

**THE CITY OF BIXBY,  
OKLAHOMA**

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

**AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2013**

**CITY OF BIXBY, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2013**

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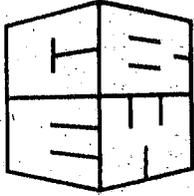
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**CBEW**  
**Professional**  
**Group, LLP**  
Certified Public Accountants

206 N. HARRISON • P.O. BOX 790 • CUSHING, OKLAHOMA 74023 • 918-225-4216 • FAX 918-225-4315

DON K. ETHRIDGE, CPA  
WALTER H. WEBB, CPA  
JANE FRAZIER, CPA  
CHARLES E. CROOKS, CPA  
TRISHA J. RIEMAN, CPA

## INDEPENDENT AUDITOR'S REPORT

December 6, 2013

Honorable Board of City Commissioners  
City of Bixby  
Bixby, Oklahoma

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bixby, Oklahoma, (City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Bixby, Oklahoma, as of June 30, 2013, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information and related notes on pages 7 – 16 and 58 – 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

#### ***Other Information***

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

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

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*CBEW Professional Group, LLP*

CBEW Professional Group, LLP  
Certified Public Accountants

**CITY OF BIXBY, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2013**

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**MANAGEMENT DISCUSSION AND ANALYSIS**

Our discussion and analysis of the City of Bixby's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2013. Please read it in conjunction with the transmittal letter and the City's financial statements, which follow.

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

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

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

### **About the City**

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

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

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

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

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

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

### **Using This Annual Report**

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

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

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

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

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

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

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

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

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

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

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

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

#### **Fund Financial Statements**

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

*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

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

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

**The City as a Whole**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the year ended June 30, 2013, net position was as follows:

**TABLE 1**  
**NET POSITION (In Thousands)**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	(restated)			(restated)			(restated)		
	2013	2012		2013	2012		2013	2012	
Current assets	\$ 19,315	\$ 20,001	-3%	\$ 11,165	\$ 9,838	13%	\$ 30,480	\$ 29,839	2%
Capital assets, net	67,835	65,687	3%	45,008	45,689	-1%	112,843	111,376	1%
<b>Total assets</b>	<u>87,150</u>	<u>85,688</u>	2%	<u>56,173</u>	<u>55,527</u>	1%	<u>143,323</u>	<u>141,215</u>	1%
Current liabilities	3,468	3,813	-9%	1,790	2,072	-14%	5,258	5,885	-11%
Non-current liabilities	22,184	24,498	-9%	9,864	10,693	-8%	32,048	35,191	-9%
<b>Total liabilities</b>	<u>25,652</u>	<u>28,311</u>	-9%	<u>11,654</u>	<u>12,765</u>	-9%	<u>37,306</u>	<u>41,076</u>	-9%
Net position									
Net investment in capital assets	48,536	46,735	4%	34,513	34,126	1%	83,049	80,861	3%
Restricted	5,435	5,639	-4%	5,115	5,901	-13%	10,550	11,540	-9%
Unrestricted	7,527	5,003	50%	4,891	2,735	79%	12,418	7,738	60%
<b>Total net position</b>	<u>\$ 61,498</u>	<u>\$ 57,377</u>	7%	<u>\$ 44,519</u>	<u>\$ 42,762</u>	4%	<u>\$ 106,017</u>	<u>\$ 100,139</u>	6%

The above numbers reflect an increase in net position of 7% for governmental activities and an increase of 4% for business type activities. Overall, the net position for both governmental and business-type activities increased 6% over last fiscal year.

Governmental activities liabilities decreased approximately \$2.6 million or 9% due mainly to the annual retirement of outstanding GO Bond debt.

Business-type activities liabilities decreased approximately \$1.1 million or 9% due mainly to the refunding of debt and annual debt payments.

For the year ended June 30, 2013, net position of the primary government changed as follows:

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**Management's Discussion and Analysis**  
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**TABLE 2**  
**CHANGES IN NET POSITION (In Thousands)**

	Governmental		% Inc. (Dec.)	Business-Type		% Inc. (Dec.)	Total		% Inc. (Dec.)
	Activities			Activities			Total		
	(restated)			(restated)			(restated)		
	2013	2012		2013	2012		2013	2012	
<b>Revenues</b>									
Charges for service	\$ 2,180	\$ 1,783	22%	\$ 7,756	\$ 7,411	5%	\$ 9,936	\$ 9,194	8%
Operating grants and contributions	693	618	12%	-	-	-	693	618	12%
Capital grants and contributions	710	800	-11%	18	441	-96%	728	1,241	-41%
Taxes	12,794	11,535	11%	-	-	-	12,794	11,535	11%
Intergovernmental revenue	142	139	2%	-	-	-	142	139	2%
Investment income	70	98	-29%	23	25	-8%	93	123	-24%
Miscellaneous	473	726	-35%	53	32	66%	526	758	-31%
<b>Total revenues</b>	<b>17,062</b>	<b>15,699</b>	<b>9%</b>	<b>7,850</b>	<b>7,909</b>	<b>-1%</b>	<b>24,912</b>	<b>23,608</b>	<b>6%</b>
<b>Expenses</b>									
General government	3,333	2,498	33%	-	-	-	3,333	2,498	33%
Public safety	5,084	5,251	-3%	-	-	-	5,084	5,251	-3%
Streets	1,585	1,502	6%	-	-	-	1,585	1,502	6%
Culture, parks and recreation	916	942	-3%	-	-	-	916	942	-3%
Cemetery	140	137	2%	-	-	-	140	137	2%
Economic development	99	140	-29%	-	-	-	99	140	-29%
Interest on long-term debt	906	1,019	-11%	-	-	-	906	1,019	-11%
Water	-	-	-	5,158	5,523	-7%	5,158	5,523	-7%
Wastewater	-	-	-	1,813	1,680	8%	1,813	1,680	8%
<b>Total expenses</b>	<b>12,063</b>	<b>11,489</b>	<b>5%</b>	<b>6,971</b>	<b>7,203</b>	<b>-3%</b>	<b>19,034</b>	<b>18,692</b>	<b>2%</b>
Excess (deficiency) before transfers	4,999	4,210	19%	879	706	25%	5,878	4,916	20%
Transfers	(878)	(1,052)	17%	878	1,052	-17%	-	-	-
<b>Change in net position</b>	<b>4,121</b>	<b>3,158</b>	<b>30%</b>	<b>1,757</b>	<b>1,758</b>	<b>0%</b>	<b>5,878</b>	<b>4,916</b>	<b>20%</b>
<b>Beginning net position (restated)</b>	<b>57,377</b>	<b>54,219</b>	<b>6%</b>	<b>42,762</b>	<b>41,004</b>	<b>4%</b>	<b>100,139</b>	<b>95,223</b>	<b>5%</b>
<b>Ending net position</b>	<b>\$ 61,498</b>	<b>\$ 57,377</b>	<b>7%</b>	<b>\$ 44,519</b>	<b>\$ 42,762</b>	<b>4%</b>	<b>\$ 106,017</b>	<b>\$ 100,139</b>	<b>6%</b>

Governmental Activities general government expenses increased approximately \$836 thousand or 33% due to new economic development commitments paid during the year. Miscellaneous revenue decreased approximately \$253 thousand or 35% due to multiple reimbursements for appraisals received in the prior year that were not received this year.

Business-type Activities capital grants and contributions decreased approximately \$423 thousand or 96% due to contributed capital that was received in FY12 that did not repeat in FY13. Included in expenses of Business-type Activities of the Water Department are expenses related to debt service requirements which are funded with Sales Tax Revenues apportioned to the fund. The taxes are classified as general revenue on the Statement of Activities.

**Governmental Activities**

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

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

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**Management's Discussion and Analysis**  
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Other public services: Operating grants

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

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

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	(restated)			(restated)		
	2013	2012		2013	2012	
General government	\$ 3,333	\$ 2,498	33%	\$ (2,900)	\$ (2,155)	-35%
Public safety	5,084	5,251	-3%	(3,561)	(3,741)	5%
Streets	1,585	1,502	6%	(107)	(291)	63%
Culture, parks and recreation	916	942	-3%	(885)	(909)	3%
Cemetery	140	137	2%	(21)	(33)	36%
Economic development	99	140	-29%	(99)	(140)	29%
Interest on long-term debt	906	1,019	-11%	(906)	(1,019)	11%
<b>Total</b>	<u>\$ 12,063</u>	<u>\$ 11,489</u>	5%	<u>\$ (8,479)</u>	<u>\$ (8,288)</u>	-2%

**Business-type Activities**

The business-type activities had an increase in net position of \$1,752,234.

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

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	(restated)			(restated)		
	2013	2012		2013	2012	
Water	\$ 5,158	\$ 5,523	-7%	\$ 995	\$ 755	32%
Wastewater	1,813	1,680	8%	(193)	(106)	82%
<b>Total</b>	<u>\$ 6,971</u>	<u>\$ 7,203</u>	-3%	<u>\$ 802</u>	<u>\$ 649</u>	24%

Wastewater net revenue (expense) decreased by approximately \$87,000 (82%) due to a capital grant that was received in 2012 that was not repeated in 2013.

**General Fund Budgetary Highlights**

For the year ended June 30, 2013, the General Fund reported actual budgetary basis revenues over final estimates by \$558,119 or a 6.9% positive variance. General Fund actual expenditures were under final appropriations by \$1,613,145 or a 16.7% positive variance.

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**Capital Asset and Debt Administration**

**Capital Assets**

At the end of June 30, 2013, the City has \$112.8 million invested in capital assets including police and fire equipment, buildings, water and sewer lines, roads, and park facilities.

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

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 13,655	\$ 13,655	\$ 489	\$ 489	\$ 14,144	\$ 14,144
Buildings and improvements	3,908	3,230	673	726	4,581	3,956
Machinery, furniture and equipment	3,095	3,135	394	220	3,489	3,355
Infrastructure	32,957	34,420	43,173	44,115	76,130	78,535
Construction in progress	14,219	11,247	279	139	14,498	11,386
<b>Totals</b>	<b>\$ 67,834</b>	<b>\$ 65,687</b>	<b>\$ 45,008</b>	<b>\$ 45,689</b>	<b>\$ 112,842</b>	<b>\$ 111,376</b>

See note 4 for additional details.

**Debt Administration**

At year-end, the City has \$34.3 million in outstanding notes, bonds, and capital leases. Additionally, the City had \$1.6 million in accrued compensated absences and utility deposits. The decrease in long-term debt is attributed to normal debt service payments.

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

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>		<u>Total</u> <u>Percentage</u> <u>Change</u>
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2012-2013</u>
General obligation bonds	\$ 23,660	\$ 26,300	\$ -	\$ -	\$ 23,660	\$ 26,300	-10.0%
Capital leases payable	102	211	-	-	102	211	-51.7%
Revenue bonds payable	-	-	-	3,310	-	3,310	-100.0%
Notes payable	-	-	10,524	8,048	10,524	8,048	30.8%
Deposits subject to refund	-	-	488	477	488	477	2.3%
Accrued compensated absences	945	831	124	105	1,069	936	14.2%
<b>Totals</b>	<b>\$ 24,707</b>	<b>\$ 27,342</b>	<b>\$ 11,136</b>	<b>\$ 11,940</b>	<b>\$ 35,843</b>	<b>\$ 39,282</b>	<b>-8.8%</b>

See note 5 for additional details.

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

The City of Bixby's primary revenue source, the municipal sales tax, in Fiscal 2012/2013 exceeded pre-recession levels, coming in 13% greater than the prior year, in large part due to the entrance of a large new grocery retailer into the market. For the forthcoming fiscal 2013/2014 period, budgeted sales tax revenues were forecast to grow by 21.0% over the prior year budget, with that being attributable to a new specialty grocery store entering the market in the late spring of 2012/2013 and better than expected sales tax growth in the previous year. Expenses for 2013/2014 were budgeted to grow by 5% over prior year budget, including one-time contingencies which were budgeted for using prior year cash carryover.

