

***CITY OF BARTLESVILLE,
OKLAHOMA***

Independent Auditor's Report
and Financial Statements
For the Fiscal Year Ended June 30, 2012

CITY OF BARTLESVILLE

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CITY OF BARTLESVILLE

List of Principal Officials

City Council

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

City Manager

Ed Gordon

Administrative Director/CFO

Mike Bailey

City Attorney

Jerry Maddux



ARCHAMBO & MUEGGENBORG, PC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Bartlesville, Oklahoma*, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the *City of Bartlesville, Oklahoma's* management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Bartlesville Development Corporation, which represents 100% of the assets and revenues of the Bartlesville Development Corporation component unit. We also did not audit the financial statements of the Bartlesville Community Center Trust Authority, which represents 100% of the assets and revenues of the Bartlesville Community Center Trust Authority blended major business-type activity, the Bartlesville Development Authority, which represents 100% of the assets and revenues of the Bartlesville Development Authority component unit and the Bartlesville Redevelopment Trust Authority, which represents 100% of the assets and revenues of the Bartlesville Redevelopment Trust Authority blended nonmajor business-type activity. Those financial statements were audited by other auditors whose reports thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Bartlesville Development Corporation, Bartlesville Community Center Trust Authority, Bartlesville Development Authority and Bartlesville Redevelopment Trust Authority, are based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Bartlesville Development Corporation were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Bartlesville, Oklahoma*, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2012, on our consideration of the *City of Bartlesville, Oklahoma's* internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 18 and 86 through 92 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

Archambo & Mueggenborg, PC

Archambo & Mueggenborg, PC
Certified Public Accountants

December 11, 2012

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2012

Introduction

The management of the City of Bartlesville, Oklahoma, is pleased to present its perspective of the City's financial performance as a whole for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to summarize for the reader the financial information more fully contained in the attached financial statements and notes and to explain the major points in the financial statements, both positive and negative. Comparisons with prior fiscal years are provided as needed.

Financial Highlights

Key financial highlights for 2012 were:

- The City of Bartlesville's assets exceeded its liabilities at the close of the fiscal year by almost \$152.8 million.
- The City's main governmental revenue source, sales tax, ended the year with an increase of 5.2%.
- The City passed an ordinance requiring annual contributions to a Stabilization Reserve Fund. This practice is similar to that used by many states in the establishment of their "Rainy Day Funds".
- Noteworthy changes to the City's capital assets included:
 - Completed over \$7 million in major road rehabilitations
 - Completed over \$1 million in additional t-hangars at the airport
 - Completed almost \$1 million in energy efficiency improvements to City Hall
 - Completed Phase I of major baseball/softball field renovation costing over \$1 million
 - Completed Phase II of the wastewater collection system rehab costing over \$1 million
- The City retained its AA- bond rating despite difficult economic times. This bond rating is the 3rd highest in the State of Oklahoma for public entities.
- The City is one of only five municipalities in the State of Oklahoma that receives the Government Finance Officers Association's Award for Distinguished Budget Presentation.

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2012
(continued)

Using this Annual Financial Report

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

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

Statement of Net Assets and the Statement of Activities

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

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

Fund Financial Statements

Fund financial reports provide detailed information about the City's major funds. These reports begin on page 23. The *City of Bartlesville* uses many funds to account for a variety of financial transactions although some of the smaller and less significant funds are not presented in detail. The determination of which funds to present in detail is made based on the "significance" of each fund.

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2012
(continued)

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

Fund Financial Statements (continued)

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

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

Governmental Funds

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

CITY OF BARTLESVILLE
 Management's Discussion and Analysis
 For the Year Ended June 30, 2012
 (continued)

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

The Statement of Net Assets and the Statement of Activities look at the City as whole and are useful indicators of the City's overall financial position, but other factors should also be considered when evaluating the City's financial picture for 2012.

Table 1
Governmental Activities
Net Assets (In Millions)

	<u>2011</u>	<u>2012</u>
<u>Assets</u>		
Current and other assets	\$ 32.2	27.7
Capital assets, net	67.2	73.9
Total assets	99.4	101.6
<u>Liabilities</u>		
Current liabilities	2.0	1.2
Long-term liabilities:		
Due within one year	4.0	3.9
Due in more than one year	15.9	13.2
Total liabilities	21.9	18.3
<u>Net Assets</u>		
Invested in capital assets net of related debt	48.6	58.0
Restricted by:		
Enabling legislation	19.0	16.1
Statutory requirements	7.0	3.4
External contracts	0.2	.2
Unrestricted	2.7	5.6
Total net assets	\$ 77.5	83.3

Note: This is a recap of the Governmental Activities Column from the Statement of Net Assets on page 21 of the financial statement.

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2012
(continued)

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

Table 2
Governmental Activities
Statement of Activities (In Millions)

	<u>2011</u>	<u>2012</u>
<u>Governmental Activities (Net Cost)</u>		
General government	\$ (5.2)	(3.2)
Public safety	(9.4)	(9.2)
Public works	(1.9)	(1.5)
Health, welfare and sanitation	(0.4)	(0.8)
Culture and recreation	(2.4)	(2.6)
Payments to component units	(1.0)	(0.8)
Interest of long-term debt	(0.4)	(0.5)
	<u>(20.7)</u>	<u>(18.6)</u>
<u>General Revenues</u>		
Taxes		
Property taxes, levied for debt service	3.1	3.2
Franchise taxes	2.8	2.6
Sales and use taxes	15.4	16.3
Investment earnings, unrestricted	0.4	0.1
Miscellaneous	0.4	0.5
Special item – gain on sale of asset	0.0	0.0
Transfers	(2.2)	1.6
	<u>19.9</u>	<u>24.3</u>
Change in net assets	(0.8)	5.7
Net Assets – beginning	78.3	77.6
Net Assets – ending	\$ <u>77.6</u>	<u>83.3</u>

Note: This is a recap of the Governmental Activities Column from the Statement of Activities on page 22 of the financial statement.

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2012
(continued)

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

Total assets from governmental activity are about \$101.6 million (rounded), which represents an increase of \$2.2 million from the prior fiscal year. This increase can mainly be attributed to the conservative financial policies implemented by the City Council and City Staff. The most significant of these is the Council's passage of the Stabilization Reserve Fund ordinance which institutionalizes incremental, annual savings. This ordinance resulted in \$1.1 million being set aside in a formal reserve fund.

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

The City continues in its efforts to further reduce expenditures through more efficient procurement and use of goods and services along with improvements in energy efficiency. Money-saving programs and approaches to service delivery are constantly sought. This entails regular reevaluation and in many cases rebidding of our service contracts. Available grants are continually sought and applied for to reduce local expenses. In order to more efficiently pursue and coordinate grant activity, the City appointed a full time Grant's Coordinator.

CITY OF BARTLESVILLE
 Management's Discussion and Analysis
 For the Year Ended June 30, 2012
 (continued)

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

FY 2012 was again a very successful year for the City in relation to grants and subsidized loan programs, and we were able to leverage State, Federal, and private grants to expand the impact of local tax revenues. The City was awarded the following 11 grants to be used for new projects during FY 2012.

<u>Grant</u>	<u>Purpose</u>	<u>Award Amount</u>
2011 Edward Byrne Memorial Justice Assistance Grant	For the purchase of radars for the PD and car radios for the Sheriff's Office.	\$13,104
2011 CDBG	For 14 th Street sidewalk.	\$79,338
AEP-PSO Model Cities Program	For upgrade to energy efficiency lighting in City Hall.	\$13,062
Oklahoma Arts Council 2012 Local Government Challenge Grant	To distribute funds to local arts organizations for special programs and events.	\$4,000
ConocoPhillips Grant	To provide online databases, downloadable books, adult programming, salary for Literacy Svcs. Coordinator, supplies, and Appreciation Lunch.	\$22,000
Oklahoma Dept of Libraries Community Literacy Grant	To pay the salary of a part time assistant to Literacy Coordinator.	\$9,500

CITY OF BARTLESVILLE
 Management's Discussion and Analysis
 For the Year Ended June 30, 2012
 (continued)

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

<u>Grant</u>	<u>Purpose</u>	<u>Award Amount</u>
Assistance to Firefighters 2011 Fire Prevention & Safety Grant	To purchase and install smoke alarms and conduct home safety inspections.	\$45,059
ConocoPhillips Grant	For golf course improvements: clubhouse renovations, new patio, & new deck.	\$10,000
2011 Highway Tree Program Grant	For tree planting along the east side of Virginia Avenue adjacent to Veterans' Park.	\$4,000
Healthy Communities Incentive Grant	For walking and biking enhancements: bike racks, signs, brochures, kiosks.	\$10,000
Lyon Foundation Grant	For golf course improvements: clubhouse renovations, new patio, & new deck.	\$110,310
Total		\$320,373

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

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2012
(continued)

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

In recent years, the City also elected to return to an “own risk” or self-funded plan for employee health insurance, but this program differs from the Worker’s Compensation program in that the City obtains reinsurance to cover the largest claims. This self insured plans, like most insurance plans, has had its ups and downs, but recently the performance of the plan has stabilized and is allowing the City set aside additional funds for future catastrophic illnesses.

Governmental Activities

Several revenue sources fund the City of Bartlesville’s governmental activities with sales tax being the largest. The City’s sales tax rate is 3%; however, this is apportioned to three funds. The General Fund receives 75% of the sales tax generated, and this constitutes our sales tax for operations. This amount has not been changed in more than twenty years. The remaining 25% is divided between economic development (1/3) and capital improvements (2/3). Sales tax revenue of \$16,302,526 represented a 5.2% increase over prior year receipts.

Public Safety is one of the most important yet costly governmental expense activities in the City. Combined, the Police and Fire departments accounted for 49.6% of net governmental expenses. The Fire department consists of 70 full-time employees, including one administrative assistant. The Police department consists of 66 full time employees with 58 being sworn enforcement personnel and 8 being civilian personnel.

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

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2012
(continued)

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

The Individual Fund Financial Statements

Information on the City's major funds starts on page 23. The governmental funds utilize the modified accrual basis of accounting. All governmental funds combined received total revenues of \$27.5 million for the year and \$34.4 million in expenditures resulting in a deficiency in revenues over expenditures of (\$7.0 million). The City's governmental funds also had other financing sources and uses (mainly transfers and sale of fixed assets) that netted to create other financing sources of \$2.5 million. When combined with the deficiency mentioned above, the City's governmental funds' fund balances in total finished the year down almost \$4.4 million more than where they started.

The individual net change in fund balances for the year was only significant in the Economic Development Fund, Municipal Airport Fund, CIP – Wastewater Regulatory Fund, 2009 G.O. Bond Fund, and the 2010 G.O. Bond Fund. The Economic Development Fund receives dedicated sales tax revenue every month which is used to pay the agreement with the BDC and incentives. There were no incentives paid from this fund in this fiscal year which resulted in an increase of \$700,332. The Municipal Airport Fund still contains revenues received "in-lieu" of excise tax from several years ago. The deadline to spend or lose these funds is approaching, so several projects were initiated that resulted in a decrease of \$864,899. The CIP – Wastewater Regulatory Fund receives dedicated utility revenues that are accumulated to pay for regulatory required wastewater projects. It received over \$1.4 million in revenues and paid less than \$1 million for projects. This resulted in an increase of \$508,087. The 2009 G.O. Bond Fund and 2010 G.O. Bond Funds both contain revenues from past bond issues which are spent over a period of time. Both funds made substantial progress on their remaining projects which resulted in reductions of \$2,288,597 and \$1,916,251 respectively.

The general fund reflects an increase in fund balance of \$922,223 which brings it up to \$4.9 million. While no standard is established for the desired level of fund balance that should be carried, it is desirable to have at least two months of average expenditures so that fluctuations in revenue and expenditures can be absorbed without major disruptions

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2012
(continued)

The Individual Fund Financial Statements (continued)

to the normal operations. With careful monitoring of revenue and expenditures combined with conservative budgeting, the City management believes the fund balance is adequate to allow the City to meet its obligations and reflects a good financial condition of the City as a whole.

General Fund Budgeting Highlights

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

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

CITY OF BARTLESVILLE
 Management's Discussion and Analysis
 For the Year Ended June 30, 2012
 (continued)

The Individual Fund Financial Statements (continued)

For the general fund, budget basis revenue was up by \$700,832 over the budget estimates of \$15,465,099. The City continues the conservative practice of estimating revenues based on long term trends adjusted for known factors. Expenditures are estimated using the most detailed data available. Salary and related expenses are calculated to the dollar based on the current staffing. Expenditures for 2012 were \$634,171 below the final budget of \$18,748,803. These savings were achieved through spending restraints and careful monitoring of budget results.

Business-Type Activities

Overall, the business-type activities saw an increase of \$493,454 in net assets. This increase of less than 1% is related primarily to increased investment in capital assets over the last few years.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the City of Bartlesville had \$170,379,232 invested in land, buildings, and capital equipment (net of depreciation). Table 2 shows the detail of the fiscal year 2012 balances of capital assets.

Table 2
Capital Assets
Net of Accumulated Depreciation

	Governmental Activities 2012	Business-Type Activities 2012	Total 2012
Land	\$ 3,360,533	2,452,903	5,813,436
Buildings	13,020,414	84,145,608	97,166,022
Other improvements and infrastructure	84,138,311	77,469,198	161,607,509
Machinery and equipment	11,038,768	11,776,142	22,814,910
Construction in progress	2,549,615	193,730	2,743,345
Total capital assets	<u>114,107,641</u>	<u>176,037,581</u>	<u>290,145,222</u>
(Less) depreciation	<u>(40,223,421)</u>	<u>(79,542,569)</u>	<u>(119,765,990)</u>
Capital assets (net of depreciation)	<u>\$ 73,884,220</u>	<u>96,495,012</u>	<u>170,379,232</u>

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2012
(continued)

Capital Assets and Debt Administration (continued)

Perhaps the City's most important long-term capital needs revolve around a long term sustainable water supply. The construction of the new Ted Lockin potable water treatment plant was completed in September of 2006, and the City is continuing to make progress on this issue. However, the City's water needs now largely lay in the hands of the United States Congress where discounted pricing for water rights on Copan Lake must be approved.

In addition to the need for long term water supply, the City is also currently undertaking the early stages of planning for its long-term wastewater needs with the completion of several studies and collection system improvements. It is anticipated that the City will need to construct a new wastewater treatment plant in the near future. To fund these future improvements, the City implemented a dedicated utility fee in FY 2009 which has been incrementally increased over the years to pay for engineering, design, land acquisition, and eventually the debt service on a new wastewater treatment facility.

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

With regard to infrastructure, the engineering department maintains a list of street and drainage improvements awaiting construction. These are funded on a priority basis as funds become available from the sales tax reserved for capital improvements. As part of the annual budget process, the City Engineer, the Public Works Director, and the Street supervisor evaluate and prioritize these needs based on the latest information on the condition of the streets or the seriousness of the flooding threat. The projects that can be

CITY OF BARTLESVILLE
 Management's Discussion and Analysis
 For the Year Ended June 30, 2012
 (continued)

Capital Assets and Debt Administration (continued)

provided for from the capital improvement fund are included in the budget while the balance of projects are kept on the list waiting funding at a later date. Priorities sometimes change if external funding, such as grants or donations, becomes available for specific purposes.

Water and sewer projects are more often being funded with loans through the Oklahoma Water Resources Board's Safe Drinking Water Revolving Fund or the Clean Water Revolving Fund. These are revenue notes payable over terms up to 30 years with very favorable interest rates. Water and/or sewer revenues are pledged to the repayment of principal and interest. This process allows the City's utility rates to be set at a level that covers the full cost of their operations and preserves general revenues for functions that do not have a dedicated source of funding.

Debt

As of June 30, 2012 the City of Bartlesville had \$63,438,867 in outstanding debt. Table 3 summarizes the outstanding debt.

