Industrial pretreatment	69,241	-	69,241	-
Wastewater treatment plant	1,096,657	-	1,096,657	-
Stormwater management	328,576	-	328,576	-
Sanitation	1,123,907	-	1,123,907	-
Golf course operations	-	601,420	601,420	-
Amortization expense	264,414	-	264,414	-
Depreciation expense	1,710,172	123,552	1,833,724	-
Claims expense	-	-	-	3,008,282
Total operating expenses	<u>6,936,478</u>	<u>724,972</u>	<u>7,661,450</u>	<u>3,008,282</u>
Operating income (loss)	<u>2,814,645</u>	<u>(304,895)</u>	<u>2,509,750</u>	<u>126,121</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Investment income	28,356	-	28,356	349
Miscellaneous	140,371	-	140,371	-
Gain/loss on disposal of capital assets	176	-	176	-
Interest expense and fiscal charges	(4,878,069)	(3,837)	(4,881,906)	-
Total non-operating revenue (expenses)	<u>(4,709,166)</u>	<u>(3,837)</u>	<u>(4,713,003)</u>	<u>349</u>
Income (loss) before contributions and transfers	(1,894,521)	(308,732)	(2,203,253)	126,470
Capital contributions	3,093,075	13,880	3,106,955	-
Transfers in	6,322,014	300,000	6,622,014	150,000
Transfers out	(7,338,304)	-	(7,338,304)	-
Change in net assets	182,264	5,148	187,412	276,470
Total net assets (deficit) - beginning	159,978	846,588	1,006,566	(310,130)
Total net assets (deficit) - ending	<u>\$ 342,242</u>	<u>\$ 851,736</u>	<u>\$ 1,193,978</u>	<u>\$ (33,660)</u>

Change in net assets \$ 187,412

Amounts reported for business-type activities in the Statement of Activities are different because:

Certain special revenue funds are used by management to perform business-type activities. The activities of these special revenue funds are included in the business-type activities in the Statement of Activities.

Water & sewer sales tax fund	11,127
Water resources fund	107,854
Sewer plant sales tax fund	20,006
	<u>138,987</u>
Change in net assets of the business-type activities	<u>\$ 326,399</u>

See accompanying notes to the basic financial statements.

City of Sapulpa  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2011

	SMA Utility Fund	Golf Course Fund	Total Enterprise Funds	Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 9,915,579	\$ 421,134	\$ 10,336,713	\$ -
Payments to suppliers	(7,507,693)	(1,002,085)	(8,509,778)	(3,337,254)
Payments to employees	2,512,410	417,203	2,929,613	-
Receipts of customer meter deposits	82,735	-	82,735	-
Refunds of customer meter deposits	(77,021)	-	(77,021)	-
Interfund receipts/payments	517,642	(3,938)	513,704	-
Receipts from others	-	-	-	3,308,031
<b>Net cash provided by (used in) operating activities</b>	<u>5,443,652</u>	<u>(167,686)</u>	<u>5,275,966</u>	<u>(29,223)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers from other funds	6,322,014	300,000	6,622,014	150,000
Transfers to other funds	(7,338,304)	-	(7,338,304)	-
<b>Net cash provided by (used in) noncapital financing activities</b>	<u>(1,016,290)</u>	<u>300,000</u>	<u>(716,290)</u>	<u>150,000</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets	(451,910)	-	(451,910)	-
Proceeds from issuance of capital debt	76,258	-	76,258	-
Principal paid on capital debt	(903,390)	(35,174)	(938,564)	-
Interest and fiscal agent fees paid on capital debt	(3,528,220)	(3,837)	(3,532,057)	-
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(4,807,262)</u>	<u>(39,011)</u>	<u>(4,846,273)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investments	1,197,683	-	1,197,683	-
Interest and dividends	28,473	-	28,473	349
<b>Net cash provided by (used in) investing activities</b>	<u>1,226,156</u>	<u>-</u>	<u>1,226,156</u>	<u>349</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	846,256	93,303	939,559	121,126
<b>Balances - beginning of year</b>	<u>3,246,910</u>	<u>-</u>	<u>3,246,910</u>	<u>223,915</u>
<b>Balances - end of year</b>	<u>\$ 4,093,166</u>	<u>\$ 93,303</u>	<u>\$ 4,186,469</u>	<u>\$ 345,041</u>
<b>Reconciliation to Statement of Net Assets:</b>				
Cash and cash equivalents	\$ 136,026	\$ 93,303	\$ 229,329	\$ 345,041
Restricted cash and cash equivalents - current	2,066,072	-	2,066,072	-
Restricted cash and cash equivalents - noncurrent	1,891,068	-	1,891,068	-
<b>Total cash and cash equivalents, end of year</b>	<u>\$ 4,093,166</u>	<u>\$ 93,303</u>	<u>\$ 4,186,469</u>	<u>\$ 345,041</u>

(Continued)

See accompanying notes to the financial statements.

**City of Sapulpa**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2011**

	<b>SMA Utility Fund</b>	<b>Golf Course Fund</b>	<b>Total Enterprise Funds</b>	<b>Internal Service Funds</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss)	\$ 2,814,645	\$ (304,895)	\$ 2,509,750	\$ 126,121
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation expense	1,710,172	123,552	1,833,724	-
Amortization expense	264,414	-	264,414	-
Miscellaneous income	140,371	-	140,371	-
Change in assets and liabilities:				
Due from other funds	409,917	-	409,917	-
Accounts receivable	(76,311)	253	(76,058)	173,628
Other receivables	100,396	-	100,396	-
Inventory	-	998	998	-
Accounts payable	(27,407)	8,191	(19,216)	-
Accrued payroll payable	(12,446)	2,659	(9,787)	-
Due to other funds	107,727	(3,938)	103,789	-
Deferred revenue	-	804	804	-
Claims liability	-	-	-	(328,972)
Deposits subject to refund	5,714	-	5,714	-
Accrued compensated absences	6,460	4,690	11,150	-
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 5,443,652</b>	<b>\$ (167,686)</b>	<b>\$ 5,275,966</b>	<b>\$ (29,223)</b>
<b>Noncash activities:</b>				
Contributed capital assets	\$ 3,093,075	\$ 13,880	\$ 3,106,955	\$ -
Fair value of hedging derivative	133,860	-	133,860	-
<b>Total noncash activities</b>	<b>\$ 3,226,935</b>	<b>\$ 13,880</b>	<b>\$ 3,240,815</b>	<b>\$ -</b>

See accompanying notes to the basic financial statements.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City's accounting and financial reporting policies conform to accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. 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 subsections of this Note.

**I.A. FINANCIAL REPORTING ENTITY**

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

Primary Government:	City of Sapulpa
Component Unit:	Sapulpa Municipal 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 of which the City is fiscally accountable.

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

**BLENDED COMPONENT UNITS**

A blended component unit is a separate legal entity that meets 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 unit that is blended into the primary government's fund categories is presented below.

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>	<u>Included Funds</u>
Sapulpa Municipal Authority	Created February 19, 1968, to finance, develop and operate the water, wastewater, solid waste and golf activities of the City. Current City Council serves as the entire governing body (Trustees). Debt issued by the Authority requires 2/3rds approval of the City Council.	SMA Utility and SMA Golf Course Enterprise Funds

**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 including component units. They include all financial activities of the reporting entity. Eliminations have been made to minimize the double reporting of transactions involving internal activities. Individual funds are not displayed in these statements. Instead, 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.

The statement of activities presents a comparison between the expenses and program revenues directly associated with the different governmental functions and business-type activities to arrive at the net revenue or expense of the function or activity prior to the use of taxes and other general revenues. Program revenues include (1) fees, fines, and service charges generated by the program or activity, (2) operating grants and contributions that are restricted to meeting the operational requirements of the program or activity, and (3) capital grants and contributions that are restricted to meeting the capital requirements of the program or activity.

*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 the individual governmental fund 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.

All remaining governmental and enterprise funds not meeting the above criteria are aggregated and reported as nonmajor funds. The funds of the financial reporting entity are described below:

GOVERNMENTAL FUNDS

General Fund (Major Fund)

The General Fund is the primary operating fund of the City. It is used to account for and report all financial resources not accounted for and reported in another fund. Included or combined with the General Fund are the following Funds that, in addition to the General Fund, comprise the General Fund Accounts. These were reported as Special Revenue Funds in the prior year:

<u>Fund</u>	<u>Description</u>
Hunting & Fishing Fund	Accounts for revenues from hunting and fishing fees and other sources and expenditures made there from.

CITY OF SAPULPA, OKLAHOMA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2011

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Library Fund	Accounts for revenues received from sales tax (2.5% of the second and third penny), grants, fines and other sources for library maintenance and operations.
Swimming Pool Fund	Accounts for revenues received from donations and charges for services for swimming pool expenditures.

Capital Project Fund (Major Fund)

Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays. The reporting entity includes the following capital project fund:

<u>Fund</u>	<u>Description</u>
GO Bond Construction Fund	Accounts for the financing and construction of specified capital improvements.

Special Revenue Funds (Nonmajor Funds)

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The reporting entity includes the following special revenue funds:

<u>Fund</u>	<u>Description</u>
Cemetery Maintenance Fund	Accounts for revenues received from sales tax (2.5% of the second and third penny), lot sales and charges for interment to be used for maintenance and operations of the cemetery. Additional monies are transferred into this fund for right-of-way mowing operations.
Street & Alley Fund	Accounts for revenues received from gasoline excise tax, motor vehicle tax and expenditures made for street maintenance and operations.
Parks & Recreation Fund	Accounts for revenues received from sales tax (5% of the second and third penny) and from other sources to be used for parks and leisure services.
Federal SAF Fund	Accounts for monies received from federal drug seizures. All monies and property received must be used for law enforcement purposes only.
Major Thoroughfare Fund	Accounts for revenue received from sales tax (5% of the second and third penny) and expenditures for major thoroughfares.
Water & Sewer Sales Tax Fund	Accounts for revenues received from sales tax (10% of the second and third penny) and expenditures made for maintenance, operations and capital outlay.
Spay & Neuter Fund	Accounts for monies received for and expenditures related to spaying and neutering.

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E911 Fund	Accounts for revenues received from tariff rates on base line telephone charges and expenditures for operations and maintenance of the E-911 system.
Juvenile Justice Fund	Accounts for revenues received and expenditures related to the municipal juvenile court and/or any juvenile programs.
Hotel/Motel Tax Fund	Accounts for revenues received from Hotel/Motel Tax and expenditures for operations of the Sapulpa Economic Development Department, promoting tourism, and park capital improvements.
Grants & Aid Fund	Accounts for revenue received and expenditures made for all grant projects, except for library grants and aid.

Capital Project Fund (Nonmajor Funds)

Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays. The reporting entity includes the following capital project funds:

<u>Fund</u>	<u>Description</u>
Restricted Construction Park & Recreation Fund	Accounts for revenue received and expenditures made exclusively for the acquisition of new park lands and/or capital and maintenance improvements of such new parks.
Park Development Fund	Accounts for revenue received from the Hotel/Motel Tax fund and expenditures for the acquisition of new park lands and/or making capital improvements to parks.
Fire Cash Fund	Accounts for revenue received from sales tax (2.5% of the second and third penny) and for expenditures for capital improvements.
Police Cash Fund	Accounts for revenue received from sales tax (2.5% of the second and third penny) and for expenditures for capital improvements.
Cemetery Care Fund	Accounts for revenues received from 12.5% of cemetery lot sales and interments. Per state statute, the principal can only be used for the purchase of land and for making permanent capital improvements. The interest can be used for improving, caring for and embellishing lots, walks, drives, parks and other improvements in such cemeteries and maintenance of office and care of records.
Capital Improvement Fund	Accounts for revenues received from sales tax (10% of the second and third penny) and other sources and expenditures for capital improvements in an amount of \$4,500 or greater in value with an estimated life of three years or more.
Water Resources Fund	Accounts for revenues received from sales tax (20% of the second and third penny) and expenditures made for water systems capital improvements.

Street Improvement Sales Tax	Accounts for revenues received from ½ cent dedicated sales tax, transfers made to the sinking fund for debt service payments, and expenditures made for capital outlay.
Sewer Plant Sales Tax	Accounts for revenues received from ½ cent dedicated sales tax, transfers made to the trustee bank for debt service payments, and expenditures made for capital outlay.

Debt Service Fund (Nonmajor Fund)

The Debt Service Fund is used to account for ad-valorem taxes levied by the City for use in retiring court-assessed judgments and general obligation bonds and their related interest expense. In State Statutes this fund is referred to as the Sinking Fund.

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. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise funds and internal service fund:

Enterprise Funds (Major Funds)

<u>Fund</u>	<u>Description</u>
Sapulpa Municipal Authority Utility	Accounts for revenues of the public trust from providing water, wastewater and sanitation services to the public.
Included accounts of the SMA:	
Sewer System Development & Extension Fee Fund	Accounts for revenues received from sewer system development and extension fees associated with the sewer expansion program, related expenses, and to account for funds being placed in escrow which are received from developers.
Stormwater Management Fund	Accounts for revenues received from stormwater management fees and expenditures made for stormwater maintenance and operations.
SMA Golf Course	Accounts for revenues received from fees and operational expenses associated with the golf course.
<u>Internal Service Fund</u>	
Insurance Fund	Accounts for revenues and expenses of insurance costs for employees with the City, including police and fire retirees.

### 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

##### *Government-wide and Proprietary Fund Financial Statements*

In the government-wide Statement of Net Assets and the Statement of Activities, and the proprietary fund statements the “*economic resources*” measurement focus is applied. 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. Fund equity is classified as net assets.

##### *Governmental Fund Financial Statements*

In the governmental fund financial statements, a “*current financial resources*” measurement focus is applied. Under this 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.

#### Basis of Accounting

##### *Government-wide and Proprietary Fund Financial Statements*

In the government-wide Statement of Net Assets and Statement of Activities, and the proprietary fund financial statements the accrual basis of accounting is applied. 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.

##### *Governmental Fund Financial Statements*

In the governmental fund financial statements, the modified accrual basis of accounting is applied. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City has defined “available” as collected within 60 days after year end. Sales and use taxes, franchise taxes, hotel/motel 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.

### 1.D. ASSETS, LIABILITIES AND EQUITY

#### Cash and Cash Equivalents

Cash and cash equivalents include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less. Investments in open-ended mutual funds held in the trustee accounts are considered cash equivalents.

Investments

Investments consist of certificates of deposit whose original maturity term exceeds three months, certain U.S. Government securities and an interest rate cap investment. Investments that do not have an established market are reported at estimated fair value as estimated by a broker/dealer. The U.S. Government securities are reported at fair value. All non-negotiable certificates of deposit whose original maturity term exceeds three months are carried at cost.

Receivables

Material receivables in governmental funds and governmental activities include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Revenue from non-exchange transactions collectible but not available are deferred in accordance with GASB 33 at the fund level.

Proprietary funds and business-type activities material receivables consist of all revenues earned at year-end and not yet received. Billed and unbilled utility accounts receivable comprise the majority of these receivables. They are reported net of allowances for uncollectible accounts.

Inventories

Inventory recorded in governmental funds and governmental activities is valued at average cost and consists of material and supplies used for vehicle maintenance and office and janitorial activities. The cost is allocated to the various user departments based upon their consumption. The consumption method of accounting treatment is utilized by the City's governmental funds.

Special reporting treatments are applied to governmental fund inventories to indicate that they do not represent available spendable resources even though they are a component of net current assets. Such amounts are generally offset by fund balance reserve accounts.

Proprietary fund and business-type activities inventories are recorded on an average cost basis. Inventory of the enterprise funds consists of materials and supplies used for golf.

Capital Assets and Depreciation

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 and Proprietary Funds*

In the government-wide financial statements and proprietary funds, property, plant and equipment are accounted for as capital assets. The City's capitalization threshold was \$2,000 for the year ended June 30, 2011. 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 asset or materially 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 follows:

Buildings	25 - 50 years
Other Improvements	5 - 50 years
Infrastructure	25-100 years
Machinery and Equipment	3 - 20 years
Utility System	25 - 50 years

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

#### Restricted Assets

Restricted assets include current and noncurrent assets of enterprise funds and business-type activities that are legally restricted as to their use. The primary restricted assets are related to trustee accounts restricted for debt service, an interest rate cap investment and deposits held for refund.

#### 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.

All long-term debt to be repaid from governmental activities, business-type activities and proprietary funds are reported as liabilities as incurred. The long-term debt presently is primarily comprised of general obligation bonds, capital lease obligations payable, judgments payable, water contract obligations, revenue bonds payable and accrued compensated absences. This long-term debt is reported net of unamortized discounts, premiums, and gains and losses from refunding.

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 payments of principal and interest are reported as expenditures.

#### Compensated Absences

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

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

#### Equity Classification

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

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

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

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

*Governmental Fund Financial Statements:*

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

- a. Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (b) law through constitutional provisions or enabling legislation.
- c. Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority. The City's highest level of decision-making authority is made by ordinance.
- d. Assigned – includes amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted or committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through the budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

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

Proprietary fund equity is classified the same as in the government-wide statements.

**1.E. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES**

In the process of aggregating the financial information for the government-wide financial statements, 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 are not eliminated in the statement of activities.

*Fund Financial Statements:*

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

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

**1.F. REVENUES, EXPENDITURES AND EXPENSES**

Sales Tax

The City presently levies a four cent sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. One cent of the sales tax received is to be recorded as sales tax revenue within the General Fund, one-half cent in the Street Improvement Sales Tax Fund, one-half cent in the Series 1998 Capital Improvement Sales Tax Fund and the remaining two cents distributed to various funds based on various percentages. These percentages, initially set by ordinance, have been further restricted by management and governing body approval as follows:

General Fund	40.00%
Cemetery Maintenance Fund	2.50%
Library Fund	2.50%
Parks & Recreation Fund	5.00%
Fire Cash Fund	2.50%
Police Cash Fund	2.50%
Major Thoroughfare Fund	5.00%
Capital Improvement Fund	10.00%
Water & Sewer Sales Tax Fund	10.00%
Water Resources Fund	<u>20.00%</u>
Total	<u>100.00%</u>

In accordance with the 2002, 2003 and 2009 sales tax agreements of their respective bond indentures, sales tax has been pledged for the payment of principal and interest on the indebtedness. The 2002, 2003 and 2009 revenue bond indentures state that 40% of two cents of the sales tax levied and assessed pursuant to the City's ordinances is pledged for the payment of those debt issues. In addition, ½ of one cent recorded in the Street Improvement Sales Tax Fund has been pledged for payment on the 2004 Capital Improvement Revenue Bonds.

Sales tax resulting from sales occurring prior to year-end and received by the City after year end have been accrued and are included under the caption *Due from Other Governments* 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 a property tax, in addition to dedicated sales tax, to fund the annual debt service requirements of the following general obligation bonds:

General Obligation Bonds

2003 General Obligation Bonds  
2004 General Obligation Bonds  
2005 General Obligation Bonds  
2006 General Obligation Bonds  
2010 General Obligation Bonds

The property tax levy, as determined by the City's debt service needs, is submitted to the County Excise Board for approval. County assessors, elected officials, determine the taxable value of real estate and personal property in the County. A State Board of Equalization hears complaints on real estate values with the power to equalize assessments. Under present State law, the ratio of assessed value to true value cannot be less than 11 percent or more than 13 ½ percent.

Property taxes levied by the City are billed and collected by the County Treasurer's office and remitted to the City in the month following collection. Property taxes are levied normally in October and are due in equal installments on December 31 and March 31. Property taxes unpaid for the fiscal year are attached by an enforceable lien on property in the following October.

For the year ended June 30, 2011, the City's net assessed valuation of taxable property was \$121,046,668. The taxes levied by the City per \$1,000 of net assessed valuation for the year ended June 30, 2011, was \$14.54.

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.

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

By its nature as a local government unit, the City and its component unit 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 INVESTMENT 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

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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. For the year ended June 30, 2011, the City's uninsured deposits were fully collateralized.

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.

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.

## **2.B. DEBT RESTRICTIONS AND COVENANTS**

### General Obligation Debt

Article 10, Sections 26 and 27 of the Oklahoma Constitution limits the amount of certain outstanding general obligation bonded debt of the municipality for non-utility or non-street purposes to no more than 10% of net assessed valuation. For the year ended June 30, 2011, the City complied with this restriction.