The 2013/2014 budget is essentially a maintenance level or "steady state" budget, in which normal revenue growth was consumed by increases in fixed costs (e.g., energy costs, health insurance, workers compensation premiums, etc.). Late spring 2013 saw the opening of a new specialty grocer which allowed the City to provide another year of cost of living increases, merit raises and a new longevity program. Improving employee compensation will continue to be a focus of management in the coming year, a goal which will likely require us to continue to operate at present staffing levels. The City did establish in the 2013/2014 budget a new Information Technology support position, in-sourcing a function previously obtained via a professional services contract. Furthermore, the City was able to hire an additional fire fighter, bringing the fire department up to pre-2008 levels, but only at the expense of a fire code enforcement officer position. In addition, through its partnership with Bixby Public Schools, an additional School Resource Officer (SRO) position was added (representing a 50% expansion in SRO staffing) to help ensure continued safe conditions within our community's excellent, growing, school system. Finally, the City in the 2013/2014 budget funded an innovative new primary health care program designed to improve health care outcomes for the City's workforce and their families, and help mitigate future cost increases in its traditional health insurance premiums. The program provides free, high quality primary care visits, with a strong emphasis on preventative health care, free lab work, no co-pays, no deductibles, and an easily-accessible near-site clinic, with access to other clinics located in the Tulsa metro area.

Based on a rate study by outside financial advisers in 2011/2012, the Bixby Public Works Authority (BPWA) continues to phase-in its previously approved series of multi-year graduated utility rate increases, designed to ensure revenues are generated to make various required capital improvements to the system infrastructure. The City of Bixby is under a consent order from the Oklahoma Department of Environmental Quality (ODEQ), under which it is being required to transition out of its traditional sewage lagoon treatment system, into use of a modern mechanical waste-water treatment plant. An analysis and negotiation currently underway will determine whether the BPWA will construct and operate its own WWTP or join a regional treatment plant operated by the RMUA. BPWA also passed along to its customers a scheduled 7% increase in water rates enacted by the city's water provider, the City of Tulsa.

While operating budgets will remain lean for the foreseeable future, there are a number of significant capital improvement projects slated to be completed or initiated in fiscal 2013/2014 and following years, funded largely by the 2011 General Obligation bond issues, various grants, and long-term low interest loans. These include major street improvements, upgrade of the radio system for Police and Fire, sewer system improvements (including a major study evaluating the best option for replacing our lagoon systems with a mechanical plant, locally or regionally), and completion of master plan projects at the award-winning Bentley Youth Sports Complex. A continuing special emphasis is being placed on investment in technology, as resources allow, improving the operating efficiency and effectiveness of various departments. This year's efforts include launching a community mass communication notification

**CITY OF BIXBY, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2013**

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system, upgraded outdoor storm warning system, and electronic citation technology for use by police officers and the court clerk.

The long term outlook for the City of Bixby remains positive, as long term local economic development initiatives take root and the national economy experiences growth. City of Bixby officials aggressively market the community as a potential home to retailers in an effort to expand the number of locally available shopping and dining options and boost municipal operating revenues. Bixby is known as a friendly, attractive and rewarding place to which to relocate and prosper. Opportunity for new business activity abounds in Bixby, which features some of the highest population growth trends and most favorable income and educational attainment demographics found in the state of Oklahoma, as well as a documented retail trade gap in excess of \$0.5 billion. This market potential, along with Bixby's high quality of schools, status as the safest community in the state for cities its size, with a stable, progressive government, a dynamic chamber of commerce, and very attractive quality of life, continue to make Bixby a top choice for people and businesses looking to relocate to the Tulsa metro area in NE Oklahoma.

Continuing a multi-year trend, Bixby was once again in 2013 one of the fastest growing cities in Oklahoma in the past decade, and the fastest growing in the Tulsa metro region. Bixby is now the 19th largest city in the state; up from 32nd a decade ago, Bixby currently has a population of 23,000. And while some Tulsa metro area communities are approaching "built-out" status, Bixby has plenty of remaining land within its fence line to accommodate both additional residential growth and significant commercial development, including along the Arkansas River.

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

After conducting an extensive analysis of the City of Bixby's fiscal conditions and performance in mid-2013, the national rating agency Standard & Poor's assigned an "AA+" rating with stable outlook to Bixby's 2013 General Obligation Bond Refunding. Only one city in Oklahoma has a better G.O. bond rating.

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

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

- n. No. 2 among top 10 cities for young people to find a job (the Fiscal Times 2012)

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

Bixby's percentage of citizens holding B.S. degrees or higher is very high, (at 38%, more than 2/3rds higher than statewide average). Bixby has the highest median home values in the Tulsa Metro Region (at \$186,600, is 72% higher than the state as a whole). Finally, Bixby has the highest Per Capita Income in the Tulsa Metro Region, (at \$37,368, is 57% higher than state as a whole).

The Bixby Public Schools district is one of the fastest growing in the state, having this year alone experienced a 7% growth in student population. In 2010, voters approved by an overwhelming majority a multi-year \$62,000,000 bond issue, without raising taxes, for the construction and renovation of school buildings. A new middle school opened in fall 2012 on Mingo between 151<sup>st</sup> and 161<sup>st</sup>, and a new elementary school recently opened for fall 2013 on 131<sup>st</sup> between Garnett and 129<sup>th</sup>. This award-winning school system boasts excellent state test scores and outstanding activity programs.

The 4,500 seat Spirit Bank Event Center which has for several years regularly hosted world-class entertainment and numerous events attracting visitors from throughout the region recently became the home venue for the Tulsa 66ers professional NBA Development league basketball team, the farm club for the 2013 world runner-up champion Oklahoma City Thunder. Having experienced such a favorable leasing response, owners of a newly-constructed \$20 million Class "A" 248 unit apartment complex, Encore on Memorial, are now making expansion plans. In the fall of 2012, Reasor's opened in north Bixby what was widely considered the finest grocery store in this state and region. The first Sprouts Farmers' Market grocery store to locate in Eastern Oklahoma opened in late spring 2013, further expanding the shopping choices available to residents. Several new restaurants have opened or are about to open. A \$5 million park expansion and upgrade at Bentley Youth Sports Complex is improving several of the existing sports venues and adding an additional softball quad. Multi-sports basketball courts are currently under construction and will provide opportunities for basketball 3 vs. 3, micro soccer, and volleyball tournaments, plus free play when not otherwise in use. These improvements will enable this outstanding sports complex to hold even more sports tournaments in the coming years, something which has proven to be a major stimulus to area hotel and other retail business in recent years.

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

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

Respectfully submitted,

Betty Koehn  
City Treasurer/Finance Director

**CITY OF BIXBY, OKLAHOMA  
ANNUAL FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2013**

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**BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE**

**CITY OF BIXBY, OKLAHOMA**  
**ANNUAL FINANCIAL STATEMENTS**  
**As of and for the Year Ended June 30, 2013**

**Statement of Net Position– June 30, 2013**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 9,130,243	\$ 4,392,308	\$ 13,522,551
Investments	8,011,474	5,384,324	13,395,798
Accounts receivable, net of allowance	862,336	1,095,004	1,957,340
Internal balances	(5,392)	5,392	-
Due from other governments	1,316,836	288,461	1,605,297
Capital Assets:			
Land and construction in progress	27,873,628	767,514	28,641,142
Other capital assets, net of depreciation	39,960,840	44,240,272	84,201,112
Total Assets	<u>\$ 87,149,965</u>	<u>\$ 56,173,275</u>	<u>\$ 143,323,240</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 769,920	\$ 480,188	\$ 1,250,108
Accrued interest payable	74,230	37,886	112,116
Due to bondholders	35,964	-	35,964
Long-term liabilities			
Due within one year	2,587,949	1,272,239	3,860,188
Due in more than one year	22,183,504	9,864,105	32,047,609
Total liabilities	<u>\$ 25,651,567</u>	<u>\$ 11,654,418</u>	<u>\$ 37,305,985</u>
<b>NET POSITION</b>			
Net investment in capital assets	48,535,776	34,513,188	83,048,964
Restricted by:			
State statutes	3,916,482	-	3,916,482
Enabling legislation	678,217	-	678,217
Contractual	840,451	5,114,657	5,955,108
Unrestricted	7,527,472	4,891,012	12,418,484
Total net position	<u>\$ 61,498,398</u>	<u>\$ 44,518,857</u>	<u>\$ 106,017,255</u>

See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA  
ANNUAL FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2013**

**Statement of Activities –Year Ended June 30, 2013**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
Governmental Activities:							
General Government	\$ 3,332,834	\$ 433,075	\$ -	\$ -	\$ (2,899,759)	\$ -	\$ (2,899,759)
Public Safety	5,084,166	1,017,524	505,179	-	(3,561,463)	-	(3,561,463)
Streets	1,584,598	579,234	188,270	709,823	(107,271)	-	(107,271)
Culture and Recreation	915,844	30,778	-	-	(885,066)	-	(885,066)
Cemetery	139,705	118,976	-	-	(20,729)	-	(20,729)
Economic Development	99,395	-	-	-	(99,395)	-	(99,395)
Interest on Long-term debt	906,345	-	-	-	(906,345)	-	(906,345)
Total governmental activities	<u>12,062,887</u>	<u>2,179,587</u>	<u>693,449</u>	<u>709,823</u>	<u>(8,480,028)</u>	<u>-</u>	<u>(8,480,028)</u>
Business-Type Activities:							
Water	5,159,349	6,154,487	-	-	-	995,138	995,138
Wastewater	1,813,047	1,601,732	-	18,325	-	(192,990)	(192,990)
Total business-type activities	<u>6,972,396</u>	<u>7,756,219</u>	<u>-</u>	<u>18,325</u>	<u>-</u>	<u>802,148</u>	<u>802,148</u>
Total primary government	<u>\$ 19,035,283</u>	<u>\$ 9,935,806</u>	<u>\$ 693,449</u>	<u>\$ 728,148</u>	<u>\$ (8,480,028)</u>	<u>\$ 802,148</u>	<u>\$ (7,677,880)</u>
<b>General revenues:</b>							
Taxes:							
Property taxes					\$ 2,731,784	\$ -	\$ 2,731,784
Sales and use taxes					8,884,114	-	8,884,114
Franchise taxes and public service taxes					861,681	-	861,681
Hotel/motel taxes					149,182	-	149,182
E911 taxes					167,912	-	167,912
Intergovernmental revenue not restricted to specific programs					142,414	-	142,414
Unrestricted investment earnings					70,119	23,196	93,315
Miscellaneous					472,719	52,952	525,671
Transfers					(878,407)	878,407	-
Total general revenues and transfers					<u>12,601,518</u>	<u>954,555</u>	<u>13,556,073</u>
Change in net position					4,121,490	1,756,703	5,878,193
Net position - beginning (restated)					57,376,908	42,762,154	100,139,062
Net position - ending					<u>\$ 61,498,398</u>	<u>\$ 44,518,857</u>	<u>\$ 106,017,255</u>

See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA  
ANNUAL FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2013**

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**BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS**

