

***CITY OF BARTLESVILLE,
OKLAHOMA***

Independent Auditor's Report
and Financial Statements
For the Fiscal Year Ended June 30, 2006

CITY OF BARTLESVILLE

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CITY OF BARTLESVILLE

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CITY OF BARTLESVILLE

List of Principal Officials

City Council

Julie Daniels, Mayor
Mike Dunlap, Vice Mayor (thru 12-12-06)
Clark Miller (thru 8-25-06)
Brandon Ken (began 9-11-06)
Betty Dalrymple
Eddie Mason
Thomas A. Gorman (began 12-18-06)

City Manager

Steve Brown (thru 3-31-06)
Ed Gordon (Interim City Manager) (began 4-1-06 thru 9-24-06)
Ed Gordon (began 9-25-06)

City Clerk/Finance Director

George Jones (thru 12-30-05)
Kelly Jones (began 1-14-06 thru 8-11-06)
Mike Bailey (began 9-1-06)

City Treasurer

Kelly Jones (thru 3-5-06)
Lou Ann Foltz (began 3-6-06)

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, State of Oklahoma*, as of and for the year ended June 30, 2006, 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'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 fund and the Bartlesville Development Authority, which represents 100% of the assets and revenues of the Bartlesville Development Authority component unit fund. 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 major governmental fund. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Bartlesville Development Corporation, Bartlesville Development Authority and Bartlesville Community Center 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The audit of the Bartlesville Development Corporation that was performed by other auditors was not conducted in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by

the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 provides 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 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*, State of Oklahoma, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2007, on our consideration of the *City of Bartlesville's* internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 15-28, the pension plan funding progress report, budgetary comparison schedules, and the notes to the required supplementary information on budgetary accounting and control on pages 83-89 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic 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 not a required part of the basic financial statements. The schedule of expenditures of federal awards have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Archambo & Mueggenborg, PC

Archambo & Mueggenborg, PC
Certified Public Accountants

February 22, 2007



ARCHAMBO & MUEGGENBORG, PC
CERTIFIED PUBLIC ACCOUNTANTS

**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, State of Oklahoma

We have audited the financial statements of the *City of Bartlesville* as of and for the year ended June 30, 2006, and have issued our report thereon dated February 22, 2007. 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 fund and the Bartlesville Development Authority, which represents 100% of the assets and revenues of the Bartlesville Development Authority component unit fund. 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 major governmental fund. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Bartlesville Development Corporation, Bartlesville Development Authority and Bartlesville Community Center 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. The audit of the Bartlesville Development Corporation that was performed by other auditors was not conducted in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered *City of Bartlesville's* internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect *City of Bartlesville's* ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and responses as item 97-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 97-1 to be material weaknesses.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the *City of Bartlesville* in a separate letter dated February 22, 2007.

This report is intended solely for the information and use of the 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

February 22, 2007



ARCHAMBO & MUEGGENBORG, PC
CERTIFIED PUBLIC ACCOUNTANTS

Report on Compliance with Requirements
Applicable to Each Major Program and on Internal
Control Over Compliance in Accordance
with OMB Circular A-133

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

Compliance

We have audited the compliance of *City of Bartlesville* with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. *City of Bartlesville'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 *City of Bartlesville's* management. Our responsibility is to express an opinion on *City of Bartlesville'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 *City of Bartlesville's* compliance with those requirements and performing

such other procedures as we considered necessary in the circumstances. 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 fund and the Bartlesville Development Authority, which represents 100% of the assets and revenues of the Bartlesville Development Authority component unit fund. 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 major governmental fund. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Bartlesville Development Corporation, Bartlesville Development Authority and Bartlesville Community Center Trust Authority, are based on the report of the other auditors. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on *City of Bartlesville's* compliance with those requirements.

In our opinion, *City of Bartlesville* complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control over Compliance

The management of *City of Bartlesville* is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered *City of Bartlesville's* internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Archambo & Mueggenborg, PC

Archambo & Mueggenborg, PC
Certified Public Accountants

February 22, 2007

CITY OF BARTLESVILLE
 Summary of Auditor's Results
 For the Year Ended June 30, 2006

Section 1

Summary of Auditor's Results

Financial Statements

- | | |
|---|---------------|
| 1. Type of auditor's report issued | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | 97-1 |
| b. Reportable conditions identified not considered to be material weaknesses? | None reported |
| 3. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | |
|---|---------------|
| 1. Internal control over major program: | |
| a. Material weaknesses identified? | No |
| b. Reportable conditions identified not considered to be material weaknesses? | None reported |
| 2. Type of auditor's report issued on compliance for major program: | Unqualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)? | No |
| 4. Identification of major program: | |