### Other 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.

### Revenue Bond Debt

The bond indentures relating to the revenue bond issues of the Sapulpa Municipal Authority contain a number of restrictions or covenants that are financial related. These include covenants such as a required flow of funds through special accounts, debt service coverage requirements and required reserve account balances.

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The following schedule presents a brief summary of the most significant requirements and the Authority's level of compliance, thereon, as of June 30, 2011:

<u>Requirement</u>	<u>Level of Compliance</u>
a. Flow of Funds	
1. 2003 Refunding Revenue Bonds:	
- Revenue Fund	The Authority maintained all required accounts and made the required payments into such accounts.
- Construction Fund	
- Bond Fund	
- Bond Reserve Fund	
2. 2002 Revenue Bonds:	
- Revenue Account	The Authority maintained all required accounts and made the required payments into such accounts.
- Construction Fund	
- Bond Account	
- Sinking Fund	
3. 2004 Capital Improvement Revenue Bonds:	
- Revenue Account	The Authority maintained all required accounts and made the required payments into such accounts.
- Construction Fund	
- Bond Account	
- Bond Reserve Fund	
4. 2006 Utility System Revenue Bonds:	
- Revenue Account	The Authority maintained all required accounts and made the required payments into such accounts.
- Construction Fund	
- Bond Account	
- Bond Reserve Fund	
5. 2006 Capital Improvement Revenue Bonds:	
- Revenue Account	The Authority maintained all required accounts and made the required payments into such accounts.
- Construction Fund	
- Bond Account	
- Bond Reserve Fund	
6. 2009 Refunding Revenue Bonds:	
- Revenue Account	The Authority maintained all required accounts and made the required payments into such accounts.
- Construction Fund	
- Bond Account	
- Bond Reserve Fund	
b. Revenue Bond Coverage:	
Net operating revenue plus transferred sales tax must equal 1.25 times average annual debt service on the 2002 and 2006 Utility Bonds.	Net revenues available amounted to \$8,454,823. The average annual debt service on the bonds amounted to \$2,975,546. Actual coverage was 2.84 times.
Net operating revenue (excluding sales tax) must equal 1.00 times average annual debt service on the 2002 Revenue Bonds.	Net revenues excluding sales tax amounted to \$4,817,587. The average annual debt service was \$2,975,546. Actual coverage was 1.62 times.

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Net operating revenue plus transferred sales tax must equal 1.20 times annual debt service on the 2003 Revenue Bonds.	Net revenues available amounted to \$8,454,823. The annual debt service was \$3,158,256. Actual coverage was 2.68 times.
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Net operating revenue plus transferred sales tax must equal 1.25 times annual debt service on the 2009 Revenue Bonds.	Net revenues available amounted to \$8,454,823. The annual debt service was \$3,158,256. Actual coverage was 2.68 times.
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c. Reserve Account Requirements:

2002 Revenue Bonds: Reserve account balance to be \$2,326,967.	The Authority purchased financial security assurance municipal bond debt service reserve insurance policy with a \$2,326,967 fair value.
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2003 Revenue Bonds: Reserve account balance to be \$2,714,875.	The Authority purchased financial security assurance municipal bond debt service reserve insurance policy with a \$2,714,875 fair value.
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2004 Capital Improvement Revenue Bonds: Reserve account balance to be \$497,000.	The balance at June 30, 2011 was \$497,000.
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2006 Revenue Bonds: Reserve account balance to be \$58,230.	The balance at June 30, 2011 was \$58,230.
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2006 Capital Improvement Revenue Bonds: Reserve account balance to be \$92,500.	The balance at June 30, 2011 was \$92,500.
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2009 Refunding Revenue Bonds: Reserve account balance to be \$1,211,135.	The balance at June 30, 2011 was \$1,243,338.
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**2.C. FUND EQUITY / NET ASSET RESTRICTIONS**

Restricted Net Assets

Restricted net assets at the government-wide financial statements are required to restrict funds in accordance with various laws and regulations, specifically those laws and regulations dealing with debt service and the use of restricted revenues. See Note 3. I. for details of restricted net assets.

**2.D. BUDGETARY COMPLIANCE**

The City prepares its annual operating budget under the provisions of the Municipal Budget Act (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.

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The legal level of control at which expenditures may not legally exceed appropriations is the department level within a fund.

All fund decreases of appropriation and supplemental appropriations require City Council approval. The City Manager may transfer appropriations between departments within a fund 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 Sapulpa Municipal Authority, accounted for as a blended enterprise fund in this report, is 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; and, therefore, no budget and actual financial presentation for the SMA fund is included in this report.

**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 of Sapulpa, including its blended component units held the following deposits and investments at June 30, 2011:

	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Maturity Date</u>
<b>Deposits:</b>				
Demand deposits	\$2,558,881			
<b>Investments:</b>				
Money market funds - Federated Treasury Obligations Fund	\$ 3,865,150		AAAm	N/A
Certificate of deposit	1,233,892		N/A	8/18/2011
Certificate of deposit	145,000		N/A	10/13/2011
Certificate of deposit	722,331		N/A	9/15/2011
Certificate of deposit	623,457		N/A	1/28/2012
Certificate of deposit	100,000		N/A	3/8/2012
Certificate of deposit	50,000		N/A	8/21/2011
Certificate of deposit	71,116		N/A	12/9/2011
Certificate of deposit	1,502,807		N/A	8/10/2011
Certificate of deposit	1,005,256		N/A	8/10/2011
Certificate of deposit	1,250,000		N/A	9/10/2011
Certificate of deposit	1,000,000		N/A	9/10/2011
U.S. Treasury HH Savings Bonds	35,000		N/A	7/1/2022
Interest Rate Cap Investment	17,030		AA	N/A
<b>Total Investments</b>	<u>\$ 11,621,039</u>			
<b>Total deposits and investments</b>	<u>\$ 14,179,920</u>			
<b>Reconciliation to Statement of Net Assets:</b>				
Cash and cash equivalents	\$ 6,424,031			
Investments	7,755,889			
	<u>\$ 14,179,920</u>			

*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

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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.

At June 30, 2011, the City was not exposed to custodial credit risk as defined above.

*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.A. 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.

The fair value of the City's interest rate cap agreements are fully exposed to credit risk. The interest rate cap agreement requires the counterparty to notify the trustee, SMA, and the bond insurer if any of the long-term unsecured outstanding debt of the guarantor falls below A- by S&P and below A3 by Moody's or is unrated by either rating agency. Upon such notice, the trustee or SMA may (1) direct the counterparty to either assign the agreements to an acceptable transferee, (2) provide a guaranty issued by an acceptable guarantor, or (3) terminate the agreements without penalty.

*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.

As noted in the schedule of deposits and investments above, at June 30, 2011, the investments held by the City mature at various times.

*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.

**Hedging Derivative – Interest Rate Cap Swap Transaction:**

The City implemented GASB 53: "Accounting and Financial Reporting for Derivative Instruments" in the prior fiscal year.

The City has entered into a four and a half year interest rate cap swap agreement as a cash flow hedge for \$12,000,000 of its variable rate 2009A Refunding Series Capital Improvement Revenue Bonds. The City owes interest on the revenue bonds at a variable rate of LIBOR plus 275 basis points not to exceed 14%. The counterparty to the swap agreement owes the City interest if the LIBOR rate exceeds 2.25%. The counterparty has not made any payments to the City since the LIBOR rate has not yet exceeded 2.25%. The objective of the hedge is to cap the interest rate paid at 2.25% plus 275 basis points (5%). The City has achieved that objective and is reporting the derivative under hedge accounting standards. The notional amount of the hedging derivative is \$12,000,000.

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The expected future net cash flows of the hedging derivative are as follows:

Year Ending June 30,	Assumed Interest Rate	Hedging Derivative Cash Flow
2012	< 5%	-
2013	5.215%	25,800
2014	5.512%	61,440
Total		\$ 87,240

The City paid \$466,000 to the counterparty at inception. This up-front payment is being amortized as a component of interest expense over the life of the agreement using the straight-line method. The amount amortized as interest expense in fiscal year 2011 was \$103,554.

Associated Debt	Effective Date	Termination Date	Interest Cap Rate	Change in Fair Value	Fair Value at 6-30-11	Counter -party	Credit Rating
2009 Refunding Series Capital Improvement Rev Bonds:							
Interest Rate Cap	1/6/2009	7/1/2013	2.25%	(116,830)	\$ 17,030	Bank of NY	AA

Fair market value was determined using actual six month LIBOR rates from Bloomberg and longer-term LIBOR rates using the US Swaps Curve. The LIBOR actual rates were used to derive historical volatiles. The US Swaps Curve was used to derive forward rates. The Black-76 modified Black-Scholes model was used to price the interest-rate option.

### 3. B. RESTRICTED ASSETS

The amounts reported as restricted assets on the Proprietary Funds Statement of Net Assets are comprised of cash and investments held by the trustee bank on behalf of the public trust (Authority) related to its required revenue bond accounts as described in Note 2.B amounts due to depositors related to utility deposits, and an interest rate cap investment.

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

<u>Type of Restricted Assets</u>	<u>Current Cash and cash equivalents</u>	<u>Noncurrent Cash and cash equivalents</u>	<u>Noncurrent Investments</u>	<u>Total</u>
Due to Depositors	\$91,990	-	\$157,000	\$248,990
Trustee Accounts:				
2002A Bond Fund	624,127	-	-	624,127
2003 Bond Fund	26	-	-	26
2003 Revenue Fund	559,824	-	-	559,824
2004 Bond Fund	389,725	-	-	389,725
2004 Reserve Fund	-	\$497,000	-	497,000
2006 Bond Fund - Cap. Impr.	2	-	-	2
2006 Reserve Fund - Cap. Impr.	-	92,500	-	92,500
2006 Bond Fund - Utility	9,417	-	-	9,417
2006 Revenue Fund - Utility	18,836	-	-	18,836
2006 Reserve Fund - Utility	-	58,230	-	58,230
2009 Revenue Fund	372,125	-	-	372,125
2009 Reserve Fund	-	1,243,338	-	1,243,338
Total Restricted Assets	<u>\$2,066,072</u>	<u>\$1,891,068</u>	<u>\$157,000</u>	<u>\$4,114,140</u>

**3. C. ACCOUNTS RECEIVABLE AND COURT FINES RECEIVABLE**

Accounts receivable of the business-type activities consists of customer utilities services provided, both billed and unbilled, and golf services due at year end, reported net of allowance for uncollectible amounts.

	<u>Utilities</u>	<u>Golf</u>	<u>Total</u>
Accounts receivable	\$2,019,694	\$2,838	\$2,022,532
Allowance for doubtful accounts	<u>(1,077,901)</u>	<u>-</u>	<u>(1,077,901)</u>
Accounts receivable, net	<u>\$941,793</u>	<u>\$2,838</u>	<u>\$944,631</u>

Court fines receivable of the governmental activities consisted of the following at June 30, 2011:

Court fines receivable	\$2,349,232
Allowance for doubtful accounts	<u>(1,587,672)</u>
Court fines receivable, net	<u>\$761,560</u>

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**3. D. CAPITAL ASSETS**

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

	Balance at June 30, 2010	Additions	Transfers	Disposals	Balance at June 30, 2011
<b>Governmental activities:</b>					
<b>Non-depreciable:</b>					
Land	\$ 4,335,306	\$ 18,750	\$ -	\$ -	\$ 4,354,056
Construction-in-progress	2,785,011	385,684	-	(2,139,489)	1,031,206
Total non-depreciable assets at historical cost	<u>7,120,317</u>	<u>404,434</u>	<u>-</u>	<u>(2,139,489)</u>	<u>5,385,262</u>
<b>Depreciable:</b>					
Buildings	10,215,677	322,708	-	-	10,538,385
Other improvements	1,974,741	1,398,719	-	-	3,373,460
Machinery and equipment	10,000,203	501,860	(6,300)	(129,142)	10,366,621
Infrastructure	27,533,370	425,986	-	(55,680)	27,903,676
Total depreciable assets at historical cost	<u>49,723,991</u>	<u>2,649,273</u>	<u>(6,300)</u>	<u>(184,822)</u>	<u>52,182,142</u>
<b>Less accumulated depreciation</b>					
Buildings	(2,633,155)	(201,808)	-	-	(2,834,963)
Other improvements	(664,240)	(98,328)	-	-	(762,568)
Machinery and equipment	(5,582,934)	(599,223)	1,225	96,314	(6,084,618)
Infrastructure	(9,781,165)	(609,321)	-	30,067	(10,360,419)
Total accumulated depreciation	<u>(18,661,494)</u>	<u>(1,508,680)</u>	<u>1,225</u>	<u>126,381</u>	<u>(20,042,568)</u>
Net depreciable assets	<u>31,062,497</u>	<u>1,140,593</u>	<u>(5,075)</u>	<u>(58,441)</u>	<u>32,139,574</u>
Governmental activities capital assets, net	<u>\$ 38,182,814</u>	<u>\$ 1,545,027</u>	<u>\$ (5,075)</u>	<u>\$ (2,197,930)</u>	<u>\$ 37,524,836</u>
<b>Business-type activities</b>					
<b>Non-depreciable:</b>					
Land	\$ 52,001	\$ -	\$ -	\$ -	\$ 52,001
Water rights contracts	4,915,486	-	-	-	4,915,486
Construction-in-progress	2,063,250	3,500,615	-	(1,390,868)	4,172,997
Total non-depreciable assets at historical cost	<u>7,030,737</u>	<u>3,500,615</u>	<u>-</u>	<u>(1,390,868)</u>	<u>9,140,484</u>
<b>Depreciable:</b>					
Buildings	3,880,040	-	-	-	3,880,040
Other improvements	1,532,622	-	-	-	1,532,622
Utility property	65,030,478	-	-	-	65,030,478
Machinery and equipment	3,282,142	54,576	6,300	(50,047)	3,292,971
Infrastructure	342,745	1,390,868	-	-	1,733,613
Totals depreciable assets at historical cost	<u>74,068,027</u>	<u>1,445,444</u>	<u>6,300</u>	<u>(50,047)</u>	<u>75,469,724</u>
<b>Less accumulated depreciation</b>					
Buildings	(939,137)	(78,233)	-	-	(1,017,370)
Other improvements	(794,484)	(65,575)	-	-	(860,059)
Utility property	(19,164,792)	(1,409,667)	-	-	(20,574,459)
Machinery and equipment	(1,621,719)	(253,452)	(1,225)	48,823	(1,827,573)
Infrastructure	(201,480)	(26,797)	-	-	(228,277)
Total accumulated depreciation	<u>(22,721,612)</u>	<u>(1,833,724)</u>	<u>(1,225)</u>	<u>48,823</u>	<u>(24,507,736)</u>
Net depreciable assets	<u>51,346,415</u>	<u>(388,280)</u>	<u>5,075</u>	<u>(1,224)</u>	<u>50,961,986</u>
Business-type activities capital assets, net	<u>\$ 58,377,152</u>	<u>\$ 3,112,335</u>	<u>\$ 5,075</u>	<u>\$ (1,392,092)</u>	<u>\$ 60,102,470</u>

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

Depreciation expense charged to governmental activities:

Administration	\$	25,791
General government		36,300
Legal and judicial		3,690
Public safety		540,610
Urban development		3,425
Streets		701,804
Culture and recreation		197,060
Total governmental activities depreciation expense	\$	1,508,680

Depreciation expense charged to business-type activities:

Water	\$	592,247
Wastewater		1,023,837
Sanitation		33,645
Stormwater		60,443
Golf course		123,552
Total business-type activities depreciation expense	\$	1,833,724

Note: General government, administration, utility collections and utility maintenance of the business-type activities were allocated to the appropriate functions based upon a percentage of revenues.

### 3. E. WATER RIGHTS CONTRACT

The Sapulpa Municipal Authority (SMA) entered into three agreements with the United States of America for water storage space in Skiatook Lake. In consideration of the right to utilize the aforesaid storage space in the project for municipal and industrial supply purposes, the SMA agreed to pay costs in the amount of \$4,915,486 (which is the balance of the unamortized water rights reported as capital assets at June 30, 2011), along with maintenance and operations costs on an annual basis. The City incurred an obligation to the federal government for the water rights. The obligations were incurred in March 1993, November 1999, November 2002, and June 2006. The obligations are payable in annual installments of \$30,491, \$33,966, \$143,535 and \$184,184, respectively. The total water right obligation balance at June 30, 2011 is \$2,922,612. See Note 3.F. for further disclosures.

Due to the long-term nature of this agreement, and the infinite economic life of the water rights, the SMA's investment in the water rights contract is not being amortized.

**3. F. LONG-TERM DEBT**

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

Governmental Activities Long-Term Debt

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

General Obligation Bonds:

\$4,100,000 General Obligation Bonds of 2003, due in annual installments of \$215,000, final installment of \$230,000 due June 1, 2023, with interest rates at 2.75% to 4.0%	\$2,595,000
\$5,600,000 General Obligation Bonds of 2004, due in annual installments of \$295,000, final installment due June 1, 2024, with interest rates at 3.50% to 5.00%	3,835,000
\$1,925,000 General Obligation Bonds of 2005, due in annual installments of \$100,000, final installment of \$125,000 due June 1, 2025, with interest rates at 2.80% to 3.90%	1,425,000
\$415,000 General Obligation Bonds of 2006, due in annual installments of \$50,000, final installment due June 1, 2016, with interest rates at 4.00% to 4.20%	250,000
\$6,800,000 General Obligation Bonds of 2010, due in annual installments of \$350,000, final installment due June 1, 2030, with interest rates at 3.75% to 4.25%	<u>6,800,000</u>
Total General Obligation Bonds	<u>\$14,905,000</u>
Current portion	\$ 1,010,000
Non-current portion	<u>13,895,000</u>
Total General Obligation Bonds	<u>\$14,905,000</u>

Capital Lease Obligations:

\$425,000 capital lease with American Heritage Bank for a Pierce Pumper Truck, payable in monthly installments of \$7,861, final payment due March 2013 with interest at 4.15%; lease must be renewed annually	157,723
\$36,123 capital lease with American Heritage Bank for golf equipment payable in monthly installments of \$837, final payment due February 2012 with interest rate at 5.25%; lease must be renewed annually	6,557
\$135,000 capital lease with First United Bank & Trust for Freightliner truck payable in quarterly installments of \$7,481, final payment due June 2015 with interest rate at 4%; lease must be renewed annually	108,811
\$66,923 capital lease with De Lage Landen Public Finance for desktop printers payable in monthly installments of \$1,281, final payment due June 2015 with interest rate at 5.79%; lease must be renewed annually	54,774
\$87,995 capital lease with De Lage Landen Public Finance for copiers payable in monthly installments of \$1,680, final payment due September 2015 with interest rate at 5.48%; lease must be renewed annually	76,279

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\$269,473 capital lease with First United Bank & Trust for Vactor Combination Sewer Cleaning truck payable in quarterly installments of \$9,196, final payment due March 2015 with interest rate at 3.45%; lease must be renewed annually	262,555
\$69,000 capital lease with American Heritage Bank for John Deere 120D Excavator payable in quarterly installments of \$6,103, final payment due June 2014 with interest rate at 3.75%; lease must be renewed annually	52,396
\$35,475 capital lease with American Heritage Bank for New Holland B90B Backhoe payable in quarterly installments of \$3,133, final payment due June 2014 with interest rate at 3.65%; lease must be renewed annually	<u>26,930</u>
Total Capital Lease Obligations	<u>\$746,025</u>
Current portion	\$396,562
Non-current portion	<u>349,463</u>
Total Capital Lease Obligations	<u>\$746,025</u>

Accrued Compensated Absences:

Accrued compensated absences reported in the governmental activities are comprised of accrued vacation leave, sick leave and compensatory time.

Current portion	\$ 167,811
Non-current portion	<u>1,510,295</u>
Total Accrued Compensated Absences	<u>\$1,678,106</u>

Estimated Claims Liability:

Estimated claims liability reported in the governmental activities are comprised of accrued payables and liabilities incurred but not reported.