**CITY OF BIXBY, OKLAHOMA**  
**ANNUAL FINANCIAL STATEMENTS**  
**As of and for the Year Ended June 30, 2013**

**Governmental Funds Balance Sheet - June 30, 2013**

	<u>General Fund</u>	<u>Citizen's Planned Fund</u>	<u>2011 Bond Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 2,584,528	\$ 258,576	\$ 813,057	\$ 1,093,302	\$ 6,638,236	\$ 11,387,699
Investments	1,277,616	3,805,362	4,057,479	872,762	1,803,617	11,816,836
Receivable from other governments	744,861	270,136	-	33,997	537,978	1,586,972
Due from other funds	109,417	-	-	2,300	74,310	186,027
Taxes receivable, net	92,692	-	-	-	37,068	129,760
Court fines receivable, net	600,096	-	-	-	-	600,096
Ambulance receivable, net	14,437	-	-	-	-	14,437
Utilities receivable, net	-	-	-	-	21,983	21,983
Other receivables	48,194	-	-	2,961	44,905	96,060
Total assets	<u>\$ 5,471,841</u>	<u>\$ 4,334,074</u>	<u>\$ 4,870,536</u>	<u>\$ 2,005,322</u>	<u>\$ 9,158,097</u>	<u>\$ 25,839,870</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 179,786	\$ -	\$ 248,125	\$ -	\$ 377,114	\$ 805,025
Due to other funds	120,041	-	-	-	107,395	227,436
Due to bondholders	35,964	-	-	-	-	35,964
Other payables	7,024	-	-	-	-	7,024
Total liabilities	<u>342,815</u>	<u>-</u>	<u>248,125</u>	<u>-</u>	<u>484,509</u>	<u>1,075,449</u>
Deferred inflows:						
Deferred revenue	496,808	-	-	9,993	33,593	540,394
Fund balances:						
Restricted	-	4,282,154	4,528,012	1,909,475	3,510,630	14,230,271
Assigned	3,361,276	51,920	94,399	85,854	5,129,365	8,722,814
Unassigned	1,270,942	-	-	-	-	1,270,942
Total fund balances	<u>4,632,218</u>	<u>4,334,074</u>	<u>4,622,411</u>	<u>1,995,329</u>	<u>8,639,995</u>	<u>24,224,027</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 5,471,841</u>	<u>\$ 4,334,074</u>	<u>\$ 4,870,536</u>	<u>\$ 2,005,322</u>	<u>\$ 9,158,097</u>	<u>\$ 25,839,870</u>

See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA**  
**ANNUAL FINANCIAL STATEMENTS**  
As of and for the Year Ended June 30, 2013

**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Year Ended June 30, 2013**

	<u>General Fund</u>	<u>Citizen's Planned Fund</u>	<u>2011 Bond Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Property taxes	\$ -	\$ -	\$ -	\$ 2,733,986	\$ -	\$ 2,733,986
Sales and use tax	4,862,804	1,823,552	-	-	2,386,028	9,072,384
Franchise and miscellaneous taxes	861,681	-	-	-	317,094	1,178,775
Intergovernmental	654,071	-	-	-	690,377	1,344,448
Licenses and permits	412,542	-	-	-	-	412,542
Charges for services	484,049	-	-	30,375	791,367	1,305,791
Fines & forfeitures	561,682	-	-	-	-	561,682
Investment earnings	7,064	14,966	41,940	6,360	16,804	87,134
Miscellaneous	330,429	-	-	-	170,417	500,846
Total revenues	<u>8,174,322</u>	<u>1,838,518</u>	<u>41,940</u>	<u>2,770,721</u>	<u>4,372,087</u>	<u>17,197,588</u>
<b>EXPENDITURES</b>						
Administration	364,351	-	-	-	-	364,351
City attorney	90,543	-	-	-	-	90,543
Municipal court	103,059	-	-	-	-	103,059
Community service	4,504	-	-	-	-	4,504
General government	1,532,732	-	-	-	-	1,532,732
Police	2,376,188	-	-	-	-	2,376,188
Fire	2,014,875	-	-	-	-	2,014,875
Emergency Management	20,328	-	-	-	-	20,328
Streets	423,039	-	-	-	257,283	680,322
Culture and recreation	25,074	-	-	-	697,607	722,681
Cemetery	123,318	-	-	-	1,727	125,045
Economic development	-	-	-	-	104,404	104,404
E-911	-	-	-	-	76,716	76,716
Capital outlay	99,405	-	3,087,469	-	1,795,165	4,982,039
Debt service:						
Principal	37,041	-	-	2,640,000	71,832	2,748,873
Interest and other charges	6,365	-	-	914,379	623	921,367
Total expenditures	<u>7,220,822</u>	<u>-</u>	<u>3,087,469</u>	<u>3,554,379</u>	<u>3,005,357</u>	<u>16,868,027</u>
Excess (deficiency) of revenues over expenditures	<u>953,500</u>	<u>1,838,518</u>	<u>(3,045,529)</u>	<u>(783,658)</u>	<u>1,366,730</u>	<u>329,561</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	1,063,409	-	-	1,238,716	2,846,617	5,148,742
Transfers out	<u>(1,370,000)</u>	<u>(1,419,794)</u>	<u>(12,210)</u>	<u>-</u>	<u>(1,589,144)</u>	<u>(4,391,148)</u>
Total other financing sources and uses	<u>(306,591)</u>	<u>(1,419,794)</u>	<u>(12,210)</u>	<u>1,238,716</u>	<u>1,257,473</u>	<u>757,594</u>
Net change in fund balances	646,909	418,724	(3,057,739)	455,058	2,624,203	1,087,155
Fund balances - beginning	3,985,309	3,915,350	7,680,150	1,540,271	6,015,792	23,136,872
Fund balances - ending	<u>\$ 4,632,218</u>	<u>\$ 4,334,074</u>	<u>\$ 4,622,411</u>	<u>\$ 1,995,329</u>	<u>\$ 8,639,995</u>	<u>\$ 24,224,027</u>

See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA  
ANNUAL FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2013**

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

Total fund balance, governmental funds	\$	24,224,027
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		67,834,468
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		540,394
Certain special revenue funds are used by management to perform business-type activities. The assets and liabilities of these special revenue funds are included in business-type activities in the Statement of Net Position.		
Water and Sewer Development Fund		(1,920,734)
Citizen's Planned Fund		(4,334,074)
		<u>(6,254,808)</u>
Some liabilities (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable ), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.		
Accrued interest payable		(74,230)
Capital lease obligation		(102,075)
General obligation bonds		(23,660,000)
Bond premium		(64,629)
Accrued compensated absences		(944,749)
		<u>(24,845,683)</u>
Net Position of Governmental Activities in the Statement of Net Position	\$	<u>61,498,398</u>

See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA  
ANNUAL FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2013**

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

Net change in fund balances - total governmental funds: \$ 1,087,155

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

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

Capital asset purchases capitalized	4,817,744
Capital assets contributed	21,388
Depreciation expense	(2,671,528)
Book value of disposed capital assets	(20,545)
	2,147,059

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

Change in deferred revenue	36,185
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Certain special revenue funds are used by management to perform business-type activities. The net change in fund balances of these special revenue funds are included in business-type activities in the Statement of Net Position:

Water and Sewer Development Fund	(1,380,703)
Citizen's Planned Fund	(418,724)
	(1,799,427)

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

Principal payments on long-term debt	2,748,873
Amortization of bond premium	5,423
	2,754,296

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	9,544
Change in accrued compensated absences	(113,322)
	(103,778)

Change in net position of governmental activities	\$ 4,121,490
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See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA  
ANNUAL FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2013**

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**BASIC FINANCIAL STATEMENTS - PROPRIETARY FUND**

**CITY OF BIXBY, OKLAHOMA**  
**ANNUAL FINANCIAL STATEMENTS**  
As of and for the Year Ended June 30, 2013

**Proprietary Fund Statement of Net Position - June 30, 2013**

	<b><u>Bixby Public</u></b> <b><u>Works Authority</u></b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 2,209,499
Investments	102,686
Restricted:	
Cash and cash equivalents	73,379
Due from other funds	132,469
Accounts receivable, net	1,084,326
Receivables from other governments	18,325
Other receivables	10,678
Total current assets	<u>3,631,362</u>
Non-current assets:	
Restricted:	
Cash and cash equivalents	158,327
Investments	1,169,923
Capital assets:	
Land and construction in progress	767,514
Other capital assets, net of accumulated depreciation	44,240,272
Total non-current assets	<u>46,336,036</u>
Total assets	<u>\$ 49,967,398</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 438,059
Accrued interest payable	37,886
Due to other funds	91,060
Deposits subject to refund	97,612
Compensated absences	24,885
Notes payable	1,149,742
Total current liabilities	<u>1,839,244</u>
Non-current liabilities:	
Compensated absences	99,539
Deposits subject to refund	390,671
Notes payable	9,373,895
Total non-current liabilities	<u>9,864,105</u>
Total liabilities	<u>11,703,349</u>
<b>NET POSITION</b>	
Net investment in capital assets	34,513,188
Restricted for debt service	832,503
Unrestricted	2,918,358
Total net position	<u>\$ 38,264,049</u>

See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA**  
**ANNUAL FINANCIAL STATEMENTS**  
**As of and for the Year Ended June 30, 2013**

**Proprietary Fund Statement of Revenues, Expenses, and Changes in Net Position - Year Ended June 30, 2013**

	<b><u>Bixby Public</u></b> <b><u>Works Authority</u></b>
<b>REVENUES</b>	
Water	\$ 6,086,343
Sewer	1,515,058
Miscellaneous	52,952
Total operating revenues	7,654,353
<b>OPERATING EXPENSES</b>	
Administration	1,365,300
Water	3,619,260
Wastewater	524,398
Depreciation	1,072,275
Total Operating Expenses	6,581,233
Operating income	1,073,120
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest and investment revenue	6,181
Loss on disposal of capital assets	(322)
Interest expense	(382,434)
Total non-operating revenue (expenses)	(376,575)
Income before transfers	696,545
Capital contributions	18,325
Transfers in	753,458
Transfers out	(1,511,052)
Change in net position	(42,724)
Total net position - beginning (restated)	38,306,773
Total net position - ending	\$ 38,264,049

See accompanying notes to the basic financial statements.

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

Total net position, proprietary funds	\$ 38,264,049
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Amounts reported for business-type activities in the Statement of Net Position are different because:

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

Water and Sewer Development Fund	1,920,734
Citizen's Planned Fund	4,334,074
	6,254,808

Net Position of Business-type Activities in the Statement of Net Position	\$ 44,518,857
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Change in net position - total proprietary funds:	\$ (42,724)
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Amounts reported for Business-type Activities in the Statement of Activities are different because:

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

Water and Sewer Development Fund	1,380,703
Citizen's Planned Fund	418,724
	1,799,427

Change in net position of business-type activities	\$ 1,756,703
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See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA**  
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**Proprietary Fund Statement of Cash Flows - Year Ended June 30, 2013**

	<b><u>Bixby Public</u></b> <b><u>Works Authority</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 7,990,533
Payments to suppliers	(3,985,731)
Payments to employees	(1,558,981)
Receipts of customer meter deposits	92,069
Refunds of customer meter deposits	(81,107)
Interfund receipts	(50,431)
Interfund payments	121,684
<b>Net cash provided by operating activities</b>	<b><u>2,528,036</u></b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from other funds	753,458
Transfers to other funds	(1,511,052)
<b>Net cash provided by (used in) noncapital financing activities</b>	<b><u>(757,594)</u></b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchases of capital assets	(372,599)
Proceeds from debt	5,474,405
Principal paid on debt	(6,308,621)
Interest and fiscal agent fees paid on debt	(330,166)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b><u>(1,536,981)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Sale of investments	(5,400)
Interest and dividends	6,181
<b>Net cash provided by investing activities</b>	<b><u>781</u></b>
<b>Net increase in cash and cash equivalents</b>	<b>234,242</b>
<b>Balances - beginning of year</b>	<b><u>2,206,963</u></b>
<b>Balances - end of year</b>	<b><u>\$ 2,441,205</u></b>
<b>Reconciliation to Statement of Net Position:</b>	
Cash and cash equivalents	\$ 2,209,499
Restricted cash and cash equivalents - current	73,379
Restricted cash and cash equivalents - noncurrent	158,327
<b>Total cash and cash equivalents, end of year</b>	<b><u>\$ 2,441,205</u></b>

(Continued)

See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA**  
**ANNUAL FINANCIAL STATEMENTS**  
**As of and for the Year Ended June 30, 2013**

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**Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2013, (Continued)**

**Reconciliation of operating income to net cash provided by**

**Operating Activities:**

Operating income	\$ 1,073,120
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	1,072,275
Change in assets and liabilities:	
Due from other funds	(50,431)
Due to other funds	121,684
Accounts receivable	365,183
Due from other governments	(18,325)
Other receivable	(10,678)
Accounts payable	(14,572)
Accrued salaries payable	(40,797)
Deposits subject to refund	10,962
Accrued compensated absences	19,615
<b>Net cash provided by operating activities</b>	<b><u><u>\$ 2,528,036</u></u></b>

See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA  
ANNUAL FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2013**

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**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**

**Footnotes to the Basic Financial Statements:**

**1. Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

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

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

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

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

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

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

**Blended Component Unit:**

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

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

**B. Basis of Presentation and Accounting**

*Government-Wide Financial Statements:*

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

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

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

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

*Governmental Funds:*

The City's governmental funds include:

*Major Funds:*

- General Fund – accounts for all activities not accounted for in other special-purpose funds. The General Fund also includes the Rural Fire, Fishing License, Cemetery Beautification and Cemetery Maintenance accounts.
- Citizen's Planned Fund – a capital project fund that accounts for ¾ cent sales tax restricted for sewer system improvements and debt service.
- 2011 Bond Fund – a capital project fund that accounts for bond proceeds used to finance streets, parks and recreation, and public safety improvements.
- Debt Service Fund – a debt service fund that accounts for receipt of ad valorem taxes and used to make debt service payments for general obligation bonds.