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

	2011	2012
General Obligation Bonds	\$ 18,680,000	15,910,000
Capital leases	0	0
Accrued compensated absences	816,304	794,516
Workers compensation claims	710,670	804,483
Notes payable	49,577,064	45,929,868
Total	\$ 69,784,038	63,438,867

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2012
(continued)

Capital Assets and Debt Administration (continued)

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

Current Related Financial Activities

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

Contacting the City of Bartlesville's Financial Management Team

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

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

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

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

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

CITY OF BARTLESVILLE
Statement of Net Assets – Government-wide
June 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Total Component Units</u>
<u>ASSETS</u>				
Current assets:				
Cash and equivalents	\$ 483,118	1,457,224	1,940,342	416,006
Investments	4,050,603	15,280,570	19,331,173	-
Receivables, net of allowance	3,559,961	1,325,658	4,885,619	1,094,969
Internal balances	(548,367)	552,984	4,617	-
Due from other governmental agencies	143,899	-	143,899	-
Prepaid expenses	62,593	2,031	64,624	6,887
Inventories	53,402	444,011	497,413	-
Total current assets	<u>7,805,209</u>	<u>19,062,478</u>	<u>26,867,687</u>	<u>1,517,862</u>
Noncurrent assets:				
Restricted cash and equivalents	113,158	194,913	308,071	1,321,317
Restricted investments	19,785,244	1,053,633	20,838,877	-
Loan issue costs, net of amortization	-	34,096	34,096	-
Mortgage and security agreement	-	1,108,686	1,108,686	-
Capital assets:				
Non-depreciable	5,910,148	2,692,770	8,602,918	2,062,736
Depreciable, net of depreciation	67,974,072	93,802,242	161,776,314	52,694,889
Total noncurrent assets	<u>93,782,622</u>	<u>98,886,340</u>	<u>192,668,962</u>	<u>56,078,942</u>
Total assets	<u>101,587,831</u>	<u>117,948,818</u>	<u>219,536,649</u>	<u>57,596,804</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable and accrued expenses	1,121,618	976,095	2,097,713	124,287
Meter deposit liability	-	1,043,726	1,043,726	-
Deferred revenues	50,915	17,812	68,727	-
Net OPEB obligation	35,659	17,719	53,378	-
Long-term liabilities:				
Due within one year				
Bonds, capital leases and contracts	2,700,000	1,694,029	4,394,029	512,362
Compensated absences	637,624	156,892	794,516	-
Claims payable	561,867	242,616	804,483	-
Due in more than one year				
Bonds, capital leases and contracts	13,210,000	44,235,839	57,445,839	4,497,608
Total liabilities	<u>18,317,683</u>	<u>48,384,728</u>	<u>66,702,411</u>	<u>5,134,257</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	57,974,220	50,565,144	108,539,364	48,188,497
Restricted (Note 7):				
Enabling legislation	16,127,570	551,509	16,679,079	-
Statutory requirements	3,350,928	2,031	3,352,959	-
External contracts	225,544	10,409,931	10,635,475	2,621,317
Unrestricted	5,591,886	8,035,475	13,627,361	1,652,733
Total net assets	<u>\$ 83,270,148</u>	<u>69,564,090</u>	<u>152,834,238</u>	<u>52,462,547</u>

See accompanying notes to the financial statements

CITY OF BARTLESVILLE
Statement of Activities – Government-wide
For the Fiscal Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets			Total Component Units
		Charges for Services and Fines	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental Activities								
General Government	\$ 5,803,240	412,953	35,462	2,108,450	(3,246,375)		(3,246,375)	
Public Safety	10,769,845	1,361,507	257,480	-	(9,150,858)		(9,150,858)	
Streets and highways	2,991,006	1,419,542	-	79,338	(1,492,126)		(1,492,126)	
Health, Welfare and Sanitation	820,368	62,600	-	-	(757,768)		(757,768)	
Culture and Recreation	2,811,225	58,975	77,854	102,370	(2,572,026)		(2,572,026)	
Payments to component units	854,245	-	-	-	(854,245)		(854,245)	
Interest on long-term debt	499,125	-	-	-	(499,125)		(499,125)	
Total governmental activities	<u>24,549,054</u>	<u>3,315,577</u>	<u>370,796</u>	<u>2,290,158</u>	<u>(18,572,523)</u>		<u>(18,572,523)</u>	
Business-type Activities								
Water System	8,794,037	8,903,790	-	2,000,000	-	2,109,753	2,109,753	
Wastewater System	4,305,971	3,800,254	-	-	-	(505,717)	(505,717)	
Solid Waste Disposal	3,249,484	4,331,363	-	-	-	1,081,879	1,081,879	
Community Center	1,510,799	469,020	154,569	-	-	(887,210)	(887,210)	
Other Business-type Activities	1,472,482	518,724	14,555	-	-	(939,203)	(939,203)	
Total business-type Activities	<u>19,332,773</u>	<u>18,023,151</u>	<u>169,124</u>	<u>2,000,000</u>	<u>-</u>	<u>859,502</u>	<u>859,502</u>	
Total Primary Government	<u>43,881,827</u>	<u>21,338,728</u>	<u>539,920</u>	<u>4,290,158</u>	<u>(18,572,523)</u>	<u>859,502</u>	<u>(17,713,021)</u>	
Component Units								
Total component units	\$ <u>2,687,150</u>	<u>1,618,644</u>	<u>-</u>	<u>-</u>				<u>(1,068,506)</u>
General revenues:								
Taxes:								
Property taxes, levied for debt service				\$ 3,245,932	546,583	3,792,515	-	
Franchise taxes				2,630,215	94,186	2,724,401	-	
Sales and use taxes				16,302,526	107,594	16,410,120	-	
Unrestricted investment earnings				44,067	259,258	303,325	81,896	
Miscellaneous				479,394	186,687	666,081	27	
Pass through revenue				-	-	-	81,200	
Gain (loss) on sale of assets				36,398	8,637	45,035	-	
Transfers (Note 5.A.)				1,553,001	(1,568,993)	(15,992)	-	
Total general revenues, special items, and transfers				<u>24,291,533</u>	<u>(366,048)</u>	<u>23,925,485</u>	<u>163,123</u>	
Change in net assets				<u>5,719,010</u>	<u>493,454</u>	<u>6,212,464</u>	<u>(905,383)</u>	
Net assets - beginning				<u>77,351,138</u>	<u>69,070,636</u>	<u>146,621,774</u>	<u>53,327,930</u>	
Net assets - ending	\$			<u>83,270,148</u>	<u>69,564,090</u>	<u>152,834,238</u>	<u>52,422,547</u>	

See accompanying notes to the financial statements

CITY OF BARTLESVILLE
 Balance Sheet – Governmental Funds
 June 30, 2012

<u>ASSETS</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Improvement Sales Tax Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 465,718	-	-	17,400	483,118
Investments	2,676,736	-	-	-	2,676,736
Taxes receivable	2,299,119	-	483,086	280,457	3,062,662
Due from other funds	4,706	-	-	-	4,706
Receivable from other governments	54,743	22,470	-	66,686	143,899
Other receivables, net of allowance	412,965	-	22,362	49,804	485,131
Inventories	53,402	-	-	-	53,402
Prepaid expenses	62,593	-	-	-	62,593
Cash - restricted	53,158	-	-	-	53,158
Investments - restricted	-	2,181,197	5,150,796	12,654,183	19,986,176
Total assets	<u>\$ 6,083,140</u>	<u>2,203,667</u>	<u>5,656,244</u>	<u>13,068,530</u>	<u>27,011,581</u>
 <u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 133,873	-	113,978	152,944	400,795
Due to other funds	52,984	-	-	500,089	553,073
Deferred revenue	48,322	-	-	2,593	50,915
Other accrued expenses	891,865	-	-	37,077	928,942
Other payables	56,190	-	23,386	-	79,576
Total liabilities	<u>1,183,234</u>	<u>-</u>	<u>137,364</u>	<u>692,703</u>	<u>2,013,301</u>
Fund balances:					
Nonspendable	115,995	-	-	-	115,995
Restricted	-	2,203,667	5,518,880	11,570,151	19,292,698
Committed	3,264,728	-	-	805,676	4,070,404
Unassigned	1,519,183	-	-	-	1,519,183
Total fund balances	<u>4,899,906</u>	<u>2,203,667</u>	<u>5,518,880</u>	<u>12,375,827</u>	<u>24,998,280</u>
Total liabilities and fund balances	<u>\$ 6,083,140</u>	<u>2,203,667</u>	<u>5,656,244</u>	<u>13,068,530</u>	<u>27,011,581</u>

CITY OF BARTLESVILLE
 Reconciliation of the Governmental Funds Balance Sheet
 to the Government-wide Statement of Net Assets
 For the Fiscal Year Ended June 30, 2012

Total fund balance, governmental funds	\$ 24,998,280
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.</p>	73,884,220
<p>The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.</p>	1,072,790
<p>Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, Claims Payable and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.</p>	<u>(16,685,142)</u>
Net Assets of Governmental Activities in the Statement of Net Assets	\$ <u>83,270,148</u>

See accompanying notes to the financial statements

CITY OF BARTLESVILLE

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

	General Fund	Debt Service Fund	Capital Improvement Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Property taxes	\$ -	3,245,932	-	-	3,245,932
Sales and miscellaneous taxes	13,844,669	-	2,688,857	1,968,178	18,501,704
Fees and fines	943,733	-	-	-	943,733
Licenses and permits	252,101	-	-	-	252,101
Intergovernmental	714,268	-	486,246	801,276	2,001,790
Charges for services	422,992	-	-	1,501,382	1,924,374
Investment earnings (losses)	(65,084)	-	21,720	80,536	37,172
Lease revenue	-	-	-	74,750	74,750
Miscellaneous	90,269	-	22,500	36,067	148,836
Contributions and donations	9,175	-	156,215	162,980	328,370
Total revenues	16,212,123	3,245,932	3,375,538	4,625,169	27,458,762
EXPENDITURES:					
Current:					
General government	4,970,871	1,950	99,386	1,071,526	6,143,733
Public Safety	9,472,993	-	7,025	860,676	10,340,694
Streets and highways	1,109,912	-	70,553	502,057	1,682,522
Culture and recreation	1,980,199	-	67,269	256,830	2,304,298
Debt Service:					
Principal	-	2,852,264	-	-	2,852,264
Interest and other charges	-	580,373	-	-	580,373
Capital outlay	-	-	3,149,326	7,377,392	10,526,718
Total expenditures	17,533,975	3,434,587	3,393,559	10,068,481	34,430,602
Excess (deficiency) of revenues over expenditures	(1,321,852)	(188,655)	(18,021)	(5,443,312)	(6,971,840)
OTHER FINANCING SOURCES (USES):					
Transfers in	3,667,374	-	-	424,607	4,091,981
Transfers out	(1,439,596)	-	-	(151,816)	(1,591,412)
Proceeds from sale of fixed assets	16,297	-	-	20,101	36,398
Total other financing sources and uses	2,244,075	-	-	292,892	2,536,967
Net change in fund balances	922,223	(188,655)	(18,021)	(5,150,420)	(4,434,873)
Fund balances - beginning	3,977,683	2,392,322	5,536,901	17,526,247	29,433,153
Fund balances - ending	\$ 4,899,906	2,203,667	5,518,880	12,375,827	24,998,280

See accompanying notes to the financial statements

CITY OF BARTLESVILLE

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Government-wide Statement of Activities For the Fiscal Year Ended June 30, 2012

Net change in fund balances - total governmental funds:	\$ (4,434,873)
Amounts reported for Governmental Activities in the Statement of Activities	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays \$10,511,363 exceeded depreciation \$3,570,521 in the current period.	6,940,842
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	959,538
Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds exceeded repayments.	2,852,264
Governmental funds do not report capital assets and therefore do not record a transfer when these assets are transferred to another fund. In contrast, the Statement of Activities reports these as transfers.	(1,247,568)
Governmental funds do not report workers' compensation claims payable. This is the amount that the workers compensation claims payable increased.	8,036
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	331,437
Internal service funds are used by management to charge the costs of certain activities, such as workers' compensation and health insurance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	309,334
Change in net assets of governmental activities	\$ <u>5,719,010</u>

CITY OF BARTLESVILLE
Statement of Net Assets – Proprietary Funds
June 30, 2012

Business-type Activities - Enterprise Funds

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds	
	Wastewater Fund	Water Fund	Solid Waste Fund	Bartlesville Municipal Authority	Bartlesville Community Center Trust Authority	Other Enterprise Funds		Total
ASSETS								
Current assets:								
Cash	\$ -	-	-	-	106,513	1,350,711	1,457,224	-
Investments	310,351	326,208	2,053,904	7,787,618	4,457,972	344,517	15,280,570	1,172,935
Accounts receivable, net of allowance	-	-	179,500	607,375	23,090	26,216	836,181	-
Other receivables	-	1,158	8,890	430,092	-	49,337	489,477	60,000
Inventories	35,742	408,269	-	-	-	-	444,011	-
Prepaid expenses	-	-	-	-	-	2,031	2,031	-
Due from other funds	-	-	-	500,000	52,984	-	552,984	-
Total current assets	<u>346,093</u>	<u>735,635</u>	<u>2,242,294</u>	<u>9,325,085</u>	<u>4,640,559</u>	<u>1,772,812</u>	<u>19,062,478</u>	<u>1,232,935</u>
Non-current assets:								
Restricted assets:								
Cash held by third party	-	-	-	194,913	-	-	194,913	12,168
Investments	-	-	-	1,053,633	-	-	1,053,633	-
Loan issue costs, net of amortization	-	-	-	-	-	34,096	34,096	-
Mortgage and security agreement	-	-	-	-	-	1,108,686	1,108,686	-
Capital assets:								
Land and improvements	6,528	135,877	-	724,569	989,815	596,115	2,452,904	-
Utility System	36,701,381	22,726,137	-	12,466,335	-	-	71,893,853	-
Construction in progress	-	180,197	-	13,532	-	-	193,729	-
Buildings	14,138,362	5,761,355	134,434	45,890,585	14,519,076	3,701,796	84,145,608	-
Equipment and furniture	5,132,086	2,685,022	1,854,427	-	1,429,150	629,318	11,730,003	-
Infrastructure and other improvements	-	1,070,232	-	1,690,361	304,667	2,510,084	5,575,344	-
Works of Art	-	-	-	-	46,137	-	46,137	-
Less accumulated depreciation	<u>(34,543,669)</u>	<u>(22,463,858)</u>	<u>(1,393,979)</u>	<u>(8,560,978)</u>	<u>(9,660,095)</u>	<u>(2,919,987)</u>	<u>(79,542,566)</u>	<u>-</u>
Total non-current assets	<u>21,434,688</u>	<u>10,094,962</u>	<u>594,882</u>	<u>53,472,950</u>	<u>7,628,750</u>	<u>5,660,108</u>	<u>98,886,340</u>	<u>12,168</u>
Total assets	<u>21,780,781</u>	<u>10,830,597</u>	<u>2,837,176</u>	<u>62,798,035</u>	<u>12,269,309</u>	<u>7,432,920</u>	<u>117,948,818</u>	<u>1,245,103</u>

See accompanying notes to the financial statements

CITY OF BARTLESVILLE
Statement of Net Assets – Proprietary Funds
June 30, 2012
(continued)

Business-type Activities - Enterprise Funds

	Wastewater Fund	Water Fund	Solid Waste Fund	Bartlesville Municipal Authority	Bartlesville Community Center Trust Authority	Other Enterprise Funds	Total	Governmental Activities - Internal Service Funds
LIABILITIES								
Current liabilities:								
Accounts payable	\$ 15,985	165,027	74,649	16,150	55,657	51,899	379,367	172,313
Accrued salaries payable	11,296	38,419	29,044	-	-	16,021	94,780	-
Accrued interest payable	-	-	-	489,308	-	9,960	499,268	-
Meter deposit liability	-	-	-	1,043,726	-	-	1,043,726	-
Deferred revenue	-	-	-	-	7,900	9,912	17,812	-
Deposits	-	-	-	-	2,680	-	2,680	-
Compensated absences	15,942	67,105	68,630	-	-	5,215	156,892	-
Net OPEB obligation	2,658	8,195	6,202	-	-	664	17,719	-
Claims and judgments	978	25,415	216,223	-	-	-	242,616	-
Bonds, notes and loans payable	-	-	-	1,613,029	-	81,000	1,694,029	-
Total current liabilities	<u>46,859</u>	<u>304,161</u>	<u>394,748</u>	<u>3,162,213</u>	<u>66,237</u>	<u>174,671</u>	<u>4,148,889</u>	<u>172,313</u>
Non-current liabilities:								
Bonds, notes and loans payable	-	-	-	43,208,153	-	1,027,686	44,235,839	-
Total non-current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,208,153</u>	<u>-</u>	<u>1,027,686</u>	<u>44,235,839</u>	<u>-</u>
Total liabilities	<u>46,859</u>	<u>304,161</u>	<u>394,748</u>	<u>46,370,366</u>	<u>66,237</u>	<u>1,202,357</u>	<u>48,384,728</u>	<u>172,313</u>
NET ASSETS								
Invested in capital assets, net of related debt	21,434,688	10,094,962	594,882	7,403,222	7,628,750	4,517,326	51,673,830	-
Restricted for debt service	-	-	-	9,024,447	-	-	9,024,447	-
Restricted for other purposes	35,742	408,269	-	-	107,500	1,387,515	1,939,026	1,072,790
Unrestricted	263,492	23,205	1,847,546	-	4,466,822	325,722	6,926,787	-
Total net assets	<u>\$ 21,733,922</u>	<u>10,526,436</u>	<u>2,442,428</u>	<u>16,427,669</u>	<u>12,203,072</u>	<u>6,230,563</u>	<u>69,564,090</u>	<u>1,072,790</u>