Current portion	\$384,078
Total Estimated Claims Liability	<u>\$384,078</u>

Judgment Payable:

\$15,000 judgment payable (Peterson), payable in annual installments of \$5,000, beginning December 4, 2009, with interest at the statutory rate which was 5.25% for 2011, final payment due December 4, 2011	5,000
\$40,000 judgment payable (Nix), payable in annual installments of \$13,333, beginning January 10, 2010, with interest at the statutory rate which was 5.25% for 2011, final payment due January 10, 2012	<u>13,333</u>
Total Judgments Payable	<u>\$18,333</u>
Current portion	<u>\$18,333</u>
Total Judgments Payable	<u>\$18,333</u>

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Business-Type Activities Long-Term Debt

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

Revenue Bonds Payable:

2003A Refunding Series Capital Improvement Revenue Bonds:

Coupon Bonds – original issue amount of \$16,160,000, dated August 1, 2003, issued by Sapulpa Municipal Authority, secured by utility revenue and pledged sales tax, interest rates of 5.00%, final maturity on July 1, 2031

Zero Coupon Capital Appreciation Bonds – face amount of \$865,153 dated August 1, 2003, issued by Sapulpa Municipal Authority, secured by utility revenue and pledged sales tax, principal and all accreted interest matures in equal installments of \$2,350,000 July 1, 2032 and July 1, 2033

Total 2003A Refunding Series Capital Improvement Revenue Bonds \$ 17,521,065

2003B Refunding Series Capital Improvement Revenue Bonds original issue amount of \$14,340,000, dated August 1, 2003, issued by Sapulpa Municipal Authority, secured by utility revenue and pledged sales tax, interest rates from 5.65% to 6.25%, final maturity on July 1, 2023 5,235,000

2002A Tax-Exempt Refunding Series Utility System Revenue Bonds original issue amount of \$24,100,000, dated February 1, 2002, issued by Sapulpa Municipal Authority, secured by utility revenues and pledged sales tax, interest rates from 5.15% to 5.125%, final maturity on January 1, 2032 24,100,000

2004 Series Capital Improvement Revenue Bonds original issue amount of \$4,970,000, dated October 14, 2004, issued by Sapulpa Municipal Authority, secured by pledged sales tax, interest rates from 3.75% to 4.35%, final maturity on October 1, 2014 2,495,000

2006 Tax-Exempt Refunding Series Utility System Revenue Bonds original issue amount of \$700,000, dated May 1, 2006, issued by Sapulpa Municipal Authority, secured by utility revenues and pledged sales tax, interest rates from 5.15% to 5.40%, final maturity on May 1, 2026 595,000

2006 Series Capital Improvement Revenue Bonds original issue amount of \$925,000, dated May 1, 2006, issued by Sapulpa Municipal Authority, secured by year-to-year appropriation of debt service payments made by city, interest rates from 4.50% to 5.00%, final maturity on May 1, 2016 560,000

2009A Refunding Series Capital Improvement Revenue Bonds original issue amount of \$12,000,000, dated January 1, 2009, issued by Sapulpa Municipal Authority, secured by utility revenue and pledged sales tax, variable interest equal to LIBOR plus 275 basis points – not to exceed 14%, final maturity on July 1, 2013 12,000,000

2009B Refunding Series Capital Improvement Revenue Bonds original issue amount of \$6,000,000, dated January 1, 2009, issued by Sapulpa Municipal Authority, secured by utility revenue and pledged sales tax, interest rate of 5.90%, final maturity on July 1, 2013 6,000,000

Total Revenues Bonds Payable 68,506,065

CITY OF SAPULPA, OKLAHOMA  
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Less: Unamortized Bond Discount – 2003 Series	(303,612)
Unamortized Bond Discount – 2002 Series	(219,233)
Unamortized Bond Discount – 2009 Series	(30,960)
Unamortized Loss on 2003 Refunding	(2,706,508)
Unamortized Loss on 2002 Refunding	(1,431,400)
Unamortized Loss on 2009 Refunding	(1,738,422)
Add: Unamortized Premium – 2004 Series	1,288
Total Revenue Bonds Payable, Net	<u>\$62,077,218</u>
Current portion	\$ 580,000
Non-current portion, net	<u>61,497,218</u>
Total Revenue Bonds Payable, net	<u>\$62,077,218</u>

Notes Payable:

\$144,100 note payable with American Heritage Bank for 55 golf carts, payable in monthly installments of \$9,753, final payment due June 2013 with interest at 3.9%	\$ 74,489
\$280,163 note payable with American Heritage Bank for sewer cleaner, payable in monthly installments of \$15,501, final payment due July 2014 with interest at 3.9%	188,139
\$200,000 capital lease with American Heritage Bank for the softball complex, payable in monthly installments of \$9,399, final payment due January 2015 with interest at 4.05%	<u>129,989</u>
Total Notes Payable	<u>\$392,617</u>
Current portion	\$125,024
Non-current portion	<u>267,593</u>
Total Notes Payable	<u>\$392,617</u>

Accrued Compensated Absences:

Accrued compensated absences reported in the business-type activities are comprised of accrued vacation leave, sick leave and compensatory time.

Current portion	\$12,836
Non-current portion	<u>115,516</u>
Total Accrued Compensated Absences	<u>\$128,352</u>

Water Contract Obligations:

The City has a number of contractual obligations with the U.S. Army Corps of Engineer for water use rights, with outstanding amounts due as follows:

Obligation payable to the U.S. Army Corps of Engineer, original amount of \$632,924, for use of water facility, payable in 41 annual installments of \$30,491, final maturity in March, 2033.	\$450,680
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CITY OF SAPULPA, OKLAHOMA  
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Obligation payable to the U.S. Army Corps of Engineer, original amount of \$632,924, for use of water facility, payable in 35 annual installments of \$33,966, final maturity in November, 2033.	504,018
Obligation payable to the U.S. Army Corps of Engineer, original amount of \$1,738,077, for use of water facility, payable in 16 annual installments of \$143,535, final maturity in November, 2017.	862,059
Obligation payable to the U.S. Army Corps of Engineer, original amount of \$1,727,377, for use of water facility, payable in 12 annual installments of \$184,184, final maturity in June, 2017.	<u>1,105,855</u>
Total Water Contract Obligations	<u>\$2,922,612</u>
Current portion	\$ 275,416
Non-current portion	<u>2,647,196</u>
Total Water Contract Obligations	<u>\$2,922,612</u>

Due to Depositors:

Outstanding deposits for utility services, refundable only upon termination of service, amounted to the following:

Current portion	\$ 49,798
Non-current portion	<u>199,192</u>
Total Due to Depositors	<u>\$248,990</u>

Defeased Bonds Outstanding

The City, through its various public trusts, has in substance defeased a number of outstanding bond issues by placing deposits in irrevocable trusts, escrow accounts, for the purchase of U.S. Government Securities to pay principal and interest on the refunded bonds as they are due and payable. For financial reporting purposes, both the defeased bonds outstanding and the escrowed securities have been excluded from the financial statements. At year end, the remaining outstanding defeased debt issues were as follows:

1998 Series Capital Improvement Revenue Bonds – Defeased	\$9,620,000
2002B Series Taxable Refunding Utility System Revenue Bonds – Defeased	3,110,000
2003B Series Refunding Capital Improvement Revenue Bonds – Defeased	<u>8,860,000</u>
Total Defeased Bonds Outstanding	<u>\$ 21,590,000</u>

CITY OF SAPULPA, OKLAHOMA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2011

Changes in Long-Term Debt

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

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011	Amounts Due Within One Year
<b>Governmental Activities:</b>					
General Obligation Bonds	\$ 15,565,000	\$ -	\$ 660,000	\$ 14,905,000	\$ 1,010,000
Capital Lease Obligations	406,686	528,866	189,527	746,025	396,562
Accrued Compensated Absences	1,795,015	325,310	442,219	1,678,106	167,811
Judgments Payable	210,266	8,000	199,933	18,333	18,333
Estimated Claims Liability	713,050	3,008,239	3,337,211	384,078	384,078
Other Post-Employment Benefit Liability	506,452	189,713	24,636	671,529	-
Total Governmental Long-Term Debt	<u>\$ 19,196,469</u>	<u>\$ 4,060,128</u>	<u>\$ 4,853,526</u>	<u>\$ 18,403,071</u>	<u>\$ 1,976,784</u>
Unamortized bond premiums/discounts				23,783	
Net Long-term Debt				<u>18,426,854</u>	
Reconciliation to Government-Wide Statement of Net Assets:					
Due in One Year				\$ 1,976,784	
Due in More than One year				16,450,070	
				<u>\$ 18,426,854</u>	
<b>Business-type Activities:</b>					
Due to Depositors	\$ 243,275	\$ 82,736	\$ 77,021	\$ 248,990	\$ 49,798
Water Contract Obligations	3,186,929	-	264,317	2,922,612	275,416
Revenue Bonds Payable	68,984,806	76,259	555,000	68,506,065	580,000
Notes Payable	511,863	-	119,246	392,617	125,024
Accrued Compensated Absences	117,202	24,882	13,732	128,352	12,836
Total Business-type Debt	<u>\$ 73,044,075</u>	<u>\$ 183,877</u>	<u>\$ 1,029,316</u>	<u>72,198,636</u>	<u>\$ 1,043,074</u>
Unamortized gain on refunding				(5,876,330)	
Unamortized bond premiums/discounts				(552,517)	
Net Long-term Debt				<u>\$ 65,769,789</u>	
Reconciliation to Government-Wide Statement of Net Assets:					
Due in One Year				\$ 1,043,074	
Due in More than One year				64,726,715	
				<u>\$ 65,769,789</u>	

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt, excluding accrued compensated absences, due to depositors, estimated claims liability and OPEB liability as of June 30, 2011 are as follows:

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**Governmental Activities**

Year Ending June 30,	General Obligation Bonds		Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2012	\$ 1,010,000	\$ 601,202	\$ 396,562	\$ 21,268
2013	1,010,000	563,580	159,788	12,063
2014	1,010,000	525,438	95,463	6,778
2015	1,010,000	486,216	89,218	2,533
2016	1,010,000	446,433	4,994	46
2017-2021	4,800,000	1,641,595	-	-
2022-2026	3,505,000	684,288	-	-
2027-2030	1,550,000	171,625	-	-
Total	<u>\$ 14,905,000</u>	<u>\$ 5,120,377</u>	<u>\$ 746,025</u>	<u>\$ 42,688</u>

Year Ending June 30,	Judgments Payable	
	Principal	Interest
2012	\$ 18,333	\$ 1,900
Total	<u>\$ 18,333</u>	<u>\$ 1,900</u>

**Business-Type Activities**

Year Ending June 30,	Revenue Bonds Payable		Water Contract Obligations	
	Principal	Interest	Principal	Interest
2012	\$ 580,000	\$ 3,274,789	\$ 275,416	\$ 116,760
2013	605,000	3,250,091	286,465	105,711
2014	19,395,000	2,815,017	297,958	94,218
2015	2,055,000	2,341,731	309,912	82,264
2016	1,230,000	2,259,390	322,346	69,830
2017-2021	5,815,000	10,433,676	794,152	184,438
2022-2026	13,185,000	8,341,753	213,381	108,904
2027-2031	19,655,000	4,267,638	259,760	62,525
2032-2034	5,490,153	4,069,086	163,222	11,144
Total	68,010,153	\$ 41,053,171	<u>\$ 2,922,612</u>	<u>\$ 835,794</u>
Plus accreted interest	495,912			
	<u>\$ 68,506,065</u>			

Year Ending June 30,	Notes Payable	
	Principal	Interest
2012	\$ 125,024	\$ 13,717
2013	130,023	8,719
2014	95,566	4,095
2015	42,004	714
Total	<u>\$ 392,617</u>	<u>\$ 27,245</u>

CITY OF SAPULPA, OKLAHOMA  
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**Pledge of Future Revenues**

*Sales Tax and Utility Net Revenues Pledge* - The City has pledged 40% of two cents (or 20%) of future sales tax revenues and net utility revenues to repay the following revenue bonds: \$12,000,000 2009A Refunding Series Capital Improvement Revenue Bonds, \$6,000,000 2009B Refunding Series Capital Improvement Revenue Bonds, \$16,160,000 2003A Refunding Series Capital Improvement Revenue Bonds; \$14,340,000 2003B Series Capital Improvement Revenue Bonds; \$24,100,000 2002A Tax-Exempt Refunding Series Utility System Revenue Bonds; and \$1,625,000 2006 Series Capital Improvement Revenue Bonds. Proceeds from the bonds provided for the purchase or construction of capital assets. The bonds are payable from pledged sales tax revenues and net utility revenues. These bonds are payable through 2033. The total principal and interest payable for the remainder of the life of these bonds is \$109,063,324. Pledged sales taxes received in the current year were \$3,637,236 and net utility revenues were \$4,817,587 for total pledged revenues of \$8,454,823. Debt service payments of \$3,158,256 for the current fiscal year were 37% of total pledged revenues for these bonds.

*Sales Tax Revenues Pledge* - In addition, the City has pledged another ½ of one cent (or 12.5%) of future sales tax revenues for the payment on the \$4,970,000 2004 Capital Improvement Revenue Bonds. Proceeds from the bonds provided for the purchase or construction of capital assets. The bonds are payable from pledged sales tax revenues. These bonds are payable through 2014. The total principal and interest payable for the remainder of the life of these bonds is \$2,743,774. Pledged sales taxes received in the current year were \$1,409,959. Debt service payments of \$563,315 for the current fiscal year were 40% of the pledged sales taxes received.

**3.G. INTERFUND BALANCES AND ACTIVITIES**

Interfund receivables and payables at June 30, 2011, were as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Interfund Balance</u>
GO Bond Construction	General Fund	150,757	Temporary loan of cash
SMA (Sewer System Development)	General Fund	81,214	Temporary loan of cash
General Fund (Pool Account)	General Fund	1,618	Temporary loan of cash
SMA	General Fund	93,571	Temporary loan of cash
General Fund	Grants Fund	1,115	Grant revenue misposted
SMA	Sewer System Development	11,200	Temporary loan of cash
		<u>\$339,475</u>	

	<u>Due From Other Fund</u>	<u>Due To Other Funds</u>	<u>Net Balances</u>
Reconciliation to Fund Financial Statements			
Governmental Funds	\$328,275	(\$153,490)	\$174,785
Enterprise Funds	11,200	(185,985)	(174,785)
Total Interfund Balances	<u>\$339,475</u>	<u>(\$339,475)</u>	<u>-</u>

**CITY OF SAPULPA, OKLAHOMA**  
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Interfund transfers for the year ended June 30, 2011 were as follows:

Transfer From	Transfer To	Amount	Nature of Transfer
Capital Improvement Fund	SMA	\$ 491,127	Supplemental for debt service
Cemetery Maintenance Fund	Cemetery Care Fund	7,347	12.5% transfer per state law
E-911 Fund	General Fund	142,930	Operating transfer for dispatcher salaries
G.O. Sinking Fund	General Fund	13,628	Interest Earnings
Street Improvement Sales Tax Fund	SMA	20,526	Supplemental transfer for capital purchase
General Fund	SMA	2,244,453	Pledged sales tax - bond indenture
General Fund	Restricted Construction Park/Rec	5,200	Required revenue transfer
Hotel/Motel Tax Fund	Park Development Fund	37,361	Required revenue transfer
Major Thoroughfare Fund	Capital Improvement Fund	130,848	Supplemental for capital purchase
Park Development Fund	SMA	37,000	Supplemental for debt service
Street Improvement Sales Tax Fund	Capital Improvement Fund	112,110	Supplemental for capital purchase
SMA	General Fund	2,815,102	Supplemental operating transfer
SMA	General Fund	2,244,453	Return of pledged sales tax
SMA	Street and Alley	416,455	Supplemental operating transfer
SMA	Cemetery Maintenance Fund	140,000	Supplemental operating transfer
SMA	Capital Improvement Fund	40,800	Supplemental for capital purchase
SMA	Hotel/Motel Tax Fund	30,762	Supplemental for capital purchase
SMA	Major Thoroughfare Fund	49,152	Supplemental for capital purchase
SMA	Insurance Fund	150,000	Supplemental operating transfer
SMA	Library Fund	210,000	Supplemental operating transfer
SMA	Park and Recreation Fund	280,000	Supplemental operating transfer
SMA	SMA Golf Course Fund	300,000	Supplemental operating transfer
SMA	Water & Sewer Sales Tax Fund	110,000	Supplemental operating transfer
Stormwater Management Fund	SMA	497,447	Supplemental operating transfer
SMA	Grants and Aids Fund	35,522	Supplemental operating transfer
SMA	Stormwater Management Fund	15,000	Supplemental for capital purchase
Street Improvement Sales Tax Fund	SMA	573,984	Transfer for debt service payments
Sewer Plant Sales Tax Fund	SMA	1,392,783	Supplemental for capital purchase
Water Resources Fund	SMA	1,008,894	Supplemental for debt service
		<u>\$ 13,552,884</u>	

	Transfers In	Transfers Out	Reconciliation - BTA - Special Revenue Funds	Reconciliation - Sales tax reclass	Capital Asset Activity	Net Transfers Internal Activity
Reconciliation to Fund Financial Statements:						
Governmental Funds	\$ 6,780,870	\$ (6,218,191)	\$ 2,291,677	\$ (3,101,910)	\$ (2,984,591)	\$ (3,232,145)
Proprietary Funds	6,772,014	(7,338,304)	(2,291,677)	3,101,910	2,988,202	3,232,145
Total Transfers	<u>\$ 13,552,884</u>	<u>\$ (13,556,495)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,611</u>	<u>\$ -</u>

### 3.H. ALLOCATION OF INDIRECT EXPENSES

Certain indirect expenses (expenses benefiting more than one function) have been allocated to specific functions in the Statement of Activities, while other indirect expenses have not been allocated.

Indirect expenses reported in the Statement of Activities under the functions of Administration & General Government have not been allocated for governmental purposes.

Indirect expenses of the proprietary funds, classified in the proprietary funds statement of revenues, expenses and changes in net assets as General Government, Administration and Utility Collections have been allocated on a percentage of total revenues to the business-type activity functions in the Statement of Activities.