CFDA Number

20.106
66.468

Name of Federal Program

Airport Improvement Program
 Capitalization Grants for Drinking Water
 State Revolving Fund

- | | |
|---|------------|
| 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
Summary of Auditor's Results
For the Year Ended June 30, 2006
(continued)

Section 2

Financial Statement Findings
(None reported)

Section 3

Federal Award Findings and Questioned Costs
(None reported)

CITY OF BARTLESVILLE
Schedule of Findings and Questioned Costs
June 30, 2006

CURRENT YEAR FINDINGS

Internal Control Over Financial Reporting

97-1 Financial Management - Accounting Policies and Procedures

Condition and effect: The accounting policies and procedures used by the City are not fully documented and many are primarily the result of the present office staff's experience and understanding. While much of the staff appears adequately cross-trained, should certain individuals be required to perform unfamiliar accounting functions, only limited documentation is available for reference and training purposes. This could result in errors due to lack of performance or improper performance of accounting functions.

Recommendation: The City should consider developing and keeping current a formally documented accounting policies and procedures manual. The manual should address such topics as:

- Fixed asset recording, inventory
- Utility revenue
- Court revenue
- Other revenue
- Purchasing and cash disbursements
- Payroll and personnel
- Budgeting
- Treasury
- General ledger accounting and balancing
- Financial reporting
- Compliance with laws and regulations

Management Response: The process for developing and adopting a formal accounting policy and procedure manual is currently being addressed; however, adoption of a formal policy based on existing procedures has been deemed to be both inefficient and ineffective in light of planned process evaluations and improvements in the Finance Department as a whole. The management of *City of Bartlesville* realizes the seriousness of this deficiency and is taking steps to address the issue. We will present the complete Accounting Policies and Procedures manual to the City Council for approval and formal adoption when the final operational and internal control improvements have been implemented.

CITY OF BARTLESVILLE
Schedule of Findings and Questioned Costs
June 30, 2006

CURRENT YEAR FINDINGS

(continued)

Through discussions with accounting personnel, we have been able to determine that departmental procedures have been developed as guidance for day-to-day operations, but time constraints have delayed the implementation of a formal manual to be approved by the Council.

This is a prior year finding.

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2006

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, 2006. 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. This is the Fourth year the City has reported under the Governmental Accounting Standards Board (GASB) statement number 34 model. Comparisons with prior fiscal years are provided as needed.

Financial Highlights

Key financial highlights for 2006 were:

- The assets of the *City of Bartlesville* exceeded its liabilities at the close of the fiscal year by almost \$113.3 million. Of this amount, \$30.5 million may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's main governmental revenue source, the sales tax, ended the year with an increase of 5.6%.
- Noteworthy changes to the City's capital assets included the completion of the Jo Allyn Lowe pond improvements, improvements to City Hall, upgrades to our sanitary sewer system, continued modernization of our Sanitation fleet, and the purchase of a state of the art fire truck.
- In addition to these items, the *City of Bartlesville* was able to partner with other community organizations to accomplish the completion of the terminal renovation at the Bartlesville Municipal Airport and the Civitan Park.

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.

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2006
(continued)

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 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 34. 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. These individual fund financial statements focus on the most significant funds, in terms of the assets, liabilities, revenues, and expenditures of each fund.

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2006
(continued)

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.

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 2006.

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2006
(continued)

Table I
Governmental Activities
Net Assets (In Millions)

	2005	2006
<u>Assets</u>		
Current and Other Assets	\$ 30.2	30.8
Capital Assets, Net	38.1	41.2
Total Assets	68.3	72.0
<u>Liabilities</u>		
Current Liabilities	1.8	1.4
Long-term Liabilities		
Due within one year	0.8	3.3
Due in more than one year	13.8	9.3
Total Liabilities	16.4	14.0
<u>Net Assets</u>		
Invested in Capital Assets		
Net of Related Debt	24.3	29.4
Restricted for:		
Capital Projects	10.1	9.6
Debt Service	0.3	0.3
Other Purposes	17.3	18.7
Total Net Assets	\$ 52.0	58.0

Note: This is a recap of the Governmental Activities Column from the Statement of Net Assets on page 31 of the financial statement.