See accompanying notes to the financial statements

CITY OF BARTLESVILLE

Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds
For the Fiscal Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds						Total	Governmental Activities - Internal Service Funds
	Wastewater	Water	Solid Waste	Bartlesville Municipal Authority	Bartlesville Community Center Trust Authority	Other Enterprise Funds		
REVENUES:								
Charges for services	\$ 41	-	4,331,363	12,704,003	469,020	516,204	18,020,631	2,876,979
Lease revenue	-	-	-	-	-	2,520	2,520	-
Total operating revenues	41	-	4,331,363	12,704,003	469,020	518,724	18,023,151	2,876,979
OPERATING EXPENSES:								
Personal services	617,483	2,200,702	1,740,996	-	554,489	422,364	5,536,034	2,082,114
Contractual services	2,075,104	227,906	897,687	1,500	258,984	168,205	3,629,386	346,606
Utilities	957	618,201	4,349	-	129,708	50,637	803,852	-
Repairs and maintenance	107,565	189,600	249,727	-	35,182	70,375	652,449	-
Other supplies and expenses	10,507	1,175,956	233,638	237,547	164,491	109,873	1,932,012	-
Programs	-	-	-	-	-	360,182	360,182	-
Depreciation	1,494,355	725,373	123,087	1,704,269	367,945	290,846	4,705,875	-
Total operating expenses	4,305,971	5,137,738	3,249,484	1,943,316	1,510,799	1,472,482	17,619,790	2,428,720
Operating income (loss)	(4,305,930)	(5,137,738)	1,081,879	10,760,687	(1,041,779)	(953,758)	403,361	448,259
NON-OPERATING REVENUES (EXPENSES):								
Interest and investment revenue	924	2,035	11,338	61,399	181,573	1,989	259,258	6,898
Sales taxes	-	-	-	-	-	107,594	107,594	-
Hotel/motel taxes	-	-	-	-	-	94,186	94,186	-
Ad valorem taxes	-	-	-	-	-	546,583	546,583	-
Miscellaneous revenue	-	42,667	27,864	95,636	20,561	(41)	186,687	8,299
Grants and contributions	-	-	-	2,000,000	154,569	14,555	2,169,124	-
Interest expense	-	-	-	(1,712,983)	-	-	(1,712,983)	-
Total non-operating revenue (expenses)	924	44,702	39,202	444,052	356,703	764,866	1,650,449	15,197
Income (loss) before contributions and transfers	(4,305,006)	(5,093,036)	1,121,081	11,204,739	(685,076)	(188,892)	2,053,810	463,456
Capital asset transfers	1,247,568	-	-	-	-	-	1,247,568	-
Transfers in	3,710,248	5,973,089	-	95,075	289,614	148,296	10,216,322	300,000
Transfers out	(809,755)	(1,418,335)	(1,061,745)	(9,727,064)	-	(15,984)	(13,032,883)	-
Special item - gain (loss) on sale of capital assets	-	8,637	-	-	-	-	8,637	-
Change in net assets	(156,945)	(529,645)	59,336	1,572,750	(395,462)	(56,580)	493,454	763,456
Total net assets - beginning	21,890,867	11,056,081	2,383,092	14,854,919	12,598,534	6,287,143	69,070,636	309,334
Total net assets - ending	\$ 21,733,922	10,526,436	2,442,428	16,427,669	12,203,072	6,230,563	69,564,090	1,072,790

See accompanying notes to the financial statements

CITY OF BARTLESVILLE
Statement of Cash Flows – Proprietary Funds
For the Fiscal Year Ended June 30, 2012

	<u>Business-type Activities - Enterprise Funds</u>						<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
	<u>Wastewater</u>	<u>Water</u>	<u>Solid Waste</u>	<u>Bartlesville Municipal Authority</u>	<u>Bartlesville Community Center Trust Authority</u>	<u>Other Enterprise Funds</u>		
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from customers	\$ 335	(778)	4,371,196	12,632,501	490,374	515,329	18,008,957	2,874,111
Receipts from grantors and contributors	-	-	-	-	254,569	730,820	985,389	-
Receipts from investments	-	-	-	-	-	1,981	1,981	-
Receipts from taxes	-	-	-	-	284,887	-	284,887	-
Payments to suppliers	(2,230,344)	(2,174,356)	(1,337,161)	(170,255)	(575,346)	(829,073)	(7,316,535)	(2,323,164)
Payments to employees	(634,329)	(2,263,563)	(1,794,264)	-	(554,489)	(347,986)	(5,594,631)	-
Net cash provided (used) by operating activities	<u>(2,864,338)</u>	<u>(4,438,697)</u>	<u>1,239,771</u>	<u>12,462,246</u>	<u>(100,005)</u>	<u>71,071</u>	<u>6,370,048</u>	<u>550,947</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Other income	-	42,667	27,864	95,636	-	14,514	180,681	8,299
Intergovernmental income	-	-	-	2,000,000	-	-	2,000,000	-
Interfund transfers in (out)	2,900,493	4,554,754	(1,061,745)	(9,631,989)	-	148,296	(3,090,191)	-
Net cash provided (used) by noncapital financing activities	<u>2,900,493</u>	<u>4,597,421</u>	<u>(1,033,881)</u>	<u>(7,536,353)</u>	<u>-</u>	<u>162,810</u>	<u>(909,510)</u>	<u>8,299</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Proceeds from sale of capital assets	-	8,637	-	-	-	-	8,637	-
Purchases of capital assets	(39,697)	(178,371)	-	-	(188,699)	-	(406,767)	-
Cash held by third party	-	-	-	(90,881)	-	-	(90,881)	7,814
Principal paid on capital debt	-	-	-	(3,558,524)	-	(88,672)	(3,647,196)	-
Interest paid on capital debt	-	-	-	(1,714,468)	-	(61,522)	(1,775,990)	-
Net cash provided (used) by capital and related financing activities	<u>(39,697)</u>	<u>(169,734)</u>	<u>-</u>	<u>(5,363,873)</u>	<u>(188,699)</u>	<u>(150,194)</u>	<u>(5,912,197)</u>	<u>7,814</u>
CASH FLOWS FROM INVESTING ACTIVITIES								
Investment income	924	2,035	11,338	61,399	303,410	580	379,686	6,898
Purchase of investments	(40)	-	(223,430)	-	(970,665)	-	(1,194,135)	(873,958)
Sale of investments	-	780	-	789,677	968,960	-	1,759,417	-
Net cash provided (used) by investing activities	<u>884</u>	<u>2,815</u>	<u>(212,092)</u>	<u>851,076</u>	<u>301,705</u>	<u>580</u>	<u>944,968</u>	<u>(867,060)</u>

See accompanying notes to the financial statements

CITY OF BARTLESVILLE
Statement of Cash Flows – Proprietary Funds
For the Fiscal Year Ended June 30, 2012
(continued)

	<u>Business-type Activities - Enterprise Funds</u>						<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
	<u>Wastewater</u>	<u>Water</u>	<u>Solid Waste</u>	<u>Bartlesville Municipal Authority</u>	<u>Bartlesville Community Center Trust Authority</u>	<u>Other Enterprise Funds</u>		
Net increase (decrease) in cash and cash equivalents	\$ (2,658)	(8,195)	(6,202)	413,096	13,001	84,267	493,309	(300,000)
Cash and cash equivalents, beginning of year	-	-	-	86,904	93,512	1,537,596	1,718,012	(35,503)
Cash and cash equivalents, end of year	<u>\$ (2,658)</u>	<u>(8,195)</u>	<u>(6,202)</u>	<u>500,000</u>	<u>106,513</u>	<u>1,621,863</u>	<u>2,211,321</u>	<u>(335,503)</u>
OPERATING ACTIVITIES								
Operating income (loss)	<u>\$ (4,305,930)</u>	<u>(5,137,738)</u>	<u>1,081,879</u>	<u>10,760,687</u>	<u>(577,035)</u>	<u>(238,035)</u>	<u>1,821,863</u>	<u>448,259</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation expense	1,494,355	725,373	123,087	1,704,269	367,945	294,581	4,709,610	-
(Increase) decrease in accounts receivable	294	(778)	39,833	(71,502)	96,066	84,383	148,296	(2,868)
(Increase) decrease in inventories	(35,742)	(71,672)	-	-	-	-	(107,414)	-
Increase (decrease) in accounts payable	(469)	108,979	48,240	68,792	13,019	(45,091)	193,470	136,067
Increase (decrease) in deferred revenue	-	-	-	-	-	(1,520)	(1,520)	-
Increase (decrease) in payroll liabilities	(16,846)	(62,861)	(53,268)	-	-	(23,247)	(156,222)	-
Total adjustments	<u>1,441,592</u>	<u>699,041</u>	<u>157,892</u>	<u>1,701,559</u>	<u>477,030</u>	<u>309,106</u>	<u>4,786,220</u>	<u>133,199</u>
Net cash provided (used) by operating activities	<u>\$ (2,864,338)</u>	<u>(4,438,697)</u>	<u>1,239,771</u>	<u>12,462,246</u>	<u>(100,005)</u>	<u>71,071</u>	<u>6,370,048</u>	<u>581,458</u>

See accompanying notes to the financial statements

CITY OF BARTLESVILLE
Statement of Net Assets – Fiduciary Funds
June 30, 2012

	<u>Mausoleum Endowment</u>	<u>Housing TIF Districts</u>	<u>Hotel TIF District</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ -	14,181	-
Investments	14,927	-	-
Taxes receivable	-	-	7,542
Interest receivable	20	61	-
Total assets	<u>14,947</u>	<u>14,242</u>	<u>7,542</u>
<u>LIABILITIES</u>			
Due to other funds	4,617	-	-
Refunds payable and other liabilities	-	5,000	-
Total liabilities	<u>4,617</u>	<u>5,000</u>	<u>-</u>
<u>NET ASSETS</u>			
Held in trust for benefits and other purposes	10,330	9,242	7,542
Total net assets	<u>\$ 10,330</u>	<u>9,242</u>	<u>7,542</u>

See accompanying notes to the financial statements

CITY OF BARTLESVILLE

Statement of Changes in Fiduciary Net Assets – Fiduciary Funds
For the Fiscal Year Ended June 30, 2012

	<u>Mausoleum Endowment</u>	<u>TIF Districts</u>	<u>Hotel TIF District</u>
ADDITIONS:			
Property taxes for specific purposes	\$ -	244,084	-
General sales tax	-	29,295	107,332
Hotel/motel tax	-	-	106,673
Interest	(9)	(3,424)	
Total additions	<u>(9)</u>	<u>269,955</u>	<u>214,005</u>
DEDUCTIONS:			
General government	3,026	63	-
Interest expense	-	156,033	-
Principal payments	-	144,891	-
Transfers out	-	-	221,552
Total deductions	<u>3,026</u>	<u>300,987</u>	<u>221,552</u>
Change in net assets	(3,035)	(31,032)	(7,547)
Net assets - beginning	<u>13,365</u>	<u>40,274</u>	<u>15,089</u>
Net assets - ending	<u>\$ 10,330</u>	<u>9,242</u>	<u>7,542</u>

CITY OF BARTLESVILLE
Combining Statement of Net Assets
Discretely Presented Component Units
June 30, 2012

	Component Units		
	Bartlesville Development Corporation	Bartlesville Development Authority	Total
<u>ASSETS</u>			
Cash and equivalents	\$ 416,006	-	416,006
Receivables	1,094,969	-	1,094,969
Restricted cash	1,254,650	66,667	1,321,317
Other assets	6,887	-	6,887
Capital assets:			
Non-depreciable	1,328,061	734,675	2,062,736
Depreciable, less depreciation	247,507	52,447,382	52,694,889
Total capital assets	<u>1,575,568</u>	<u>53,182,057</u>	<u>54,757,625</u>
Total assets	<u>4,348,080</u>	<u>53,248,724</u>	<u>57,596,804</u>
<u>LIABILITIES</u>			
Accounts payable and accrued expenses	57,620	-	57,620
Due to other governmental agencies	66,667	-	66,667
Long-term liabilities			
Due within one year			
Bonds, capital leases and contracts	9,739	502,623	512,362
Compensated absences	-	-	-
Claims payable	-	-	-
Due in more than one year			
Bonds, capital leases and contracts	6,671	4,490,937	4,497,608
Total liabilities	<u>140,697</u>	<u>4,993,560</u>	<u>5,134,257</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	-	48,188,497	48,188,497
Restricted for:			
Capital projects	-	-	-
Debt service	-	-	-
Other projects	2,554,650	66,667	2,621,317
Unrestricted	1,652,733	-	1,652,733
Total net assets	<u>\$ 4,207,383</u>	<u>48,255,164</u>	<u>52,462,547</u>

See accompanying notes to the financial statements

CITY OF BARTLESVILLE

Combining Statement of Activities – Discretely Presented Component Units
For the Fiscal Year Ended June 30, 2012

Functions/Programs Component Units	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Component Units		Total
					Bartlesville Development Corporation	Bartlesville Development Authority	
Bartlesville Development Corporation	\$ 1,043,399	870,084	-	-	(173,315)	-	(173,315)
Bartlesville Development Authority	1,643,751	748,560	-	-	-	(895,191)	(895,191)
Total component units	\$ 2,687,150	1,618,644	-	-	(173,315)	(895,191)	(1,068,506)
General revenues:							
Unrestricted investment earnings					\$ 81,896	-	81,896
Miscellaneous					27	-	27
Pass through revenue					81,200	-	81,200
Transfers					-	-	-
Total general revenues, special items, and transfers					163,123	-	163,123
Change in net assets					(10,192)	(895,191)	(905,383)
Net assets - beginning					4,177,575	49,150,355	53,327,930
Prior period adjustment					40,000	-	40,000
Net assets - ending					\$ 4,207,383	48,255,164	52,422,547

See accompanying notes to the financial statements

CITY OF BARTLESVILLE
Notes to Basic Financial Statements – Index
June 30, 2012

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CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.A. INTRODUCTION

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

1.B. FINANCIAL REPORTING ENTITY

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

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

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.B. FINANCIAL REPORTING ENTITY (continued)

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

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.B. FINANCIAL REPORTING ENTITY (continued)

Blended Component Units Reported with the Primary Government	Brief Description of Activity's Relationship to City	Reporting Funds
Bartlesville Redevelopment Trust Authority	Develop, redevelop, restore and beautify a certain portion of central Bartlesville, Oklahoma jurisdictional boundaries. (Classified as Discretely Presented prior to July 1, 2010)	Enterprise Fund

Discretely Presented Component Unit	Brief Description of Activities Relationship to City	Reporting Funds
Bartlesville Development Corporation	Develop, finance and promote economic development activities. The City Council appoints three members of the Board and the Bartlesville Area Chamber of Commerce appoints three members. These six members then appoint the other three members. The City Council reviews the BDC budget, as well as approves any incentive awards. The City funds this program with ¼ cent sales tax.	Discretely Presented
Bartlesville Development Authority	Finances certain facilities for the purpose of promoting economic development in the <i>City of Bartlesville, Oklahoma</i> and surrounding areas.	Discretely Presented

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.C. BASIS OF PRESENTATION

Government-wide Financial Statements:

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

Fund Financial Statements:

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

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I.C. BASIS OF PRESENTATION (continued)

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

Governmental Fund Types:

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

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

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

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

Proprietary Fund Types:

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Nonoperating revenues of the proprietary funds include such items as investment earnings, interest expense and subsidies.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.C. BASIS OF PRESENTATION (continued)

Proprietary Fund Types: (continued)

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

<u>Fund</u>	<u>Brief Description</u>
Workers' Compensation	Accounts for the revenues and expenditures of the City's workers' compensation plan.
Health Insurance	Accounts for the revenues and expenditures of the City's health insurance plan.
Auto Collision Insurance	Accounts for the revenues and expenditures of the City's auto insurance plan.
Stabilization Reserve	Accounts for the funds set aside to be used only in certain limited and unusual circumstances.

Fiduciary Fund Types:

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

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.C. BASIS OF PRESENTATION (continued)

Fiduciary Fund Types: (continued)

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

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

Major and Nonmajor Funds

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

<u>Fund</u>	<u>Brief Description</u>
Major:	
General Fund	See above for description.
Special Revenue Fund: Debt Service Fund	See above for description.
Capital Project Fund: Capital Improvement Sales Tax Fund	Accounts for revenues and expenditures related to a sales tax issue restricted for capital improvements.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.C. BASIS OF PRESENTATION (continued)

Major and Nonmajor Funds (continued)

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.C. BASIS OF PRESENTATION (continued)

Nonmajor: (continued)

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.C. BASIS OF PRESENTATION (continued)

Nonmajor: (continued)

Capital Project Funds: (continued)

Capital Improvement - Park and Recreation Fund	Accounts for revenues and expenditures associated with improving the parks and recreation facilities.
Capital Improvement - Storm Sewer Fund	Accounts for revenues and expenditures associated with improving the storm sewer system.
Community Development Block Grant Fund	Accounts for revenues and expenditures related to the Community Development Block Grant.
2005 G.O. Bond Fund	Accounts for bond proceeds and expenditures associated with improving the streets, water system, buildings and water system.
2007 G.O. Bond Fund	Accounts for bond proceeds and expenditures associated with improving the streets.
2008A G.O. Bond Fund	Accounts for bond proceeds and expenditures associated with improving the streets and drainage.
2008B G.O. Bond Fund	Accounts for bond proceeds and expenditures associated with park improvements.
2009 G.O. Bond Fund	Accounts for bond proceeds and expenditures associated with street improvements.
2010 G.O. Bonds Fund	Accounts for bond proceeds and expenditures associated with street improvements.

Proprietary Funds:

Adams Municipal Golf Course	Accounts for revenues and expenses of the municipal golf course.
Sooner Pool	Accounts for revenues and expenses of Sooner Pool.
Frontier Pool	Accounts for revenues and expenses of Frontier Pool.
Adult Center Trust Authority	See above for description.
Bartlesville Redevelopment Trust Authority	See above for description.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING:

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

Measurement Focus

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

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

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Basis of Accounting

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

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

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.E. ASSETS, LIABILITIES AND EQUITY

Cash and Investments

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

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

Interfund Receivables and Payables

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

Receivables

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

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Deposit with Third-Party Administrator

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

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

Inventory

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

Fixed Assets

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fixed Assets (continued)

Government-wide Statements

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

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

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

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fixed Assets (continued)

Fund Financial Statements

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

Restricted Assets

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

Long-Term Debt

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

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

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Compensated Absences

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

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

Equity Classifications

Government-wide Statements

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

- a. Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, (2) law through constitutional provisions or enabling legislation, or (3) external contracts.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Equity Classifications (continued)

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

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

Governmental Fund Financial Statements

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

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

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Equity Classifications (continued)

Governmental Fund Financial Statements (continued)

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

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

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

I.F. REVENUES, EXPENDITURES AND EXPENSES

Sales Tax

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

Property Tax

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Operating Revenues and Expenses

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

Cigarette, Tobacco and Tobacco Products Tax

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

Expenditures and Expenses

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

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

Governmental Funds - by character: Current (further classified by function)
 Debt Service
 Capital Outlay
Proprietary Fund - by Operating and Non-Operating

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Interfund Transfers

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

1.G. STABILIZATION RESERVE FUND

On March 21, 2011 the City Council adopted an ordinance which established requirements for a stabilization reserve. This ordinance requires that the General Fund, Water Operating Fund, Wastewater Operating Fund, and Sanitation Fund set aside a certain amount each year which will be committed for the purpose of stabilization.