CITY OF SAPULPA, OKLAHOMA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2011

**3.I. FUND BALANCES AND NET ASSETS**

Fund Balance

The City has implemented GASB Statement 54: *Fund Balance Reporting and Governmental Fund Type Definitions*. The following table shows the fund balance classifications as shown on the Governmental Funds Balance Sheet in accordance with GASB Statement 54:

	Major Capital Project Funds		Other	TOTAL
	General Fund	G.O. Bond Construction Fund	Governmental Funds	
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Inventory	\$ 28,044	\$ -	\$ 104,823	\$ 132,867
Sub-total Nonspendable	28,044	-	104,823	132,867
<b>Restricted for:</b>				
Capital outlay	-	3,403,570	1,773,278	5,176,848
Law enforcement	-	-	56,014	56,014
Water & Sewer maintenance	-	-	138,477	138,477
Animal control	-	-	7,948	7,948
E911	-	-	66,919	66,919
Juvenile Justice programs	-	-	21,129	21,129
Economic Development	-	-	1,665	1,665
Capital Improvements	-	-	996,736	996,736
Debt Service	-	-	853,802	853,802
Sub-total Restricted	-	3,403,570	3,915,968	7,319,538
<b>Committed to:</b>				
Hunting & Fishing	9,151	-	-	9,151
Sub-total Committed	9,151	-	-	9,151
<b>Assigned to:</b>				
Subsequent Year Budget	1,308,910	-	-	1,308,910
Hunting & Fishing	145	-	-	145
Library	87,624	-	-	87,624
Streets	-	-	152,459	152,459
Cemetery	-	-	118,028	118,028
Parks	-	-	256,422	256,422
Law enforcement	-	-	232	232
Major Thoroughfares	-	-	145,940	145,940
Water & Sewer maintenance	-	-	108,696	108,696
Animal control	-	-	44	44
E911	-	-	391	391
Juvenile Justice programs	-	-	111	111
Economic Development	-	-	30,762	30,762
Grant projects	-	-	17,306	17,306
Capital Improvements	-	-	60,470	60,470
Sub-total Assigned	1,396,679	-	890,861	2,287,540
Unassigned:	766,562	-	-	766,562
<b>TOTAL FUND BALANCES</b>	<b>\$ 2,200,436</b>	<b>\$ 3,403,570</b>	<b>\$ 4,911,652</b>	<b>\$ 10,515,658</b>

CITY OF SAPULPA, OKLAHOMA  
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Restricted Net Assets

The restricted for debt service net assets of the business-type activities are made up of restricted assets relating to revenue bond trustee accounts. The balance at June 30, 2011, is comprised of the following:

Enterprise Funds:	
2004 Revenue Bond Trust Accounts	\$886,725
2003 Revenue Bond Trust Accounts	559,850
2002A Revenue Bond Trust Accounts	624,127
2002B Revenue Bond Trust Accounts	-
2006 Revenue Bond Trust Accounts	178,985
2009 Revenue Bond Trust Accounts	<u>1,615,463</u>
Reserved per bond indenture	3,865,150
Less: Accrued interest payable	<u>(1,584,203)</u>
Total Reserved for Debt Service	<u><u>\$2,280,947</u></u>

**NOTE 4. OTHER NOTES**

**4.A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS**

The City participates in three employee pension systems as follows:

<u>Name of Plan/System</u>	<u>Type of Plan</u>
Oklahoma Police Pension and Retirement Fund	Cost Sharing Multiple Employer - Defined Benefit Plan
Oklahoma Firefighters Pension and Retirement Fund	Cost Sharing Multiple Employer - Defined Benefit Plan
Oklahoma Municipal Retirement Fund (OMRF)	Agent Multiple Employer - Defined Contribution Plan

Oklahoma Police and Firefighter's Pension and Retirement Systems

The City of Sapulpa, as the employer, participates in two statewide cost-sharing multiple employer defined benefit plans on behalf of the police officers and firefighters. The systems are funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

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*A. Eligibility Factors, Contribution Methods, and Benefit Provisions*

	<u>Oklahoma Police Pension and Retirement System</u>	<u>Oklahoma Firefighter's Pension and Retirement System</u>
Obtaining separately issued financial statements	Police Pension and Retirement 1001 N.W. 63 <sup>rd</sup> St., Suite 605 Oklahoma City, OK 73116-7335	Firefighters Pension & Retirement 4545 N. Lincoln Blvd., Suite 265 Oklahoma City, OK 73105-3414
Eligibility to participate	All full-time officers, employed by a participating municipality, not less than 21 years of age or more than 45 years of age when hired.	All full-time or voluntary firefighters of a participating municipality hired before age 45.
Authority establishing contribution obligations and benefits	State Statute	State Statute
Employee's contribution rate (percent of covered payroll)	8%	8%
City's contribution rate (percent of covered payroll)	13%	13%
State obligation	11.2%	21.9%
Period required to vest	10 years	10 years
Eligibility and benefits for distribution (full-time)	20 years credited service, 2 ½ % of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.	20 years credited service 2 ½ % of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.
Eligibility and benefits for distribution (volunteer)	-	20 years credited service equal to \$5.46 per month per year of service, with a maximum of 30 years considered.
Deferred retirement option	Yes, 20 years credited service with continued service for a maximum of 5 years.	Yes, 20 years credited service with continued service for a maximum of 5 or more years.
Provisions for:		
Cost of living adjustments (normal retirement)	Yes, if vested by 5/83	Yes
Death (duty, non-duty, post retirement)	Yes	Yes

CITY OF SAPULPA, OKLAHOMA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2011

Disability (duty, non-duty)	Yes	Yes
Cost of living all	Yes	Yes

B. Required Contributions and Trend Information

City contributions required by State statute:

<u>Fiscal Year</u>	<u>Oklahoma Police Pension and Retirement System</u>		<u>Oklahoma Firefighter's Pension and Retirement System</u>	
	<u>Required Contribution</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2009	\$274,827	100%	\$365,342	100%
2010	\$279,203	100%	\$359,463	100%
2011	\$288,840	100%	\$337,255	100%

The state made on-behalf payments to the Oklahoma Police Pension and Retirement System and the Oklahoma Firefighter's Pension and Retirement System of \$224,125 (or 9.2% of covered payroll) and \$682,472 (24.6% of covered payroll), respectively, for the fiscal year. These are reported as both intergovernmental revenues and public safety expenses in the current year.

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.

Defined Contribution Plan - Oklahoma Municipal Retirement Fund (OMRF)

The City has also provided a defined contribution plan and trust known as the City of Sapulpa Plan and Trust (the "Plan") 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 Bank One of Oklahoma City. The defined contribution plan is available to all full-time employees except those participating in state fire or police program. Benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate on the employee's employment commencement date, and may make contributions to the plan up to 15% at their option. By City ordinance, the City, as employer, is required to make contributions to the plan, based upon employee contributions under the thrift option, at rates presently varying from 0% - 8% of covered payroll. The City's contributions for each employee (and interest allocated to the employee's account) are vested at a rate of 20% per year of completed service, thus fully vested after five years. City contributions for, and interest forfeited by, employees who leave employment prior to fully vesting shall be added to employer contribution. The authority to establish and amend the provisions of the plan rest with the City Council.

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

Employee contributions made	\$ 118,227
Employer (City) contributions made	\$ 143,817

Other Post-Employment Benefits

*Plan Description:* City provides post-retirement benefit options for medical and prescription drug benefits for retired employees and their dependents that elect to make required contributions. The benefits are provided in accordance with State law, police and firefighter's union contracts and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The relationship for these benefits is not formalized in a contract or plan document, only a few sentences in the administrative policy. These benefits are considered for accounting purposes to be provided in accordance with a single employer substantive plan. A substantive plan is one in which the plan terms are understood by the city and plan members. This understanding is based on communications between the employers and plan member and the historical pattern of practice with regard to the sharing of benefit costs. Police and Fire employees may become eligible for those post-retirement benefits if they reach normal retirement age while working for the City. As of June 30, 2011, approximately 13 retired employees are receiving benefits under this plan.

*Funding Policy.* The contribution requirement of the City is an implicit subsidy. The implicit subsidy is not a direct payment from the employer on behalf of the member but rather stems from retiree contribution levels that are less than the claims cost as retiree ages. Since claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums, these retired members pay a premium based on a pool of members that, on average, are younger and healthier. There is an implicit subsidy from the employee group since the premiums paid by the retirees are lower than they would have been if the retirees were insured separately. The subsidies are valued using the difference between the age-based claims costs and the premium paid by the retiree. The amount required to fund the implicit rate is based on projected pay-as-you-go financing requirements. For fiscal year 2011, the City contributed \$24,636 to the plan. Plan members receiving benefits contributed \$138,255, or approximately 100 percent of the total premiums, through their required contribution of \$672.64 per month for retiree-only coverage, \$1,274.13 per month for retiree and spouse, \$1,254.92 per month for retiree and children, and \$1,869.94 per month for retiree and family.

*Annual OPEB Cost and Net OPEB Obligation.* The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the year ended June 30, 2011:

Annual required contribution	\$ 189,713
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	189,713
Contributions made	(24,636)
Increase in net OPEB obligation	165,077
Net OPEB obligation—beginning of year	506,452
Net OPEB obligation—end of year	\$ 671,529

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net unfunded OPEB obligation for 2011 was as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Unfunded OPEB Obligation</u>
6/30/09	\$299,283	15.4%	\$253,226
6/30/10	\$299,283	15.4%	\$506,452
6/30/11	\$189,713	12.99%	\$671,529

*Funded Status and Funding Progress.* As of June 30, 2011, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability (AAL) for benefits was \$1,769,991, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,769,991. The covered payroll (annual payroll of active employees covered by the plan) was \$9.4 million, and the ratio of the UAAL to the covered payroll was 18.83 percent. Because the plan is a substantive plan there are no plan assets.

Actuarial valuations of an ongoing plan involve 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 about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2011, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 2.75 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 5 percent. There were no assets to determine the actuarial value of assets. The UAAL is being amortized over 30 years as level payments. The remaining amortization period at June 30, 2011, was twenty-seven years.

#### 4.B. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and 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>
a. Torts, errors and omissions; asset loss and natural disasters	Participation in Oklahoma Municipal Assurance Group risk entity pool	(1)
b. Injuries to employees (workers compensation)	Participation in Oklahoma Municipal Assurance Group risk entity pool	(2)
c. Employee health and life	Self-insured with UMR as third party administrators. Claim liability estimate provided by TPA.	Claims up to \$40,000 per individual are self-funded. Specific stop loss reinsurance covers claims in excess of \$40,000 per insured.

The City participates in the Oklahoma Municipal Assurance Group Liability Protection Plan and Worker's Compensation Plan (risk entity pool) as follows.

(1) Liability Protection Plan

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

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

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

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

(2) Worker's Compensation Plan

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

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

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

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

Claims Liability Analysis

The claims liabilities related to the above noted health and life risks of loss that are retained are determined in accordance with the requirements of Statement of Financial Accounting Standard 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 the loss can be reasonably estimated.

CITY OF SAPULPA, OKLAHOMA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2011

For the risk management internal service self-insurance fund, changes in the claims liability for the City from July 1, 2008, to June 30, 2011, are as follows:

	Health & Life
Claims liability, June 30, 2008	359,062
Claims incurred	3,237,343
Claims paid	(3,114,688)
Claims liability, June 30, 2009	481,717
Claims incurred	3,598,672
Claims paid	(3,367,339)
Claims liability, June 30, 2010	\$713,050
Claims incurred	\$3,008,239
Claims paid	(\$3,337,211)
Claims liability, June 30, 2011	\$384,078
 Assets available to pay claims at June 30, 2011	 \$345,041

**4.C. COMMITMENTS AND CONTINGENCIES**

Commitments:

Construction Commitments

The City had the following construction commitments outstanding at June 30, 2011 with balances left on the contract:

1. Davis Park Trailhead Restroom Construction, Contractors – Cherokee Pride Construction, Inc., original contract \$71,028; remaining contract \$10,948
2. Phase 3 Cleveland Stormwater Project, Contractors – Cherokee Pride Construction, Inc., original contract - \$173,448; remaining contract - \$173,448
3. Two-million Gallon Water Storage Tank Construction, Contractors – Natgun Corporation, original contract -\$1,441,438; remaining contract - \$337,536
4. Phase 6 Street Rehabilitation, Contractors -- Cherokee Pride Construction, Inc., original contract - \$548,586; change orders - \$27,023; total contract - \$575,609; remaining contract - \$223,458

U.S. Army Corps of Engineer – Water Storage Space in Skiatook Lake

The City is under contract with the U.S. Army Corps of Engineer for the right to utilize an undivided 1.52 percent of the usable storage space in the Skiatook Lake Project. This storage space is to be used to impound water for anticipated future demand or need for municipal and industrial water supply. The City is also required to pay annual operations and maintenance (O&M) costs related to this contract. The total O&M costs paid during fiscal year 2010-2011 totaled \$15,407. See Note 3.F. for further debt disclosures.

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 for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time.

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.

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. This statutory taxing ability is not available to the City's public trusts (Authorities).

CITY OF SAPULPA, OKLAHOMA  
 BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)  
 GENERAL FUND  
 For the fiscal year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<b>Beginning Budgetary Fund Balance:</b>	\$94,457	\$63,170	\$1,844,181	\$1,781,011
<b>Resources (Inflows):</b>				
<b>TAXES:</b>				
Sales tax	10,338,935	11,276,284	11,279,672	3,388
Use tax	350,000	350,000	446,745	96,745
Franchise tax	480,000	480,000	519,306	39,306
Payment in lieu of tax	425,000	425,000	433,956	8,956
<b>Total Taxes</b>	<u>11,593,935</u>	<u>12,531,284</u>	<u>12,679,679</u>	<u>148,395</u>
<b>LICENSES AND PERMITS:</b>				
Building permits	4,645	4,645	9,088	4,443
Trade permits	15,000	15,000	16,609	1,609
Resident construction park/rec fees	4,200	5,500	5,200	(300)
Occupation/business	45,000	45,000	38,229	(6,771)
Other permits	10,580	10,580	13,070	2,490
<b>Total License and Permits</b>	<u>79,425</u>	<u>80,725</u>	<u>82,196</u>	<u>1,471</u>
<b>INTERGOVERNMENTAL:</b>				
Alcoholic beverage tax	90,000	90,000	105,396	15,396
Cigarette/tobacco tax	150,000	150,000	163,864	13,864
Grant revenue	-	-	-	-
<b>Total Intergovernmental</b>	<u>240,000</u>	<u>240,000</u>	<u>269,260</u>	<u>29,260</u>
<b>CHARGES FOR SERVICES:</b>				
Fire run fees	252,000	292,997	342,887	49,890
Fire run charges	80,000	80,000	74,403	(5,597)
Inspection fees	34,000	34,000	34,937	937
Special assessments	1,500	1,500	1,410	(90)
Other fees - zoning	7,500	7,500	10,558	3,058
Court collection fees	28,000	28,000	32,559	4,559
Shelter fees	1,700	1,700	1,800	100
Engineering fees	2,000	2,000	650	(1,350)
Weed abatement	5,000	5,000	12,708	7,708
Pet adoption	400	400	375	(25)
<b>Total Charges for Services</b>	<u>412,100</u>	<u>453,097</u>	<u>512,287</u>	<u>59,190</u>
<b>FINES AND FORFEITURES</b>	<u>1,025,732</u>	<u>1,025,732</u>	<u>813,117</u>	<u>(212,615)</u>
<b>INVESTMENT INCOME</b>	<u>3,800</u>	<u>3,800</u>	<u>12,117</u>	<u>8,317</u>
<b>MISCELLANEOUS:</b>				
Antenna tower rental	54,603	54,603	54,605	2
Reimbursements	25,000	34,706	146,966	112,260
Sale of capital assets	0	0	2,177	2,177
Donations	17,000	17,000	19,927	2,927
Rental income	-	-	151	151
Miscellaneous	17,500	17,500	12,428	(5,072)
<b>Total Miscellaneous</b>	<u>114,103</u>	<u>123,809</u>	<u>236,254</u>	<u>112,445</u>
<b>OTHER FINANCING SOURCES:</b>				
Transfers from other funds	4,985,525	5,215,814	5,216,113	299
<b>Total Other Financing Sources</b>	<u>4,985,525</u>	<u>5,215,814</u>	<u>5,216,113</u>	<u>299</u>
<b>Total Resources (Inflows)</b>	<u>18,454,620</u>	<u>19,674,261</u>	<u>19,821,023</u>	<u>146,762</u>
<b>Amounts available for appropriation</b>	<u>\$18,549,077</u>	<u>\$19,737,431</u>	<u>\$21,665,204</u>	<u>\$1,927,773</u> (Continued)

CITY OF SAPULPA, OKLAHOMA  
 BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)  
 GENERAL FUND  
 For the fiscal year ended June 30, 2011

(Continued)

Charges to Appropriations (Outflows):	Budgeted Amounts Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>ADMINISTRATION:</b>				
City Council:				
Materials and supplies	200	200	103	97
Other services and charges	76,030	66,030	63,983	2,047
Total City Council	<u>76,230</u>	<u>66,230</u>	<u>64,086</u>	<u>2,144</u>
City Manager:				
Personal services	181,256	183,246	182,071	1,175
Materials and supplies	500	500	393	107
Other services and charges	2,325	2,325	2,079	246
Capital outlay	-	-	-	-
Total City Manager	<u>184,081</u>	<u>186,071</u>	<u>184,543</u>	<u>1,528</u>
City Clerk:				
Personal services	163,090	173,372	172,147	1,225
Materials and supplies	2,000	2,000	1,838	162
Other services and charges	5,250	5,250	4,950	300
Capital outlay	-	-	-	-
Total City Clerk	<u>170,340</u>	<u>180,622</u>	<u>178,935</u>	<u>1,687</u>
Finance:				
Personal services	254,131	255,861	254,908	953
Materials and supplies	3,000	3,950	1,326	2,624
Other services and charges	104,425	112,349	102,168	10,181
Capital outlay	-	-	-	-
Total Finance	<u>361,556</u>	<u>372,160</u>	<u>358,402</u>	<u>13,758</u>
Treasurer:				
Personal services	14,191	13,924	13,847	77
Materials and supplies	-	317	117	200
Other services and charges	485	485	284	201
Total Treasurer	<u>14,676</u>	<u>14,726</u>	<u>14,248</u>	<u>478</u>
Personnel:				
Personal services	78,157	74,071	73,733	338
Materials and supplies	1,570	1,070	603	467
Other services and charges	7,157	7,657	4,444	3,213
Total Personnel	<u>86,884</u>	<u>82,798</u>	<u>78,780</u>	<u>4,018</u>
Central Purchasing:				
Personal services	58,257	60,349	59,339	1,010
Materials and supplies	350	750	729	21
Other services and charges	2,148	1,748	1,723	25
Capital outlay	-	-	-	-
Total Central Purchasing	<u>60,755</u>	<u>62,847</u>	<u>61,791</u>	<u>1,056</u>
Building Inspector:				
Personal services	107,592	108,757	108,715	42
Materials and supplies	3,675	3,675	1,794	1,881
Other services and charges	5,550	5,550	1,808	3,742
Capital outlay	12,600	2,600	-	2,600
Total Building Inspector	<u>129,417</u>	<u>120,582</u>	<u>112,317</u>	<u>8,265</u>
<b>TOTAL ADMINISTRATION</b>	<u>1,083,939</u>	<u>1,086,036</u>	<u>1,053,102</u>	<u>32,934</u>

(Continued)

CITY OF SAPULPA, OKLAHOMA  
 BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)  
 GENERAL FUND  
 For the fiscal year ended June 30, 2011

(Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>GENERAL GOVERNMENT:</b>				
Warehouse:				
Personal services	77,533	78,633	78,348	285
Materials and supplies	3,483	3,483	1,611	1,872
Other services and charges	12,650	12,650	8,535	4,115
Capital outlay	-	-	-	-
<b>Total Warehouse</b>	<b>93,666</b>	<b>94,766</b>	<b>88,494</b>	<b>6,272</b>
Central Garage:				
Personal services	112,985	116,628	114,328	2,300
Materials and supplies	3,850	3,850	2,635	1,215
Other services and charges	9,921	9,921	7,025	2,896
Capital outlay	5,860	5,860	5,112	748
<b>Total Central Garage</b>	<b>132,616</b>	<b>136,259</b>	<b>129,100</b>	<b>7,159</b>
General Government:				
Personal services	25,980	25,980	23,777	2,203
Materials and supplies	20,825	22,475	18,491	3,984
Other services and charges	459,551	460,257	461,713	(1,456)
Capital Outlay	7,000	15,829	12,488	3,341
Debt Service	-	33,151	30,493	2,658
<b>Total General Government</b>	<b>513,356</b>	<b>557,692</b>	<b>546,962</b>	<b>10,730</b>
Reserve:				
Other services and charges	50,000	50,000	49,828	172
<b>TOTAL GENERAL GOVERNMENT</b>	<b>789,638</b>	<b>838,717</b>	<b>814,384</b>	<b>24,333</b>
<b>LEGAL AND JUDICIAL:</b>				
City Attorney:				
Personal services	164,298	166,481	162,295	4,186
Materials and supplies	1,250	1,500	870	630
Other services and charges	37,540	43,520	16,220	27,300
Capital outlay	25,000	25,000	23,822	1,178
<b>Total City Attorney</b>	<b>228,088</b>	<b>236,501</b>	<b>203,207</b>	<b>33,294</b>
Municipal Court:				
Personal services	41,162	41,162	40,409	753
Materials and supplies	2,555	2,855	2,276	579
Other services and charges	45,350	45,050	37,275	7,775
<b>Total Municipal Court</b>	<b>89,067</b>	<b>89,067</b>	<b>79,960</b>	<b>9,107</b>
<b>TOTAL LEGAL AND JUDICIAL</b>	<b>317,155</b>	<b>325,568</b>	<b>283,167</b>	<b>42,401</b>

(Continued)

CITY OF SAPULPA, OKLAHOMA  
 BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)  
 GENERAL FUND  
 For the fiscal year ended June 30, 2011

(Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>PUBLIC SAFETY:</b>				
Police:				
Personal services	3,934,373	3,950,892	3,935,863	15,029
Materials and supplies	123,550	128,217	121,909	6,308
Other services and charges	200,502	200,110	162,033	38,077
Capital outlay	3,600	6,899	1,541	5,358
<b>Total Police</b>	<u>4,262,025</u>	<u>4,286,118</u>	<u>4,221,346</u>	<u>64,772</u>
Fire:				
Personal services	3,613,001	3,949,084	3,939,300	9,784
Materials and supplies	80,820	61,276	53,204	8,072
Other services and charges	122,976	113,931	100,497	13,434
Capital outlay	-	-	-	-
<b>Total Fire</b>	<u>3,816,797</u>	<u>4,124,291</u>	<u>4,093,001</u>	<u>31,290</u>
Animal Control:				
Personal services	93,630	95,207	93,590	1,617
Materials and supplies	8,775	8,275	7,962	313
Other services and charges	15,190	16,690	11,730	4,960
Capital outlay	5,000	2,615	-	2,615
<b>Total Animal Control</b>	<u>122,595</u>	<u>122,787</u>	<u>113,282</u>	<u>9,505</u>
Civil Defense:				
Personal services	16,376	16,376	14,550	1,826
Other services and charges	13,456	13,456	12,343	1,113
<b>Total Civil Defense</b>	<u>29,832</u>	<u>29,832</u>	<u>26,893</u>	<u>2,939</u>
<b>TOTAL PUBLIC SAFETY</b>	<u>8,231,249</u>	<u>8,563,028</u>	<u>8,454,522</u>	<u>108,506</u>
<b>URBAN DEVELOPMENT:</b>				
Personal services	216,260	218,335	213,690	4,645
Materials and supplies	9,198	9,417	4,056	5,361
Other services and charges	112,580	112,855	36,196	76,659
Capital outlay	-	-	-	-
<b>TOTAL URBAN DEVELOPMENT</b>	<u>338,038</u>	<u>340,607</u>	<u>253,942</u>	<u>86,665</u>
<b>OTHER FINANCING USES:</b>				
Transfers to other funds	7,758,402	8,462,716	8,453,474	9,242
<b>Total Other Financing Uses</b>	<u>7,758,402</u>	<u>8,462,716</u>	<u>8,453,474</u>	<u>9,242</u>
<b>Total Charges to Appropriations</b>	<u>18,518,421</u>	<u>19,616,672</u>	<u>19,312,591</u>	<u>304,081</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$30,656</u>	<u>\$120,759</u>	<u>\$2,352,613</u>	<u>\$2,231,854</u>

**CITY OF SAPULPA, OKLAHOMA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
For the fiscal year ended June 30, 2011**

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Budget Law

The City has adopted the provisions of the Municipal Budget Act of 1979 (the "Budget Act"). In accordance with the Budget Act, 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. By July 1, the adopted budget is filed with the Office of State Auditor and Inspector.