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

*Special Revenue Funds:*

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

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Capital Project Funds:

- Cemetery Care Fund – accounts for 12.5% of cemetery revenue restricted by State law for cemetery capital improvements.
- Capital Improvement Fund – accounts for ¼ cent sales tax for capital improvements.
- Street and Alley Fund – accounts for revenues received from gasoline excise tax, motor vehicle tax and expenditures made for street maintenance and operations.
- 2008 Bond Fund – a capital project fund that accounts for bond proceeds used to finance parks and street improvements.
- Stormwater Management Fund – accounts for revenues from stormwater fees and expenses for maintenance and capital improvements of the stormwater system.
- Water and Sewer Development Fund – accounts for revenue from water and sewer development fee and expenses for water and sewer maintenance and improvements.

Debt Service Funds:

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

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

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

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

*Proprietary Funds:*

The City's proprietary funds include:

**Enterprise Fund**

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

The proprietary funds are reported on the accrual basis of accounting and economic resources measurement focus. For purposes of the statement of revenues, expenses and changes in fund net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

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

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

#### **Measurement Focus**

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

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

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

#### **Basis of Accounting**

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

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

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

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

**Cash and Investments**

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

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

**Receivables**

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

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

**Capital Assets**

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

*Government-Wide Statements*

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

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

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

**CITY OF BIXBY, OKLAHOMA**  
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- Infrastructure	5-60 years
- Other Improvements	5-60 years

*Fund Financial Statements*

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

**Restricted Assets**

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

**Long-Term Debt**

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

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

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

**Compensated Absences**

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

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

**Equity Classifications**

*Government-Wide and Proprietary Fund Financial Statements:*

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

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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- b. Restricted net position – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

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

*Governmental Fund Financial Statements:*

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

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

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

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

**Sales Tax**

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

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

**Property Tax**

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

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

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

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

For the year ended June 30, 2013, the City's net assessed valuation of taxable property was \$202,835,114. The taxes levied by the City per \$1,000 of net assessed valuation for the year ended June 30, 2013 was \$13.50.

**Operating Revenues and Expenses**

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

**Expenditures/Expenses**

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

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

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

Proprietary Fund - By Operating and Non-Operating

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

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

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

*Fund Financial Statements:*

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

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

*Government-Wide Financial Statements:*

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

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

**G. Use of Estimates**

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

**H. New Accounting Pronouncements Adopted in Fiscal Year 2013**

The City implemented the following accounting standards during fiscal year ended June 30, 2013:

*Governmental Accounting Standards Board Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangements* – This had no impact on the City’s financial report.

*Governmental Accounting Standards Board Statement No. 61 – The Financial Reporting Entity: Omnibus* – This had no impact on the City’s financial report.

*Governmental Accounting Standards Board Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* – A few sentences were removed from “Section B – Proprietary Funds” note disclosure to eliminate references to FASB pronouncements and APB opinions issued on or before November 30, 1989.

*Governmental Accounting Standards Board Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* – The only change required from the early implementation of this statement are changing the words “Net Assets” in the town’s financial report to “Net Position”.

*Governmental Accounting Standards Board Statement No. 65 – Items Previously Reported as Assets and Liabilities* – This had no impact on the City’s financial report.

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

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

At June 30, 2013, the reporting entity held the following deposits and investments:

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**Primary Government:**

<u>Type</u>	<u>Maturities</u>	<u>Rating</u>	<u>Carrying Value</u>
<b>Deposits:</b>			
Demand deposits			\$ 13,358,628
Cash on hand			250
Time deposit	Due within 1 year		13,395,798
			<u>26,754,676</u>
<b>Investments:</b>			
Cavanal Hill Cash MG Fund #0051		Aaa-mf	133,251
Cavanal Hill US Treas-Admin #0002		Aaa-mf	30,422
			<u>163,673</u>
<b>Total deposits and investments</b>			<u><u>\$ 26,918,349</u></u>
 <b>Reconciliation to Statement of Net Position:</b>			
Cash and cash equivalents			\$ 13,522,551
Investments			13,395,798
			<u><u>\$ 26,918,349</u></u>

See accompanying footnotes to this schedule.

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

The City’s policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 110% of the uninsured deposits and accrued interest thereon. At June 30, 2013, the City was not exposed to custodial credit risk.

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

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

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amount equal to the funds initially invested; and (iii) each such certificate of deposit is in an amount that is eligible for full FDIC insurance coverage.

As noted in the schedule of deposits and investments above at June 30, 2013, all of the City's investments in debt securities were rated Aaa-mf by Moody's.

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

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

*Restricted Cash and Investments* – The amounts reported as restricted assets of the proprietary fund statement of net position are comprised of amounts restricted for debt service, debt reserve, construction purposes, worker's compensation escrow and Public Works Authority customer utility deposits. The restricted assets as of June 30, 2013 are as follows:

	Current	Noncurrent	
	Cash and cash equivalents	Cash and cash equivalents	Investments
Series 2012 Revenue Bond Account	\$ -	\$ 133,249	\$ -
Series 2012 Sinking Fund Account	-	2	-
2009 OWRB DWSRF Construction Account	30,422	-	-
2011 OWRB CWSRF Construction Account	29,039	-	-
BPWA Debt Service CDs	-		706,716
Worker's Comp Escrow	13,918	-	-
Meter deposits	-	25,076	463,207
Total	<u>\$ 73,379</u>	<u>\$ 158,327</u>	<u>\$ 1,169,923</u>

### 3. Accounts and Notes Receivable

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

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	Accounts Receivable	Less: Allowance for Uncollectible Accounts	Net Accounts Receivable
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Governmental Activities:</b>			
Franchise taxes	\$ 92,692	\$ -	\$ 92,692
Court fines	1,198,742	(600,096)	598,646
Ambulance fees	56,088	-	56,088
Stormwater	66,888	-	66,888
Other taxes	48,022	-	48,022
Total Governmental Activities	<u>\$ 1,462,432</u>	<u>\$ (600,096)</u>	<u>\$ 862,336</u>
<b>Business-Type Activities:</b>			
Utilities	\$ 1,273,002	\$ (188,676)	\$ 1,084,326
Other receivables	<u>10,678</u>	<u>-</u>	<u>10,678</u>
Total Business-type Activities	<u>\$ 1,283,680</u>	<u>\$ (188,676)</u>	<u>\$ 1,095,004</u>

**4. Capital Assets and Depreciation**

*Capital Assets:*

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. Capital assets are reported at actual or estimated historical cost. Donated capital assets are recorded at their fair value at the date of donation. For the year ended June 30, 2013, capital assets balances changed as follows:

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	Restated Balance at July 01, 2012	Additions	Disposals	Balance at June 30, 2013
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 13,654,821	\$ -	\$ -	\$ 13,654,821
Construction in progress	11,247,073	4,250,060	1,278,326	14,218,806
Total capital assets not being depreciated	<u>24,901,894</u>	<u>4,250,060</u>	<u>1,278,326</u>	<u>27,873,628</u>
Other capital assets:				
Buildings and improvements	4,560,443	783,544	-	5,343,987
Infrastructure	53,857,481	324,917	-	54,182,398
Machinery, furniture and equipment	9,930,767	758,934	573,199	10,116,502
Total other capital assets at historical cost	<u>68,348,691</u>	<u>1,867,395</u>	<u>573,199</u>	<u>69,642,887</u>
Less accumulated depreciation for:				
Buildings and improvements	1,330,822	105,213	-	1,436,035
Infrastructure	19,436,157	1,789,118	-	21,225,275
Machinery, furniture and equipment	6,796,194	777,197	552,654	7,020,737
Total accumulated depreciation	<u>27,563,173</u>	<u>2,671,528</u>	<u>552,654</u>	<u>29,682,047</u>
Other capital assets, net	<u>40,785,518</u>	<u>(804,133)</u>	<u>20,545</u>	<u>39,960,840</u>
Governmental activities capital assets, net	<u>\$ 65,687,412</u>	<u>\$ 3,445,927</u>	<u>\$ 1,298,871</u>	<u>\$ 67,834,468</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 488,651	\$ -	\$ -	\$ 488,651
Construction in progress	139,399	139,464	-	278,863
Total capital assets not being depreciated	<u>628,050</u>	<u>139,464</u>	<u>-</u>	<u>767,514</u>
Other capital assets:				
Buildings and improvements	1,510,553	-	-	1,510,553
Machinery, furniture and equipment	1,878,326	251,460	185,967	1,943,819
Infrastructure	55,595,329	-	-	55,595,329
Total other capital assets at historical cost	<u>58,984,208</u>	<u>251,460</u>	<u>185,967</u>	<u>59,049,701</u>
Less accumulated depreciation for:				
Buildings and improvements	784,564	53,358	-	837,922
Machinery, furniture and equipment	1,657,437	77,197	185,645	1,548,989
Infrastructure	11,480,798	941,720	-	12,422,518
Total accumulated depreciation	<u>13,922,799</u>	<u>1,072,275</u>	<u>185,645</u>	<u>14,809,429</u>
Other capital assets, net	<u>45,061,409</u>	<u>(820,815)</u>	<u>322</u>	<u>44,240,272</u>
Business-type activities capital assets, net	<u>\$ 45,689,459</u>	<u>\$ (681,351)</u>	<u>\$ 322</u>	<u>\$ 45,007,786</u>

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

Governmental Activities:

General government	\$ 1,067,835
Public safety	514,110
Streets	888,375
Culture and recreation	189,455
Cemetery	11,753
	<u>\$ 2,671,528</u>

Business-Type Activities:

Water	\$ 358,238
Wastewater	688,415
Administration	25,622
	<u>\$1,072,275</u>

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

For the year ended June 30, 2013, the reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Due Within One Year
<b>Governmental Activities:</b>					
General obligation bonds	\$ 26,300,000	\$ -	\$ 2,640,000	\$ 23,660,000	\$ 2,350,000
Capital lease payable	210,948	-	108,873	102,075	48,999
Accrued compensated absences	831,428	113,321	-	944,749	188,950
Total Governmental Activities	<u>\$ 27,342,376</u>	<u>\$ 113,321</u>	<u>\$ 2,748,873</u>	<u>\$ 24,706,824</u>	<u>\$ 2,587,949</u>
<b>Business-Type Activities:</b>					
Revenue bonds payable	\$ 3,310,000	\$ -	\$ 3,310,000	\$ -	\$ -
Notes Payable	8,047,853	5,474,405	2,998,621	10,523,637	1,149,742
Deposits Subject to Refund	477,321	10,962	-	488,283	97,612
Accrued compensated absences	104,809	19,615	-	124,424	24,885
Total Business-Type Activities	<u>11,939,983</u>	<u>5,504,982</u>	<u>6,308,621</u>	<u>11,136,344</u>	<u>1,272,239</u>
Total Long-Term Debt	<u>\$ 39,282,359</u>	<u>\$ 5,618,303</u>	<u>\$ 9,057,494</u>	<u>\$ 35,843,168</u>	<u>\$ 3,860,188</u>

**Reconciliation to Statement of Net Position:**

**Governmental Activities:**

Due within one year	\$ 2,587,949
Due in more than one year	22,183,504
Less unamortized bond premium	(64,629)
Total Governmental Activities Long-Term Liabilities	<u>\$ 24,706,824</u>

**Business-Type Activities:**

Due within one year	\$ 1,272,239
Due in more than one year	9,864,105
Total Business-Type Activities Long-Term Liabilities	<u>\$ 11,136,344</u>

*Governmental activities long-term debt:*

Capital Lease Obligations:

\$218,811 lease obligation for the purchase of a 2001 Pierce Custom Contender, payable in annual installments of \$22,958 with an annual interest rate of 5.4%, final payment due June 2014.	\$ 21,749
\$135,5239 lease obligation for purchase of 2 new mowers, payable in monthly installments of \$2,508 with an annual interest rate of 4.25%, final payment due April 2016.	80,326
Total Capital Leases Payable	<u>\$ 102,075</u>
Current portion	\$ 48,999
Noncurrent portion	53,076
Total Capital Leases Payable	<u>\$ 102,075</u>

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General Obligation Bonds Payable:

\$4,010,000 General Obligation Bonds of 1999, due in annual installments of \$21,000 with an annual interest rate between 4.90% and 8.75%, final payment due November 2019.	\$	1,490,000
\$6,600,000 General Obligation Bonds of 2006, due in annual installments of \$475,000 with an annual interest rate between 3.70% and 5.50%, final payment due June 2021.		3,800,000
\$7,000,000 General Obligation Bonds of 2007, due in annual installments of \$500,000 with an annual interest rate between 3.65% and 3.95%, final payment due June 2022.		4,500,000
\$6,400,000 General Obligation Bonds of 2008, due in annual installments of \$455,000 with an annual interest rate between 3.00% and 4.10%, final payment due June 2023.		4,580,000
\$10,000,000 General Obligation Bonds of 2011, due in annual installments of \$710,000 and a final installment of \$770,000 with an annual interest rate between 2.00% and 4.00%, final payment due June 2026.		<u>9,290,000</u>
Total Notes Payable	\$	<u><u>23,660,000</u></u>
Current portion	\$	2,350,000
Noncurrent portion		<u>21,310,000</u>
Total Notes Payable	\$	<u><u>23,660,000</u></u>

Accrued Compensated Absences:

	Current portion	188,950
	Noncurrent portion	755,799
Total Accrued Compensated Absences	\$	<u><u>944,749</u></u>

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*Business-type activities long-term debt:*

Notes Payable:

2009 DWSRF Note Payable to Oklahoma Water Resources Board dated November 19, 2009, original amount of \$2,160,000 with an annual interest rate of 3.23% due in semi-annual installments of principal and interest beginning March 15, 2011, final installment due September 15, 2030, payable from and secured by utility revenues. \$ 1,207,954

2012 Series Refunding Note original issue amount of \$5,255,000, dated August 7, 2012, issued by Bixby Public Works Authority, secured by pledged sales tax, and a security interest in the personal property used in conjunction with the water and sewer systems, interest rate of 1.43%, final maturity November 1, 2019. 5,255,000

2011 CWSRF Note Payable to Oklahoma Water Resources Board dated June 15, 2011, original amount of \$2,860,000 with an annual interest rate of 2.7% due in semi-annual installments of principal and interest beginning September 15, 2012, final installment due March 15, 2032, payable from and secured by utility revenues. 2,281,404

Revolving Note Payable to Oklahoma Department of Commerce dated June 30, 2001, original amount of \$69,466 due in monthly installments of \$386, final installment due July 2016. 14,279

2011 Series Refunding Note original issue amount of \$2,075,000, dated October 27, 2011, issued by Bixby Public Works Authority, secured by pledged sales tax, and a security interest in the personal property used in conjunction with the water and sewer systems, interest rate of 1.87%, final maturity May 1, 2019. 1,765,000

	1,765,000
Total Notes Payable	\$ 10,523,637
Current portion	\$ 1,149,742
Noncurrent portion	9,373,895
Total Notes Payable	\$ 10,523,637

Deposits subject to Refund:

	\$ 97,612
Current portion	390,671
Noncurrent portion	488,283
Total Deposits Subject to Refund	\$ 488,283

Accrued Compensated Absences:

	\$ 24,885
Current portion	99,539
Noncurrent portion	124,424
Total Accrued Compensated Absences	\$ 124,424

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Debt Service Requirements to Maturity:

<u>Year Ending June 30,</u>	Governmental Activities			
	General Obligation Bonds		Capital Lease obligations	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 2,350,000	\$ 829,379	\$ 48,999	\$ 4,060
2015	2,350,000	753,576	28,417	1,684
2016	2,350,000	677,095	24,659	476
2017	2,350,000	599,580	-	-
2018	2,350,000	521,163	-	-
2019-2023	9,720,000	1,368,522	-	-
2024-2026	2,190,000	177,600	-	-
Totals	\$ 23,660,000	\$ 4,926,915	\$ 102,075	\$ 6,220

<u>Year Ending June 30,</u>	Business-type Activities	
	Notes Payable	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 1,149,742	\$ 1,330,945
2015	1,179,026	1,358,587
2016	1,198,188	1,357,889
2017	1,218,728	1,357,723
2018	1,248,020	1,366,056
2019-2023	2,700,069	3,048,578
2024-2028	1,029,729	1,219,392
2029-2032	800,135	845,778
Totals	\$ 10,523,637	\$ 11,884,948

Advance Refunding

On August 7, 2012 the City issued \$5,255,000 Promissory Note, Refunding Series 2012 with an interest rate of 1.43% to advance refund \$2,525,544 CWSRF Note Payable and \$3,310,000 Refunding Utility System Revenue Bonds, Series 2002. The net proceeds of \$5,138,253 plus an additional \$831,558 taken from the debt service and reserves fund were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the CWSRF Note Payable and the Refunding Utility System Revenue Bonds, Series 2002. The CWSRF Note Payable and the Refunding Utility System Revenue Bonds, Series 2002 were paid in full by June 30, 2013.

The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$48,756. This difference was charged to operations in the current year. The City completed the advance refunding to reduce its total debt service payments over the next nine years by \$430,916 and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of \$475,830.

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**6. Fund Equity**

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

	Major Capital Project Funds		Major Debt Service Fund	Other	TOTAL	
	General Fund	Citizen's Planned Fund	2011 Bond Fund	Debt Service Fund		Governmental Funds
<b>Fund Balances:</b>						
<b>Restricted for:</b>						
Streets	-	-	-	-	350,062	
Park/street/public safety improvements	-	-	4,528,012	-	-	
Debt service	-	-	-	1,909,475	993,594	
E911	-	-	-	-	133,055	
Fry creek	-	-	-	-	699,944	
Economic development	-	-	-	-	135,455	
Cemetery capital	-	-	-	-	520,303	
Sewer system improvements	-	4,282,154	-	-	-	
Stormwater system	-	-	-	-	678,217	
Sub-total Restricted	-	4,282,154	4,528,012	1,909,475	3,510,630	
<b>Assigned to:</b>						
Subsequent year budget	636,607	-	-	-	-	
Funds due employees	1,147,971	-	-	-	-	
Disaster recovery contingency	500,000	-	-	-	-	
Technology and systems	200,000	-	-	-	-	
Emergency	125,000	-	-	-	-	
Litigation contingency	50,000	-	-	-	-	
Economic development contingency	200,000	-	-	-	-	
Transfers to other funds	292,000	-	-	-	-	
HVAC	50,000	-	-	-	-	
Juvenile court fines	25,040	-	-	-	-	
Rural fire	2,879	-	-	-	-	
Fishing activities	70,546	-	-	-	-	
Cemetery maintenance	60,060	-	-	-	-	
Cemetery beautification	1,173	-	-	-	-	
Streets	-	-	-	-	117,144	
Park/street/public safety improvements	-	-	94,399	-	-	
Debt service	-	-	-	85,854	8,988	
Bentley park	-	-	-	-	559,639	
E911	-	-	-	-	2,842	
Fry creek	-	-	-	-	502,090	
Economic development	-	-	-	-	118,006	
Capital improvements	-	-	-	-	1,683,180	
Sewer system improvements	-	51,920	-	-	-	
Stormwater system	-	-	-	-	216,742	
Water and sewer maintenance	-	-	-	-	1,920,734	
Sub-total Assigned	3,361,276	51,920	94,399	85,854	5,129,365	
<b>Unassigned:</b>	1,295,205	-	-	-	-	
<b>TOTAL FUND BALANCES</b>	<b>\$ 4,656,481</b>	<b>\$ 4,334,074</b>	<b>\$ 4,622,411</b>	<b>\$ 1,995,329</b>	<b>\$ 8,639,995</b>	<b>\$ 24,248,290</b>

**Enterprise Funds:**

Restricted For Debt Service

\$ 832,503

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Net position restrictions are as follows:

	State Statutes	Enabling Legislation	Contractual Agreements	Total
Governmental Activities:				
Capital Projects:				
Stormwater management	\$ -	\$ 678,217	\$ -	\$ 678,217
Street and Alley Fund	350,062	-	-	350,062
Economic Development	-	-	135,455	135,455
Capital Improvement Fund	-	-	704,996	704,996
Sub-total Capital Projects	<u>350,062</u>	<u>678,217</u>	<u>840,451</u>	<u>1,868,730</u>
Debt Service:				
2006 Debt Service Fund	993,594	-	-	993,594
Debt Service Fund	1,919,468	-	-	1,919,468
Sub-total Debt Service	<u>2,913,062</u>	<u>-</u>	<u>-</u>	<u>2,913,062</u>
Other				
E911 Fund	520,303	-	-	520,303
Cemetery Care Fund	133,055	-	-	133,055
Sub-total Other	<u>653,358</u>	<u>-</u>	<u>-</u>	<u>653,358</u>
Total Governmental Activities	<u>3,916,482</u>	<u>678,217</u>	<u>840,451</u>	<u>5,435,150</u>
Business-Type Activities:				
Revenue Bond Trustee Accounts	-	-	5,114,657	5,114,657
TOTAL RESTRICTED NET POSITION	<u>\$ 3,916,482</u>	<u>\$ 678,217</u>	<u>\$ 5,955,108</u>	<u>\$ 10,549,807</u>

Beginning balances/net position was restated as of July 1, 2012 as follows:

	Government-Wide		Fund Level
	Governmental Activities	Business-type Activities	Bixby Public Works Authority
Beginning net position, as previously reported	\$ 57,822,347	\$ 43,103,362	\$ 38,647,981
Write-off of bond issuance costs per GASB 65	(445,439)	(341,208)	(341,208)
Beginning net position, restated	<u>\$ 57,376,908</u>	<u>\$ 42,762,154</u>	<u>\$ 38,306,773</u>