The ordinance also established a minimum and maximum amount that must be set aside for this purpose. The amount committed for stabilization for each fund should be between 16% and 35% of budgeted annual non-capital operating expenses. If the amounts committed for stabilization are less than the minimum required amounts, then 2% of budgeted annual non-capital operating expenses must be set aside each year until such minimum is met.

Amounts committed for stabilization may be used only in certain limited and unusual circumstances that must be declared to exist by a 4/5th's majority of the City Council. The circumstances differ depending on whether the amounts to be used are in excess of the minimum required balance or below this level.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I.G. STABILIZATION RESERVE FUND (continued)

For amounts in excess of the minimum required balances, one of the following criteria must be declared by the City Council:

- i. Expenditures for emergency situations for life, health, or public safety issues for which no existing appropriation exists;
- ii. Situations where a significant revenue decline arises that could not have reasonably been foreseen, and for which new revenue is not available and transfers of existing appropriations are not considered feasible or appropriate in maintaining existing service levels;
- iii. Correcting the results of an inaccurate estimate, accounting error, or budgeting error;
- iv. Expenditures where the proposed use is of a nonoperational nature involving capital or technical purchases having a useful life of greater than five years that will improve the efficiency of the City government. These efficiency improvements should result in tangible benefits that can be measured financially, through better service to the citizens, or in increased productivity for City employees;
- v. Expenditures where the proposed use is of a nonrecurring nature, such as a study, start-up costs of a program whose ongoing costs are otherwise funded, or matching funds for a grant. These expenditures should result in tangible benefits that can be measured financially, through better service to the citizens, or in increased productivity for City employees.

For amounts that are below the minimum required balances, one of the following criteria must be declared by the City Council:

- i. Expenditures for emergency situations for life, health, or public safety issues for which no existing appropriation exists;
- ii. Situations where a significant revenue decline arises that could not have reasonably been foreseen, and for which new revenue is not available and transfers of existing appropriations are not considered feasible or appropriate in maintaining existing service levels;
- iii. Correcting the results of an inaccurate estimate, accounting error, or budgeting error.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.G. STABILIZATION RESERVE FUND (continued)

As of June 30, 2012, the City had the following balances committed for stabilization:

	Amount Committed for Stabilization	Original Budgeted Non-Capital Expenses	Stabilization as % of Budgeted Expenses
General	\$ 575,039	19,167,962	3.0%
Wastewater	139,509	2,867,482	4.9%
Water	279,042	4,541,556	6.1%
Sanitation	192,127	3,022,914	6.4%
	<u>\$ 1,185,717</u>	<u>29,599,914</u>	<u>4.0%</u>

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 2 – DEPOSITS, INVESTMENTS AND COLLATERAL

The following is a table of deposits and investments of the City at June 30, 2012 by type.

	Credit Rating	Carrying Value	On Demand	Maturities in Years	
				Less Than One	1-5
Type Deposits:					
Petty Cash	N/A	\$ 2,775	2,775		
Demand Deposits	N/A	3,915,037	3,915,037		
Time Deposits	N/A	14,088,761		9,264,467	4,824,294
Total Deposits		<u>18,006,573</u>			
Investments:					
Corporate Stocks and Bonds		502,455			
Community Center	N/A	4,457,972			
Library Trust Authority	AAAAA	9,046			
Agencies of the U.S. Govt.					
GNMA/FHLB/FNMA/FFCR	AAA	18,180,916			
Mutual Funds					
Library Trust Authority	AAA-AAAAA	1,035,696			
Total Investments:		<u>24,186,085</u>			
Note Payments held in trust and cash with fiscal agent					
		254,913			
Total:		<u>\$ 42,447,571</u>			
Reconciliation to Statement of Net Assets:					
Cash and Cash Equivalents:					
Government-wide		\$ 1,940,342			
TIF Districts		14,181			
Investments:					
Government-wide		19,331,173			
Mausoleum		14,927			
Restricted Cash and Cash Equivalents:					
Government-wide		308,071			
Restricted Investments:					
Government-wide		20,838,877			
Total:		<u>\$ 42,447,571</u>			

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

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 3 – CAPITAL ASSETS

3.A. CAPITAL ASSET ACTIVITY – GOVERNMENTAL ACTIVITIES

Capital asset activity for governmental activities for the year ended June 30, 2012 was as follows:

Class	Governmental Activities				Ending Balance June 30, 2012
	Ending Balance June 30, 2011	Additions	Deletions	Transfers	
Capital assets, not being depreciated:					
Land	\$ 3,360,533	-	-	-	3,360,533
Construction in progress	7,566,208	10,387,491	(2,338)	(15,401,746)	2,549,615
Total capital assets, not being depreciated	10,926,741	10,387,491	(2,338)	(15,401,746)	5,910,148
Capital assets, being depreciated:					
Infrastructure and improvements	71,168,713	957,200	-	12,012,398	84,138,311
Buildings	10,878,634	-	-	2,141,780	13,020,414
Equipment and furniture	10,914,896	123,872	-	-	11,038,768
Total capital assets, being depreciated	92,962,243	1,081,072	-	14,154,178	108,197,493
Less accumulated depreciation for:					
Infrastructure and improvements	(24,280,001)	(2,420,108)	-	-	(26,700,109)
Buildings	(5,350,041)	(457,072)	-	-	(5,807,113)
Equipment and furniture	(7,022,858)	(693,341)	-	-	(7,716,199)
Total accumulated depreciation	(36,652,900)	(3,570,521)	-	-	(40,223,421)
Total capital assets, being depreciated, net	56,309,343	(2,489,449)	-	14,154,178	67,974,072
Governmental activities capital assets, net	\$ 67,236,084	7,898,042	(2,338)	(1,247,568)	73,884,220

On October 16, 2010, the BDC received a quit-claim deed from the City of Bartlesville for the Sunset Industrial Park. The land was given to the BDC on a condition that they would maintain, insure, and market it as a possible location for local business development. With the quit-claim deed, the Bartlesville City Council has the right to ask for the return of the deed and the property after twelve months. As of December 11, 2012, the Council has not requested the return of the land.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 3 – CAPITAL ASSETS (continued)

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

Capital asset activity for business-type activities for the year ended June 30, 2012, was as follows:

Class	Business-type Activities				Ending Balance June 30, 2012
	Ending Balance June 30, 2011	Additions	Deletions	Transfers	
Capital assets, net being depreciated:					
Land	\$ 2,452,903	-	-	-	2,452,903
Works of Art	46,137	-	-	-	46,137
Construction in progress	145,933	47,797	-	-	193,730
Total capital assets not being depreciated	2,644,973	47,797	-	-	2,692,770
Capital assets, being depreciated:					
Infrastructure and improvements	76,009,256	212,374	-	1,247,568	77,469,198
Buildings	84,145,608	-	-	-	84,145,608
Equipment and furniture	11,583,409	146,596	-	-	11,730,005
Total capital assets, being depreciated	171,738,273	358,970	-	1,247,568	173,344,811
Less accumulated depreciation for:					
Infrastructure and improvements	(36,092,614)	(2,022,512)	-	-	(38,115,126)
Buildings	(29,676,234)	(2,283,265)	-	-	(31,959,499)
Equipment and furniture	(9,067,478)	(400,466)	-	-	(9,467,944)
Total accumulated depreciation	(74,836,326)	(4,706,243)	-	-	(79,542,569)
Total capital assets, being depreciated, net	96,901,947	(4,347,273)	-	1,247,568	93,802,242
Business-type capital assets	\$ 99,546,920	(4,299,476)	-	1,247,568	96,495,012

3.C. DEPRECIATION CHARGES

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

Functional Category	Amount
General Government	\$ 685,335
Public Safety	445,219
Public Works	2,036,402
Culture and Recreation	403,565
Total depreciation	\$ 3,570,521

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 3 – CAPITAL ASSETS (continued)

3.D. CAPITAL ASSET ACTIVITY – COMPONENT UNITS

Capital asset activity for component units for the year ended June 30, 2012 was as follows:

	Ending Balance July 1, 2011	Additions	Deletions	Ending Balance June 30, 2012
Bartlesville Development Corporation				
Non-depreciable:				
Land	\$ 1,328,061	-	-	1,328,061
Depreciable:				
Building	252,549	-	-	252,549
Office Furniture and fixtures	48,028	2,140	-	50,168
Automobile	37,366	-	-	37,366
Less accumulated depreciation	(72,183)	(20,393)	-	(92,576)
Net depreciable assets	265,760	(18,253)	-	247,507
BDC capital assets, net	\$ 1,593,821	(18,253)	-	1,575,568
	Ending Balance July 1, 2011	Additions	Deletions	Ending Balance June 30, 2012
Bartlesville Development Authority				
Non-depreciable:				
Land	\$ 734,675	-	-	734,675
Depreciable:				
Building	62,860,158	-	-	62,860,158
Less accumulated depreciation	(9,027,131)	(1,385,645)	-	(10,412,776)
Net depreciable assets	53,833,027	(1,385,645)	-	52,447,382
BDA capital assets, net	\$ 54,567,702	(1,385,645)	-	53,182,057

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 4 – LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2012:

	<u>General Obligation Bonds Payable</u>	<u>Notes Payable</u>	<u>Workers' Comp Claims Liability</u>	<u>Accrued Compensated Absences</u>	<u>Total</u>
Long-term debt, July 1, 2011	\$ 18,680,000	49,577,064	710,670	816,304	69,784,038
Debt issued	-	-	342,189	-	342,189
Debt retired	<u>(2,770,000)</u>	<u>(3,647,196)</u>	<u>(248,376)</u>	<u>(21,788)</u>	<u>(6,687,360)</u>
Long-term debt, June 30, 2012	<u>\$ 15,910,000</u>	<u>45,929,868</u>	<u>804,483</u>	<u>794,516</u>	<u>63,438,867</u>
Amount due in one year	<u>\$ 2,700,000</u>	<u>1,694,029</u>	<u>804,483</u>	<u>794,516</u>	<u>5,993,028</u>

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

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

General obligation bonds payable at June 30, 2012, are comprised of the following issues:

On December 1, 2010, \$5,000,000 General Obligation Bonds, Series 2010, serial bonds due in annual installments of \$710,000, except for a final installment of \$740,000 through December 1, 2018; semi-annual interest at rates varying from 2.15% to .75% for street improvements.	Current	\$ 710,000
	Long-term	<u>4,290,000</u>
	Total	<u>5,000,000</u>

On June 1, 2008, \$4,000,000 General Obligation Bonds, Series 2008A, serial bonds due in annual installments of \$440,000, except for a final installment of \$480,000 through June 1, 2018; semi-annual interest at rates varying from 2.7% to 4.75% for street and drainage improvements.	Current	440,000
	Long-term	<u>2,240,000</u>
	Total	<u>2,680,000</u>

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 4 – LONG-TERM DEBT (continued)

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

General obligation bonds payable at June 30, 2012, are comprised of the following issues:
(continued)

On April 1, 2007, \$4,500,000 General Obligation Bonds, Series 2007, serial bonds due in annual installments of \$500,000 from April 1, 2009 through April 1, 2017; semi-annual interest at rates varying from 3.40% to 4.75% commencing April 1, 2008 for street improvements.	Current Long-term Total	\$ 500,000 <u>2,000,000</u> <u>2,500,000</u>
On September 1, 2008, \$2,000,000 General Obligation Bonds Series 2008B, due in annual installments of \$220,000 through September 1, 2018; semi-annual interest at rates varying from 2.7% through 5.7%.	Current Long-term Total	220,000 <u>1,340,000</u> <u>1,560,000</u>
On May 1, 2005, \$4,500,000 General Obligation Bonds, Series 2005, serial bonds due in annual installments of \$500,000 from May 1, 2007 through May 1, 2015; semi-annual interest at rates varying from 3.05% to 3.9% commencing May 1, 2006.	Current Long-term Total	500,000 <u>1,000,000</u> <u>1,500,000</u>
On September 1, 2009, \$3,000,000 General Obligation Bonds Series 2009, due in annual installments of \$330,000 through September 1, 2020; semi-annual interest at rates varying from 2.7% to 5.7%.	Current Long-term Total	330,000 <u>2,340,000</u> <u>2,670,000</u>
Total current portion		2,700,000
Total long-term portion		<u>13,210,000</u>
Total general obligation bonds		\$ <u><u>15,910,000</u></u>

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 4 – LONG-TERM DEBT (continued)

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

Notes payable at June 30, 2012 are comprised of the following obligations:

<p>Note payable to the Oklahoma Water Resources Board, proceeds of \$743,591 were used to refinance an interim construction loan on November 19, 2002, principle payments of \$19,066 are dMarue semi-annually starting March 15, 2003. This note is interest free, but is subject to a 0.5% administrative fee. The note will mature March 15, 2022.</p>	<p>Current</p>	<p>\$</p>	<p>38,133</p>
	<p>Long-term</p>		<p><u>343,196</u></p>
	<p>Total</p>		<p><u>381,329</u></p>

<p>Note payable to the Oklahoma Water Resources Board, proceeds of \$726,006 were used to refinance an interim construction loan on March 31, 2004, principle payments of \$18,150 are due semi-annually starting September 15, 2004. This note bears no interest but is subject to a 1/2% administrative fee. The note will mature March 15, 2024.</p>	<p>Current</p>	<p>36,300</p>
	<p>Long-term</p>	<p><u>399,304</u></p>
	<p>Total</p>	<p><u>435,604</u></p>

<p>Note payable to JP Morgan Chase Bank, N.A. proceeds of \$2,000,000 were used to finance construction and extension of Silver Lake Road on November 19, 2004, principal payments of \$13,812 are due semi-annually starting September 15, 2004. This note bears no interest but is subject to a 1/2% administrative fee. The note will mature March 15, 2024.</p>	<p>Current</p>	<p>27,625</p>
	<p>Long-term</p>	<p><u>303,874</u></p>
	<p>Total</p>	<p><u>331,499</u></p>

<p>Note payable to Oklahoma Water Resources Board. proceeds of \$7,620,000 were used to finance construction improvements to the drinking water system on September 1, 2009, draws as of June 30, 2010 were \$5,182,845. This note bears interest at a rate of 2.77% per annum. Principal and interest are due semiannually starting March 15, 2011. The note will mature on September 15, 2030.</p>	<p>Current</p>	<p>204,839</p>
	<p>Long-term</p>	<p><u>4,928,110</u></p>
	<p>Total</p>	<p><u>5,132,949</u></p>

<p>Note payable to Bank of America proceeds of \$3,030,000 were used to refinance three variable interest rate loans with Oklahoma Water Resources Board to a fixed interest rate of 3.8% per annum on March 1, 2005. Principal and interest are due semiannually starting on October 1, 2005. Principal payments range from \$130,000 to \$175,000. This note matures March 1, 2015.</p>	<p>Current</p>	<p>330,000</p>
	<p>Long-term</p>	<p><u>690,000</u></p>
	<p>Total</p>	<p><u>1,020,000</u></p>

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 4 – LONG-TERM DEBT (continued)

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

Notes payable at June 30, 2012 are comprised of the following obligations:
(continued)

<p>Note payable to the Oklahoma Water Resources Board, proceeds of \$40,445,000 were used to refinance indebtedness incurred for construction water system. Principle and interest payments of \$2,387,700 will be due in two semi-annual installments commencing on March 15, 2009. This note bears interest at a rate of 3.91% per annum. The note will mature on March 15, 2036.</p>	<table border="0"> <tr> <td>Current</td> <td style="text-align: right;">\$ 930,000</td> </tr> <tr> <td>Long-term</td> <td style="text-align: right;"><u>36,495,000</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>37,425,000</u></td> </tr> </table>	Current	\$ 930,000	Long-term	<u>36,495,000</u>	Total	<u>37,425,000</u>
Current	\$ 930,000						
Long-term	<u>36,495,000</u>						
Total	<u>37,425,000</u>						
<p>Note payable to Marjorie E. Pitzer, proceeds of \$256,000 were used to purchase real property. Principle and interest payments of \$51,346 will be due in annual installments commencing on April 1, 2009. This note bears interest at a rate of 5.5% per annum. The note will mature on April 1, 2014.</p>	<table border="0"> <tr> <td>Current</td> <td style="text-align: right;">46,132</td> </tr> <tr> <td>Long-term</td> <td style="text-align: right;"><u>48,669</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>94,801</u></td> </tr> </table>	Current	46,132	Long-term	<u>48,669</u>	Total	<u>94,801</u>
Current	46,132						
Long-term	<u>48,669</u>						
Total	<u>94,801</u>						
<p>Note payable to BancFirst proceeds of \$1,200,000 were used to finance costs associated with the construction of Downtown Bartlesville Hotel. Principal and interest are due annually on June 1st with a variable interest rate starting at 5.5%. The note will mature on June 1, 2022.</p>	<table border="0"> <tr> <td>Current</td> <td style="text-align: right;">81,000</td> </tr> <tr> <td>Long-term</td> <td style="text-align: right;"><u>1,027,686</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>1,108,686</u></td> </tr> </table>	Current	81,000	Long-term	<u>1,027,686</u>	Total	<u>1,108,686</u>
Current	81,000						
Long-term	<u>1,027,686</u>						
Total	<u>1,108,686</u>						
<p>Total current portion</p> <p>Total long-term portion</p> <p>Total notes payable</p>	<table border="0"> <tr> <td></td> <td style="text-align: right;">1,694,029</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>44,235,839</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>\$ 45,929,868</u></td> </tr> </table>		1,694,029		<u>44,235,839</u>		<u>\$ 45,929,868</u>
	1,694,029						
	<u>44,235,839</u>						
	<u>\$ 45,929,868</u>						