Per State law, the legal level of control at which expenditures may not legally exceed appropriations is the department level within a fund. All transfers of appropriation between departments and supplemental appropriations require City Council approval. The City Manager may transfer appropriations between object categories within a department without City Council approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector. No departments exceeded appropriations.

Budgetary Accounting

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

However, for budgetary purposes, sales tax revenues, both dedicated and undedicated, are recognized first in the General Fund, with appropriated transfers out of the dedicated portions of sales tax to the respective dedicated sales tax funds. This differs from the City's treatment of dedicated sales taxes in the basic financial statements which recognizes sales tax as revenue in the respective dedicated sales tax funds. Also, the State on-behalf payments for the police and firefighter's pension are excluded in the budgetary schedule as are capital lease proceeds and related capital outlay.

The City utilizes encumbrance accounting under which all purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation. Encumbrances outstanding at year-end are not considered expenditures for budgetary purposes since the City intends to honor the commitments and provide for supplemental appropriations in the following budget year. All appropriations lapse at year end.

**CITY OF SAPULPA, OKLAHOMA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
For the fiscal year ended June 30, 2011

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	<u>General Fund</u>
<b>Sources/Inflows of resources</b>	
Actual amounts (budgetary basis) "total resources" from the budgetary comparison schedule	\$19,821,023
Differences – budget to GAAP:	
Sales tax recognized as inflows of budgetary resources but are not revenues for financial reporting purposes.	(6,203,821)
Capital lease proceeds	154,918
State payments made on-behalf of police and fire pension not considered a budgetary resource	906,597
Revenues from combined funds pursuant to GASB 54 reclassification:	
Hunting & Fishing Fund	32,824
Library Fund	179,838
Library Fund – Transfer In	210,000
Swimming Pool Fund	<u>297,650</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds	<u>\$15,399,029</u>
Total Revenues – General Fund	\$9,817,998
Proceeds from long-term debt	154,918
Transfers In – General Fund	<u>5,426,113</u>
	<u>\$15,399,029</u>
<b>Uses/Outflows of appropriations</b>	
Actual amounts (budgetary basis) "total appropriations" from the budgetary comparison schedule	\$19,312,591
Differences – budget to GAAP:	
Transfer of sales tax to various funds recognized as outflows of budgetary resources but are not uses for financial reporting purposes.	(6,203,821)
Capital outlay related to capital lease	154,918
State payments made on-behalf of police and fire pension not considered a budgetary resource	906,597
Expenditures from combined funds pursuant to GASB 54 reclassification:	
Hunting & Fishing Fund	51,466
Library Fund	412,579
Swimming Pool Fund	<u>238,905</u>
Total expenditures and transfers out as reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds	<u>\$14,873,235</u>
Total expenditures – General Fund	\$12,623,582
Transfers out – General Fund	<u>2,249,653</u>
Total expenditures and transfers out – General Fund	<u>\$14,873,235</u>

**CITY OF SAPULPA, OKLAHOMA**  
**SCHEDULE OF FUNDING PROGRESS – OTHER POST-EMPLOYMENT BENEFITS**  
**June 30, 2011**

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***OPEB Actuarial Information***

The funded status and funding progress of the City’s defined benefit OPEB plan for the first two actuarial valuations is as follows:

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability Projected Unit Credit (b)	Unfunded Actuarial Accrued Liability (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll [(b) - (a)] / (c)
July 1, 2008	\$ -	\$ 3,163,205	\$ 3,163,205	0.00%	\$ 9,113,077	34.71%
July 1, 2010	\$ -	1,769,991	1,769,991	0.00%	9,399,326	18.83%

Three year trend information is not available.

City of Sapulpa  
Combining Balance Sheet - General Fund Accounts  
June 30, 2011

	General Fund	Hunting & Fishing Fund	Library Fund	Swimming Pool Fund	Total General Fund Accounts
<b>ASSETS</b>					
Cash and cash equivalents	\$ 473,280	\$ 15,116	\$ 111,188	\$ 400	\$ 599,984
Investments	329,021	-	-	-	329,021
Deposits with insurance pool	162,990	-	-	-	162,990
Accrued interest receivable	343	-	-	-	343
Due from other funds	327,160	-	-	-	327,160
Due from other governments	748,130	-	17,867	42,227	808,224
Escrow deposits	113	-	-	-	113
Franchise tax receivable	44,632	-	-	-	44,632
Court fine receivable, net	703,456	-	-	-	703,456
Other receivables	199,773	379	-	2,846	202,998
Inventory	28,044	-	-	-	28,044
Total assets	<u>\$ 3,016,942</u>	<u>\$ 15,495</u>	<u>\$ 129,055</u>	<u>\$ 45,473</u>	<u>\$ 3,206,965</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 88,226	\$ 6,199	\$ 30,997	\$ 17,991	\$ 143,413
Accrued payroll liabilities	108,896	-	10,434	20,770	140,100
Due to other funds	1,115	-	-	1,618	2,733
Due to other governments	7,946	-	-	-	7,946
Refundable court bonds	43,927	-	-	-	43,927
Deferred revenue	626,183	-	-	42,227	668,410
Total liabilities	<u>876,293</u>	<u>6,199</u>	<u>41,431</u>	<u>82,606</u>	<u>1,006,529</u>
Fund balances:					
Non-spendable	28,044	-	-	-	28,044
Committed	-	9,151	-	-	9,151
Assigned	1,308,910	145	87,624	-	1,396,679
Unassigned	803,695	-	-	(37,133)	766,562
Total fund balances (deficit)	<u>2,140,649</u>	<u>9,296</u>	<u>87,624</u>	<u>(37,133)</u>	<u>2,200,436</u>
Total liabilities and fund balances	<u>\$ 3,016,942</u>	<u>\$ 15,495</u>	<u>\$ 129,055</u>	<u>\$ 45,473</u>	<u>\$ 3,206,965</u>

**City of Sapulpa**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - General Fund Accounts**  
**For the Year Ended June 30, 2011**

	<u>General Fund</u>	<u>Hunting &amp; Fishing Fund</u>	<u>Library Fund</u>	<u>Swimming Pool Fund</u>	<u>Total General Fund Accounts</u>
<b>REVENUES</b>					
Taxes	\$ 6,475,858	\$ -	\$ 140,996	\$ -	\$ 6,616,854
Intergovernmental	1,175,857	-	23,284	-	1,199,141
Charges for services	512,287	11,423	120	154,076	677,906
Fines and forfeitures	813,117	-	4,053	-	817,170
Licenses and permits	82,196	21,256	-	-	103,452
Investment income	12,117	107	664	-	12,888
Miscellaneous	236,254	38	10,721	143,574	390,587
Total revenues	<u>9,307,686</u>	<u>32,824</u>	<u>179,838</u>	<u>297,650</u>	<u>9,817,998</u>
<b>EXPENDITURES</b>					
Current:					
Administration	1,053,102	-	-	-	1,053,102
General government	766,291	-	-	-	766,291
Legal and judicial	259,345	-	-	-	259,345
Public safety	9,359,578	-	-	-	9,359,578
Urban development	253,942	-	-	-	253,942
Culture and recreation	-	27,349	348,455	155,451	531,255
Capital Outlay	197,881	24,117	64,124	83,454	369,576
Debt Service:					
Principal	23,864	-	-	-	23,864
Interest	6,629	-	-	-	6,629
Total expenditures	<u>11,920,632</u>	<u>51,466</u>	<u>412,579</u>	<u>238,905</u>	<u>12,623,582</u>
Excess (deficiency) of revenues over expenditures	<u>(2,612,946)</u>	<u>(18,642)</u>	<u>(232,741)</u>	<u>58,745</u>	<u>(2,805,584)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	5,216,113	-	210,000	-	5,426,113
Transfers out	(2,249,653)	-	-	-	(2,249,653)
Proceeds from long-term debt	154,918	-	-	-	154,918
Total other financing sources and uses	<u>3,121,378</u>	<u>-</u>	<u>210,000</u>	<u>-</u>	<u>3,331,378</u>
Net change in fund balances	508,432	(18,642)	(22,741)	58,745	525,794
Fund balances (deficit) - beginning	1,632,217	27,938	110,365	(95,878)	1,674,642
Fund balances (deficit) - ending	<u>\$ 2,140,649</u>	<u>\$ 9,296</u>	<u>\$ 87,624</u>	<u>\$ (37,133)</u>	<u>\$ 2,200,436</u>

City of Sapulpa  
 Combining Balance Sheet  
 Non-Major Governmental Funds  
 June 30, 2011

	Special Revenue Funds										
	Cummary Maintenance Fund	Street and Abeys Fund	Parks & Recreation Fund	Federal SAF Fund	Major Thoroughfare Fund	Water & Sewer Sales Tax Fund	Spay & Neuter Fund	E911 Fund	Juvenile Justice Fund	Hotes/Motel Tax Fund	Grants & Aid Fund
<b>ASSETS</b>											
Cash and cash equivalents	\$ 98,650	\$ 141,978	\$ 81,059	\$ 62,286	\$ 188,971	\$ 192,805	\$ 6,072	\$ 47,434	\$ 22,200	\$ 30,292	\$ 24,022
Investments	10,792	5,000	154,843	6,400	-	13,000	-	-	-	-	-
Deposits with fiscal agent	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-	1,115
Due from other governments	17,867	20,527	35,734	-	35,734	71,469	-	-	-	-	52,945
Escrow deposit	-	-	-	-	-	-	-	-	-	-	-
Interest receivable	51	-	-	-	-	-	-	-	-	-	-
Court fees receivable, net of allowance	2,275	-	-	-	-	-	-	26,508	58,104	17,907	-
Other receivable	-	-	-	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	29,477	59,669	-	-	-	-	-
<b>Total assets</b>	<b>\$ 135,041</b>	<b>\$ 178,505</b>	<b>\$ 272,336</b>	<b>\$ 69,686</b>	<b>\$ 234,182</b>	<b>\$ 337,143</b>	<b>\$ 6,072</b>	<b>\$ 73,942</b>	<b>\$ 80,304</b>	<b>\$ 48,199</b>	<b>\$ 78,082</b>
<b>LIABILITIES AND FUND BALANCES</b>											
<b>Liabilities</b>											
Accounts payable	\$ 6,353	\$ 5,684	\$ 15,983	\$ 12,440	\$ 58,765	\$ 12,750	\$ 60	\$ 6,019	\$ 2,280	\$ 9,704	\$ 11,370
Accrued payroll payable	11,228	18,302	16,461	-	-	17,351	-	613	432	6,089	-
Due to other governments	-	-	-	-	-	-	-	-	770	-	-
Deferred revenue	32	-	-	-	-	-	-	-	53,534	-	49,400
<b>Total liabilities</b>	<b>17,613</b>	<b>24,046</b>	<b>34,426</b>	<b>12,440</b>	<b>58,765</b>	<b>30,101</b>	<b>60</b>	<b>6,632</b>	<b>56,996</b>	<b>15,772</b>	<b>60,770</b>
<b>Fund balances</b>											
Non-spendable	-	-	-	-	20,477	59,669	-	-	-	-	-
Restricted	-	-	-	56,014	-	138,477	7,946	60,919	21,129	1,665	-
Assigned	118,028	152,459	237,910	232	145,040	188,096	44	301	432	30,762	17,306
<b>Total fund balances</b>	<b>118,028</b>	<b>152,459</b>	<b>237,910</b>	<b>50,246</b>	<b>175,417</b>	<b>307,042</b>	<b>7,992</b>	<b>67,310</b>	<b>21,240</b>	<b>32,427</b>	<b>17,306</b>
<b>Total liabilities and fund b</b>	<b>\$ 135,041</b>	<b>\$ 178,505</b>	<b>\$ 272,336</b>	<b>\$ 69,686</b>	<b>\$ 234,182</b>	<b>\$ 337,143</b>	<b>\$ 6,072</b>	<b>\$ 73,942</b>	<b>\$ 78,236</b>	<b>\$ 48,199</b>	<b>\$ 78,082</b>

City of Sepulpa  
 Combining Balance Sheet  
 Non-Major Governmental Funds  
 June 30, 2011

	Capital Projects Funds										Debt Service Fund	Total Governmental Funds
	Restricted Construction Par/Rec Fund	Park Development Fund	Fire Cash Fund	Police Cash Fund	Cemetery Care Fund	Capital Improvement Fund	Water Resources Fund	Street Improvement Sales Tax Fund	Sewer Plant Sales Tax Fund	G.O. Shinking Fund		
<b>ASSETS</b>												
Cash and cash equivalents	\$ 18,146	\$ 360	\$ 80,908	\$ 104,034	\$ 34,947	\$ 1,224	\$ 62,289	\$ 10,197	\$ 51,660	\$ 40,180	\$ 1,292,537	
Investments	-	-	175,741	32,290	2,943	278,202	100,000	1,093,897	64,447	786,421	2,723,062	
Deposits with fiscal agent	-	-	-	-	-	-	-	-	-	188	1,115	
Due from other funds	-	-	-	-	-	-	-	-	-	-	1,211,911	
Due from other governments	-	-	17,867	17,867	-	71,469	142,938	215,257	178,073	324,564	209,473	
Escrow deposit	-	-	-	-	-	206,473	-	-	-	-	7,142	
Interest receivable	-	-	-	-	18	-	376	2,720	-	3,823	58,104	
Court fines receivable, net of allowance	-	-	-	-	-	-	-	-	-	-	46,000	
Other receivable	-	-	-	-	-	-	-	-	-	-	104,823	
Inventory	-	-	-	-	-	-	15,477	-	-	-	-	
<b>Total assets</b>	<b>\$ 18,146</b>	<b>\$ 360</b>	<b>\$ 280,577</b>	<b>\$ 155,295</b>	<b>\$ 37,908</b>	<b>\$ 620,368</b>	<b>\$ 321,010</b>	<b>\$ 1,315,077</b>	<b>\$ 204,060</b>	<b>\$ 1,158,158</b>	<b>\$ 5,715,065</b>	
<b>LIABILITIES AND FUND BALANCES</b>												
<b>Liabilities</b>												
Accounts payable	\$ -	\$ -	\$ 49,665	\$ -	\$ -	\$ 4,002	\$ 5,684	\$ 83,073	\$ -	\$ -	\$ 282,802	
Accrued payroll payable	-	-	-	-	-	-	-	-	-	-	72,517	
Due to other governments	-	-	-	-	-	-	-	-	-	-	770	
Deferred revenue	-	-	-	124	11	-	-	37,795	-	304,354	445,166	
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 49,665</b>	<b>\$ 124</b>	<b>\$ 11</b>	<b>\$ 4,002</b>	<b>\$ 5,684</b>	<b>\$ 120,778</b>	<b>\$ -</b>	<b>\$ 304,354</b>	<b>\$ 691,255</b>	
<b>Fund balances</b>												
Non-spendable	-	-	-	-	-	-	15,477	-	-	-	104,823	
Restricted	-	-	220,000	154,249	-	613,421	296,434	1,182,694	292,150	853,802	3,015,000	
Assigned	18,146	360	2,856	922	37,897	2,945	1,415	11,695	2,830	-	890,861	
<b>Total fund balances</b>	<b>\$ 18,146</b>	<b>\$ 360</b>	<b>\$ 231,922</b>	<b>\$ 155,171</b>	<b>\$ 37,908</b>	<b>\$ 616,366</b>	<b>\$ 315,326</b>	<b>\$ 1,194,290</b>	<b>\$ 294,980</b>	<b>\$ 853,802</b>	<b>\$ 4,011,682</b>	
<b>Total liabilities and fund b</b>	<b>\$ 18,146</b>	<b>\$ 360</b>	<b>\$ 280,577</b>	<b>\$ 155,295</b>	<b>\$ 37,908</b>	<b>\$ 620,368</b>	<b>\$ 321,010</b>	<b>\$ 1,315,077</b>	<b>\$ 294,980</b>	<b>\$ 1,158,158</b>	<b>\$ 5,712,007</b>	

**City of Sapulpa**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
 Non-Major, Governmental Funds  
 For the Year Ended June 30, 2011

	Special Revenue Funds										
	Cemetery Maintenance Fund	Street and Alley Fund	Parks & Recreation Fund	Federal SAF Fund	Major Thoroughfare Fund	Water & Sewer & Tps Fund	Spay & Neuter Fund	EB 11 Fund	Juvvenile Justice Fund	Hotel/Motel Tax Fund	Grants & Aid Fund
<b>REVENUES</b>											
Taxes	\$ 140,966	\$ 183,610	\$ 281,892	\$ -	\$ 281,892	\$ 503,984	\$ -	\$ -	\$ -	\$ 169,002	\$ -
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-
Charges for services	56,300	-	3,142	-	-	-	1,965	-	-	-	-
Fines and forfeitures	-	892	-	-	869	1,603	44	391	111	119	390
Investment income	703	1,709	13,360	232	3,097	7,427	-	-	-	-	-
Miscellaneous	4,025	1,676	300,203	35,566	285,788	573,104	2,099	215,459	37,587	169,121	222,870
Total revenues	205,924	186,384	585,330	35,768	565,330	1,080,117	2,099	215,459	37,587	169,121	222,870
<b>EXPENDITURES</b>											
Current											
General government	315,400	-	-	-	-	-	495	-	-	-	-
Public safety	-	-	-	-	-	-	-	91,405	32,902	-	52,178
Streets	-	570,144	-	-	331,840	-	-	-	-	-	-
Culture and recreation	-	-	581,832	-	-	-	-	-	-	-	15,182
Urban development	-	-	-	-	-	-	-	-	-	180,113	150,839
Water	-	-	-	-	-	657,752	-	-	-	-	-
Wastewater	-	-	-	-	-	14,225	-	-	-	-	79,844
Capital outlay	-	-	3,498	17,111	102,366	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	315,400	570,144	585,330	17,111	434,315	671,977	495	91,405	32,902	180,113	287,843
Excess (deficiency) of revenues over expenditures	(109,476)	(383,760)	(285,127)	18,657	(148,527)	(408,873)	1,514	124,054	4,685	20,008	(75,023)
<b>OTHER FINANCING SOURCES (USES)</b>											
Transfers in	140,000	418,455	290,000	-	180,000	110,000	-	-	-	39,782	35,522
Transfers out	(7,347)	-	-	-	-	-	-	(142,930)	-	(37,361)	-
Proceeds from long-term debt	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	132,653	418,455	290,000	-	180,000	110,000	-	(142,930)	-	(9,579)	35,522
Net change in fund balances	23,177	32,695	14,873	18,687	31,473	11,127	1,514	(18,876)	4,685	22,400	(39,501)
Fund balances - beginning	94,851	119,784	233,037	37,550	143,844	285,815	6,478	86,186	16,555	10,018	59,807
Fund balances - ending	118,028	152,479	237,910	56,237	175,317	296,942	8,002	67,310	21,240	32,427	17,306