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

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

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*Transfers:*

Internal transfers between funds and activities for the year ended June 30, 2013 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
E911	General Fund	\$ 60,000	Operations
Capital Improvement Fund	General Fund	2,415	Grant Revenue
BPWA	General Fund	941,647	Operations
General Fund	Cemetery Maintenance Fund	50,000	Operations
General Fund	Economic Development Fund	20,000	Operations
General Fund	Park Fund	300,000	Operations
General Fund	Capital Improvement Fund	700,000	Parks project
General Fund	Capital Improvement Fund	200,000	Operations
General Fund	Street and Alley Fund	100,000	Operations
Capital Improvement Fund	Rural Fire Fund	7,000	Reimburse expenses
Citizen's Planned Fund	BPWA	574,794	Debt service
Park Fund	General Fund	2,347	Debt service
Stormwater Management Fund	Fry Creek Maintenance Fund	100,000	Transfer funding
BPWA	Water and Sewer Development	350,000	Transfer funding
BPWA	Water and Sewer Development	219,405	Debt service
Water and Sewer Development	BPWA	178,664	Capital expenditures
2008 Bond Fund	Water and Sewer Development	2	Interest
Citizen's Planned Fund	Water and Sewer Development	845,000	Transfer funding
2011 Bond Fund	Park Fund	12,210	Deposit correction
2006 Debt Service Fund	Debt Service Fund	1,238,716	Debt service
Total		<u>\$ 5,902,200</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Total</u>
Governmental Funds	\$ 5,148,742	\$ (4,391,148)	\$ 757,594
Proprietary Funds	753,458	(1,511,052)	(757,594)
	<u>\$ 5,902,200</u>	<u>\$ (5,902,200)</u>	<u>\$ -</u>

**Reconciliation to Statement of Activities:**

Fund balance	\$ 757,594
Special revenue funds to business-type activity	184,051
Sales tax reclass from business-type to governmental	(1,823,552)
Capital asset transfer from gov'l to business-type	3,500
	<u>\$ (878,407)</u>

*Balances:*

Interfund receivable and payables at June 30, 2013 were comprised of the following:

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Due From	Due To	Amount	Nature of Balance
General Fund	BPWA	\$ 50,190	Fuel usage
BPWA	General Fund	1,027	Correct deposit
General Fund	2002 Revenue Bonds Fund	68,856	Correct deposit
E911	General Fund	10,437	Correct deposit
Meter Deposit	BPWA	13,423	Meter deposits
Cemetery Maintenance	General Fund	955	Fuel usage
Water and Sewer Development	General Fund	65,276	Grant money
Economic Development	General Fund	19,291	Correct deposit
Capital Improvement Fund	General Fund	570	Correct deposit
Stormwater Management Fund	General Fund	562	Expense reimbursement
BPWA	Stormwater Management	45,051	Split deposit
BPWA	Water and Sewer Development Fund	29,259	Split deposit
BPWA	Debt Service Fund	2,300	Split deposit
Park Fund	General Fund	11,259	Fuel usage
Fishing License Fund	General Fund	40	Correct deposit
Total		<u>\$ 318,496</u>	

Reconciliation to Fund Financial Statements:		Reconciliation	
	Due From	Due To	BTA - Special Revenue Funds
Governmental Funds	\$ 186,027	\$ (227,436)	\$ 36,017
Proprietary Funds	132,469	(91,060)	(36,017)
Total	<u>\$ 318,496</u>	<u>\$ (318,496)</u>	<u>\$ -</u>

**8. Pledged Future Revenues**

*Sales Tax and Utility Net Revenues Pledge* - The City has pledged one cent (or 28.6%) of future sales tax revenues and net utility revenues to repay \$5,255,000 of the Promissory Note, Refunding Series 2012 and \$2,075,000 of the Promissory Note, Refunding Series 2011. Proceeds from the notes provided for the refunding of prior debt issuances. The notes are payable from pledged sales tax revenues and net water and sewer utility revenues. These notes are both payable through 2019. The total principal and interest payable for the remainder of the life of these notes is \$7,410,200. Pledged sales taxes received in the current year were \$2,431,402 and net water and sewer utility revenues were \$2,145,395 for total pledged revenues of \$4,576,797. Debt service payments of \$311,908 for the current fiscal year were 6.8% of total pledged revenues for these notes.

*Utility Net Revenues Pledge* - The City has also pledged the net water and sewer utility revenues to repay the following notes payable: \$2,160,000 of 2009 DWSRF and \$2,860,000 of 2011 CWSRF Oklahoma Water Resources Board Notes Payable. Proceeds from the notes provided for the purchase or construction of water and sewer systems. The notes are payable from pledged net water and sewer utility revenues through 2030 and 2032, respectively. The total principal and interest payable for the remainder of the life of these notes is \$4,460,468. Pledged net water and utility revenues in the current fiscal year were \$2,145,395. Debt service payments of \$293,108 for the current fiscal year were 13.7% of total pledged revenues for these notes.

**9. Risk Management**

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

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

*(1) Liability Protection Plan*

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

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

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

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

*(2) Worker’s Compensation*

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

Specific aggregate stop loss coverage is provided by Comp Source.

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

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

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

**10. Commitments and Contingencies**

*Litigation:*

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

*Federal and State Award Programs:*

The City of Bixby participates in various federal or state grant/loan programs from year to year. In 2013, the City’s involvement in federal and state award programs was material. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

*Non-cancelable Operating Leases:*

The City has a lease with the City of Tulsa for the purchase of water. The lease is based on a price per gallon. Purchases were approximately \$3,113,000 during the year.

*Construction Commitments:*

The following construction contracts were outstanding and payable at June 30, 2013:

Project by Activity	Amount Outstanding
Parks	\$ 242,951
Streets	\$ 29,230
Water and Sewer Projects	\$ 50,500
Stormwater	\$ 179,991
City Hall/Dawes Building	\$ 19,250

**11. Pension Plan Participation**

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

- Oklahoma Firefighter’s Pension and Retirement System (OFPRS) – a statewide cost-sharing plan.
- Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan.
- Oklahoma Public Employees Retirement System (OPERS) – a statewide cost-sharing plan.

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- Oklahoma Municipal Retirement Fund – an agent multiple-employer defined contribution plan.

*Firefighters' Plan:*

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

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

*Police Plan:*

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

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

*Employees Plan:*

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

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

*Summary of Contributions – Cost Sharing Plans:*

Oklahoma Firefighter's Pension and Retirement System			Oklahoma Police Pension and Retirement System			Oklahoma Public Employees Retirement System		
Fiscal Year	Required Contribution	Percentage Contributed	Fiscal Year	Required Contribution	Percentage Contributed	Fiscal Year	Required Contribution	Percentage Contributed
2011	\$ 120,467	100%	2011	\$ 131,369	100%	2011	\$ 336,980	100%
2012	\$ 130,366	100%	2012	\$ 130,198	100%	2012	\$ 361,636	100%
2013	\$ 137,263	100%	2013	\$ 129,941	100%	2013	\$ 376,119	100%

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The state made on-behalf payments of \$133,103 for the police pension system and \$332,301 for the fire pension during the current fiscal year. These are reported as both intergovernmental revenues and public safety expenses.

*OMRF Plans:*

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

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

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

In the second plan: The City Manager vests after 3 years from his hire date of May 22, 2010. The budgeted rate was based on contractual terms where the City contributes 4.75% of the City Manager's annual base salary at the conclusion of each year served. The City Manager is permitted to make voluntary after-tax contributions. No such election was made.

For the year ended June 30, 2013, the following amounts related to both defined contribution plans were:

Payroll for covered employees \$ 161,378  
Employer (City) contributions \$ 10,444

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**Budgetary Comparison Schedule (Budgetary Basis) – Year Ended June 30, 2013**

	<b>General Fund</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, Budgetary Basis</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Beginning Budgetary Fund Balance:</b>	\$ 2,876,225	\$ 2,876,225	\$ 3,872,338	\$ 996,113
<b>Resources (Inflows):</b>				
Sales and use tax	4,269,103	4,399,103	4,862,804	463,701
Franchise and miscellaneous taxes	819,500	819,500	921,681	102,181
Intergovernmental	197,000	197,000	188,666	(8,334)
Licenses and permits	300,700	300,700	405,956	105,256
Charges for services	371,256	491,256	443,049	(48,207)
Fines & forfeitures	650,000	745,000	561,682	(183,318)
Investment earnings	12,000	12,000	6,819	(5,181)
Miscellaneous	201,000	203,170	330,429	127,259
Transfer in	60,000	941,647	946,409	4,762
<b>Total resources (Inflows)</b>	<u>6,880,559</u>	<u>8,109,376</u>	<u>8,667,495</u>	<u>558,119</u>
<b>Amounts available for appropriation</b>	<u>9,756,784</u>	<u>10,985,601</u>	<u>12,539,833</u>	<u>1,554,232</u>
<b>Charges to Appropriations (Outflows):</b>				
Administration	415,336	416,320	364,351	51,969
Attorney	109,393	109,496	90,543	18,953
Municipal court	100,258	112,964	103,059	9,905
Community service	4,963	4,963	4,504	459
General government	1,615,517	1,700,958	1,538,557	162,401
Police	2,443,569	2,578,079	2,318,575	259,504
Fire	1,869,142	1,871,011	1,700,663	170,348
Emergency Management	36,827	36,827	20,328	16,499
Streets	510,421	510,821	423,039	87,782
Park	50,761	50,761	44,834	5,927
Cemetery	68,127	68,218	63,820	4,398
Transfers out	835,000	2,195,000	1,370,000	825,000
<b>Total Charges to Appropriations</b>	<u>8,059,314</u>	<u>9,655,418</u>	<u>8,042,273</u>	<u>1,613,145</u>
Fund balances - ending	<u>\$ 1,697,470</u>	<u>\$ 1,330,183</u>	\$ 4,497,560	<u>\$ 3,167,377</u>
Reconciliation to Statement of Revenues, Expenditures, and Change in Fund Balance:				
Rural Fire Account Balance			2,879	
Fishing License Account Balance			70,546	
Cemetery Beautification Account Balance			1,173	
Cemetery Maintenance Account Balance			60,060	
Total General Fund Fund Balance			<u>\$ 4,632,218</u>	

**Footnotes to Budgetary Comparison Schedules:**

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

**CITY OF BIXBY, OKLAHOMA**  
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3. The budgetary basis differs from the modified accrual basis as shown in the schedule below:

	General Fund
Total revenue - budgetary basis	\$ 8,667,495
On-behalf revenue	465,405
Total revenue - GAAP basis	<u>\$ 9,132,900</u>
Total expenditures - budgetary basis	8,042,273
On-behalf expenses	465,405
Total expenses - GAAP basis	<u>\$ 8,507,678</u>

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**OTHER SUPPLEMENTARY INFORMATION**

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**Combining Balance Sheet – General Fund Accounts – June 30, 2013**

	<u>General Fund</u>	<u>Rural Fire Account</u>	<u>Fishing License Account</u>	<u>Cemetery Beautification Account</u>	<u>Cemetery Maintenance Account</u>	<u>Total</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 2,469,813	\$ 2,879	\$ 34,041	\$ 1,223	\$ 76,572	\$ 2,584,528
Investments	1,241,071	-	36,545	-	-	1,277,616
Receivable from other governments	744,861	-	-	-	-	744,861
Due from other funds	109,417	-	-	-	-	109,417
Taxes receivable, net	92,692	-	-	-	-	92,692
Court fines receivable, net	600,096	-	-	-	-	600,096
Ambulance receivable, net	14,437	-	-	-	-	14,437
Other receivables	48,194	-	-	-	-	48,194
Total assets	<u>\$ 5,320,581</u>	<u>\$ 2,879</u>	<u>\$ 70,586</u>	<u>\$ 1,223</u>	<u>\$ 76,572</u>	<u>\$ 5,471,841</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 164,179	\$ -	\$ -	\$ 50	\$ 15,557	\$ 179,786
Due to other funds	119,046	-	40	-	955	120,041
Due to bondholders	35,964	-	-	-	-	35,964
Other payables	7,024	-	-	-	-	7,024
Total liabilities	<u>326,213</u>	<u>-</u>	<u>40</u>	<u>50</u>	<u>16,512</u>	<u>342,815</u>
Deferred Inflows:						
Deferred revenue	496,808	-	-	-	-	496,808
Fund balances:						
Assigned	3,226,618	2,879	70,546	1,173	60,060	3,361,276
Unassigned	1,270,942	-	-	-	-	1,270,942
Total fund balances	<u>4,497,560</u>	<u>2,879</u>	<u>70,546</u>	<u>1,173</u>	<u>60,060</u>	<u>4,632,218</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 5,320,581</u>	<u>\$ 2,879</u>	<u>\$ 70,586</u>	<u>\$ 1,223</u>	<u>\$ 76,572</u>	<u>\$ 5,471,841</u>