4.D. WORKERS' COMPENSATION CLAIMS LIABILITY

The City self-insures workers' compensation claims liability. The administration of claims for self-insurance is primarily performed by third party administrators. At June 30, 2012, the City's workers' compensation claims liability was \$804,483 based upon the estimated claims payable reported as reserves in the third party administrator's monthly and quarterly reports to the City. \$561,867 of the liability is payable from governmental type activities and is reported in claims payable of the governmental type activities in the government-wide statements. \$242,616 is payable from the Proprietary Funds and is recorded in claims payable. Due to the uncertainty of when these liabilities will be paid, the entire amount is considered to be a component of the current portion of long-term debt. All court ordered judgments are levied in accordance with State law over three years.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 4 – LONG-TERM DEBT (continued)

4.E. DEBT SERVICE REQUIREMENTS TO MATURITY

The annual requirements to amortize long-term debt outstanding as of June 30, 2012, are as follows:

<u>Period</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 4,394,030	2,062,903	6,456,933
2014	4,459,429	1,937,671	6,397,100
2015	4,473,852	1,803,622	6,277,474
2016	3,677,783	1,672,097	5,349,880
2017	3,732,744	1,565,655	5,298,399
2018-2022	11,986,884	6,431,239	18,418,123
2023-2027	9,105,074	4,791,961	13,897,035
2028-2032	10,250,072	2,977,672	13,227,744
2033-2037	9,760,000	978,772	10,738,772
Total	\$ <u>61,839,868</u>	<u>24,221,592</u>	<u>86,061,460</u>

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 5 – INTERFUND TRANSACTIONS

5.A. INTERFUND TRANSFERS

<u>Transfer to</u>	<u>Transfer From</u>	<u>Amount</u>	<u>Nature of Interfund Balance</u>
General Fund	Wastewater Fund	\$ 620,246	To subsidize the operations of the fund
General Fund	Water Fund	1,039,293	To subsidize the operations of the fund
General Fund	Solid Waste Fund	819,618	To subsidize the operations of the fund
General Fund	Bartlesville History Museum Trust	2,500	To subsidize the operations of the fund
E-911 Fund	General Fund	319,519	To subsidize the operations of the fund
Memorial Stadium Operating	General Fund	7,127	To subsidize the operations of the fund
Adams Municipal Golf Course Fund	General Fund	54,296	To subsidize the operations of the fund
Special Library Fund	Bartlesville Library Trust Authority	57,968	To subsidize the operations of the fund
Water Fund	BMA - Water	5,973,089	To subsidize the operations of the fund
Wastewater Fund	BMA - Sewer	3,710,248	To subsidize the operations of the fund
Community Center	General Fund	337,871	To subsidize the operations of the fund
Special Museum	Bartlesville History Museum Trust	40,000	To subsidize the operations of the fund
Frontier Pool Fund	General Fund	68,000	To subsidize the operations of the fund
Sooner Pool Fund	General Fund	26,000	To subsidize the operations of the fund
Collision Insurance Fund	General Fund	100,000	To mitigate City's self insurance risk as it applies to auto physical damage and collision
Collision Insurance Fund	Wastewater Fund	50,000	To mitigate City's self insurance risk as it applies to auto physical damage and collision
Collision Insurance Fund	Water Fund	100,000	To mitigate City's self insurance risk as it applies to auto physical damage and collision
Collision Insurance Fund	Solid Waste Fund	50,000	To mitigate City's self insurance risk as it applies to auto physical damage and collision
Stabilization Fund	General Fund	575,039	Reserve Fund established by Ordinance
Stabilization Fund	Wastewater Fund	139,509	Reserve Fund established by Ordinance
Stabilization Fund	Water Fund	279,042	Reserve Fund established by Ordinance
Stabilization Fund	Solid Waste Fund	192,127	Reserve Fund established by Ordinance
BMA - Street	Neighborhood Park Fund	51,348	Debt repayment
BMA - Water	BMA - Street	43,727	Debt repayment
Bartlesville Redevelopment Trust Authority	Hotel TIF Fund	221,552	TIF requirement
Bartlesville Development Corporation	Economic Development Fund	850,250	To fund operation of BDC
		<u>\$ 16,228,369</u>	

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 5 – INTERFUND TRANSACTIONS (continued)

5.B. INTERFUND RECEIVABLES AND PAYABLES

<u>Interfund Payables</u>	<u>Bartlesville Community Center Trust Authority</u>	<u>General Fund</u>	<u>BMA - Water</u>	<u>Payables Total</u>
General Fund	\$ 52,984	-	-	52,984
Mausoleum Endowment	-	4,617	-	4,617
Capital Improvement Wastewater Regulatory	-	-	500,000	500,000
CDBG Fund	-	89	-	89
Municipal Court Bond	-	9,421	-	9,421
Receivables total	<u>\$ 52,984</u>	<u>14,127</u>	<u>500,000</u>	<u>567,111</u>

NOTE 6 – RETIREMENT PLANS

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

6.A. DEFINED CONTRIBUTION PLAN

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

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 6 – RETIREMENT PLANS (continued)

6.A. DEFINED CONTRIBUTION PLAN (continued)

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

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

Employees direct how their money is invested.

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

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

For the fiscal year ended June 30, 2012 the City contributed \$68,594 to the plan.

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

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

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 6 – RETIREMENT PLANS

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

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

The number of Fund participants by category is as follows:

Terminated members entitled to but not yet receiving benefits	36
Retirees and beneficiaries currently receiving benefits	88
Fully vested employees	141
Non-vested employees	37
Total as of 1/1/12	<u>302</u>

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

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 6 – RETIREMENT PLANS (continued)

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

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

Cost method	Unit Credit
Interest rate	7.5% per annum
Pay increases	Rates by age
Mortality	1994 Group Annuity Mortality (projected to 2012)
Retirement age	Rates by age
Turnover	Rates by age and service
Asset value	Actuarial method

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 6 – RETIREMENT PLANS (continued)

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

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

Fiscal Year	Required Contribution Rate	Annual Required Contribution	Annual Actual Contribution	Percentage Contributed
2010	\$ 17.85%	1,363,177	1,150,830	84%
2011	22.75%	1,419,921	1,419,921	100%
2012	24.54%	1,517,437	1,642,962	108%

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

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

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
1/1/06	\$ 3,997,881	5,452,141	1,454,260	73.3%	5,743,064	25.3%
1/1/07	4,660,888	8,392,743	3,711,855	55.8%	7,439,181	49.9%
1/1/08	5,496,136	9,733,979	4,237,843	56.5%	7,130,565	59.4%
1/1/09	5,857,260	13,096,204	7,238,944	44.7%	7,708,287	93.9%
1/1/10	6,735,427	15,940,247	9,204,821	42.3%	6,824,433	134.9%
1/1/11	7,827,081	17,433,271	9,606,190	44.9%	6,185,093	155.3%
1/1/12	9,007,298	18,359,941	9,352,643	49.1%	5,925,252	157.8%

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 6 – RETIREMENT PLANS (continued)

6.C. COST SHARING, MULTIPLE EMPLOYER PLANS

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

The Oklahoma Insurance Department made a contribution to the OPPRS of \$247,507 on behalf of the City's employed police officers who participate in the Oklahoma Police Pension & Retirement System. This was recorded as a miscellaneous revenue and public safety expense on the government-wide financial statements.

All full-time officers, employed with a police department of a participating municipality, are eligible to participate in the System if not less than 21 years of age or more than 45 years of age when hired. Employees who retire upon completion of 20 years of credited service are entitled to a retirement benefit equal to 2-1/2% of the final average salary multiplied by the years of credited service, with a maximum of 30 years of service considered. Benefits fully vest on reaching 10 years of service. Vested employees may retire at or after age 50, or after 10 but before 20 years of service, and receive reduced retirement benefits. The System also provides death and disability benefits. Benefits are established by State statute.

As of June 30, 2012, the System held no related party investments of the City or any of its entities.

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 6 – RETIREMENT PLANS (continued)

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

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

As of June 30, 2012, the System held no related party investments of the City or any of its entities.

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

Cost-Sharing, Multiple-Employer Plans – The "pension benefit obligation" (the "PBO") is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems and employers. The Systems do not make separate measurements of assets and pension benefit obligation for individual employers.

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 6 – RETIREMENT PLANS (continued)

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

Fiscal Year	Oklahoma Police Pension and Retirement System		Oklahoma Firefighters Pension and Retirement System	
	Required Contribution	Percentage Contributed	Required Contribution	Percentage Contributed
2010	\$ 288,979	100%	413,460	100%
2011	276,578	100%	396,739	100%
2012	293,535	100%	414,854	100%

Historical trend information showing the progress of the Police Pension System and the Fire Pension System in accumulating sufficient assets to pay benefits when due is presented in the System's annual financial reports for June 30, 2012. Copies of these reports may be obtained from the State Retirement System.

The Bartlesville Community Center Trust Authority employees participate in a 403(b) Thrift Plan whereby the Trust Authority contributes 5% of eligible employees' compensation received during the plan year. Employees may elect to make salary reduction contributions to the plan. For the fiscal year ended June 30, 2012, the employer contributed \$15,802 to the plan.

6.D. RETIREE MEDICAL PLAN

Plan Description: On July 1, 2006, the *City of Bartlesville* implemented a single employer Retiree Medical Plan 401(h) benefit. Eligible employees are retired from active service under the pension plan, having completed at least 20 continuous years of credited service.

Funding Policy: The plan pays the retiree's medical (including dental and vision) premiums in the amount in effect under the State and Education Employees Group Insurance Act at the time of retirement, but the plan will not pay more than \$10 per month per year of service. Service considered in determining this maximum benefit includes only service completed on or before January 1, 2010; credited service for determining benefit eligibility, however, is not so limited. The payment of premiums under the retirement plan will terminate with respect to the retiree, the earlier of the date of the retiree's death or the 65th birthday of the retiree, with respect to the spouse

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 6 – RETIREMENT PLANS (continued)

6.D. RETIREE MEDICAL PLAN (continued)

or eligible dependent of a retiree, the 65th birthday of the retiree or, in the event that the retiree dies before attaining age 65, the date on which the retiree would have attained age 65. Funding requirement for fiscal year ending June 30, 2012 was \$113,771 per actual paid payroll based on actuarial percentages. Contributions paid were \$113,771.

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

OPEB liability (accrued actuarial liability) at July 1, 2011	\$ 698,862
Annual Amortization (30 years level payments)	39,440
Normal Cost	42,496
	81,936
Annual Required Contribution (ARC) (Normal Cost + amortization)	81,936
Interest on Net OPEB Obligation (NOO)	-
Amortization of NOO	-
	81,936
Annual OPEB Cost	81,936
Employer contributions (expected claims less contributions)	28,557
	53,379
Estimated NOO at end of year (June 30, 2012)	\$ 53,379

The City’s significant OPEB calculations for 2012 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation	Annual Accrued Liability	Unfunded Actuarial Accrued Liability
2012	42,496	34.9%	53,379	740,434	740,434

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 6 – RETIREMENT PLANS (continued)

6.D. RETIREE MEDICAL PLAN (continued)

Funded Status:

FUNDED STATUS AT THE END OF THE FISCAL YEAR

OPEB liability (Accrued Actuarial Liability) at July 1, 2011	\$ 698,862
Interest	26,557
Normal cost with interest	44,110
Claims net of retiree contributions	(28,557)
Interest on net claims	<u>(538)</u>
OPEB liability (Accrued Actuarial Liability) at June 30, 2012	<u>\$ 740,434</u>

Actuarial Assumptions:

Discount rate	3.80%
Healthcare trend	7% in 2012 graded to 5% in 2016
Acceptance rate-medical (civilians)	50%
Spouse covered if retiree is covered	50%
Mortality	UP94p
Turnover and retirement rates	Experience

Actuarial Method:

The actuarial funding method chosen will determine the allocation of costs. For example, one method may allocate all costs between now and the time a member is fully eligible to retire whereas another method may allocate all costs between now and the time a member is expected to retire (several years after retirement eligibility). One method might allocate costs as a level dollar amount while another might allocate costs as a level percentage of payroll. Using a different method will provide slightly different results. In short, different methods will relatively frontload the costs or backload the costs.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 6 – RETIREMENT PLANS (continued)

6.D. RETIREE MEDICAL PLAN (continued)

GASB allows the selection of one of six different actuarial methods. The method selected for this report was Projected Unit Credit (PUC). This is the method required by FASB 106 in the private. PUC is known to backload costs compared with the Entry Age Normal cost method. This is reasonable to do for OPEB liabilities, which are 'soft liabilities' because it allows for the realization of the assumptions before most payments are made.

GASB also allows for the selection of the amortization period (not to exceed thirty years). A longer amortization period means that the unfunded liability is being smoothed, and funded, over a longer period of time. This can be compared to a mortgage being paid off over a longer period of time (lower payments, but more interest). Thirty years was selected as the amortization period for this report.

6.E. COMPONENT UNIT RETIREMENT PLANS

Effective July 1, 1997, Bartlesville Development Corporation (BDC) adopted the American Chamber of Commerce Executives (ACCE) 401(k) Plan as a vehicle to provide retirement plan benefits to BDC employees. In May 2005, the BDC 401(k) plan was combined with the Bartlesville Regional Chamber of Commerce plan to provide retirement benefits to all employees of the Chamber of Commerce. BDC will pay an amount equal to 4 percent of a qualified employee's annual salary and match an employee's contribution up to 1 percent of the employee's annual salary. During the fiscal years ending June 30, 2012 and 2011, BDC paid a total of \$16,456 and \$9,353, respectively, to the plan, which has been recorded as employee benefits in the statement of activities.

NOTE 7 – FUND BALANCES AND NET ASSETS

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 7 – FUND BALANCES AND NET ASSETS (continued)

	General Fund	Debt Service Fund	Capital Improvement Sales Tax Fund	Other Governmental Funds	Total
Fund balances:					
Nonspendable					
Inventory	\$ 53,402	-	-	-	53,402
Prepaid items	62,593	-	-	-	62,593
Restricted for:					
Debt service	-	2,203,667	-	-	2,203,667
Sales tax CI	-	-	5,518,880	-	5,518,880
History museum	-	-	-	171,932	171,932
E-911	-	-	-	76,122	76,122
Special library	-	-	-	271,736	271,736
Special museum	-	-	-	67,430	67,430
Economic development	-	-	-	3,061,188	3,061,188
Library	-	-	-	1,174,676	1,174,676
Restricted donations	-	-	-	107,588	107,588
Justice assistance	-	-	-	30,119	30,119
Police grants	-	-	-	(180)	(180)
Neighbor parks	-	-	-	20,206	20,206
Cemetery	-	-	-	103,353	103,353
CI parks & recreation	-	-	-	180,667	180,667
CI Wastewater	-	-	-	124,565	124,565
CI Wastewater Regulatory	-	-	-	2,399,216	2,399,216
CI Storm Sewer	-	-	-	39,424	39,424
CI City Hall	-	-	-	75,301	75,301
Community Develop Grant	-	-	-	(89)	(89)
2005 G.O. bonds	-	-	-	72,815	72,815
2007 G.O. bonds	-	-	-	5,792	5,792
2008A G.O. bonds	-	-	-	831,397	831,397
2008B G.O. bonds	-	-	-	15,308	15,308
2009 G.O. bonds	-	-	-	86,260	86,260
2010 G.O. bonds	-	-	-	2,655,325	2,655,325
Committed to:					
Next year's budget	2,079,011	-	-	-	2,079,011
Stabilization reserve	1,185,717	-	-	-	1,185,717
Municipal airport	-	-	-	687,720	687,720
Golf course	-	-	-	90,430	90,430
Memorial stadium	-	-	-	27,526	27,526
Unassigned:	1,519,183	-	-	-	1,519,183
Total fund balances	\$ 4,899,906	2,203,667	5,518,880	12,375,827	24,998,280

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2012
(continued)

NOTE 7 – FUND BALANCES AND NET ASSETS (continued)