CITY OF BARTLESVILLE
 Management's Discussion and Analysis
 For the Year Ended June 30, 2006
 (continued)

Table 2
Governmental Activities
Statement of Activities (In Millions)

<u>Governmental Activities (Expenses)</u>	<u>2005</u>	<u>2006</u>
General Government	\$ (3.4)	(5.0)
Public Safety	(7.6)	(8.0)
Public Works	(0.9)	(1.5)
Health, welfare and sanitation	(0.2)	(0.1)
Culture and recreation	(0.8)	(0.5)
Interest of long-term debt	0.0	0.0
	(12.9)	(15.1)
 <u>General Revenues</u>		
Taxes		
Property taxes, levied for debt service	1.6	2.6
Franchise taxes	2.3	2.7
Public service taxes	13.9	14.7
Grants and contributions, unrestricted	0.2	0.0
Investment earnings, unrestricted	1.0	1.1
Miscellaneous	0.1	0.1
Special item – gain on sale of asset	0.2	0.0
Transfers	(5.0)	(0.0)
	14.3	21.2
Change in net assets	1.4	6.1
Net Assets – beginning, unadjusted	45.7	52.0
Prior period adjustment	4.9	(0.1)
Net Assets – beginning, adjusted	50.6	51.9
Net Assets – ending	\$ 52.0	58.0

Note: This is a recap of the Governmental Activities Column from the Statement of Activities on page 32 of the financial statement.

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2006
(continued)

Total assets from governmental activity are about \$72.0 million (rounded), whereas the total net assets of the City are about \$113.3 million. Factors influencing the change in net assets include construction financed by a special sales tax for capital improvements, general obligation bond issues and purchases made from appropriations.

The City's investment strategy for 2006 placed a premium on safety and liquidity. The Treasurer actively manages the portfolio within that framework so that strong yields may be achieved. As interest rates rose throughout the year, the City was able to increase its investment earnings. The City mainly invested in two-year government agency issues. This practice is consistent with the City's Council-adopted investment policy.

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.

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.

Money-saving programs and approaches to service delivery are constantly sought. Available grants are applied for to reduce local expenses.

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2006
(continued)

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 the last twenty years. The remaining 25% is divided between economic development (1/3) and capital improvements (2/3). Sales tax revenue of \$10,904,578 represented a 5.60% increase over prior year receipts. The General Fund received \$164,514 in cigarette/tobacco tax proceeds. The City experienced an approximate 1.22% decrease in fees and fines, \$879,185 in 2006 as compared to \$890,050 in 2005, due primarily to decreases in weed abatement fees, parking fines, court cost fees and municipal court fines. Investment earnings increased due to a vigorous interest rate environment. For the City's governmental funds, investment earnings totaled \$1,098,805 for 2006, a 12.3% increase over 2005.

Public Safety is the major and most costly governmental expense activity in the City, excluding capital projects. Combined, the Police and Fire departments accounted for 30.1% of governmental expenditures. The Fire department consists of 68 full-time employees, including one administrative assistant. The Police department consists of 76 full time employees with 49 being sworn enforcement personnel and 27 being civilian administrative or technical personnel.

The City has 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, treasury 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, 2006
(continued)

The City's Funds

Information on the City's major funds starts on page 34. The governmental funds utilize the modified accrual basis of accounting. All governmental funds had total revenues of \$27,170,754 for the year and \$26,662,569 in expenditures. The net change in fund balance for the year was not significant in any of the governmental funds. There were significant expenditures, but in almost all cases, the expended revenue was replaced or offset in some other way.

The general fund reflects an increase in fund balance of \$604,385. 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 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.

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2006
(continued)

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. Normally, several meetings are devoted to discussion and explanation of the proposed budget by staff. The City Manager may transfer appropriations from one department to another or from one line item to another within the same department 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.

For the general fund, budget basis revenue was \$1,246,577 in excess of the budget estimates of \$13,928,600. The City continues the conservative practice of estimating revenues anticipating little or no growth in revenues. 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 2006 were \$1,343,618 below the final budget of \$16,304,467. These savings were achieved through spending restraint and holding open job vacancies.

The City's ending unreserved fund balance, budget basis, in its General Fund was \$4,634,247.

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2006
(continued)

Business-Type Activities

Overall, the business-type activities saw an increase of \$2,478,042 in net assets. With the Water Treatment Plant construction project, the City has been on a program of increasing water rates to develop a revenue stream sufficient to support the debt requirements. The increased rates have resulted in an increase in cash flow and the resulting increase in liquid assets. The Sanitation Fund was able to upgrade its fleet this year with the purchase of two sanitation trucks.