**City of Sepulpa**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
 Non-Major Governmental Funds  
 For the Year Ended June 30, 2011

	Capital Projects Funds										Debt Service Fund
	Restricted Construction Park/Rec Fund	Park Development Fund	Fire Cash Fund	Police Cash Fund	Cemetery Care Fund	Capital Improvement Fund	Water Resources Fund	Street Improvement Sales Tax Fund	Sewer Plant Sales Tax Fund	G.O. Sinking Fund	
<b>REVENUES</b>											
Taxes	-	-	\$ 140,860	\$ 140,866	-	\$ 363,884	\$ 1,127,907	\$ -	\$ 1,408,658	\$ 1,754,809	\$ 8,006,638
Intergovernmental	-	-	-	-	-	-	-	-	-	-	406,270
Charges for services	-	-	-	-	-	-	-	-	-	-	279,475
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-	37,476
Investment income	99	5	2,856	922	234	2,945	1,415	-	2,830	10,300	40,104
Miscellaneous	-	-	-	-	1,558	-	-	-	-	-	67,689
<b>Total revenues</b>	<b>99</b>	<b>5</b>	<b>143,852</b>	<b>141,918</b>	<b>1,792</b>	<b>566,829</b>	<b>1,129,382</b>	<b>-</b>	<b>1,412,788</b>	<b>1,765,109</b>	<b>8,857,636</b>
<b>EXPENDITURES</b>											
Current											
General government	-	-	-	-	-	-	-	-	-	-	315,895
Public safety	-	-	-	-	-	-	-	-	-	-	170,485
Streets	-	-	-	-	-	-	-	-	-	-	1,076,534
Culture and recreation	-	-	-	-	-	-	-	174,441	-	-	577,014
Urban development	-	-	-	-	-	-	-	-	-	-	310,752
Water	-	-	-	-	-	-	-	-	-	-	857,752
Wastewater	-	-	-	-	-	6,068	-	-	-	-	6,068
Capital outlay	-	-	62,136	78,370	3,070	340,381	12,634	-	-	-	1,080,627
Debt service:											
Principal	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	85,720	-	-	76,040	-	-	-	859,833	1,025,593
Total expenditures	-	-	8,610	78,370	3,070	6,925	12,634	-	-	837,358	654,893
Excess (deficiency) of revenues over expenditures	99	5	(12,614)	63,539	(1,278)	122,875	1,116,748	886,140	1,412,789	267,818	5,881,553
<b>OTHER FINANCING SOURCES (USES)</b>											
Transfers in	5,200	37,361	-	-	7,347	-	-	112,110	-	-	1,354,757
Transfers out	-	(37,000)	-	-	-	(603,237)	(1,006,894)	(725,356)	(1,392,783)	(13,628)	(3,066,536)
Proceeds from long-term debt	-	-	-	-	-	373,848	-	-	-	-	373,848
Total other financing sources (uses)	5,200	361	-	-	7,347	(229,289)	(1,008,894)	(613,246)	(1,382,783)	(13,628)	(2,239,633)
<b>Net change in fund balances</b>	<b>5,299</b>	<b>366</b>	<b>(12,614)</b>	<b>63,539</b>	<b>8,069</b>	<b>(106,614)</b>	<b>107,854</b>	<b>275,892</b>	<b>20,006</b>	<b>254,190</b>	<b>710,260</b>
Fund balances - beginning	12,847	-	244,530	91,632	31,828	722,980	207,472	918,407	274,874	599,612	4,105,402
Fund balances - ending	18,146	366	231,922	155,171	37,897	616,366	315,326	1,194,299	294,880	853,802	4,815,662

**City of Sapulpa**  
**Combining Schedule of Net Assets**  
**SMA Utility Fund Accounts**  
**June 30, 2011**

	<u>Enterprise Fund Accounts</u>			<u>Total</u>
	<u>SMA Utility Fund</u>	<u>Stormwater Management Fund</u>	<u>Sewer System Development Fund</u>	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 25,261	\$ 110,765	\$ -	\$ 136,026
Restricted cash and cash equivalents	2,066,072	-	-	2,066,072
Investments	776,949	-	-	776,949
Accounts Receivable, net	858,572	83,221	-	941,793
Other receivables	90,178	-	92,463	182,641
Due from other funds	11,200	-	-	11,200
Deferred inflows	190,084	-	-	190,084
Inventory	-	-	-	-
<b>Total current assets</b>	<b>4,018,316</b>	<b>193,986</b>	<b>92,463</b>	<b>4,304,765</b>
Non-current assets:				
Restricted cash and cash equivalents	1,891,068	-	-	1,891,068
Restricted investments	157,000	-	-	157,000
Derivative instrument	17,030	-	-	17,030
Capital Assets:				
Land and other non-depreciable assets	9,119,824	-	-	9,119,824
Other capital assets, net of depreciation	50,113,743	-	-	50,113,743
Unamortized debt issuance costs	2,595,267	-	-	2,595,267
<b>Total non-current assets</b>	<b>63,893,932</b>	<b>-</b>	<b>-</b>	<b>63,893,932</b>
<b>Total assets</b>	<b>67,912,248</b>	<b>193,986</b>	<b>92,463</b>	<b>68,198,697</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	330,681	25,774	-	356,455
Accrued payroll liabilities	51,605	5,769	-	57,374
Due to other funds	93,571	-	92,414	185,985
Accrued interest payable	1,584,203	-	-	1,584,203
Current portion of:				
Due to depositors	49,798	-	-	49,798
Notes payable	88,328	-	-	88,328
Water contract obligations	275,416	-	-	275,416
Revenue bonds payable	580,000	-	-	580,000
Accrued compensated absences	10,550	-	-	10,550
<b>Total current liabilities</b>	<b>3,064,152</b>	<b>31,543</b>	<b>92,414</b>	<b>3,188,109</b>
Non-current liabilities:				
Due to depositors	199,192	-	-	199,192
Notes payable	229,800	-	-	229,800
Water contract obligations	2,647,196	-	-	2,647,196
Revenue bonds payable, net	61,497,218	-	-	61,497,218
Accrued compensated absences	90,751	4,189	-	94,940
<b>Total non-current liabilities</b>	<b>64,664,157</b>	<b>4,189</b>	<b>-</b>	<b>64,668,346</b>
<b>Total liabilities</b>	<b>67,728,309</b>	<b>35,732</b>	<b>92,414</b>	<b>67,856,455</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	(6,084,391)	-	-	(6,084,391)
Restricted for debt service	2,280,947	-	-	2,280,947
Unrestricted	3,987,383	158,254	49	4,145,686
<b>Total net assets</b>	<b>\$ 183,939</b>	<b>\$ 158,254</b>	<b>\$ 49</b>	<b>\$ 342,242</b>

**City of Sapulpa**  
**Combining Schedule of Revenues, Expenses and Changes in Net Assets**  
**SMA Utility Fund Accounts**  
**For the Year Ended June 30, 2011**

	<b>Enterprise Fund Accounts</b>			<b>Total</b>
	<b>SMA Utility Fund</b>	<b>Stormwater Management Fund</b>	<b>Sewer System Development Fund</b>	
<b>REVENUES</b>				
Water charges	\$ 4,063,036	\$ -	\$ -	\$ 4,063,036
Sewer charges	3,211,456	-	-	3,211,456
Sanitation	1,303,594	-	-	1,303,594
Water taps	13,500	-	-	13,500
Sewer taps	14,000	-	5,395	19,395
Late charges	176,890	-	-	176,890
Trucked water	36,526	-	-	36,526
Stormwater	-	824,475	-	824,475
Miscellaneous	102,251	-	-	102,251
<b>Total operating revenues</b>	<b>8,921,253</b>	<b>824,475</b>	<b>5,395</b>	<b>9,751,123</b>
<b>OPERATING EXPENSES</b>				
General government	186,701	-	-	186,701
Administration	146,614	-	-	146,614
Utility collections	305,244	-	-	305,244
Water treatment plant	1,704,952	-	-	1,704,952
Industrial pretreatment	69,241	-	-	69,241
Wastewater treatment plant	1,096,657	-	-	1,096,657
Stormwater management	-	328,576	-	328,576
Sanitation	1,123,907	-	-	1,123,907
Amortization expense	264,414	-	-	264,414
Depreciation expense	1,710,172	-	-	1,710,172
<b>Total Operating Expenses</b>	<b>6,607,902</b>	<b>328,576</b>	<b>-</b>	<b>6,936,478</b>
<b>Operating income</b>	<b>2,313,351</b>	<b>495,899</b>	<b>5,395</b>	<b>2,814,645</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Investment income	27,950	406	-	28,356
Miscellaneous	125,410	14,961	-	140,371
Gain/loss on disposal of capital assets	176	-	-	176
Interest expense and fiscal charges	(4,868,951)	(9,118)	-	(4,878,069)
<b>Total non-operating revenue (expenses)</b>	<b>(4,715,415)</b>	<b>6,249</b>	<b>-</b>	<b>(4,709,166)</b>
<b>Income (loss) before contributions and transfers</b>	<b>(2,402,064)</b>	<b>502,148</b>	<b>5,395</b>	<b>(1,894,521)</b>
Capital contributions	3,093,075	-	-	3,093,075
Transfers in	6,286,488	35,526	-	6,322,014
Transfers out	(6,715,383)	(582,121)	(40,800)	(7,338,304)
<b>Change in net assets</b>	<b>262,116</b>	<b>(44,447)</b>	<b>(35,405)</b>	<b>182,264</b>
<b>Total net assets (deficit) - beginning</b>	<b>(78,177)</b>	<b>202,701</b>	<b>35,454</b>	<b>159,978</b>
<b>Total net assets - ending</b>	<b>\$ 183,939</b>	<b>\$ 158,254</b>	<b>\$ 49</b>	<b>\$ 342,242</b>

CITY OF SAPULPA, OKLAHOMA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the fiscal year ended June 30, 2011

Federal Grantor/Pass through agency Grantor/Program Title	Federal CFDA Number	Grant #	Award Amount	Federal Expenditures
<b>FEDERAL AWARDS:</b>				
<u>U.S. DEPARTMENT OF THE INTERIOR:</u>				
Passed through Oklahoma Tourism and Recreation Department:				
Liberty Park Family Aquatic Facility - Phase 2	15.916	40-01183	\$ 63,270	\$ 42,227
Davis Park Restrooms	15.916	40-01178	79,769	40,639
Subtotal of CFDA 15.916			<u>143,039</u>	<u>82,866</u>
Total U.S. Department of the Interior			<u>143,039</u>	<u>82,866</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Passed through Oklahoma Department of Transportation:				
Highway Planning and Construction	20.205	STP-119C(199)IG J/P 24605(05)	53,600	19,352
Highway Planning and Construction	20.205	STP-119C(200)IG J/P 24605(06)	112,000	9,816
Highway Planning and Construction	20.205	STP-119B(197)IG J/P 24604(06)	40,000	1,920
Highway Planning and Construction	20.205	STP-119B(198)IG J/P 24604(07)	80,000	5,496
Subtotal of CFDA 20.205			<u>285,600</u>	<u>36,584</u>
Passed through Oklahoma Highway Safety Office:				
State and Community Highway Safety	20.600	PT-10-03-38-09	56,000	14,634
State and Community Highway Safety	20.600	SE-11-03-10-10	53,000	39,431
Subtotal of CFDA 20.600			<u>109,000</u>	<u>54,065</u>
Total Department of Transportation			<u>394,600</u>	<u>90,649</u>
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>				
Passed through Tulsa County:				
Community Development Block Grant/State's Program	14.218	CDBG 2009 Tulsa County Urban	150,226	150,226
Total Department of Housing and Urban Development			<u>150,226</u>	<u>150,226</u>
<u>U.S. DEPARTMENT OF JUSTICE:</u>				
Edward Byrne Justice Assistance Grant	16.803 ARRA	2009-SB-B9-2175	27,776	12,511
Total Department of Justice			<u>27,776</u>	<u>12,511</u>
<b>TOTAL FEDERAL AWARDS</b>			<u><u>\$715,641</u></u>	<u><u>\$336,252</u></u>

**Notes to Schedule of Expenditures of Federal Awards**

Note A - Significant Accounting Policies - The accompanying schedule of expenditures of federal awards is prepared on the basis of accounting consistent with the definition of federal awards expended in paragraph 205 of OMB Circular A-133.

CITY OF SAPULPA, OKLAHOMA  
(SAPULPA MUNICIPAL AUTHORITY)  
**SCHEDULE OF DEBT SERVICE COVERAGE REQUIREMENTS**  
For the fiscal year ended June 30, 2011

	2002 A and 2008 Revenue Bond Issues	2002 A Revenue Bond Issue	2003 A & B Revenue Bonds	2009 A & B Revenue Bonds
	Coverage Requirement #1	Coverage Requirement #2	Coverage Requirement	Coverage Requirement
<b>Gross Revenue Available for Debt Service:</b>				
Operating revenues and investment income	\$9,779,479	\$9,779,479	\$9,779,479	\$9,779,479
Sales tax appropriated and transferred	3,637,236	-	3,637,236	3,637,236
<b>Total Gross Revenues Available</b>	<b>13,416,715</b>	<b>9,779,479</b>	<b>13,416,715</b>	<b>13,416,715</b>
Operating Expenses	4,961,892	4,961,892	4,961,892	4,961,892
<b>Net Revenues Available for Debt Service</b>	<b>\$8,454,823</b>	<b>\$4,817,587</b>	<b>\$8,454,823</b>	<b>\$8,454,823</b>
<b>Debt Service Requirements:</b>				
Average annual debt service - Refunding Revenue Bonds 2002 A, 2009 A&B and 2006 Utility System Revenue Bonds	\$2,975,546	\$2,975,546	-	-
Annual debt service - Refunding Revenue Bonds 2002 A, 2003 A&B, 2009 A&B, and 2006 Utility System Revenue Bonds	-	-	\$3,158,256	\$3,158,256
<b>Coverage</b>	<b>2.84</b>	<b>1.62</b>	<b>2.68</b>	<b>2.68</b>
<b>Coverage Requirement</b>	<b>1.25</b>	<b>1.00</b>	<b>1.20</b>	<b>1.25</b>

NOTE 1: Operating revenues consist of all water, wastewater, and sanitation revenues and investment income; operating expenses include all trust operating expenses, exclusive of depreciation, amortization and bad debt expense.

NOTE 2: According to the 2002 A bond indenture, the Authority must meet two coverage requirements:  
#1 - Net revenues plus sales tax transferred to the authority must at least equal 1.25 times the average annual debt service.  
#2 - Net revenues (excluding sales tax) must at least equal 1.00 times the average annual debt service.

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CITY OF SAPULPA, OKLAHOMA  
NET ASSETS BY COMPONENT  
Last Nine Fiscal Years  
TABLE 1

	FISCAL YEAR								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Governmental activities</b>									
Invested in capital assets, net of related debt	\$ 14,569,889	\$ 16,523,526	\$ 22,432,421	\$ 23,284,086	\$ 25,731,698	\$ 25,453,019	\$ 27,327,634	\$ 28,413,297	\$ 25,253,598
Restricted	2,760,231	2,162,564	2,889,357	3,182,803	3,378,280	3,651,202	3,445,938	3,851,607	3,492,437
Unrestricted	4,793,925	3,373,913	344,621	2,038,881	989,136	811,160	207,770	(157,338)	1,710,363
<b>Total governmental activities net assets</b>	<b>\$ 22,124,045</b>	<b>\$ 22,060,003</b>	<b>\$ 25,646,399</b>	<b>\$ 28,486,770</b>	<b>\$ 30,099,092</b>	<b>\$ 29,915,381</b>	<b>\$ 30,981,342</b>	<b>\$ 32,107,566</b>	<b>\$ 30,456,398</b>
<b>Business-type activities</b>									
Invested in capital assets, net of related debt	\$ 1,979,001	\$ 4,105,660	\$ 1,615,464	\$ 1,965,686	\$ 1,434,208	\$ 1,995,103	\$ (5,282,635)	\$ (6,587,407)	\$ (5,289,977)
Restricted	4,485,782	994,752	1,428,243	1,923,836	1,683,075	1,219,432	2,186,122	3,076,143	3,198,295
Unrestricted	1,750,692	1,661,202	2,506,311	2,351,403	1,138,151	2,527,446	6,059,920	5,296,191	4,203,008
<b>Total business-type activities net assets</b>	<b>\$ 8,216,075</b>	<b>\$ 6,761,614</b>	<b>\$ 5,550,018</b>	<b>\$ 6,240,925</b>	<b>\$ 4,455,432</b>	<b>\$ 5,741,981</b>	<b>\$ 2,963,307</b>	<b>\$ 1,784,927</b>	<b>\$ 2,111,325</b>
<b>Primary government</b>									
Invested in capital assets, net of related debt	\$ 16,549,490	\$ 20,629,386	\$ 24,047,885	\$ 25,229,772	\$ 27,165,902	\$ 27,448,122	\$ 22,044,999	\$ 21,825,890	\$ 19,863,621
Restricted	7,246,013	3,157,316	4,287,600	5,106,639	5,261,335	4,870,634	5,632,060	6,927,750	6,690,732
Unrestricted	6,544,617	5,035,115	2,850,932	4,391,284	2,127,287	3,338,806	6,267,590	5,136,853	5,913,371
<b>Total primary government net assets</b>	<b>\$ 30,340,120</b>	<b>\$ 28,821,817</b>	<b>\$ 31,198,417</b>	<b>\$ 34,727,695</b>	<b>\$ 34,654,624</b>	<b>\$ 35,657,362</b>	<b>\$ 33,944,649</b>	<b>\$ 33,892,493</b>	<b>\$ 32,567,724</b>

\* - 2010 restricted net assets related to unspent bond proceeds of \$6,227,208 were reclassified to Invested in Capital Assets, Net of Related Debt.

\*\* - 2010 unrestricted net assets related to \$778,361 of restricted governmental funds, classified as business-type activities at the government-wide level, were reclassified as restricted.