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

	<u>Enabling Legislation</u>	<u>Statutory Requirement</u>	<u>External Contracts</u>
Restricted Net Assets - Governmental Activities:			
Economic Development	\$ 3,061,188	-	-
E-911	76,122	-	-
Special Library	271,736	-	-
Special Museum	67,430	-	-
Municipal Airport	687,720	-	-
Bartlesville History Museum Trust Authority	171,932	-	-
Bartlesville Library Trust Authority	1,174,676	-	-
Restricted donations	-	-	107,588
Golf Course Memorial	-	-	90,430
Justice Assistance Grant	-	30,119	-
Police Grants	-	(180)	-
Neighborhood Park	20,206	-	-
Cemetery Perpetual Care	-	103,353	-
Memorial Stadium Operations	-	-	27,526
Workers' Compensation	346,396	-	-
Health Insurance	426,394	-	-
Auto Collision Insurance	300,000	-	-
Stabilization Reserve	1,185,717	-	-
Debt Service	-	2,203,667	-
Capital Improvement Funds:			
Sales Tax Capital Improvement Fund	5,518,880	-	-
Park & Recreation Fund	180,667	-	-
Wastewater Fund	124,565	-	-
Wastewater Regulatory Fund	2,399,216	-	-
Storm Sewer Fund	39,424	-	-
CDBG Fund	-	75,301	-
City Hall	75,301	-	-
General Obligation Bond Funds:			
2005 G.O. Bond Fund	-	(89)	-
2007 G.O. Bond Fund	-	5,792	-
2008A G.O. Bond Fund	-	831,397	-
2008B G.O. Bond Fund	-	15,308	-
2009 G.O. Bond Fund	-	86,260	-
2010 G.O. Bond Fund	-	2,655,325	-
Total restricted net assets	<u>\$ 16,127,570</u>	<u>3,350,928</u>	<u>225,544</u>
Restricted Net Assets - Business-type Activities:			
Bartlesville Municipal Authority	\$ -	-	9,024,447
Wastewater	35,741	-	-
Water	408,268	-	-
Community Center	107,500	-	-
Adams Municipal Golf Course	-	2,031	-
Bartlesville Redevelopment Trust Authority	-	-	1,385,484
Total restricted net assets	<u>\$ 551,509</u>	<u>2,031</u>	<u>10,409,931</u>

CITY OF BARTLESVILLE

Notes to Basic Financial Statements

June 30, 2012

(continued)

NOTE 8 – ACCOUNTS RECEIVABLE

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

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

Governmental Activities:	<u>Interest</u>	<u>Taxes</u>	<u>Court</u>	<u>Other</u>	<u>Total</u>
Accounts receivable	\$ 103,088	3,086,769	717,069	182,687	4,089,613
Less: allowance for uncollectible accounts	-	-	(529,652)	-	(529,652)
Accounts receivable, net of allowance	<u>\$ 103,088</u>	<u>3,086,769</u>	<u>187,417</u>	<u>182,687</u>	<u>3,559,961</u>

The business-type activities accounts receivable follows:

Business-type Activities:	<u>Utility Accounts Receivable</u>	<u>Misc. Accounts Receivable</u>	<u>Total</u>
Water	\$ 919,924	426,141	1,346,065
Solid Waste	455,583	8,892	464,475
Wastewater	621,637	5,107	626,744
Community Center	-	23,090	23,090
Golf	-	3,620	3,620
Sooner Pool	-	287	287
Frontier Pool	-	381	381
Bartlesville Redevelopment Trust Authority	-	71,265	71,265
Total	1,997,144	538,783	2,535,927
Less: allowance for uncollectible accounts	(1,210,269)	-	(1,210,269)
Accounts receivable, net of allowance	<u>\$ 786,875</u>	<u>538,783</u>	<u>1,325,658</u>

CITY OF BARTLESVILLE

Notes to Basic Financial Statements

June 30, 2012

(continued)

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated and disclosed subsequent events up to and including December 11, 2012.

On August 20, 2012 the City Council approved a resolution for a Drinking Water SRF Loan from the Oklahoma Water Resources Board in the principal amount of \$3,810,000, secured by a pledge of revenues and adopted an ordinance providing for the issuance of Combined Purpose General Obligation Bonds, Series 2012, in the sum of \$3,000,000.

CITY OF BARTLESVILLE
Required Supplementary Information
June 30, 2012

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

- Budgetary Comparison Schedules – General Fund, Economic Development Fund, and Capital Improvement Fund – Sales Tax Fund

CITY OF BARTLESVILLE
 Budgetary Comparison Schedule - General Fund
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
	REVENUES			
Sales and miscellaneous taxes	\$ 13,245,987	13,278,987	13,640,735	361,748
Fees and fines	757,500	757,500	897,186	139,686
Licenses and permits	226,100	226,100	242,969	16,869
Intergovernmental	642,029	664,812	745,528	80,716
Charges for services	400,000	400,000	439,945	39,945
Investment earnings	81,100	81,100	69,915	(11,185)
Miscellaneous	56,600	56,600	129,653	73,053
Total revenues	<u>15,409,316</u>	<u>15,465,099</u>	<u>16,165,931</u>	<u>700,832</u>
EXPENDITURES				
Current:				
General government	5,562,081	5,595,081	5,295,061	300,020
Public safety	9,838,023	9,856,806	9,694,292	162,514
Streets and highways	1,196,389	1,196,389	1,105,712	90,677
Culture and recreation	2,096,527	2,100,527	2,019,567	80,960
Total Expenditures	<u>18,693,020</u>	<u>18,748,803</u>	<u>18,114,632</u>	<u>634,171</u>
Excess (deficiency) of revenues over expenditures	<u>(3,283,704)</u>	<u>(3,283,704)</u>	<u>(1,948,701)</u>	<u>1,335,003</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,481,657	2,481,657	2,481,657	-
Transfers out	(1,149,981)	(1,149,981)	(1,149,981)	-
Reserves	(705,419)	(705,419)	-	705,419
Total other financing sources and uses	<u>626,257</u>	<u>626,257</u>	<u>1,331,676</u>	<u>705,419</u>
Net change in fund balances	<u>(2,657,447)</u>	<u>(2,657,447)</u>	<u>(617,025)</u>	<u>(2,040,422)</u>
Fund balances - beginning	<u>2,772,436</u>	<u>2,772,436</u>	<u>3,082,376</u>	<u>(309,940)</u>
Fund balances - ending	<u>\$ 114,989</u>	<u>114,989</u>	<u>2,465,351</u>	<u>(2,350,362)</u>

(Unaudited - See independent auditor's report)

CITY OF BARTLESVILLE
 Budgetary Comparison Schedule –
 Debt Service Fund
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 3,420,293	3,420,293	3,247,717	(172,576)
Total revenues	<u>3,420,293</u>	<u>3,420,293</u>	<u>3,247,717</u>	<u>(172,576)</u>
EXPENDITURES				
Current:				
General government	132,475	132,475	1,950	130,525
Debt Service				
Principal	2,770,000	2,770,000	2,852,264	(82,264)
Interest and other charges	<u>518,168</u>	<u>558,606</u>	<u>580,373</u>	<u>(21,767)</u>
Total Expenditures	<u>3,420,643</u>	<u>3,461,081</u>	<u>3,434,587</u>	<u>130,525</u>
Excess (deficiency) of revenues over expenditures	<u>(350)</u>	<u>(40,788)</u>	<u>(186,870)</u>	<u>(42,051)</u>
Net change in fund balances	(350)	(40,788)	(186,870)	146,082
Fund balances - beginning	2,368,066	2,368,066	2,368,066	-
Fund balances - ending	<u>\$ 2,367,716</u>	<u>2,327,278</u>	<u>2,181,196</u>	<u>146,082</u>

(Unaudited -- See independent auditor's report)

CITY OF BARTLESVILLE

Budgetary Comparison Schedule – Capital Improvement – Sales Tax Fund For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
	REVENUES			
Sales and miscellaneous taxes	\$ 2,545,399	2,545,399	2,637,028	91,629
Intergovernmental	189,308	189,308	486,245	296,937
Investment earnings	61,500	61,500	40,944	(20,556)
Miscellaneous	-	-	22,500	22,500
Contributions and donations	-	290,927	156,215	(134,712)
Total revenues	<u>2,796,207</u>	<u>3,087,134</u>	<u>3,342,932</u>	<u>255,798</u>
EXPENDITURES				
Current:				
General government	233,500	242,125	98,742	143,383
Public safety	35,000	3,521	7,025	(3,504)
Streets and highways	-	-	70,553	(70,553)
Culture and recreation	-	-	67,269	(67,269)
Capital Outlay	5,599,737	7,111,983	3,067,524	4,044,459
Total Expenditures	<u>5,868,237</u>	<u>7,357,629</u>	<u>3,311,113</u>	<u>4,046,516</u>
Excess (deficiency) of revenues over expenditures	<u>(3,072,030)</u>	<u>(4,270,495)</u>	<u>31,819</u>	<u>4,302,314</u>
OTHER FINANCING SOURCES (USES)				
Unallocated	(258,246)	(89,962)	-	(89,962)
Total other financing sources and uses	<u>(258,246)</u>	<u>(89,962)</u>	<u>-</u>	<u>(89,962)</u>
Net change in fund balances	(3,330,276)	(4,360,457)	31,819	(4,392,276)
Fund balances - beginning	4,726,200	4,726,200	5,029,709	(303,509)
Fund balances - ending	<u>\$ 1,395,924</u>	<u>365,743</u>	<u>5,061,528</u>	<u>(4,695,785)</u>

(Unaudited - See independent auditor's report)

CITY OF BARTLESVILLE

Notes to Required Supplementary Information on Budgetary Accounting and Control June 30, 2012

BUDGETARY ACCOUNTING AND CONTROL

BUDGET LAW

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

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

CITY OF BARTLESVILLE

Notes to Required Supplementary Information on Budgetary Accounting and Control June 30, 2012 (continued)

BUDGETARY ACCOUNTING AND CONTROL (continued)

BUDGET LAW (continued)

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

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

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

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

BUDGETARY ACCOUNTING

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

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

CITY OF BARTLESVILLE

Notes to Required Supplementary Information on
Budgetary Accounting and Control
June 30, 2012
(continued)

BUDGETARY ACCOUNTING AND CONTROL (continued)

BUDGET REQUIREMENTS

Supplemental increases and decreases in budget appropriations were properly approved by the City Council. For the year ended June 30, 2012, the following supplemental increases and decreases in appropriations were approved:

	<u>Original Appropriations</u>	<u>Net Supplemental Appropriations (Increases)</u>	<u>Revised Appropriations</u>
General fund	\$ 18,693,020	55,783	18,748,803
General fund transfers	1,149,981	-	1,149,981
Debt service	3,420,643	40,438	3,461,081
Special revenue funds	5,826,744	1,860,544	7,687,288
Special revenue funds transfers	151,816	-	151,816
Capital projects funds	16,093,249	2,466,737	18,559,986

CITY OF BARTLESVILLE
Other Supplementary Information
For the Year Ended June 30, 2012

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

The supplementary information includes:

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

CITY OF BARTLESVILLE
 Other Supplementary Information
 Combining Balance Sheet – Nonmajor Governmental Funds
 June 30, 2012

	Special Revenue Funds						
	Bartlesville History Museum Trust Authority	E-911 Fund	Special Library Fund	Special Museum Fund	Economic Development Fund	Bartlesville Library Trust Authority	Restricted Donations Fund
ASSETS							
Cash and cash equivalents	\$ -	-	-	-	-	-	17,400
Taxes receivable, net	-	37,052	-	-	243,405	-	-
Receivable from other governments	-	-	-	-	-	-	-
Other receivables	741	339	1,173	273	12,159	559	-
Cash - restricted	-	-	-	-	-	-	-
Investments - restricted	171,191	78,388	270,946	67,702	2,805,624	1,174,117	90,188
Total assets	<u>\$ 171,932</u>	<u>115,779</u>	<u>272,119</u>	<u>67,975</u>	<u>3,061,188</u>	<u>1,174,676</u>	<u>107,588</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ -	3,292	-	545	-	-	-
Payable to other governments	-	-	-	-	-	-	-
Cash fund overdraft	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
Other accrued expenses	-	36,365	383	-	-	-	-
Other payables	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>39,657</u>	<u>383</u>	<u>545</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:							
Restricted	171,932	76,122	271,736	67,430	3,061,188	1,174,676	107,588
Committed	-	-	-	-	-	-	-
Total fund balances	<u>171,932</u>	<u>76,122</u>	<u>271,736</u>	<u>67,430</u>	<u>3,061,188</u>	<u>1,174,676</u>	<u>107,588</u>
Total liabilities and fund balances	<u>\$ 171,932</u>	<u>115,779</u>	<u>272,119</u>	<u>67,975</u>	<u>3,061,188</u>	<u>1,174,676</u>	<u>107,588</u>

See independent auditor's report

CITY OF BARTLESVILLE
 Other Supplementary Information
 Combining Balance Sheet – Nonmajor Governmental Funds
 June 30, 2012
 (continued)

	<u>Special Revenue Funds</u>							
	<u>Municipal Airport Fund</u>	<u>Golf Course Memorial Fund</u>	<u>Justice Assistance Grant Fund</u>	<u>Police Grant Fund</u>	<u>Neighborhood Park Fund</u>	<u>Cemetery Perpetual Care Fund</u>	<u>Memorial Stadium Operating Fund</u>	<u>Total Special Revenue Funds</u>
<u>ASSETS</u>								
Cash and cash equivalents	\$ -	-	-	-	-	-	-	17,400
Taxes receivable, net	-	-	-	-	-	-	-	280,457
Receivable from other governments	61,061	-	5,625	-	-	-	-	66,686
Other receivables	2,667	532	104	-	87	445	133	19,212
Cash - restricted	-	-	-	-	-	-	-	-
Investments - restricted	623,992	122,802	24,390	3,154	20,119	102,908	30,618	5,586,139
Total assets	<u>\$ 687,720</u>	<u>123,334</u>	<u>30,119</u>	<u>3,154</u>	<u>20,206</u>	<u>103,353</u>	<u>30,751</u>	<u>5,969,894</u>
<u>LIABILITIES AND FUND BALANCES</u>								
Liabilities:								
Accounts payable	\$ -	32,904	-	741	-	-	2,896	40,378
Payable to other governments	-	-	-	-	-	-	-	-
Cash fund overdraft	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	2,593	-	-	-	2,593
Other accrued expenses	-	-	-	-	-	-	329	37,077
Other payables	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>32,904</u>	<u>-</u>	<u>3,334</u>	<u>-</u>	<u>-</u>	<u>3,225</u>	<u>80,048</u>
Fund balances:								
Restricted	-	-	30,119	(180)	20,206	103,353	-	5,084,170
Committed	687,720	90,430	-	-	-	-	27,526	805,676
Total fund balances	<u>687,720</u>	<u>90,430</u>	<u>30,119</u>	<u>(180)</u>	<u>20,206</u>	<u>103,353</u>	<u>27,526</u>	<u>5,889,846</u>
Total liabilities and fund balances	<u>\$ 687,720</u>	<u>123,334</u>	<u>30,119</u>	<u>3,154</u>	<u>20,206</u>	<u>103,353</u>	<u>30,751</u>	<u>5,969,894</u>

See independent auditor's report

CITY OF BARTLESVILLE
 Other Supplementary Information
 Combining Balance Sheet – Nonmajor Governmental Funds
 June 30, 2012
 (continued)

Capital Project Funds

	Capital Improvement - Park & Recreation Fund	Capital Improvement - Wastewater Fund	Capital Improvement - Wastewater Regulatory Fund	Capital Improvement - Storm Sewer Fund	Capital Improvement - City Hall Fund	CDBG Fund	Page Totals
<u>ASSETS</u>							
Cash and cash equivalents	-	-	-	-	-	-	-
Taxes receivable, net	-	-	-	-	-	-	-
Receivable from other governments	-	-	-	-	-	-	-
Other receivables	779	537	12,774	170	325	-	14,585
Cash - restricted	-	-	-	-	-	-	-
Investments - restricted	179,888	124,028	2,951,232	39,254	74,976	-	3,369,378
Total assets	<u>\$ 180,667</u>	<u>124,565</u>	<u>2,964,006</u>	<u>39,424</u>	<u>75,301</u>	<u>-</u>	<u>3,383,963</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	-	-	64,790	-	-	-	64,790
Payable to other governments	-	-	-	-	-	-	-
Due to other funds	-	-	500,000	-	-	89	500,089
Deferred revenue	-	-	-	-	-	-	-
Other accrued expenses	-	-	-	-	-	-	-
Other payables	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>564,790</u>	<u>-</u>	<u>-</u>	<u>89</u>	<u>564,879</u>
Fund balances:							
Restricted	180,667	124,565	2,399,216	39,424	75,301	(89)	2,819,084
Committed	-	-	-	-	-	-	-
Total fund balances	<u>180,667</u>	<u>124,565</u>	<u>2,399,216</u>	<u>39,424</u>	<u>75,301</u>	<u>(89)</u>	<u>2,819,084</u>
Total liabilities and fund balances	<u>\$ 180,667</u>	<u>124,565</u>	<u>2,964,006</u>	<u>39,424</u>	<u>75,301</u>	<u>-</u>	<u>3,383,963</u>

See independent auditor's report

CITY OF BARTLESVILLE
 Other Supplementary Information
 Combining Balance Sheet – Nonmajor Governmental Funds
 June 30, 2012
 (continued)