The Adams Municipal Golf Course showed improvement in the current year versus the prior two years' membership and green fee revenues, but it continues a multi-year trend of having difficulty meeting revenue targets. The aging population of this geographical area and more golf course availability in the area are contributing factors. Deliberate efforts are being made to reverse these negative financial effects, and some progress is already evident. However, some difficult decisions regarding the golf course will face the City if this trend toward less play is not reversed. Although the golf course has always operated at a loss, requiring a transfer of funds from the general fund to subsidize operations, the losses have been greater in recent years than those experienced in the earlier years.

There were no significant changes to the net assets balances of the proprietary funds, other than the Bartlesville Municipal Authority, which reflects the construction in progress of the new Water Treatment Plant.

CITY OF BARTLESVILLE
 Management's Discussion and Analysis
 For the Year Ended June 30, 2006
 (continued)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2006, the *City of Bartlesville* had \$134,971,348 invested in land, buildings, and capital equipment (net of depreciation). Table 2 shows fiscal 2006 balances of capital assets.

Table 2 Capital Assets Net of Accumulated Depreciation

	Governmental Activities 2006	Business- Type Activities 2006	Total 2006
Land	\$ 4,003,507	960,474	4,963,981
Buildings	26,081,085	19,983,330	46,064,415
Other Improvements & Infrastructure	14,320,328	63,416,674	77,737,002
Machinery & Equipment	2,992,739	5,659,805	8,652,544
Office Equipment	843,089	111,039	954,128
Vehicles & Off-road Equipment	5,461,918	3,395,494	8,857,412
Construction in Progress	6,705,519	46,555,330	53,260,849
Total Capital Assets	<u>60,408,185</u>	<u>140,082,146</u>	<u>200,490,331</u>
(Less) Depreciation	<u>(19,210,027)</u>	<u>(46,308,956)</u>	<u>(65,518,983)</u>
Capital Assets (Net of Depreciation)	<u>\$ 41,198,158</u>	<u>93,773,190</u>	<u>134,971,348</u>

These statements do not reflect the value of infrastructure fixed assets prior to July 1, 2002, except for infrastructure in the business-type funds. The City has been in an aggressive mode in the construction and reconstruction of its water and sewer system in recent years. The construction of the new Ted Lockin potable water treatment plant was completed in September of 2006. The next step in securing the City's long term water needs is currently underway with the *City of Bartlesville's* participation in the Planning Assistance to State Study (PASS). This study should help determine the best solution for the City's raw water supply and allocation.

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2006
(continued)

Funds provided by the capital improvement sales tax are permitting some street and drainage system improvements. In 2002, the citizens approved an extension of the capital improvements sales tax for an additional five years beginning July 1, 2004. 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 or sold at auction or 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 provided for from the capital improvement fund are included in the budget while the balance of projects is 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.

CITY OF BARTLESVILLE
 Management's Discussion and Analysis
 For the Year Ended June 30, 2006
 (continued)

Debt

As of June 30, 2006 the *City of Bartlesville* had \$59,799,831 in outstanding debt. Of this total, \$11,825,000 was in General Obligation Bonds. Table 3 summarizes the outstanding debt.

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

	<u>2005</u>	<u>2006</u>
General obligation bonds	\$ 13,825,000	11,825,000
Capital leases	0	0
Workers compensation claims	453,303	336,187
Notes payable	<u>38,302,816</u>	<u>47,638,644</u>
 Total	 <u>\$ 52,581,119</u>	 <u>59,799,831</u>

All of the City's General Obligation is 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 or permanent notes used to replace the OWRB notes. These notes carry low interest rates and administrative fees.

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2006
(continued)

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. 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 City Clerk/Finance Director, Mike Bailey at the *City of Bartlesville*, 401 S. Johnstone Ave, Bartlesville, OK 74003, by phone at (918) 338-4222 or by email at MLBailey@cityofbartlesville.org.