CITY OF SAPULPA, OKLAHOMA  
 CHANGES IN NET ASSETS  
 Last Nine Fiscal Years  
 TABLE 2

	FISCAL YEAR								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Expenses</b>									
Governmental activities:									
Administration	\$ 935,058	\$ 940,635	\$ 857,024	\$ 922,218	\$ 938,846	\$ 956,165	\$ 1,073,542	\$ 1,068,277	\$ 1,070,144
General government	1,282,452	1,464,350	1,814,825	1,521,420	1,767,315	1,356,744	1,347,723	1,167,575	1,251,192
Legal and judicial	320,223	206,910	220,913	240,662	239,239	236,636	301,454	281,752	289,703
Public safety	6,243,832	6,713,637	6,851,652	8,022,350	10,179,831	10,742,548	10,587,857	10,312,829	10,075,409
Urban development	331,064	342,323	294,901	316,422	414,086	435,239	419,161	453,837	420,914
Streets	1,143,755	1,222,276	1,300,190	1,345,462	1,763,423	2,784,449	2,355,922	2,429,735	2,174,486
Culture and recreation	942,670	805,905	852,768	854,183	951,804	1,166,790	1,155,838	1,281,735	1,363,426
Interest on long-term debt	125,515	229,479	402,809	482,366	468,769	498,907	518,345	449,233	661,342
<b>Total governmental activities expenses</b>	<b>11,324,569</b>	<b>11,916,215</b>	<b>12,585,272</b>	<b>13,705,083</b>	<b>16,723,353</b>	<b>18,177,479</b>	<b>17,759,843</b>	<b>17,444,973</b>	<b>17,326,616</b>
Business-type activities:									
Water operations	3,278,563	3,300,634	3,150,739	3,251,849	3,685,257	3,925,793	4,463,707	3,761,367	4,200,477
Wastewater operations	4,918,660	5,303,576	5,353,600	5,346,397	5,482,432	5,246,469	6,363,922	6,437,587	6,520,715
Sanitation operations	1,038,786	1,095,914	1,102,646	1,160,526	1,127,731	1,245,713	1,476,846	1,290,756	1,254,592
Stormwater maintenance	-	31,107	34,082	25,551	60,801	333,179	75,226	581,406	389,019
Golf course operations	524,942	510,724	555,908	609,716	635,283	657,173	688,775	709,765	728,809
Interest charges - governmental activities	-	-	-	198,662	219,826	-	250,662	279,547	159,201
<b>Total business-type activities expenses</b>	<b>9,750,951</b>	<b>10,241,955</b>	<b>10,186,954</b>	<b>10,594,701</b>	<b>11,211,430</b>	<b>11,408,317</b>	<b>13,319,138</b>	<b>13,080,428</b>	<b>13,252,813</b>
<b>Total primary government expenses</b>	<b>\$ 21,083,520</b>	<b>\$ 22,158,170</b>	<b>\$ 22,772,226</b>	<b>\$ 24,299,784</b>	<b>\$ 27,934,783</b>	<b>\$ 29,585,796</b>	<b>\$ 31,078,981</b>	<b>\$ 30,525,401</b>	<b>\$ 30,579,429</b>
<b>Program Revenues</b>									
Governmental activities:									
Charges for services:									
Administration	\$ 236,627	\$ 299,911	\$ 276,738	\$ 296,179	\$ 309,286	\$ 369,695	\$ 347,269	\$ 309,656	\$ 243,474
General government	-	-	-	-	-	-	-	-	-
Legal and judicial	-	-	-	-	-	-	-	-	-
Public safety	1,063,829	693,085	1,205,843	1,138,414	1,404,493	1,432,925	1,396,380	1,449,726	1,280,664
Urban development	-	-	-	-	-	-	-	-	-
Streets	-	-	-	-	-	-	-	-	-
Culture and recreation	53,056	85,042	72,919	46,471	53,868	2,835	2,465	1,880	1,410
Operating grants and contributions	497,548	414,183	347,848	392,791	1,790,870	2,180,366	1,515,802	1,545,268	1,361,450
Capital grants and contributions	321,432	248,938	2,210,257	2,633,830	280,910	390,708	321,276	705,061	279,978
<b>Total governmental activities program revenues</b>	<b>2,172,492</b>	<b>1,741,169</b>	<b>4,113,605</b>	<b>4,607,685</b>	<b>3,842,997</b>	<b>4,437,546</b>	<b>3,646,790</b>	<b>4,133,305</b>	<b>3,382,093</b>

(Continued)

TABLE 2  
(Continued)

	FISCAL YEAR								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Business-type activities:</b>									
Charges for services:									
Water operations	3,350,199	3,190,050	3,060,600	3,722,888	3,863,474	3,917,170	3,825,477	4,219,649	4,355,677
Wastewater operations	2,631,507	2,784,866	2,929,802	3,074,182	3,089,967	3,263,802	3,025,624	3,266,234	3,230,851
Sanitation operations	993,527	1,050,023	1,046,382	1,069,175	1,160,271	1,208,563	1,284,700	1,340,625	1,340,120
Stormwater operations						178,896	555,318	786,841	824,475
Golf course operations	519,224	433,915	398,248	487,726	474,354	506,902	518,383	416,658	420,077
Operating grants and contributions							654		
Capital grants and contributions	47,114				320,395	1,636,307			
Total business-type activities program revenues	7,541,571	7,458,854	8,037,232	8,353,971	8,908,461	10,711,740	9,210,156	10,030,007	10,171,200
Total primary government program revenues	\$ 9,714,063	\$ 9,200,023	\$ 12,150,637	\$ 12,961,656	\$ 12,757,458	\$ 15,149,286	\$ 12,856,946	\$ 14,163,312	\$ 13,553,293
<b>Net (Expense)/Revenue</b>									
Governmental activities:	\$ (8,152,077)	\$ (10,175,046)	\$ (8,481,667)	\$ (9,197,398)	\$ (12,080,366)	\$ (13,739,933)	\$ (14,113,053)	\$ (13,311,668)	\$ (13,944,523)
Business-type activities:	(2,217,380)	(2,783,101)	(2,159,722)	(2,240,730)	(2,302,969)	(996,577)	(4,109,982)	(3,050,421)	(3,081,613)
Total primary government net expense	\$ (11,369,457)	\$ (12,958,147)	\$ (10,641,389)	\$ (11,438,128)	\$ (15,183,325)	\$ (14,436,510)	\$ (18,222,035)	\$ (16,362,089)	\$ (17,026,136)
<b>General Revenues and Other Changes in Net Assets</b>									
Governmental activities:									
Taxes:									
Sales and use taxes	\$ 6,523,556	\$ 6,485,061	\$ 7,284,641	\$ 11,393,892	\$ 11,796,326	\$ 12,361,944	\$ 12,068,005	\$ 11,285,695	\$ 11,726,417
Ad valorem property taxes	546,376	669,302	1,439,711	1,222,022	1,203,946	1,396,811	1,409,760	1,443,683	1,754,809
Franchise and public service taxes	373,502	401,248	385,148	475,507	427,566	443,180	506,646	505,361	518,026
Payment in lieu of taxes	317,152	334,819	369,507	411,153	420,570	443,526	533,019	439,767	439,422
Hotel/motel taxes									
E-911 taxes	182,581	174,611	177,281	162,757	136,286	250,112	226,929	185,685	189,029
Intergovernmental revenue not restricted to specific programs	73,713	76,338	146,664	248,464	170,803	226,004	237,292	217,442	215,068
Investment income	117,838	90,928	254,030	302,650	175,066	262,624	257,051	252,939	269,260
Miscellaneous	288,767	340,129	117,740	125,183	163,589	170,723	90,972	78,078	88,060
Special item - Gain on forgiveness of debt / gain on sale of capital assets		36,500		133,844	163,589	464,382	324,959	1,705,317	325,436
Transfers-internal activity	1,317,312	1,474,343	1,891,341	(2,510,859)	(253,100)	(1,828,329)		(1,674,075)	(3,232,145)
Total governmental activities	9,740,817	10,085,285	12,068,063	11,964,613	14,482,678	14,390,977	14,594,539	14,437,892	12,293,355
Business-type activities:									
Sales and use taxes	2,372,405	2,359,038	2,699,913	2,899,364	3,676,690	221,558	61,112	54,785	34,294
Investment earnings	833,700	356,820	118,795	121,414	63,597	133,240	209,102	143,181	141,573
Miscellaneous	100	87,325	60,559	2,510,659	253,100	1,828,329	1,060,094	1,674,075	3,232,145
Transfers - Internal activity	(1,317,312)	(1,474,343)	(1,891,341)	(2,891,637)	947,926	1,893,127	1,330,308	1,872,041	3,408,012
Total business-type activities	1,888,893	1,328,840	947,926	2,891,637	694,387	1,893,127	1,330,308	1,872,041	3,408,012
Total primary government	\$ 11,629,710	\$ 11,414,125	\$ 13,015,989	\$ 14,856,250	\$ 15,177,065	\$ 16,374,104	\$ 15,924,847	\$ 16,309,933	\$ 15,701,367
<b>Change in Net Assets</b>									
Governmental activities	\$ 588,740	\$ (89,761)	\$ 3,586,396	\$ 2,767,215	\$ 1,612,322	\$ 651,044	\$ 481,486	\$ 1,126,224	\$ (1,651,168)
Business-type activities	(328,487)	(1,454,261)	(1,211,796)	(690,907)	(1,618,582)	1,286,550	(2,778,674)	(1,178,380)	326,399
Total primary government	\$ 260,253	\$ (1,544,022)	\$ 2,374,600	\$ 3,458,122	\$ (6,260)	\$ 1,937,594	\$ (2,297,188)	\$ (52,156)	\$ (1,324,769)

CITY OF SAPULPA, OKLAHOMA  
 FUND BALANCES - GOVERNMENTAL FUNDS  
 Last Nine Fiscal Years  
 TABLE 3

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund									
Reserved	\$ 219,346	\$ 269,406	\$ 1,917,191	\$ 1,982,763	\$ 2,110,218	\$ 303,557	\$ 205,933	\$ 199,888	\$ -
Unreserved	1,371,299	1,109,727	(456,024)	(298,612)	(517,555)	2,128,650	2,015,310	1,432,329	-
Nonspendable	-	-	-	-	-	-	-	-	28,044
Committed	-	-	-	-	-	-	-	-	9,151
Assigned	-	-	-	-	-	-	-	-	1,396,679
Unassigned	-	-	-	-	-	-	-	-	766,562
Total general fund	<u>\$ 1,590,645</u>	<u>\$ 1,379,133</u>	<u>\$ 1,461,167</u>	<u>\$ 1,683,151</u>	<u>\$ 1,592,663</u>	<u>\$ 2,433,207</u>	<u>\$ 2,221,243</u>	<u>\$ 1,632,217</u>	<u>\$ 2,200,436</u>
All Other Governmental Funds									
Reserved	\$ 467,530	\$ 327,472	\$ 7,303,814	\$ 1,438,477	\$ 485,990	\$ 30,000	\$ 114,805	\$ 25,437	\$ -
Unreserved, reported in:									
Special revenue funds	2,579,996	2,172,764	2,327,593	2,094,841	2,909,690	3,379,674	2,938,050	3,612,778	-
Debt service funds	590,100	508,403	483,037	579,549	638,793	675,822	603,551	599,612	-
Capital project funds	3,985,572	8,833,164	2,921,072	987,418	226,465	9,809	9,976	6,227,208	-
Nonspendable	-	-	-	-	-	-	-	-	104,823
Restricted	-	-	-	-	-	-	-	-	7,319,538
Assigned	-	-	-	-	-	-	-	-	890,861
Total all other governmental funds	<u>\$ 7,623,198</u>	<u>\$ 11,841,793</u>	<u>\$ 12,735,516</u>	<u>\$ 5,098,285</u>	<u>\$ 4,260,928</u>	<u>\$ 4,095,305</u>	<u>\$ 3,666,382</u>	<u>\$ 10,465,035</u>	<u>\$ 8,315,222</u>
GRAND TOTAL	<u>\$ 8,213,843</u>	<u>\$ 13,220,926</u>	<u>\$ 14,196,683</u>	<u>\$ 6,781,436</u>	<u>\$ 5,853,591</u>	<u>\$ 6,528,512</u>	<u>\$ 5,887,625</u>	<u>\$ 12,097,252</u>	<u>\$ 10,515,658</u>

Note: For years 2005, 2008, and 2007 reserved fund balance for the General Fund includes accrued compensated absences

**CITY OF SAPULPA, OKLAHOMA**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**Last Nine Fiscal Years**  
**TABLE 4**

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Revenues</b>									
Sales and use taxes	\$ 8,895,961	\$ 8,844,099	\$ 9,944,554	\$ 11,393,892	\$ 11,796,326	\$ 12,361,944	\$ 12,068,005	\$ 11,285,695	\$ 11,726,417
Franchise and public service taxes	373,502	401,248	385,148	476,493	437,765	435,211	506,646	506,484	519,306
Ad valorem taxes	546,376	665,063	1,312,215	1,150,898	1,187,400	1,393,472	1,351,081	1,441,683	1,754,809
Payment in lieu of tax	317,152	334,819	369,507	411,152	420,570	443,526	533,019	444,814	431,956
Hotel/motel taxes	-	-	-	-	136,286	250,112	226,929	185,685	189,002
Intergovernmental	652,450	594,219	2,424,695	1,256,678	2,847,067	2,658,141	2,018,637	1,839,296	1,605,417
Charges for services	671,597	794,350	639,135	837,007	682,600	1,007,160	681,175	812,468	957,381
Fines and forfeitures	730,435	650,181	768,675	764,493	504,235	1,360,620	1,081,859	986,075	854,646
Licenses and permits	129,229	214,876	165,638	146,929	150,588	185,115	169,721	152,398	103,452
Investment income	130,099	99,559	266,501	326,819	201,273	165,102	135,120	81,871	94,987
Miscellaneous	357,565	446,984	308,362	345,217	333,743	414,806	414,806	1,825,979	458,196
<b>Total Revenues</b>	<b>12,804,366</b>	<b>13,045,288</b>	<b>16,674,430</b>	<b>17,109,579</b>	<b>18,697,853</b>	<b>20,951,801</b>	<b>19,186,998</b>	<b>19,564,448</b>	<b>18,697,569</b>
<b>Expenditures:</b>									
Administration	917,038	910,161	854,642	914,403	927,515	1,047,491	1,064,987	1,026,696	1,051,102
General government	1,336,613	1,343,886	1,417,638	1,433,430	1,680,138	1,459,139	1,155,645	1,098,311	1,082,186
Legal and judicial	310,250	183,958	214,579	220,108	219,300	217,008	265,581	252,601	259,345
Public safety	5,759,078	6,149,767	6,882,250	7,697,333	9,506,028	9,900,490	9,410,268	9,316,475	9,536,063
Urban development	319,201	335,067	286,164	302,813	399,383	426,359	408,053	441,909	564,894
Streets	854,993	712,209	720,410	912,145	995,751	1,227,894	1,095,206	1,213,348	1,076,534
Culture and recreation	667,536	691,296	664,195	750,076	847,538	869,269	917,770	1,017,099	1,108,269
Water	396,726	371,375	656,493	720,710	643,703	907,507	838,481	670,992	657,752
Wastewater	280,906	279,526	262,065	240,733	364,420	2,090	137,510	257,700	294,054
Stormwater	-	-	-	-	-	75,001	-	-	-
Capital outlay	1,940,535	2,711,491	4,595,321	11,080,478	3,289,117	2,770,416	3,046,582	3,150,245	4,027,730
Debt service:									
Principal	1,348,475	1,189,903	1,045,723	953,356	1,189,559	-	1,206,180	1,160,665	1,049,457
Interest and fiscal charges	130,235	206,182	399,256	472,754	474,240	1,179,906	599,827	543,216	661,522
<b>Total Expenditures</b>	<b>14,261,586</b>	<b>15,104,821</b>	<b>17,798,736</b>	<b>25,698,339</b>	<b>20,536,692</b>	<b>20,082,570</b>	<b>20,036,090</b>	<b>20,149,257</b>	<b>21,370,708</b>
Excess of revenues over(under) expenditures	(1,457,220)	(2,059,533)	(1,124,306)	(8,588,760)	(1,838,839)	869,231	(849,092)	(584,809)	(2,673,139)
<b>Other financing sources(uses) and special item:</b>									
Transfers in	4,641,919	5,687,626	5,077,999	5,669,317	6,454,626	6,720,781	6,354,987	6,119,686	6,780,870
Transfers out	(4,795,890)	(4,305,459)	(4,964,758)	(5,787,969)	(6,242,907)	(7,407,382)	(6,465,333)	(6,038,545)	(6,218,191)
Debt issuance costs	-	-	(56,057)	(14,464)	-	-	-	(246,740)	-
Debt proceeds	4,100,000	5,680,000	2,042,879	977,688	699,275	492,291	495,800	6,935,000	528,866
Bond premium	-	-	-	-	-	-	-	25,035	-
Special item - proceeds from sale of capital assets	-	-	-	147,164	-	-	-	-	-
Special item - proceeds from sale of special item	3,946,029	6,062,167	2,100,063	991,736	910,994	(194,310)	385,454	6,704,436	1,091,545
<b>Total other financing sources(uses) and special item</b>	<b>2,885,809</b>	<b>4,002,634</b>	<b>975,757</b>	<b>(7,597,024)</b>	<b>(927,845)</b>	<b>674,921</b>	<b>(463,638)</b>	<b>6,209,627</b>	<b>(1,581,504)</b>
<b>Net change in fund balances</b>	<b>12.0%</b>	<b>11.3%</b>	<b>10.9%</b>	<b>9.8%</b>	<b>9.6%</b>	<b>6.8%</b>	<b>10.1%</b>	<b>10.0%</b>	<b>9.9%</b>
<b>Debt service as a percentage of noncapital expenditures</b>									

**CITY OF SAPULPA, OKLAHOMA**  
**GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE**  
 Last Nine Fiscal Years  
**TABLE 5**

Fiscal Year	Ad Valorem Tax	Sales Tax	Use Tax	Franchise Tax	Payment in lieu of Tax	Hotel/Motel Tax	E-911 Tax	Totals
2003	\$ 546,376	\$ 8,626,928	\$ 269,033	\$ 373,502	\$ 317,152	\$ -	\$ 182,581	\$ 10,315,572
2004	669,302	8,578,321	265,779	401,248	334,819	-	174,611	10,424,080
2005	1,439,711	9,672,408	272,145	385,148	369,507	-	177,281	12,316,200
2006	1,222,022	11,062,496	331,396	475,507	411,153	-	162,757	13,665,331
2007	1,203,946	11,285,918	510,408	427,556	420,570	136,286	170,803	14,155,487
2008	1,393,472	11,840,175	521,769	435,211	443,526	250,112	226,004	15,110,269
2009	1,409,760	11,592,621	475,384	506,646	533,019	226,929	237,292	14,981,651
2010	1,443,683	10,865,027	420,668	505,361	439,767	185,665	217,442	14,077,633
2011	1,754,809	11,279,672	446,745	518,026	439,422	189,002	215,068	14,842,744

**CITY OF SAPULPA, OKLAHOMA**  
**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**Last Nine Fiscal Years**  
**TABLE 6**

Fiscal Year	Real Property	Personal Property	Public Service Property	Total Assessed Value	Homestead Exemption	Net Assessed Value	Estimated Actual Value
2003	\$ 53,495,980	\$ 7,321,108	\$ 6,486,210	\$ 67,303,298	\$ 4,426,160	\$ 62,877,138	\$ 523,976,150
2004	55,763,609	7,240,852	6,617,547	69,622,008	4,396,166	65,225,842	543,548,683
2005	67,045,944	7,725,210	6,863,336	81,634,490	4,368,156	77,266,334	643,886,117
2006	73,838,504	15,133,875	11,163,226	100,135,605	4,511,613	95,623,992	800,575,660
2007	78,268,289	15,398,212	7,343,203	101,009,704	4,409,554	96,600,150	805,001,250
2008	80,947,358	14,138,460	7,934,105	103,019,923	4,844,233	98,175,690	818,130,750
2009	87,485,841	14,803,042	7,368,288	109,657,171	5,005,711	104,651,460	872,095,500
2010	92,742,957	16,797,588	7,962,450	117,502,995	5,007,064	112,495,931	937,466,092
2011	96,762,154	21,583,589	7,820,264	126,166,007	5,119,339	121,046,668	1,008,722,233

**Source:** County Excise Board

**Note:** Property in the county is reassessed annually. The ratio of assessed value to true value cannot be less than 11 percent nor more than 13 1/2 percent.  
 Tax rates are per \$1,000 of assessed value.

**CITY OF SAPULPA, OKLAHOMA**  
**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS**  
**(PER \$1,000 OF ASSESSED VALUE)**  
**Last Nine Fiscal Years**  
**TABLE 7**

Fiscal Year	City Direct Rate		Overlapping Rates (1)			Total Levy
	Sinking Fund	Sapulpa School District	County	Vo Tech School District		
2003	\$ 8.81	\$ 66.33	\$ 16.10	\$ 13.26	\$ 104.50	
2004	10.19	66.71	16.09	13.26	106.25	
2005	18.43	60.70	20.08	13.26	112.47	
2006	12.76	62.76	20.08	13.26	108.86	
2007	12.45	63.34	20.63	13.26	109.68	
2008	14.23	61.52	20.79	13.26	109.80	
2009	14.01	63.13	20.70	13.26	111.10	
2010	12.80	67.99	22.26	13.26	116.31	
2011	14.54	66.53	22.02	13.26	116.35	

**Source:** County Excise Board

**Note:** City property tax may only be levied to repay principal and interest on general obligation bonded debt approved by the voters and any court-assessed judgments.