	<u>Capital Project Funds</u>							
	<u>2005 G.O. Bond Fund</u>	<u>2007 G.O. Bond Fund</u>	<u>2008A G.O. Bond Fund</u>	<u>2008B G.O. Bond Fund</u>	<u>2009 G.O. Bond Fund</u>	<u>2010 G.O. Bond Fund</u>	<u>Total Capital Project Funds</u>	<u>Total Other Governmental Funds</u>
ASSETS								
Cash and cash equivalents	\$ -	-	-	-	-	-	-	17,400
Taxes receivable, net	-	-	-	-	-	-	-	280,457
Receivable from other governments	-	-	-	-	-	-	-	66,686
Other receivables	314	22	3,583	66	561	11,461	30,592	49,804
Cash - restricted	-	-	-	-	-	-	-	-
Investments - restricted	72,501	5,770	827,814	15,242	129,613	2,647,726	7,068,044	12,654,183
Total assets	<u>\$ 72,815</u>	<u>5,792</u>	<u>831,397</u>	<u>15,308</u>	<u>130,174</u>	<u>2,659,187</u>	<u>7,098,636</u>	<u>13,068,530</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ -	-	-	-	43,914	3,862	112,566	152,944
Payable to other governments	-	-	-	-	-	-	-	-
Cash fund overdraft	-	-	-	-	-	-	500,089	500,089
Deferred revenue	-	-	-	-	-	-	-	2,593
Other accrued expenses	-	*	-	-	-	-	-	37,077
Other payables	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,914</u>	<u>3,862</u>	<u>612,655</u>	<u>692,703</u>
Fund balances:								
Restricted	72,815	5,792	831,397	15,308	86,260	2,655,325	6,485,981	11,570,151
Committed	-	-	-	-	-	-	-	805,676
Total fund balances	<u>72,815</u>	<u>5,792</u>	<u>831,397</u>	<u>15,308</u>	<u>86,260</u>	<u>2,655,325</u>	<u>6,485,981</u>	<u>12,375,827</u>
Total liabilities and fund balances	<u>\$ 72,815</u>	<u>5,792</u>	<u>831,397</u>	<u>15,308</u>	<u>130,174</u>	<u>2,659,187</u>	<u>7,098,636</u>	<u>13,068,530</u>

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CITY OF BARTLESVILLE
 Other Supplementary Information
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Non-major Governmental Funds
 For the Fiscal Year Ended June 30, 2012

	Special Revenue Funds						
	Bartlesville History Museum Trust Authority	E-911 Fund	Special Library Fund	Special Museum Fund	Economic Development Fund	Bartlesville Library Trust Authority	Restricted Donations Fund
REVENUES:							
Property taxes	\$ -	-	-	-	-	-	-
Sales and miscellaneous taxes	-	447,470	-	-	1,520,708	-	-
Intergovernmental	-	-	43,531	-	-	-	-
Charges for services	-	2,400	47	-	-	-	-
Investment earnings	676	707	1,558	307	16,107	49,192	-
Lease Revenue	-	-	-	-	-	-	-
Miscellaneous	-	-	-	116	17,762	-	7,258
Contributions and donations	-	-	23,721	10,602	-	-	23,440
Total revenues	<u>676</u>	<u>450,577</u>	<u>68,857</u>	<u>11,025</u>	<u>1,554,577</u>	<u>49,192</u>	<u>30,698</u>
EXPENDITURES:							
Current:							
General government	-	-	-	-	854,245	-	3,399
Public safety	-	726,103	-	-	-	-	46,241
Public works	-	-	-	-	-	-	-
Culture and recreation	-	-	125,253	40,490	-	-	15,161
Debt service:							
Principal	-	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>726,103</u>	<u>125,253</u>	<u>40,490</u>	<u>854,245</u>	<u>-</u>	<u>64,801</u>
Excess (deficiency) of revenues over expenditures	<u>676</u>	<u>(275,526)</u>	<u>(56,396)</u>	<u>(29,465)</u>	<u>700,332</u>	<u>49,192</u>	<u>(34,103)</u>
OTHER FINANCING SOURCES (USES):							
Proceeds from long-term debt, net	-	-	-	-	-	-	-
Transfers in	-	319,512	57,968	40,000	-	-	-
Transfers out	(42,500)	-	-	-	-	(57,968)	-
Total other financing sources and uses	<u>(42,500)</u>	<u>319,512</u>	<u>57,968</u>	<u>40,000</u>	<u>-</u>	<u>(57,968)</u>	<u>-</u>
SPECIAL ITEM:							
Proceeds from sale of fixed assets	-	-	2,701	-	-	-	17,400
Net change in fund balances	<u>(41,824)</u>	<u>43,986</u>	<u>4,273</u>	<u>10,535</u>	<u>700,332</u>	<u>(8,776)</u>	<u>(16,703)</u>
Fund balances - beginning	<u>213,756</u>	<u>32,136</u>	<u>267,463</u>	<u>56,895</u>	<u>2,360,856</u>	<u>1,183,452</u>	<u>124,291</u>
Fund balances - ending	<u>\$ 171,932</u>	<u>76,122</u>	<u>271,736</u>	<u>67,430</u>	<u>3,061,188</u>	<u>1,174,676</u>	<u>107,588</u>

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CITY OF BARTLESVILLE
 Other Supplementary Information
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Non-major Governmental Funds
 For the Fiscal Year Ended June 30, 2012
 (continued)

	Special Revenue Funds						Total Special Revenue Funds
	Municipal Airport Fund	Golf Course Memorial Fund	Justice Assistance Grant Fund	Police Grant Fund	Neighborhood Park Fund	Cemetery Perpetual Care Fund	
REVENUES:							
Property taxes	\$ -	-	-	-	-	-	-
Sales and miscellaneous taxes	-	-	-	-	-	-	1,968,178
Intergovernmental	420,927	-	33,714	223,766	-	-	721,938
Charges for services	-	15,235	-	-	-	1,558	19,240
Investment earnings	2,729	1,076	119	-	(89)	533	72,930
Lease revenue	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	10,931
Contributions and donations	-	94,775	-	-	7,595	2,847	162,980
Total revenues	<u>423,656</u>	<u>111,086</u>	<u>33,833</u>	<u>223,766</u>	<u>7,506</u>	<u>4,938</u>	<u>2,981,333</u>
EXPENDITURES:							
Current:							
General government	207,243	-	-	-	-	2,600	1,067,487
Public safety	-	-	15,127	73,205	-	-	860,676
Public works	-	-	-	-	-	-	-
Culture and recreation	-	11,330	-	-	-	-	59,908
Debt service:							
Principal	-	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-
Capital outlay	1,081,312	40,319	-	150,741	-	-	1,272,372
Total expenditures	<u>1,288,555</u>	<u>51,649</u>	<u>15,127</u>	<u>223,946</u>	<u>-</u>	<u>2,600</u>	<u>3,452,677</u>
Excess (deficiency) of revenues over expenditures	<u>(864,899)</u>	<u>59,437</u>	<u>18,706</u>	<u>(180)</u>	<u>7,506</u>	<u>2,338</u>	<u>(471,344)</u>
OTHER FINANCING SOURCES (USES):							
Proceeds from long-term debt, net	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	7,127
Transfers out	-	-	-	-	(51,348)	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(51,348)</u>	<u>-</u>	<u>7,127</u>
SPECIAL ITEM:							
Proceeds from sale of fixed assets	-	-	-	-	-	-	20,101
Net change in fund balances	<u>(864,899)</u>	<u>59,437</u>	<u>18,706</u>	<u>(180)</u>	<u>(43,842)</u>	<u>2,338</u>	<u>(178,452)</u>
Fund balances - beginning	<u>1,552,619</u>	<u>30,993</u>	<u>11,413</u>	<u>-</u>	<u>64,048</u>	<u>101,015</u>	<u>6,068,298</u>
Fund balances - ending	<u>\$ 687,720</u>	<u>90,430</u>	<u>30,119</u>	<u>(180)</u>	<u>20,206</u>	<u>103,353</u>	<u>5,889,846</u>

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CITY OF BARILESVILLE
 Other Supplementary Information
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Non-major Governmental Funds
 For the Fiscal Year Ended June 30, 2012
 (continued)

	Capital Project Funds					CDBG Fund
	Capital Improvement - Park & Recreation Fund	Capital Improvement - Wastewater Fund	Capital Improvement - Wastewater Regulatory Fund	Capital Improvement - Storm Sewer Fund	Capital Improvement - City Hall Fund	
REVENUES:						
Property taxes	\$ -	-	-	-	-	-
Sales and miscellaneous taxes	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	79,338
Charges for services	-	62,600	1,416,731	2,811	-	-
Investment earnings	524	760	17,945	222	551	-
Lease revenue	-	-	-	-	74,750	-
Miscellaneous	-	-	-	-	-	-
Contributions and donations	-	-	-	-	-	-
Total revenues	<u>524</u>	<u>63,360</u>	<u>1,434,676</u>	<u>3,033</u>	<u>75,301</u>	<u>79,338</u>
EXPENDITURES:						
Current:						
General government	-	-	-	-	-	89
Public safety	-	-	-	-	-	-
Public works	-	150,311	176,229	-	-	-
Culture and recreation	4,688	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-
Capital outlay	49,200	-	750,360	-	-	79,338
Total expenditures	<u>53,888</u>	<u>150,311</u>	<u>926,589</u>	<u>-</u>	<u>-</u>	<u>79,427</u>
Excess (deficiency) of revenues over expenditures	<u>(53,364)</u>	<u>(86,951)</u>	<u>508,087</u>	<u>3,033</u>	<u>75,301</u>	<u>(89)</u>
OTHER FINANCING SOURCES (USES):						
Proceeds from long-term debt, net	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
SPECIAL ITEM:						
Proceeds from sale of fixed assets	-	-	-	-	-	-
Net change in fund balances	<u>(53,364)</u>	<u>(86,951)</u>	<u>508,087</u>	<u>3,033</u>	<u>75,301</u>	<u>(89)</u>
Fund balances - beginning	234,031	211,516	1,891,129	36,391	-	-
Fund balances - ending	<u>\$ 180,667</u>	<u>124,565</u>	<u>2,399,216</u>	<u>39,424</u>	<u>75,301</u>	<u>(89)</u>

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CITY OF BARTLESVILLE
 Other Supplementary Information
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Non-major Governmental Funds
 For the Fiscal Year Ended June 30, 2012
 (continued)

	Capital Project Funds							
	2005 G.O. Bond Fund	2007 G.O. Bond Fund	2008A G.O. Bond Fund	2008B G.O. Bond Fund	2009 G.O. Bond Fund	2010 G.O. Bond Fund	Total Capital Project Funds	Total Other Governmental Funds
REVENUES:								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales and miscellaneous taxes	-	-	-	-	-	-	-	1,968,178
Intergovernmental	-	-	-	-	-	-	79,338	801,276
Charges for services	-	-	-	-	-	-	1,482,142	1,501,382
Investment earnings	(1,573)	(5,737)	(218)	77	(11,160)	6,215	7,606	80,536
Lease revenue	-	-	-	-	-	-	74,750	74,750
Miscellaneous	-	-	-	-	-	-	-	36,067
Contributions and donations	-	-	-	-	-	-	-	162,980
Total revenues	<u>(1,573)</u>	<u>(5,737)</u>	<u>(218)</u>	<u>77</u>	<u>(11,160)</u>	<u>6,215</u>	<u>1,643,836</u>	<u>4,625,169</u>
EXPENDITURES:								
Current:								
General government	3,950	-	-	-	-	-	4,039	1,071,526
Public safety	-	-	-	-	-	-	-	860,676
Public works	-	35,735	6,795	-	79,897	53,090	502,057	502,057
Culture and recreation	-	-	-	-	-	-	4,688	256,830
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-	-
Capital outlay	300,038	599,063	260,105	-	2,197,540	1,869,376	6,105,020	7,377,392
Total expenditures	<u>303,988</u>	<u>634,798</u>	<u>266,900</u>	<u>-</u>	<u>2,277,437</u>	<u>1,922,466</u>	<u>6,615,804</u>	<u>10,068,481</u>
Excess (deficiency) of revenues over expenditures	<u>(305,561)</u>	<u>(640,535)</u>	<u>(267,118)</u>	<u>77</u>	<u>(2,288,597)</u>	<u>(1,916,251)</u>	<u>(4,971,968)</u>	<u>(5,443,312)</u>
OTHER FINANCING SOURCES (USES):								
Proceeds from long-term debt, net	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	424,607
Transfers out	-	-	-	-	-	-	-	(151,816)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>272,791</u>
SPECIAL ITEM:								
Proceeds from sale of fixed assets	-	-	-	-	-	-	-	20,101
Net change in fund balances	<u>(305,561)</u>	<u>(640,535)</u>	<u>(267,118)</u>	<u>77</u>	<u>(2,288,597)</u>	<u>(1,916,251)</u>	<u>(4,971,968)</u>	<u>(5,150,420)</u>
Fund balances - beginning	378,376	646,327	1,098,515	15,231	2,374,857	4,571,576	11,457,949	17,526,247
Fund balances - ending	<u>\$ 72,815</u>	<u>5,792</u>	<u>831,397</u>	<u>15,308</u>	<u>86,260</u>	<u>2,655,325</u>	<u>6,485,981</u>	<u>12,375,827</u>

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CITY OF BARTLESVILLE
Combining Statement of Net Assets
Nonmajor Proprietary Funds
June 30, 2012

	Adams Municipal Golf Course	Sooner Pool	Frontier Pool	Adult Center Trust Authority	Bartlesville Redevelop- ment Trust Authority	Total Other Enterprise Funds
<u>ASSETS</u>						
Current assets:						
Cash	\$ -	-	-	25,793	1,324,918	1,350,711
Investments	134,759	55,454	79,314	74,990	-	344,517
Accounts receivable, net of allowance	3,060	-	-	-	23,156	26,216
Other receivables	560	287	381	-	48,109	49,337
Prepaid expenses	2,031	-	-	-	-	2,031
Total current assets	<u>140,410</u>	<u>55,741</u>	<u>79,695</u>	<u>100,783</u>	<u>1,396,183</u>	<u>1,772,812</u>
Non-current assets:						
Loan issue costs, net of amortization	-	-	-	-	34,096	34,096
Mortgage and security agreement	-	-	-	-	1,108,686	1,108,686
Capital assets:						
Land and improvements	498,500	-	-	97,615	-	596,115
Buildings	394,541	358,610	2,758,573	190,072	-	3,701,796
Equipment and furniture	610,291	19,027	-	-	-	629,318
Infrastructure and other improvements	2,095,389	394,114	-	20,581	-	2,510,084
Less accumulated depreciation	<u>(2,000,326)</u>	<u>(405,642)</u>	<u>(416,880)</u>	<u>(97,139)</u>	<u>-</u>	<u>(2,919,987)</u>
Total non-current assets	<u>1,598,395</u>	<u>366,109</u>	<u>2,341,693</u>	<u>211,129</u>	<u>1,142,782</u>	<u>5,660,108</u>
Total assets	<u>1,738,805</u>	<u>421,850</u>	<u>2,421,388</u>	<u>311,912</u>	<u>2,538,965</u>	<u>7,432,920</u>
<u>LIABILITIES</u>						
Current liabilities:						
Accounts payable	13,633	4,126	7,032	1,101	26,007	51,899
Accrued salaries payable	3,689	5,141	7,191	-	-	16,021
Accrued interest payable	-	-	-	-	9,960	9,960
Deferred revenue	9,912	-	-	-	-	9,912
Compensated absences	5,215	-	-	-	-	5,215
Net OPEB obligation	664	-	-	-	-	664
Series 2009A note payable - current portion	-	-	-	-	81,000	81,000
Total current liabilities	<u>33,113</u>	<u>9,267</u>	<u>14,223</u>	<u>1,101</u>	<u>116,967</u>	<u>174,671</u>
Long-term liabilities:						
Series 2009A note payable	-	-	-	-	1,027,686	1,027,686
Total liabilities	<u>33,113</u>	<u>9,267</u>	<u>14,223</u>	<u>1,101</u>	<u>1,144,653</u>	<u>1,202,357</u>
<u>NET ASSETS</u>						
Invested in capital assets, net of related debt	1,598,395	366,109	2,341,693	211,129	-	4,517,326
Restricted net assets	2,031	-	-	-	1,385,484	1,387,515
Unrestricted	105,266	46,474	65,472	99,682	8,828	325,722
Total net assets	<u>\$ 1,705,692</u>	<u>412,583</u>	<u>2,407,165</u>	<u>310,811</u>	<u>1,394,312</u>	<u>6,230,563</u>

See independent auditor's report

CITY OF BARTLESVILLE

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2012

	Adams Municipal Golf Course	Sooner Pool	Frontier Pool	Adult Center Trust Authority	Bartlesville Redevelop- ment Trust Authority	Total Other Enterprise Funds
REVENUES:						
Charges for services	\$ 361,245	40,161	80,872	33,926	-	516,204
Lease revenue	-	-	-	-	2,520	2,520
Total operating revenues	<u>361,245</u>	<u>40,161</u>	<u>80,872</u>	<u>33,926</u>	<u>2,520</u>	<u>518,724</u>
OPERATING EXPENSES:						
Personal services	187,138	44,489	68,628	24,484	97,625	422,364
Contractual services	111,178	-	-	-	57,027	168,205
Utilities	26,637	5,391	14,198	4,411	-	50,637
Repairs and maintenance	40,558	6,152	12,848	10,817	-	70,375
Other supplies and expenses	51,864	12,386	20,267	4,584	20,772	109,873
Programs	-	-	-	-	360,182	360,182
Depreciation	79,568	30,495	173,842	6,941	-	290,846
Total operating expenses	<u>496,943</u>	<u>98,913</u>	<u>289,783</u>	<u>51,237</u>	<u>535,606</u>	<u>1,472,482</u>
Operating income (loss)	<u>(135,698)</u>	<u>(58,752)</u>	<u>(208,911)</u>	<u>(17,311)</u>	<u>(533,086)</u>	<u>(953,758)</u>
NON-OPERATING REVENUES (EXPENSES):						
Interest and investment revenue	(22)	180	411	11	1,409	1,989
Sales taxes	-	-	-	-	107,594	107,594
Hotel/motel taxes	-	-	-	-	94,186	94,186
Ad valorem taxes	-	-	-	-	546,583	546,583
Miscellaneous revenue	-	(41)	-	-	-	(41)
Grants and contributions	-	-	-	14,555	-	14,555
Total non-operating revenue (expenses)	<u>(22)</u>	<u>139</u>	<u>411</u>	<u>14,566</u>	<u>749,772</u>	<u>764,866</u>
Income (loss) before contributions and transfers	(135,720)	(58,613)	(208,500)	(2,745)	216,686	(188,892)
Transfers in	54,296	26,000	68,000	-	-	148,296
Transfers out	-	-	-	-	(15,984)	(15,984)
Change in net assets	(81,424)	(32,613)	(140,500)	(2,745)	200,702	(56,580)
Total net assets - beginning	<u>1,787,116</u>	<u>445,196</u>	<u>2,547,665</u>	<u>313,556</u>	<u>1,193,610</u>	<u>6,287,143</u>
Total net assets - ending	<u>\$ 1,705,692</u>	<u>412,583</u>	<u>2,407,165</u>	<u>310,811</u>	<u>1,394,312</u>	<u>6,230,563</u>