CITY OF BARTLESVILLE

Basic Financial Statements For the Year Ended June 30, 2006

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

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, 2006

	Governmental Activities	Business-type Activities	Total	Component Units		
				Bartlesville Development Corporation	Bartlesville Development Authority	Bartlesville Redevelopment Trust Authority
ASSETS						
Cash and equivalents	\$ 3,008,847	1,423,056	4,431,903	1,017,770	25,816	87,064
Investments	23,504,991	8,440,905	31,945,896	0	0	94,140
Receivables	3,245,020	1,519,786	4,764,806	377,619	99,026	0
Internal balances	111,219	(108,942)	2,277	0	0	0
Due from other governmental agencies	750,384	678,104	1,428,488	0	0	0
Inventories	59,692	210,436	270,128	0	0	0
Other assets	130,678	38,936	169,614	8,180	0	116,557
Capital assets						
Land	4,003,507	960,474	4,963,981	0	734,675	226,708
Infrastructure and other improvements	14,320,328	63,416,674	77,737,002	0	0	0
Buildings	26,081,085	19,983,330	46,064,415	0	5,000,000	0
Equipment and furniture	9,297,746	9,166,338	18,464,084	32,819	0	0
Construction in progress	6,705,519	46,555,330	53,260,849	0	0	0
Less: accumulated depreciation	(19,210,027)	(46,308,956)	(65,518,983)	(27,814)	(992,350)	0
Total capital assets	<u>41,198,158</u>	<u>93,773,190</u>	<u>134,971,348</u>	<u>5,005</u>	<u>4,742,325</u>	<u>226,708</u>
Total assets	<u>72,008,989</u>	<u>105,975,471</u>	<u>177,984,460</u>	<u>1,408,574</u>	<u>4,867,167</u>	<u>524,469</u>
LIABILITIES						
Accounts payable and accrued expenses	1,099,446	2,710,929	3,810,375	127,589	10,872	17,500
Due to other governmental agencies	0	0	0	0	0	249,619
Deferred revenues	240,365	20,997	261,362	0	42,523	0
Long-term liabilities						
Due within one year						
Bonds, capital leases and contracts	2,485,000	2,733,610	5,218,610	0	189,991	0
Compensated absences	615,060	195,583	810,643	0	0	0
Claims payable	226,562	109,625	336,187	0	0	0
Due in more than one year						
Bonds, capital leases and contracts	<u>9,340,000</u>	<u>44,905,034</u>	<u>54,245,034</u>	<u>0</u>	<u>4,044,718</u>	<u>0</u>
Total liabilities	<u>14,006,433</u>	<u>50,675,778</u>	<u>64,682,211</u>	<u>127,589</u>	<u>4,288,104</u>	<u>267,119</u>
NET ASSETS						
Invested in capital assets, net of related debt	29,373,158	46,134,546	75,507,704	5,005	507,616	133,646
Restricted for:						
Capital projects	9,611,715	0	9,611,715	0	99,026	0
Debt service	268,323	533,809	802,132	0	0	0
Other projects	0	235,750	235,750	952,296	0	0
Unrestricted	<u>18,749,360</u>	<u>8,395,588</u>	<u>27,144,948</u>	<u>323,684</u>	<u>(27,579)</u>	<u>123,704</u>
Total net assets	<u>\$ 58,002,556</u>	<u>55,299,693</u>	<u>113,302,249</u>	<u>1,280,985</u>	<u>579,063</u>	<u>257,350</u>

See accompanying notes to the financial statements

CITY OF BARTLESVILLE

Statement of Activities – Government-wide

June 30, 2006

Functions/Programs	Program Revenue				Primary Government			Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Bartlesville Development Corporation	Bartlesville Development Authority	Bartlesville Redevelopment Trust Authority
Primary government										
Governmental Activities										
General Government	\$ 8,343,702	821,274	282,578	2,178,972	(5,060,878)	2,659,493	(5,060,878)			
Public Safety	8,983,365	997,359	13,736	0	(7,972,270)	(1,176,716)	(7,972,270)			
Public Works	1,610,678	39,010	0	43,780	(1,527,888)	630,306	(1,527,888)			
Health, Welfare and Sanitation	142,814	71,800	0	0	(71,014)	(217,016)	(71,014)			
Culture and Recreation	1,943,895	593,018	277,418	607,649	(465,810)	1,896,067	(465,810)			
Total governmental activities	21,024,454	2,522,461	573,732	2,830,401	(15,097,860)	1,896,067	(15,097,860)			
Business-type Activities										
Water System	6,383,958	9,031,003	12,448	0		2,659,493	2,659,493			
Wastewater System	4,144,064	2,967,348	0	0	(1,176,716)	(1,176,716)	(1,176,716)			
Solid Waste Disposal	2,698,394	3,328,700	0	0		630,306	630,306			
Other Business-type Activities	560,065	343,049	0	0		(217,016)	(217,016)			
Total business-type Activities	13,786,481	15,670,100	12,448	0		1,896,067	1,896,067			
Total Primary Government	34,810,935	18,192,561	586,180	2,830,401	(15,097,860)	1,896,067	(13,201,793)			
Component Units										
Bartlesville Development Corporation	1,368,602	2,114,464	0	0		745,862	745,862			0
Bartlesville Development Authority	526,470	568,387	0	0		0	0		41,917	0
Bartlesville Redevelopment Trust Authority	174,095	260	76,155	0		0	0		0	(97,680)
Total component units	2,069,167	2,683,111	76,155	0		745,862	745,862		41,917	(97,680)
General revenues:										
Taxes:										
Property taxes, levied for debt service					\$ 2,678,172	0	2,678,172	0	0	0
Franchise taxes					2,703,667	0	2,703,667	0	0	0
Public service taxes					14,758,787	0	14,758,787	0	0	0
Grants and contributions not restricted to specific programs					5,000	0	5,000	0	0	0
Unrestricted investment earnings					1,104,969	352,642	1,457,611	0	0	10,870
Miscellaneous					79,477	1,337	80,814	0	0	0
Special item - gain (loss) on sale of asset					(108,048)	14,680	45,694	0	0	(17,198)
Transfers					21,236,704	88,037	(20,011)	0	0	22,250
Total general revenues, special items, and transfers					6,138,844	473,030	21,708,734	0	0	15,972
Change in net assets					52,006,101	2,369,097	8,507,941	745,862	41,917	(81,758)
Net assets - beginning, unadjusted					11,173,870	54,104,466	106,110,567	535,123	537,146	339,108
Prior period adjustment (Note 7)					(142,389)		(142,389)			0
Net assets - beginning, adjusted					51,863,712	52,930,596	104,794,308	535,123	537,146	339,108
Net assets - ending					58,007,556	55,299,693	113,302,249	1,280,985	579,063	257,350