**CITY OF BIXBY, OKLAHOMA  
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**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund  
Accounts – For the Year Ended June 30, 2013**

	<u>General Fund</u>	<u>Rural Fire Account</u>	<u>Fishing License Account</u>	<u>Cemetery Beautification Account</u>	<u>Cemetery Maintenance Account</u>	<u>Total</u>
<b>REVENUES</b>						
Sales and use tax	\$ 4,862,804	\$ -	\$ -	\$ -	\$ -	\$ 4,862,804
Franchise and miscellaneous taxes	861,681	-	-	-	-	861,681
Intergovernmental	654,071	-	-	-	-	654,071
Licenses and permits	405,956	-	6,586	-	-	412,542
Charges for services	443,049	17,145	-	-	23,855	484,049
Fines & forfeitures	561,682	-	-	-	-	561,682
Investment earnings	6,819	-	172	-	73	7,064
Miscellaneous	330,429	-	-	-	-	330,429
Total revenues	<u>8,126,491</u>	<u>17,145</u>	<u>6,758</u>	<u>-</u>	<u>23,928</u>	<u>8,174,322</u>
<b>EXPENDITURES</b>						
Administration	364,351	-	-	-	-	364,351
City attorney	90,543	-	-	-	-	90,543
Municipal court	103,059	-	-	-	-	103,059
Community service	4,504	-	-	-	-	4,504
General government	1,532,732	-	-	-	-	1,532,732
Police	2,376,188	-	-	-	-	2,376,188
Fire	2,014,875	-	-	-	-	2,014,875
Emergency Management	20,328	-	-	-	-	20,328
Streets	423,039	-	-	-	-	423,039
Culture and recreation	24,386	-	688	-	-	25,074
Cemetery	63,820	-	-	150	59,348	123,318
Capital Outlay	99,405	-	-	-	-	99,405
Debt Service:						
Principal	16,437	20,604	-	-	-	37,041
Interest and other charges	4,011	2,354	-	-	-	6,365
Total Expenditures	<u>7,137,678</u>	<u>22,958</u>	<u>688</u>	<u>150</u>	<u>59,348</u>	<u>7,220,822</u>
Excess (deficiency) of revenues over expenditures	<u>988,813</u>	<u>(5,813)</u>	<u>6,070</u>	<u>(150)</u>	<u>(35,420)</u>	<u>953,500</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	1,006,409	7,000	-	-	50,000	1,063,409
Transfers out	(1,370,000)	-	-	-	-	(1,370,000)
Total other financing sources and uses	<u>(363,591)</u>	<u>7,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>(306,591)</u>
Net change in fund balances	625,222	1,187	6,070	(150)	14,580	646,909
Fund balances - beginning	3,872,338	1,692	64,476	1,323	45,480	3,985,309
Fund balances - ending	<u>\$ 4,497,560</u>	<u>\$ 2,879</u>	<u>\$ 70,546</u>	<u>\$ 1,173</u>	<u>\$ 60,060</u>	<u>\$ 4,632,218</u>

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**Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2013**

	Special Revenue Funds				Capital Project Funds						Debt Service Fund	Total Governmental Funds
	Park Fund	E911 Fund	Fry Creek Maintenance Fund	Economic Development Fund	Cemetery Care Fund	Capital Improvements Fund	Street & Alley Fund	2008 Bond Fund	Stormwater Management Fund	Water & Sewer Development Fund	2006 Debt Service Fund	
<b>ASSETS</b>												
Cash and cash equivalents	\$ 523,041	\$ 33,738	\$ 711,293	\$ 260,690	\$ 188,886	\$ 1,781,307	\$ 311,912	\$ -	\$ 634,574	\$ 1,998,880	\$ 193,915	\$ 6,638,236
Investments	81	90,935	508,193	-	331,452	-	154,334	-	-	-	718,622	1,803,617
Receivable from other governments	90,044	-	-	-	-	133,846	18,082	-	205,961	-	90,045	537,978
Due from other funds	-	-	-	-	-	-	-	-	45,051	29,259	-	74,310
Taxes receivable, net	-	22,229	-	14,839	-	-	-	-	-	-	-	37,068
Utilities receivable, net	-	-	-	-	-	-	-	-	21,983	-	-	21,983
Other receivables	-	-	-	-	-	-	-	-	44,905	-	-	44,905
Total assets	<u>\$ 613,166</u>	<u>\$ 146,902</u>	<u>\$ 1,219,486</u>	<u>\$ 275,529</u>	<u>\$ 520,338</u>	<u>\$ 1,915,153</u>	<u>\$ 484,328</u>	<u>\$ -</u>	<u>\$ 952,474</u>	<u>\$ 2,028,139</u>	<u>\$ 1,002,582</u>	<u>\$ 9,158,097</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>												
Liabilities:												
Accounts payable	\$ 42,268	\$ 568	\$ 17,452	\$ 2,777	\$ 35	\$ 229,068	\$ 17,122	\$ -	\$ 25,695	\$ 42,129	\$ -	\$ 377,114
Due to other funds	11,259	10,437	-	19,291	-	570	-	-	562	65,276	-	107,395
Total liabilities	<u>53,527</u>	<u>11,005</u>	<u>17,452</u>	<u>22,068</u>	<u>35</u>	<u>229,638</u>	<u>17,122</u>	<u>-</u>	<u>26,257</u>	<u>107,405</u>	<u>-</u>	<u>484,509</u>
Deferred Inflows:												
Deferred revenue	-	-	-	-	-	2,335	-	-	31,258	-	-	33,593
Fund balances:												
Restricted	-	133,055	699,944	135,455	520,303	-	350,062	-	678,217	-	993,594	3,510,630
Assigned	559,639	2,842	502,090	118,006	-	1,683,180	117,144	-	216,742	1,920,734	8,988	5,129,365
Total fund balances (deficits)	<u>559,639</u>	<u>135,897</u>	<u>1,202,034</u>	<u>253,461</u>	<u>520,303</u>	<u>1,683,180</u>	<u>467,206</u>	<u>-</u>	<u>894,959</u>	<u>1,920,734</u>	<u>1,002,582</u>	<u>8,639,995</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 613,166</u>	<u>\$ 146,902</u>	<u>\$ 1,219,486</u>	<u>\$ 275,529</u>	<u>\$ 520,338</u>	<u>\$ 1,915,153</u>	<u>\$ 484,328</u>	<u>\$ -</u>	<u>\$ 952,474</u>	<u>\$ 2,028,139</u>	<u>\$ 1,002,582</u>	<u>\$ 9,158,097</u>

**CITY OF BIXBY, OKLAHOMA**  
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**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – For the Year Ended June 30, 2013**

	Special Revenue Funds				Capital Project Funds						Debt Service Fund	Total-Other Governmental Funds
	Park Fund	E911 Fund	Fry Creek Maintenance Fund	Economic Development Fund	Cemetery Care Fund	Capital Improvements Fund	Street & Alley Fund	2008 Bond Fund	Stormwater Management Fund	Water & Sewer Development Fund	2006 Debt Service Fund	
<b>REVENUES</b>												
Sales and use tax	\$ 607,850	\$ -	\$ -	\$ -	\$ -	\$ 982,057	\$ 188,270	\$ -	\$ -	\$ -	\$ 607,851	\$ 2,386,028
Franchise and miscellaneous taxes	-	167,912	-	149,182	-	-	-	-	-	-	-	317,094
Intergovernmental	-	-	-	-	-	210,097	-	-	480,280	-	-	690,377
Charges for services	21,532	-	-	-	35,783	-	-	-	579,234	154,818	-	791,367
Investment earnings	110	362	4,486	20	2,466	1,160	1,021	2	1,441	2,049	3,687	16,804
Miscellaneous	101,390	-	207	52,269	-	9,608	6,000	-	943	-	-	170,417
Total revenues	<u>730,882</u>	<u>168,274</u>	<u>4,693</u>	<u>201,471</u>	<u>38,249</u>	<u>1,202,922</u>	<u>195,291</u>	<u>2</u>	<u>1,061,898</u>	<u>156,867</u>	<u>611,538</u>	<u>4,372,087</u>
<b>EXPENDITURES</b>												
Streets	-	-	45,145	-	-	-	156,452	-	55,686	-	-	257,283
Culture and recreation	697,607	-	-	-	-	-	-	-	-	-	-	697,607
Cemetery	-	-	-	-	1,727	-	-	-	-	-	-	1,727
Economic development	-	-	-	104,404	-	-	-	-	-	-	-	104,404
E-911	-	76,716	-	-	-	-	-	-	-	-	-	76,716
Debt Service:												
Principal	9,653	-	-	-	-	62,179	-	-	-	-	-	71,832
Interest and other charges	-	-	-	-	-	623	-	-	-	-	-	623
Capital Outlay	8,205	-	-	-	-	1,025,416	16,240	-	733,397	11,907	-	1,795,165
Total Expenditures	<u>715,465</u>	<u>76,716</u>	<u>45,145</u>	<u>104,404</u>	<u>1,727</u>	<u>1,088,218</u>	<u>172,692</u>	<u>-</u>	<u>789,083</u>	<u>11,907</u>	<u>-</u>	<u>3,005,357</u>
Excess (deficiency) of revenues over expenditures	<u>15,417</u>	<u>91,558</u>	<u>(40,452)</u>	<u>97,067</u>	<u>36,522</u>	<u>114,704</u>	<u>22,599</u>	<u>2</u>	<u>272,815</u>	<u>144,960</u>	<u>611,538</u>	<u>1,366,730</u>
<b>OTHER FINANCING SOURCES (USES)</b>												
Transfers in	312,210	-	100,000	20,000	-	900,000	100,000	-	-	1,414,407	-	2,846,617
Transfers out	(2,347)	(60,000)	-	-	-	(9,415)	-	(2)	(100,000)	(178,664)	(1,238,716)	(1,589,144)
Total other financing sources and uses	<u>309,863</u>	<u>(60,000)</u>	<u>100,000</u>	<u>20,000</u>	<u>-</u>	<u>890,585</u>	<u>100,000</u>	<u>(2)</u>	<u>(100,000)</u>	<u>1,235,743</u>	<u>(1,238,716)</u>	<u>1,257,473</u>
Net change in fund balances	325,280	31,558	59,548	117,067	36,522	1,005,289	122,599	-	172,815	1,380,703	(627,178)	2,624,203
Fund balances - beginning	234,359	104,339	1,142,486	136,394	483,781	677,891	344,607	-	722,144	540,031	1,629,760	6,015,792
Fund balances - ending	<u>\$ 559,639</u>	<u>\$ 135,897</u>	<u>\$ 1,202,034</u>	<u>\$ 253,461</u>	<u>\$ 520,303</u>	<u>\$ 1,683,180</u>	<u>\$ 467,206</u>	<u>\$ -</u>	<u>\$ 894,959</u>	<u>\$ 1,920,734</u>	<u>\$ 1,002,582</u>	<u>\$ 8,639,995</u>