(1) Overlapping rates are those of local and county governments that apply to property owners within the City of Sapulpa

CITY OF SAPULPA, OKLAHOMA  
 PRINCIPAL PROPERTY TAXPAYERS  
 CURRENT YEAR  
 TABLE 8

2011				
Taxpayer	Type of Business	Rank	Taxable Assessed Value	Percentage of Net Total Assessed Value
Saint-Gobain Containers, Inc.	Glass Manufacturing	1	\$ 6,048,949	4.997%
Inverness Village	Retirement Community	2	4,127,201	3.410%
Oklahoma Gas & Electric	Utility	3	2,831,812	2.339%
Sulzer chemtech, Inc.	Chemical Engineering/ Manufacturing	4	2,408,812	1.990%
Enogex, LLC	Gas/pipeline Company	5	2,022,016	1.670%
AT&T Mobility LLC	Communications	6	1,536,386	1.269%
Oklahoma Natural Gas	Utility	7	1,435,252	1.186%
Firstlease, Inc.	Equipment Leasing	8	1,369,585	1.131%
Oklahoma Gas & Electric	Utility	9	1,159,968	0.958%
Public Service company of Ok	Utility	10	<u>1,087,803</u>	<u>0.899%</u>
Totals			<u>\$ 24,027,784</u>	<u>19.85%</u>

Source: County Assessors Office - Debbie McCaslin - 918-224-4508

**CITY OF SAPULPA, OKLAHOMA**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
 Last Nine Fiscal Years  
**TABLE 9**

<b>Fiscal Year</b>	<b>Total Tax Levy</b>	<b>Current Tax Collections</b>	<b>Percentage of Levy Collected</b>	<b>Delinquent Tax Collections</b>	<b>Total Tax Collections</b>	<b>Percentage of Total Collected to Total Levy</b>	<b>Net Assessed Value</b>	<b>Mill Levy</b>
2003	\$ 553,650	\$ 525,818	95%	\$ 18,623	\$ 544,441	98%	\$ 62,877,138	\$ 8.81
2004	664,930	631,026	95%	27,343	658,369	99%	65,225,842	10.19
2005	1,423,797	1,266,303	89%	30,538	1,296,841	91%	77,266,334	18.43
2006	1,220,638	1,087,105	89%	63,793	1,150,898	94%	95,623,992	12.76
2007	1,203,023	1,129,858	94%	57,541	1,187,399	99%	96,600,150	12.45
2008	1,396,811	1,336,780	96%	56,692	1,393,472	99.8%	98,175,690	14.23
2009	1,465,695	1,350,187	92%	59,573	1,409,760	96.2%	104,651,460	14.01
2010	1,440,594	1,377,667	96%	66,016	1,443,683	100.2%	112,495,931	12.81
2011	1,765,619	1,693,609	96%	61,200	1,754,809	99.4%	121,046,668	14.54

Estimate of Needs, County Report

**CITY OF SAPULPA, OKLAHOMA**  
**SALES TAX RATES OF DIRECT AND OVERLAPPING GOVERNMENTS**  
**Last Nine Fiscal Years**  
**TABLE 10**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
City	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Creek County	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
State of Oklahoma	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
<b>Total</b>	<b>9.50%</b>								

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
City	4.000%	4.000%	4.000%	4.000%	4.000%	4.000%	4.000%	4.000%	4.000%
Tulsa County	N/A	N/A	1.017%	1.017%	1.017%	1.017%	1.017%	1.017%	1.017%
State of Oklahoma	4.500%	4.500%	4.500%	4.500%	4.500%	4.500%	4.500%	4.500%	4.500%
<b>Total</b>	<b>8.50%</b>	<b>8.50%</b>	<b>9.517%</b>						

CITY OF SAPULPA, OKLAHOMA  
 TAXABLE SALES BY CATEGORY  
 Last Nine Fiscal Years  
 TABLE 11

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Agriculture, forestry, and fishing									
Mining	\$ 2,049	\$ 2,280	\$ 2,231	\$ 1,479	\$ 1,196	\$ 1,159	\$ 1,862	\$ 1,737	\$ 1,489
Construction	2,524	164	170	475	1,116	(3,182)	1,704	1,737	215,917
Manufacturing	42,028	1,100	1,349	3,666	5,255	6,596	29,931	7,388	4,765
Transportation	3,084	57,455	104,732	119,121	185,349	216,424	239,727	176,934	124,884
Communications and utilities:		4,463	3,542	3,906	6,976	5,047	4,979	6,169	5,572
Communications	391,107	397,643	431,115	421,233	449,101	464,174	481,970	474,240	448,798
Electric, gas, and sanitary services	674,985	888,058	701,309	889,120	735,494	827,085	879,008	915,850	899,809
Wholesale trade	403,154	393,224	614,630	813,920	849,551	933,849	833,248	737,948	798,444
Retail trade:									
Building materials, hardware, garden supply and mobile home dealer	273,085	333,144	531,419	500,806	526,830	535,494	591,220	456,872	432,603
General merchandise stores	3,073,893	2,945,708	3,166,592	3,417,233	3,317,272	3,349,104	2,927,881	2,770,815	2,730,322
Food stores	1,420,385	1,368,194	1,452,391	1,471,724	1,440,435	1,572,560	1,532,842	1,427,977	1,436,346
Automotive dealers and gasoline service stations	289,803	277,521	422,212	586,521	656,200	592,159	589,097	520,171	606,846
Apparel and accessory stores	147,575	147,675	150,139	159,596	186,175	176,195	156,067	149,291	153,207
Furniture, home furnishings and equipment stores	279,916	284,711	296,722	345,110	339,593	342,606	360,098	375,155	328,787
Eating and drinking places	759,289	863,803	1,066,007	1,224,975	1,286,043	1,453,726	1,519,279	1,451,177	1,551,048
Miscellaneous retail	440,269	445,615	468,757	415,906	560,374	597,043	579,268	542,471	570,924
Finance, insurance, and real estate	932	2,221	3,669	4,206	2,940	12,635	1,959	9,946	15,396
Services:									
Hotels and motels	24,887	24,513	101,882	136,875	212,488	203,159	191,262	158,052	141,417
Personal services	40,095	29,464	59,889	44,136	49,263	39,351	34,165	39,573	35,748
Business services	186,979	186,858	178,514	218,310	237,570	239,650	211,350	180,842	202,161
Automotive repair services and garages	88,438	92,285	81,547	80,793	81,293	88,530	86,808	97,997	187,408
Miscellaneous repair services	5,530	7,397	8,142	18,927	20,907	13,641	6,281	77,814	10,291
Motion pictures	43,208	56,563	74,618	71,565	75,000	80,621	83,797	77,814	67,459
Other services	69,699	65,822	93,805	103,851	115,695	128,627	281,686	324,263	337,146
Nonclassifiable establishments	26,443	12,747	26,393	58,018	49,606	82,754	47,218	47,288	44,686
	<u>\$ 8,691,357</u>	<u>\$ 8,670,638</u>	<u>\$ 10,041,876</u>	<u>\$ 11,111,472</u>	<u>\$ 11,391,722</u>	<u>\$ 11,959,006</u>	<u>\$ 11,673,146</u>	<u>\$ 10,956,421</u>	<u>\$ 11,351,471</u>

**CITY OF SAPULPA, OKLAHOMA**  
**RATIO FOR OUTSTANDING DEBT BY TYPE**  
**Last Nine Fiscal Years**  
**TABLE 12**

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Per Capita
	General Obligation Bonds	Notes Payable	Capital Leases Payable	Judgments Payable	Revenue Bonds Payable	Capital Leases Payable	Notes Payable	Water Contract Obligations		
2003	\$ 5,850,000	\$ 178,870	\$ 63,250	\$ 34,929	\$ 62,285,000	\$ -	\$ -	\$ 2,717,550	\$ 71,129,599	3,460
2004	10,400,000	112,645	75,798	25,197	60,005,153	103,532	-	2,618,947	73,341,272	3,567
2005	11,585,000	42,493	167,838	215,465	64,905,153	77,326	415,000	4,427,213	81,835,488	3,982
2006	11,320,000	-	576,062	139,066	66,080,153	49,727	-	4,135,965	82,300,973	4,003
2007	10,710,000	-	229,107	605,737	65,530,153	20,984	-	3,920,264	81,016,245	3,882
2008	10,085,000	-	607,712	399,380	65,039,864	-	-	3,685,369	79,817,325	3,817
2009	9,425,000	-	414,823	541,890	69,442,821	-	616,859	3,441,050	83,882,443	3,962
2010	15,565,000	-	406,686	210,266	68,984,806	-	511,863	3,186,929	88,865,550	4,186
2011	14,905,000	-	746,025	18,333	68,506,065	-	392,617	2,922,612	87,490,652	4,259

**CITY OF SAPULPA, OKLAHOMA**  
**RATIO OF NET GENERAL BONDED DEBT TO ASSESSED**  
**VALUE AND NET BONDED DEBT PER CAPITA**  
 Last Nine Fiscal Years  
**TABLE 13**

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Net Assessed Value</b>	<b>Gross Bonded Debt</b>	<b>Less Debt Service Funds</b>	<b>Net Bonded Debt</b>	<b>Ratio of Net Bonded Debt to Assessed Value</b>	<b>Net Bonded Debt Per Capita</b>
2003	20,560	\$ 62,877,138	\$ 5,850,000	\$ 597,100	\$ 5,252,900	8.35%	255
2004	20,560	65,225,842	10,400,000	508,403	9,891,597	15.17%	481
2005	20,550	77,266,334	11,585,000	664,814	10,920,186	14.13%	531
2006	20,560	95,623,992	11,320,000	579,549	10,740,451	11.23%	522
2007	20,871	96,600,150	10,710,000	638,793	10,071,207	10.43%	483
2008	20,908	98,175,690	10,085,000	675,822	9,409,178	9.58%	450
2009	21,173	104,652,521	9,425,000	659,926	8,765,074	8.38%	414
2010	20,544	112,526,167	15,565,000	599,612	14,965,388	13.30%	728
2011	20,544	121,046,668	14,905,000	853,802	14,051,198	11.61%	684

(1) Oklahoma Department of Commerce Projection

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

**CITY OF SAPULPA, OKLAHOMA  
COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
TABLE 14**

<b>Jurisdiction</b>	<b>Net (1) Debt Outstanding</b>	<b>Percentage (2) Applicable to City of Sapulpa</b>	<b>Amount Applicable to City of Sapulpa</b>
Direct - City of Sapulpa	\$ 14,051,198	100.00%	\$14,051,198
Overlapping: Sapulpa School District	12,040,000	66.65%	8,024,660
Creek County	750,000	29.64%	222,300
Vo Tech School District	0		0
<b>Total</b>	<u>\$26,841,198</u>		<u>\$22,298,158</u>

Outstanding bond debt-06-30-11

(1) Gross general bonded debt outstanding less debt service reserves.

(2) Determined by ratio of assessed valuation of property subject to taxation in overlapping unit to valuation of property subject to taxation in the City of Sapulpa.

CITY OF SAPULPA, OKLAHOMA  
LEGAL DEBT MARGIN INFORMATION  
Last Nine Fiscal Years  
TABLE 15

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit	\$ 6,287,714	\$ 6,522,584	\$ 7,726,633	\$ 9,562,399	\$ 9,660,015	\$ 9,817,569	\$ 10,465,146	\$ 11,249,593	\$ 12,104,667
Total net debt applicable to limit	<u>935,500</u>	<u>4,435,420</u>	<u>5,975,802</u>	<u>6,180,404</u>	<u>5,849,850</u>	<u>5,503,550</u>	<u>5,123,250</u>	<u>4,742,950</u>	<u>4,362,650</u>
Legal debt margin	\$ 5,352,214	\$ 2,087,164	\$ 1,750,831	\$ 3,381,995	\$ 3,811,165	\$ 4,314,019	\$ 5,341,896	\$ 6,506,643	\$ 7,742,017
Total net debt applicable to the limit as a percentage of debt limit	14.88%	68.00%	77.34%	64.63%	60.55%	56.97%	48.96%	42.16%	36.04%

Legal Debt Margin Calculation for Fiscal Year 2011	
Net assessed valuation	\$ 121,046,668
Debt limit (10% of total assessed value)	12,104,667
Debt applicable to limit:	
General obligation bonds	14,905,000
Less: Street or utility bonds outstanding	<u>10,542,350</u>
Total net debt applicable to limit	<u>4,362,650</u>
Legal debt margin	<u>\$ 7,742,017</u>

Note: Article 10, Section 26 of the Constitution of the State of Oklahoma limits municipal debt to 10% of net assessed valuation.  
Article 10, Section 27 of the Constitution of the State of Oklahoma limits municipal debt to non-utility or non-street purposes.

CITY OF SAPULPA, OKLAHOMA  
 THE SAPULPA MUNICIPAL AUTHORITY  
 UTILITY SYSTEMS DIVISION  
 PLEDGED REVENUE COVERAGE  
 Last Nine Fiscal Years  
 TABLE 16

	Eligible Revenues	Eligible Expenses (1)	Net Revenue Available for Debt Service	Average Annual/ Annual Debt Service	Revenue Bond Coverage
2003	Series 2002 A & B Series 2002 A & B	\$ 3,613,214 3,613,214	\$ 6,927,603 4,124,152	\$ 2,054,248 2,054,248	3.37 2.01
2004	Series 2002 A & B Series 2002 A & B Series 2003 A & B	3,815,366 3,815,366 3,815,366	6,146,003 3,392,576 6,146,003	2,054,248 2,054,248 3,237,314	2.99 1.65 1.90
2005	Series 2002 A & B Series 2002 A & B Series 2003 A & B	3,590,363 3,590,363 3,590,363	7,033,130 4,143,869 7,033,130	2,054,248 2,054,248 3,261,966	3.42 2.02 2.16
2006	Series 2002 A & B and Series 2006 Series 2002 A & B Series 2003 A & B	3,768,878 3,768,878 3,768,878	7,362,098 4,159,878 7,361,918	2,113,118 2,113,118 3,263,416	3.48 1.97 2.26
2007	Series 2002 A & B and Series 2006 Series 2002 A & B Series 2003 A & B	3,832,413 3,832,413 3,832,413	8,267,177 4,584,682 8,267,177	2,113,118 2,113,118 3,259,591	3.91 2.17 2.54
2008	Series 2002 A & B and Series 2006 Series 2002 A & B Series 2003 A & B	3,933,666 3,933,666 3,933,666	8,247,607 4,435,479 8,247,607	2,113,118 2,113,118 3,259,591	3.90 2.10 2.53
2009	Series 2002 A and Series 2006 Series 2002 A Series 2003 A & B Series 2009 A & B	5,305,485 5,305,485 5,305,485 5,305,485	7,200,561 3,433,195 7,200,561 7,200,561	2,867,928 2,867,928 3,514,089 3,514,089	2.51 1.20 2.05 2.05
2010	Series 2002 A and Series 2006 Series 2002 A Series 2003 A & B Series 2009 A & B	4,724,154 4,724,154 4,724,154 4,724,154	8,230,122 4,937,467 8,230,122 8,230,122	2,867,928 2,867,928 3,292,376 3,292,376	2.87 1.72 2.50 2.50
2011	Series 2002 A and Series 2006 Series 2002 A Series 2003 A & B Series 2009 A & B	4,961,892 4,961,892 4,961,892 4,961,892	8,454,823 4,817,587 8,454,823 8,454,823	2,975,546 2,975,546 3,158,256 3,158,256	2.84 1.62 2.68 2.68

(1) Excludes depreciation and amortization expense.

**CITY OF SAPULPA, OKLAHOMA  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
Last Nine Calendar Years  
TABLE 17**

<b>Calendar Year</b>	<b>Population (1)</b>	<b>Personal Income (in thousands)</b>	<b>Per Capita Personal Income (2)</b>	<b>Median Age of Population (3)</b>	<b>School Enrollment (4)</b>	<b>Unemployment Rate (5)</b>
2003	20,560	\$ 627,553	\$ 30,523	37.3	5,771	5.5%
2004	20,560	661,004	32,150	37.3	5,768	6.8%
2005	20,550	697,056	33,920	37.3	5,775	5.8%
2006	20,560	792,156	38,529	37.3	5,781	5.5%
2007	20,871	824,905	39,524	37.3	5,550	4.3%
2008	20,908	856,831	40,981	40.7	5,850	4.9%
2009	21,173	835,105	39,442	41.7	5,769	7.5%
2010	20,544	868,051	40,793	38.9	5,765	7.4%
2011	20,544	868,051	40,793	38.9	5,753	6.0%

Note: Updated information was unavailable for the cells with N/A .

Sources:

- (1) Oklahoma Department of Commerce Projection
- (2) Per Capital Personal Income - US Bureau of Economic Analysis for the Tulsa metropolitan area
- (3) U.S. Census Bureau
- (4) Sapulpa School District, Independent School Districts
- (5) [www.bls.gov](http://www.bls.gov)

CITY OF SAPULPA, OKLAHOMA  
 PRINCIPAL EMPLOYERS  
 CURRENT YEAR  
 TABLE 18

2011

Employer	Product/Business	Rank	Employees
BIOS Corporation	Health Care and Social Assistance	1	600
Sapulpa Public Schools	Education Services	2	518
John Christner Trucking	Transporter of Goods	3	500
T.D. Williamson	Manufacturing/Engineering Equipment	4	375
Saint Gobain Containers	Manufacturing/Glass Containers	5	330
Walmart Supercenter	Retail	6	285
City of Sapulpa	City Services	7	215
Creek County	Government Services	8	175
Bennett Steel, Inc.	Commercial/Steel Fabrication	9	165
Thermal Engineering	Metal Fabrication	10	120

Totals 3,283

**CITY OF SAPULPA, OKLAHOMA**  
**Operating Indicators by Function/Program**  
**Last Six Fiscal Years**  
**TABLE 21**

Function/Program	2006	2007	2008	2009	2010	2011
Police						
Physical Arrests	1068	1146	1146	1338	1262	1002
*Parking Violations	500	1402	658	779	413	9
Traffic Violations	9746	8200	8504	10141	8978	8392
Fire						
Emergency Responses	1687	1051	1220	1269	1845	2789
Fires Extinguished	247	280	344	290	188	280
Inspections	200	510	148	164	174	209
Solid Waste Collection						
Solid Waste Collected (Tons Per Day)	N/A	N/A	N/A	N/A	N/A	N/A
Recyclables Collected (Tons Per Day)	N/A	N/A	N/A	N/A	N/A	N/A
Other Public Works						
Potholes Repaired:						
Asphalt Patching (Tons)	600	600	700	438	472	400
Concrete Patching (Cubic Yards)	85	30	54	48	38	26
Parks & Recreation						
Athletic Field-Agreements						
Sapulpa Little League (# of Fields Used)	6	14	14	14	14	14
Sapulpa Youth Soccer (# of Fields Used)	8	15	12	12	12	12
Sapulpa Girls Softball (# of Fields Used)	4	10	10	10	10	10
Community Center/Park Rentals	56	56	70	64	237	
Senior Center-Program Participants/Meals Served					7140	7417
-Sr. Center Lunch Program	530	0	0	0		
Water						
Connections	6670	6900	6516	6499	6516	6478
Water Main Breaks	50-100	50	20	25	25-50	100-150
Average Daily Consumption (Thousands of Gallons)	1608	1608	2949	3500	3142	3169
Peak Daily Consumption (Thousands of Gallons)	5100	5100	4723	5000	4896	5234
Wastewater						
Average Daily Sewage Treatment (Thousands of Gallons)	3000	3000	3000	3000	3000	3000
Transit						
Total Route Miles-Trolleys & Broncho	N/A	N/A	N/A	N/A	N/A	N/A
Total Route Miles-RT-37	N/A	N/A	N/A	N/A	N/A	N/A
Passengers	N/A	N/A	N/A	N/A	N/A	N/A

Source: Various City Departments

\*No longer have Overtime Parking Attendant  
 Danny Whitehouse-Fire  
 Rick Rumsey-Police  
 Johnny Walker-Street  
 Kenneth Martin-Wastewater  
 Bobby Pelitt-Water  
 John Waytula-Parks  
 David Neeley-Utility





**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**

To the Honorable Mayor and Members of the City Council  
City of Sapulpa, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sapulpa, 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 March 21, 2012. 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

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 on the effectiveness of the City's internal control over financial reporting.

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

Our consideration of the 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 the 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'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 Mayor, City Council, management, 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.

*Arledge & Associates, P.C.*

Edmond, Oklahoma  
March 21, 2012