See accompanying notes to the financial statements

CITY OF BARTLESVILLE
Reconciliation of the Governmental Funds Balance Sheet
to the Government-wide Statement of Net Assets
June 30, 2006

Total fund balance, governmental funds	\$ 28,564,421
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.	41,021,067
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.	415,223
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.	<u>(11,998,155)</u>
Net Assets of Governmental Activities in the Statement of Net Assets	\$ <u>58,002,556</u>

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
 June 30, 2006

Net change in fund balances - total governmental funds:	\$ 1,006,342
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
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 \$,425,564 exceeded depreciation \$1,617,779 in the current period.	3,807,785
Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the	(1,237)
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.	2,000,000
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.	(586,038)
Internal service funds are used by management to charge the costs of certain activities, such as fleet maintenance, worker's compensation and health insurance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	<u>(88,010)</u>
Change in net assets of governmental activities	<u>\$ 6,138,842</u>

See accompanying notes to the financial statements

CITY OF BARTLESVILLE

Balance Sheet – Governmental Funds

June 30, 2006

	General Fund	Bartlesville Community Center	99 Sales Tax Improvement	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 295,893	87,392	564,739	2,026,276	2,974,300
Cash held by third party	0	0	0	32,850	32,850
Investments	3,076,061	4,744,787	3,870,066	11,684,077	23,374,991
Taxes receivable, net	2,187,754	0	437,230	253,720	2,878,704
Due from other funds	13,028	42,656	0	0	55,684
Receivable from other governments	42,702	0	0	707,682	750,384
Other receivables	219,277	20,216	34,733	80,280	354,506
Prepaid expenses	122,010	0	0	5,785	127,795
Total assets	<u>5,956,725</u>	<u>4,895,051</u>	<u>4,906,768</u>	<u>14,790,670</u>	<u>30,549,214</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	39,800	73,677	285,086	183,620	582,183
Due to other funds	42,656	0	0	0	42,656
Payable to other governments	0	0	0	1,154	1,154
Deferred revenue	231,799	0	0	8,566	240,365
Other accrued expenses	995,121	0	0	29,915	1,025,036
Other payables	13,102	0	31,052	49,245	93,399
Total liabilities	<u>1,322,478</u>	<u>73,677</u>	<u>316,138</u>	<u>272,500</u>	<u>1,984,793</u>
Fund balances:					
Reserved for:					
Prepaid expenses	122,010	0	0	5,785	127,795
Debt service	0	0	0	2,268,323	2,268,323
Other purposes	0	0	0	306,131	306,131
Unreserved	4,512,237	4,821,374	4,590,630	0	13,924,241
Unreserved, reported in non-major:					
Special revenue funds	0	0	0	6,952,522	6,952,522
Capital projects funds	0	0	0	4,985,409	4,985,409
Total fund balances	<u>4,634,247</u>	<u>4,821,374</u>	<u>4,590,630</u>	<u>14,518,170</u>	<u>28,564,421</u>
Total liabilities and fund balances	<u>\$ 5,956,725</u>	<u>\$ 4,895,051</u>	<u>\$ 4,906,768</u>	<u>\$ 14,790,670</u>	<u>\$ 30,549,214</u>