**CITY OF BIXBY, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2013

**Combining Schedule of Net Position – Enterprise Fund Accounts – June 30, 2013**

	<b>BPWA</b>	<b>Meter Deposit Account</b>	<b>DAWES Account</b>	<b>2002 Utility Revenue Bond Construction Account</b>	<b>Total</b>
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 2,117,830	\$ 76,530	\$ 15,139	\$ -	\$ 2,209,499
Investments	-	102,686	-	-	102,686
Restricted:					
Cash and cash equivalents	73,379	-	-	-	73,379
Due from other funds	63,613	-	-	68,856	132,469
Accounts Receivable, net	1,084,326	-	-	-	1,084,326
Receivables from other governments	18,325	-	-	-	18,325
Other receivables	10,678	-	-	-	10,678
Total current assets	<u>3,368,151</u>	<u>179,216</u>	<u>15,139</u>	<u>68,856</u>	<u>3,631,362</u>
Non-current assets:					
Restricted:					
Cash and cash equivalents	133,251	25,076	-	-	158,327
Investments	706,716	463,207	-	-	1,169,923
Capital Assets:					
Land and construction in progress	732,514	-	35,000	-	767,514
Other capital assets, net of accumulated depreciation	43,778,742	-	461,530	-	44,240,272
Total non-current assets	<u>45,351,223</u>	<u>488,283</u>	<u>496,530</u>	<u>-</u>	<u>46,336,036</u>
Total assets	<u>48,719,374</u>	<u>667,499</u>	<u>511,669</u>	<u>68,856</u>	<u>49,967,398</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	438,059	-	-	-	438,059
Accrued interest payable	37,886	-	-	-	37,886
Due to other funds	77,637	13,423	-	-	91,060
Deposits subject to refund	-	97,612	-	-	97,612
Compensated absences	24,885	-	-	-	24,885
Notes payable	1,149,742	-	-	-	1,149,742
Total current liabilities	<u>1,728,209</u>	<u>111,035</u>	<u>-</u>	<u>-</u>	<u>1,839,244</u>
Non-current liabilities:					
Compensated absences	99,539	-	-	-	99,539
Deposits subject to refund	-	390,671	-	-	390,671
Notes payable	9,373,895	-	-	-	9,373,895
Total non-current liabilities	<u>9,473,434</u>	<u>390,671</u>	<u>-</u>	<u>-</u>	<u>9,864,105</u>
Total liabilities	<u>11,201,643</u>	<u>501,706</u>	<u>-</u>	<u>-</u>	<u>11,703,349</u>
<b>NET POSITION</b>					
Net investment in capital assets	34,016,658	-	496,530	-	34,513,188
Restricted for debt service	832,503	-	-	-	832,503
Unrestricted	2,668,570	165,793	15,139	68,856	2,918,358
Total net position	<u>\$ 37,517,731</u>	<u>\$ 165,793</u>	<u>\$ 511,669</u>	<u>\$ 68,856</u>	<u>\$ 38,264,049</u>

**CITY OF BIXBY, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2013

**Combining Schedule of Revenues, Expenses, and Changes in Net Position – Enterprise Fund**  
**Accounts – Year Ended June 30, 2013**

	<u>BPWA</u>	<u>Meter Deposit</u> <u>Account</u>	<u>DAWES Account</u>	<u>2002 Utility</u> <u>Revenue Bond</u> <u>Construction</u> <u>Account</u>	<u>Total</u>
<b>REVENUES</b>					
Charges for services:					
Water	\$ 6,086,343	\$ -	\$ -	\$ -	\$ 6,086,343
Sewer	1,515,058	-	-	-	1,515,058
Miscellaneous	52,952	-	-	-	52,952
Total operating revenues	<u>7,654,353</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,654,353</u>
<b>OPERATING EXPENSES</b>					
Administration	1,364,817	-	483	-	1,365,300
Water	3,619,260	-	-	-	3,619,260
Wastewater	524,398	-	-	-	524,398
Depreciation	1,046,653	-	25,622	-	1,072,275
Total operating expenses	<u>6,555,128</u>	<u>-</u>	<u>26,105</u>	<u>-</u>	<u>6,581,233</u>
Operating income (loss)	<u>1,099,225</u>	<u>-</u>	<u>(26,105)</u>	<u>-</u>	<u>1,073,120</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest and investment revenue	6,180	-	1	-	6,181
Gain (loss) on capital asset disposal	(322)	-	-	-	(322)
Interest expense	(382,434)	-	-	-	(382,434)
Total non-operating revenue (expenses)	<u>(376,576)</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>(376,575)</u>
Income (loss) before transfers	<u>722,649</u>	<u>-</u>	<u>(26,104)</u>	<u>-</u>	<u>696,545</u>
Capital contributions	18,325	-	-	-	18,325
Interaccount transfers in	56	-	-	-	56
Interaccount transfers out	-	-	-	(56)	(56)
Transfers in	753,458	-	-	-	753,458
Transfers out	(1,511,052)	-	-	-	(1,511,052)
Change in net position	<u>(16,564)</u>	<u>-</u>	<u>(26,104)</u>	<u>(56)</u>	<u>(42,724)</u>
Total net position - beginning	<u>37,534,295</u>	<u>165,793</u>	<u>537,773</u>	<u>68,912</u>	<u>38,306,773</u>
Total net position - ending	<u>\$ 37,517,731</u>	<u>\$ 165,793</u>	<u>\$ 511,669</u>	<u>\$ 68,856</u>	<u>\$ 38,264,049</u>

**CITY OF BIXBY, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2013**

**Schedule of Debt Service Coverage Requirements – Year Ended June 30, 2013**

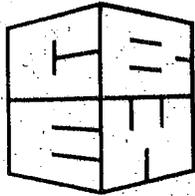
	<u>2009 &amp; 2011</u> <u>OWRB Notes</u>	<u>2012</u> <u>Refunding Note</u>
Gross Revenue Available for Debt Service:		
Operating revenues of leased systems (1)	\$ 7,654,353	\$ 7,654,353
Sales tax pledged	-	2,431,402
	<u>7,654,353</u>	<u>10,085,755</u>
Total Gross Revenues Available	7,654,353	10,085,755
System Operating Expenses (1)	<u>5,508,958</u>	<u>5,508,958</u>
Net Revenues Available for Debt Service	<u>\$ 2,145,395</u>	<u>\$ 4,576,797</u>
Debt Service Requirements:		
Maximum annual debt service - OWRB promissory note - 2009 DWSRF	\$ 102,686	\$ -
Maximum annual debt service - OWRB promissory note - 2011 CWSRF	215,802	-
Average annual debt service - promissory note - 2012 Refunding	<u>-</u>	<u>798,708</u>
Total Debt Service Requirements	<u>\$ 318,488</u>	<u>\$ 798,708</u>
Coverage	<u>674%</u>	<u>573%</u>
Coverage Requirement	<u>125%</u>	<u>125%</u>

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

**CITY OF BIXBY, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2013**

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**SINGLE AUDIT AND INTERNAL CONTROL COMPLIANCE INFORMATION**



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

Certified Public Accountants

206 N. HARRISON ● P.O. BOX 790 ● CUSHING, OKLAHOMA 74023 ● 918-225-4216 ● FAX 918-225-4315

DON K. ETHRIDGÉ, CPA  
WALTER H. WEBB, CPA  
JANE FRAZIER, CPA  
CHARLES E. CROOKS, CPA  
TRISHA J. RIEMAN, CPA

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

December 6, 2013

Honorable Board of City Commissioners  
City of Bixby  
Bixby, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bixby, Oklahoma, as of and for the year ended June 30, 2013; and the related notes to the financial statements, which collectively comprise the City of Bixby, Oklahoma's basic financial statements, and have issued our report thereon dated December 6, 2013

***Internal Control Over Financial Reporting***

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

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

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

City of Bixby  
December 6, 2013

***Compliance and Other Matters***

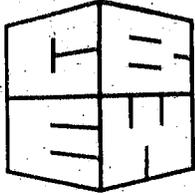
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect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

***Purpose of this Report***

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

*CBEW Professional Group, LLP*

CBEW Professional Group, LLP  
Certified Public Accountants



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

Certified Public Accountants

206 N. HARRISON • P.O. BOX 790 • CUSHING, OKLAHOMA 74023 • 918-225-4216 • FAX 918-225-4315

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY OMB CIRCULAR A-133**

December 6, 2013

Honorable Board of City Commissioners  
City of Bixby  
Bixby, Oklahoma

***Report on Compliance for Each Major Federal Program***

We have audited the City of Bixby, Oklahoma (City)'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major Federal Program***

In our opinion, City of Bixby, Oklahoma, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

**Report on Internal Control Over Compliance**

Management of City of Bixby, Oklahoma (the City), is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*CBEW Professional Group, LLP*

CBEW Professional Group, LLP  
Certified Public Accountants

**CITY OF BIXBY, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2013**

Federal/State Grantor/Pass through agency Grantor/Program Title	Federal CFDA Number	Agency or Grant Number	Program or Award Amount	Federal Expenditures
<b>FEDERAL ASSISTANCE:</b>				
<u>U.S. DEPARTMENT OF JUSTICE:</u>				
Bulletproof Vest Partnership	16.607	BVP	\$ 4,950	\$ 1,750
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>				
Passed through Oklahoma Department of Emergency Management: Drainage and Detention Pond Project	97.039	FEMA-1823-DR-OK	552,531	441,641
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Passed through Oklahoma Highway Safety Office:				
State and Community Highway Safety	20.600	PT-12-03-03-11	20,000	4,423
State and Community Highway Safety	20.600	SE-13-03-01-12	30,000	22,521
State and Community Highway Safety	20.600	K8-13-03-03-12	10,000	3,580
State and Community Highway Safety	20.601	K8-12-03-03-11	20,000	6,356
State and Community Highway Safety	20.614	CE-12-03-02-11	3,000	697
State and Community Highway Safety	20.614	CE-13-03-03-12	3,000	1,916
			<u>86,000</u>	<u>39,493</u>
Passed through Oklahoma Department of Transportation:				
Fry Creek Trail Enhancement Project	20.219	STP-172E (378) EH	514,240	93,062
Recreational Trails Program	20.219	NRT-2011	116,750	108,410
			<u>630,990</u>	<u>201,472</u>
Congestion Mitigation Air Quality Funds (CMAQ)	20.205	CMA-172F(421)IG	18,325	18,325
Total U.S. Department of Transportation			<u>735,315</u>	<u>259,290</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>				
Passed through Tulsa County:				
CDBG - Urban City Program	14.218	B-10-UY-40-0001	76,268	41,950
CDBG - Urban City Program	14.218	B-11-UY-40-0001	53,987	1,907
			<u>130,255</u>	<u>43,857</u>
<b>TOTAL FEDERAL ASSISTANCE</b>			<u>\$ 1,423,051</u>	<u>\$ 746,538</u>

**CITY OF BIXBY  
Bixby, Oklahoma**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2013**

**SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements:*

Type of Auditor's Report Issued: An unqualified opinion on the basic financial statements.

Internal Control Over Financial Reporting:

Material Weakness(es) identified?  Yes  No

Significant Deficiencies identified not considered to be material weaknesses? None reported

Noncompliance material to financial statements noted?  Yes  No

*Federal Awards:*

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

Internal Control Over Major Programs:

Material Weakness(es) identified?  Yes  No

Significant Deficiencies identified not considered to be material weaknesses? None reported

Audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?  Yes  No

Dollar threshold used to distinguish Type A and Type B programs \$300,000

Auditee Qualified as low-risk auditee?  Yes  No

*Identification of Major Programs:*

CFDA#

97.039 Hazard Mitigation Grant – Drainage & Detention Pond

**FINDINGS - FINANCIAL STATEMENT AUDIT**

1. None

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

1. None

**CITY OF BIXBY  
Bixby, Oklahoma**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2013**

There were no prior year audit findings.