See independent auditor's report

CITY OF BARTLESVILLE
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2012

	Adams Municipal Golf Course	Sooner Pool	Frontier Pool	Adult Center Trust Authority	Bartlesville Redevelop- ment Trust Authority	Total Other Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 360,033	40,446	80,924	33,926	-	515,329
Receipts under incentive agreements	-	-	-	-	730,820	730,820
Receipts for interest	-	-	-	-	1,981	1,981
Payments to suppliers	(230,467)	(22,703)	(45,109)	(18,711)	(512,083)	(829,073)
Payments to employees	(191,601)	(53,100)	(78,801)	(24,484)	-	(347,986)
Net cash provided (used) by operating activities	<u>(62,035)</u>	<u>(35,357)</u>	<u>(42,986)</u>	<u>(9,269)</u>	<u>220,718</u>	<u>71,071</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Other income	-	(41)	-	14,555	-	14,514
Interfund transfers in	54,296	26,000	68,000	-	-	148,296
Net cash provided by noncapital financing activities	<u>54,296</u>	<u>25,959</u>	<u>68,000</u>	<u>14,555</u>	<u>-</u>	<u>162,810</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Principal paid on capital debt	-	-	-	-	(88,672)	(88,672)
Interest paid on capital debt	-	-	-	-	(61,522)	(61,522)
Net cash (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(150,194)</u>	<u>(150,194)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment income	(22)	180	411	11	-	580
Purchase of investments	(134,758)	(55,454)	(79,314)	(1,626)	-	-
Net cash provided (used) by investing activities	<u>(134,780)</u>	<u>(55,274)</u>	<u>(78,903)</u>	<u>(1,615)</u>	<u>-</u>	<u>580</u>
Net increase (decrease) in cash and cash equivalents	(142,519)	(64,672)	(53,889)	3,671	70,524	84,267
Cash and cash equivalents, beginning of year	142,519	64,672	53,889	22,122	1,254,394	1,537,596
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>25,793</u>	<u>1,324,918</u>	<u>1,350,711</u>

See independent auditor's report

CITY OF BARTLESVILLE
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Fiscal Year ended June 30, 2012
(continued)

	Adams Municipal Golf Course	Sooner Pool	Frontier Pool	Adult Center Trust Authority	Bartlesville Redevelop- ment Trut Authority	Total
OPERATING ACTIVITIES						
Operating income (loss)	\$ (135,698)	(58,752)	(208,911)	(17,311)	182,637	(238,035)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization expense	79,568	30,495	173,842	6,941	3,735	294,581
(Increase) decrease in accounts receivable	308	285	52	-	83,738	84,383
Increase (decrease) in accounts payable	(230)	1,226	2,204	1,101	(49,392)	(45,091)
Increase (decrease) in deferred revenue	(1,520)	-	-	-	-	(1,520)
Increase (decrease) in payroll liabilities	(4,463)	(8,611)	(10,173)	-	-	(23,247)
Total adjustments	<u>73,663</u>	<u>23,395</u>	<u>165,925</u>	<u>8,042</u>	<u>38,081</u>	<u>309,106</u>
Net cash provided (used) by operating activities	<u>\$ (62,035)</u>	<u>(35,357)</u>	<u>(42,986)</u>	<u>(9,269)</u>	<u>220,718</u>	<u>71,071</u>

See independent auditor's report

CITY OF BARTLESVILLE
 Combining Statement of Net Assets
 Internal Service Funds
 June 30, 2012

	<u>Workers'</u> <u>Compensation</u>	<u>Health</u> <u>Insurance</u>	<u>Auto Collision</u> <u>Insurance</u> <u>Fund</u>	<u>Total</u>
<u>ASSETS</u>				
Cash held by third party	\$ 60,000	-	-	60,000
Investments	288,215	584,720	300,000	1,172,935
Other receivables	1,248	10,920	-	12,168
Total assets	<u>349,463</u>	<u>595,640</u>	<u>300,000</u>	<u>1,245,103</u>
<u>LIABILITIES</u>				
Accounts payable	3,067	169,246	-	172,313
Total liabilities	<u>3,067</u>	<u>169,246</u>	<u>-</u>	<u>172,313</u>
<u>NET ASSETS</u>				
Restricted for other purposes	346,396	426,394	300,000	1,072,790
Total net assets	<u>\$ 346,396</u>	<u>426,394</u>	<u>300,000</u>	<u>1,072,790</u>

CITY OF BARTLESVILLE

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Fiscal Year Ended June 30, 2012

	<u>Workers'</u> <u>Compensation</u>	<u>Health</u> <u>Insurance</u>	<u>Auto</u> <u>Collision</u> <u>Insurance</u> <u>Fund</u>	<u>Total</u>
REVENUES:				
Charges for services	\$ 516,494	2,360,485	-	2,876,979
Total operating revenues	<u>516,494</u>	<u>2,360,485</u>	<u>-</u>	<u>2,876,979</u>
OPERATING EXPENSES:				
Personal services	178,393	1,903,721	-	2,082,114
Contractual services	20,100	326,506	-	346,606
Total operating expenses	<u>198,493</u>	<u>2,230,227</u>	<u>-</u>	<u>2,428,720</u>
Operating income (loss)	<u>318,001</u>	<u>130,258</u>	<u>-</u>	<u>448,259</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest and investment revenue	2,657	4,241	-	6,898
Miscellaneous revenue	8,299	-	-	8,299
Total non-operating revenue (expenses)	<u>10,956</u>	<u>4,241</u>	<u>-</u>	<u>15,197</u>
Income (loss) before contributions and transfers	<u>328,957</u>	<u>134,499</u>	<u>-</u>	<u>463,456</u>
Transfers in	-	-	300,000	300,000
Change in net assets	<u>328,957</u>	<u>134,499</u>	<u>300,000</u>	<u>463,456</u>
Total net assets - beginning	<u>17,439</u>	<u>291,895</u>	<u>-</u>	<u>309,334</u>
Total net assets - ending	<u>\$ 346,396</u>	<u>426,394</u>	<u>300,000</u>	<u>772,790</u>

CITY OF BARTLESVILLE
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2012

	Workers' Compensation	Health Insurance	Auto Collision Insurance Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 515,246	2,358,865	-	2,874,111
Payments to suppliers	(237,987)	(2,085,177)	-	(2,323,164)
Net cash provided by operating activities	<u>277,259</u>	<u>273,688</u>	<u>-</u>	<u>550,947</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Other income	8,299	-	-	8,299
Interfund transfers in	-	-	300,000	300,000
Net cash provided by noncapital financing activities	<u>8,299</u>	<u>-</u>	<u>300,000</u>	<u>308,299</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Cash held by third party	-	7,814	-	7,814
Net cash provided by capital and related financing activities	<u>-</u>	<u>7,814</u>	<u>-</u>	<u>7,814</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	2,657	4,241	-	6,898
Purchase of investments	(288,215)	(285,743)	(300,000)	(873,958)
Net cash (used) by investing activities	<u>(285,558)</u>	<u>(281,502)</u>	<u>(300,000)</u>	<u>(867,060)</u>
Net increase (decrease) in cash and cash equivalents	-	-	-	-
Cash and cash equivalents, beginning of year	-	-	-	-
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
RECONCILIATION OF OPERATING INCOME (LOSS) OF NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income	\$ 318,001	130,258	-	448,259
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
(Increase) decrease in accounts receivable	(1,248)	(1,620)	-	(2,868)
Increase (decrease) in accounts payable	(8,983)	145,050	-	136,067
Increase (decrease) in due to other funds	(30,511)	-	-	(30,511)
Total adjustments	<u>(40,742)</u>	<u>143,430</u>	<u>-</u>	<u>102,688</u>
Net cash provided by operating activities	<u>\$ 277,259</u>	<u>273,688</u>	<u>-</u>	<u>550,947</u>

See independent auditor's report

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

Honorable Mayor and City Council
City of Bartlesville, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Bartlesville, Oklahoma*, as of and for the year ended June 30, 2012, which collectively comprise the *City of Bartlesville, Oklahoma's* basic financial statements and have issued our report thereon dated December 11, 2012. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Bartlesville Development Corporation were not audited in accordance with *Government Auditing Standards*. Other auditors audited the financial statements of Bartlesville Community Center Trust Authority, Bartlesville Development Authority and Bartlesville Redevelopment Trust Authority, as described in our report on the *City of Bartlesville, Oklahoma's* financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. 2012-1

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the *City of Bartlesville, Oklahoma's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2012-1.

We also noted certain matters that we reported to management of the *City of Bartlesville, Oklahoma*, in a separate letter dated December 11, 2012.

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

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

Archambo & Mueggenborg, PC

Archambo & Mueggenborg, PC
Certified Public Accountants

December 11, 2012



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

Honorable Mayor and City Council
City of Bartlesville, Oklahoma

Compliance

We have audited the *City of Bartlesville, Oklahoma's* compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the *City of Bartlesville, Oklahoma's* major federal programs for the year ended June 30, 2012. The *City of Bartlesville, Oklahoma's* major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the *City of Bartlesville, Oklahoma's* management. Our responsibility is to express an opinion on the *City of Bartlesville, Oklahoma's* compliance based on our audit.

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

As described in item 2012-2 in the accompanying schedule of findings and questioned costs, the *City of Bartlesville, Oklahoma* did not comply with requirements regarding cash management that are applicable to its Airport Improvement Program. Compliance with such requirements is necessary, in our opinion, for the *City of Bartlesville, Oklahoma* to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the *City of Bartlesville, Oklahoma* complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

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

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

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-2 to be a material weakness.

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.

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

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

A handwritten signature in black ink that reads "Archambo & Mueggenborg, PC". The signature is written in a cursive, flowing style.

Archambo & Mueggenborg, PC
Certified Public Accountants

December 11, 2012

CITY OF BARTLESVILLE
 Summary of Auditor's Results
 For the Fiscal Year Ended June 30, 2012

<u>Section 1</u>	<u>Summary of Auditor's Results</u>
<u>Financial Statements</u>	
1. Type of auditor's report issued	Unqualified
2. Internal control over financial reporting:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	Yes
3. Noncompliance material to the financial statements noted?	Yes
<u>Federal Awards</u>	
1. Internal control over major program:	
a. Material weaknesses identified?	Yes
b. Significant deficiencies identified not considered to be material weaknesses?	None reported
2. Type of auditor's report issued on compliance for major program:	Qualified
3. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	Yes
4. Identification of major program:	
<u>CFDA Number</u>	<u>Name of Federal Program</u>
16.710	Cops Technology Program Grant
20.106	Airport Improvement Program
5. Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530?	No

CITY OF BARTLESVILLE

Schedule of Findings and Questioned Costs For the Fiscal Year Ended June 30, 2012

Current Year Findings

Section II – Financial Statement Findings

2012-1

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

Condition: The Data Collection Form and reporting package for the fiscal year ending June 30, 2011 was submitted and accepted by the Federal Audit Clearinghouse April 19, 2012.

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

Effect: The late submission requires a finding in the audit report for the fiscal year ending June 30, 2012. This may affect the auditee's ability to compete for grants and awards.

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

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

Views of responsible officials and planned corrective actions: The City's audit was unreasonably delayed in fiscal years 2010 and 2011, and this finding is the result. Many of these delays revolved around the City's component units that are included as part of our audit. To correct this, City staff has coordinated with not only our auditors, but the City's component units and their auditors to ensure that the fiscal year 2012 audit will be completed and filed timely. Based on the expected completion date, this finding should not reoccur on this most recent audit.

CITY OF BARTLESVILLE
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012
(continued)

Section III – Federal Award Findings and Questioned Costs

2012-2

Information on the federal program: Airport Improvement Program, CFDA # 20.106, U.S. Department of Transportation, Federal Aviation Administration

Criteria: “Sponsors must initiate a payment request for project accomplishments in accordance with project progress and receipt of contractor invoices” (AIP Grant Payment and Sponsor Financial Reporting Policy).

Condition: Payment request number three (3) in the amount of \$61,061 was not initiated by City staff.

Questioned costs: None

Context: The payment request form for request number three (3) had been completed by the City Engineer and given in a timely manner to City staff, along with supporting documentation, to be submitted to the funding agency. The omission of payment request number three’s submission to the funding agency was not noted until the external auditor questioned whether it had ever been submitted.

Effect: The effect is the potential loss by the City of the \$61,061 reimbursement of allowable project costs.

Cause: Lack of written policies and procedures to ensure that grant funds are drawn in a timely manner, and that all grant fund draws are monitored to ensure that the City receives the correct amount and that the receipt of grant funds are coded correctly.

Recommendation: We recommend a written policy instructing the person completing the payment request to immediately notify the Accounting Department in writing. This notification should include the amount of the payment requested, the specific grant for which payment has been requested, and a request to be notified when payment has been received. If, after 30 days, payment has not been received, the Accounting Department should notify the person who completed the payment request, so that the lack of payment may be investigated with the funding agency.

Views of responsible officials and planned corrective actions: The City recently underwent a transition that allowed us to centralize our grant reporting in one location. During this transition a request for reimbursement was submitted by the project manager to the person who was previously responsible for this duty, and the reimbursement was not submitted to the agency. Fortunately, the discovery of this lapse did not come too late for the City to obtain the overlooked funds, and they have since been received.

CITY OF BARTLESVILLE
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012
(continued)

Section III – Federal Award Findings and Questioned Costs
(continued)

2012-2 (continued)

Views of responsible officials and planned corrective actions: (continued)

However, despite the confusion that occurred during this transition, it is obvious that our existing policies were insufficient to prevent these types of errors, so an amended policy has been written to avoid these types of mistakes. Now, the project manager submits the reimbursement request to the Grants Coordinator and Accounting. Accounting monitors the bank account for the grant receipt, and if it is not received after a reasonable period of time, notifies the Grant Coordinator who will investigate the cause. Likewise, the Grant Coordinator monitors all submitted but unreceived grant reimbursements to ensure that Accounting receipts the grant funds appropriately and forwards the information to the Grant Coordinator timely. This modified procedure should ensure that this lapse does not reoccur even in the event of further employee transition.

CITY OF BARTLESVILLE
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012
(continued)

Schedule of Prior Year Findings

2011-1 Cleared

2011-2 See 2012-1

2011-3 Cleared

CITY OF BARTLESVILLE

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2012

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the *City of Bartlesville, Oklahoma* under programs of the federal government for the year ended June 30, 2012. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the schedule presents only a selected portion of the operations of the *City of Bartlesville, Oklahoma*, it is not intended to and does not present the financial position, changes in net assets or cash flows of the *City of Bartlesville, Oklahoma*.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

CITY OF BARTLESVILLE

Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2012

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Award Number</u>	<u>Disbursements/ Expenditures</u>
Department of Housing and Urban Development			
Passed through the Oklahoma Department of Commerce CDBG Small Cities Program	14.228	14413 CDBG 10	\$ <u>79,338</u>
Total Department of Housing and Urban Development			<u>79,338</u>
U.S. Department of Justice:			
COPS Technology Program Grant	16.710	2010-CKWX-0023	* 223,765
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-3168	** 11,850
Bullet-Proof Vests Partnership Program	16.607	N/A	<u>7,836</u>
Total U.S. Department of Justice			<u>243,451</u>
U.S. Department of Transportation:			
Federal Aviation Administration			
Airport Improvement Program	20.106	3-40-0007-009-2011	* 416,860
Federal Highway Administration, Office of Safety			
Passed through the Oklahoma Department of Transportation Safe Routes to School	20.205	SRS-155F(709),(710)ST	<u>86,659</u>
Total U.S. Department of Transportation			<u>503,519</u>
Institute of Museum and Library Services			
Passed through the Oklahoma Department of Libraries Literacy Technology Grant	45.310	Contract No. F-12-004	9,436
Literacy Continuing Education	45.310	Contract No. F-12-046	<u>1,645</u>
Total Institute of Museum and Library Services			<u>11,081</u>
Department of Homeland Security			
Federal Emergency Management Agency (FEMA)			
Fire Prevention and Safety	97.044	EMW-2010-FP-01335	38,033
Passed through the Oklahoma Department of Emergency Management			
Disaster Grants Public Assistance	97.036	FEMA-1735-OK-DR	** 13,158
Disaster Grants Public Assistance	97.036	FEMA-1985-DR-OK	** <u>36,651</u>
Total Disaster Grants Public Assistance Cluster			<u>49,809</u>
Hazard Mitigation Grant	97.039	FEMA 1678-DR-OK	** <u>4,018</u>
Total Department of Homeland Security			<u>91,860</u>
Total Expenditures of Federal Awards			<u>\$ <u>929,249</u></u>

* denotes major program

** includes prior year expenditures not previously reported