See accompanying notes to the financial statements

CITY OF BARTLESVILLE

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds June 30, 2006

	General Fund	Bartlesville Community Center	99 Sales Tax Improvement	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Property taxes	0	0	0	2,678,172	2,678,172
Sales and miscellaneous taxes	13,319,470	0	2,459,797	1,362,248	17,141,515
Fees and fines	879,643	0	0	316,147	1,195,790
Licenses and permits	320,939	0	0	0	320,939
Intergovernmental	47,979	0	0	2,097,052	2,145,031
Charges for services	373,845	343,712	0	502,514	1,220,071
Investment earnings (losses)	208,910	306,843	143,042	440,010	1,098,805
Miscellaneous	19,576	757,508	0	12,157	789,241
Contributions and donations	4,815	0	143,329	433,046	581,190
Total revenues	<u>15,175,177</u>	<u>1,408,063</u>	<u>2,746,168</u>	<u>7,841,346</u>	<u>27,170,754</u>
EXPENDITURES:					
Current:					
General government	3,956,868	0	49,045	2,165,288	6,171,201
Public Safety	8,017,268	0	0	608,670	8,625,938
Public Works	1,006,603	0	6,270	142,814	1,155,687
Culture and recreation	1,740,251	993,226	0	214,364	2,947,841
Debt Service:					
Principal	0	0	0	2,000,000	2,000,000
Interest and other charges	0	0	0	517,376	517,376
Capital outlay	239,859	406,470	1,391,099	3,207,098	5,244,526
Total expenditures	<u>14,960,849</u>	<u>1,399,696</u>	<u>1,446,414</u>	<u>8,855,610</u>	<u>26,662,569</u>
Excess (deficiency) of revenues over expenditures	<u>214,328</u>	<u>8,367</u>	<u>1,299,754</u>	<u>(1,014,264)</u>	<u>508,185</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	1,125,000	198,527	0	887,318	2,210,845
Transfers out	(751,109)	0	(429,432)	(552,314)	(1,732,855)
Total other financing sources and uses	<u>373,891</u>	<u>198,527</u>	<u>(429,432)</u>	<u>335,004</u>	<u>477,990</u>
SPECIAL ITEM:					
Proceeds from sale of fixed assets	16,166	0	3,750	251	20,167
Net change in fund balances	604,385	206,894	874,072	(679,009)	1,006,342
Fund balances - beginning, unadjusted	4,039,600	4,614,480	3,716,558	15,197,179	27,567,817
Prior period adjustment (Note 7)	(9,738)	0	0	0	(9,738)
Fund balances - beginning, adjusted	<u>4,029,862</u>	<u>4,614,480</u>	<u>3,716,558</u>	<u>15,197,179</u>	<u>27,558,079</u>
Fund balances - ending	<u>4,634,247</u>	<u>4,821,374</u>	<u>4,590,630</u>	<u>14,518,170</u>	<u>28,564,421</u>

See accompanying notes to the financial statements

CITY OF BARTLESVILLE
Statement of Net Assets – Proprietary Funds
June 30, 2006

	Enterprise Funds							Internal Service Funds
	Wastewater	Water	Solid Waste	Bartlesville Municipal Authority	Other Enterprise Funds	Total		
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 68,942	6,558	295,039	477,658	41,050	889,247	(38,303)	
Cash held by third party	0	0	0	533,809	0	533,809	40,000	
Investments	205,000	90,639	20,000	8,125,266	0	8,440,905	130,000	
Accounts receivable, net	0	61	294,738	1,179,680	0	1,474,479	0	
Receivables from other governments	0	0	0	672,437	5,667	678,104	7,615	
Other receivables	1,840	813	179	12,315	30,160	45,307	4,195	
Inventories	0	210,436	0	0	0	210,436	59,692	
Prepaid expenses	6,123	19,117	16,615	0	(2,919)	38,936	2,883	
Total current assets	281,905	327,624	626,571	11,001,165	73,958	12,311,223	206,082	
Non-current assets:								
Capital assets:								
Land and improvements	6,528	135,877	0	319,569	498,500	960,474	0	
Utility System	35,187,660	21,044,496	0	5,095,529	2,088,989	63,416,674	0	
Construction in progress	0	675	0	46,554,655	0	46,555,330	0	
Buildings	14,138,362	5,324,793	134,434	0	385,741	19,983,330	436,563	
Equipment and furniture	4,951,090	2,524,863	1,393,978	0	296,407	9,166,338	81,102	
Less accumulated depreciation	(25,746,224)	(17,916,638)	(842,407)	(368,852)	(1,434,835)	(46,308,956)	(334,341)	
Total non-current assets	28,537,416	11,114,066	686,005	51,600,901	1,834,802	93,773,190	183,324	
Total assets	28,819,321	11,441,690	1,312,576	62,602,066	1,908,760	106,084,413	389,406	

See accompanying notes to the financial statements

CITY OF BARTLESVILLE
 Statement of Net Assets – Proprietary Funds
 June 30, 2006
 (continued)

	Enterprise Funds						Internal Service Funds
	Wastewater	Water	Solid Waste	Bartlesville Municipal Authority	Other Enterprise Funds	Total	
LIABILITIES							
Current liabilities:							
Accounts payable	\$ 571	65,567	31,954	1,990,371	57	2,088,520	0
Salaries payable	19,418	57,462	50,770	0	9,361	137,011	0
Accrued interest payable	0	0	0	485,398	0	485,398	0
Due to other funds	0	0	0	0	0	0	10,751
Deferred revenue	0	0	0	0	20,997	20,997	0
Compensated absences	22,484	68,997	98,858	0	5,244	195,583	12,734
Claims and judgments	520	20,015	89,090	0	0	109,625	0
Bonds, notes and loans payable	0	0	0	2,733,610	0	2,733,610	0
Total current liabilities	42,993	212,041	270,672	5,209,379	35,659	5,770,744	23,485
Non-current liabilities:							
Bonds, notes and loans payable	0	0	0	44,905,034	0	44,905,034	0
Total non-current liabilities	0	0	0	44,905,034	0	44,905,034	0
Total liabilities	42,993	212,041	270,672	50,114,413	35,659	50,675,778	23,485
NET ASSETS							
Invested in capital assets, net of related debt	28,537,416	11,114,066	686,005	3,962,257	1,834,802	46,134,546	183,324
Restricted for debt service	0	0	0	533,809	0	533,809	0
Restricted for other purposes	6,122	210,452	16,615	0	2,561	235,750	0
Unrestricted	232,790	(94,869)	339,284	7,991,587	35,738	8,504,530	182,597
Total net assets	\$ 28,776,328	11,229,649	1,041,904	12,487,653	1,873,101	55,408,635	365,921
The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the Business Activities of the Statement of Net Assets.							(108,942)
Total net assets per Government-Wide financial statements							\$ 55,299,693

See accompanying notes to the financial statements

CITY OF BARTLESVILLE

Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds June 30, 2006

	Enterprise Funds				Internal Service Funds	
	Bartlesville			Other		
	Wastewater	Water	Solid Waste	Municipal Authority	Enterprise Funds	Total
REVENUES:						
Charges for services	0	37,726	3,328,700	11,960,625	343,049	15,670,100
Total operating revenues	<u>0</u>	<u>37,726</u>	<u>3,328,700</u>	<u>11,960,625</u>	<u>343,049</u>	<u>15,670,100</u>
OPERATING EXPENSES:						
Personal services	554,017	1,702,423	1,492,235	0	277,913	4,026,588
Contractual services	48,647	11,687	761,551	524,390	84,187	1,430,462
Utilities	2,753	610,617	5,356	0	29,720	648,446
Repairs and maintenance	73,082	213,937	134,341	200,293	35,640	657,293
Other supplies and expenses	1,808,386	672,580	161,166	125,304	70,600	2,838,036
Depreciation	1,509,450	738,813	100,881	146,785	60,153	2,556,082
Total operating expenses	3,996,335	3,950,057	2,655,530	996,772	558,213	12,156,907
Operating income (loss)	<u>(3,996,335)</u>	<u>(3,912,331)</u>	<u>673,170</u>	<u>10,963,853</u>	<u>(215,164)</u>	<u>3,513,193</u>
NON-OPERATING REVENUES (EXPENSES):						
Interest and investment revenue	7,256	5,152	4,801	333,629	1,804	352,642
Miscellaneous revenue	1,336	0	0	1	2	1,339
Operating grants and contributions	0	12,448	0	0	0	12,448
Interest expense	0	0	0	(1,520,632)	0	(1,520,632)
Total non-operating revenue (expenses)	8,592	17,600	4,801	(1,187,002)	1,806	(1,154,203)
Income (loss) before contributions and transfers	<u>(3,987,743)</u>	<u>(3,894,731)</u>	<u>677,971</u>	<u>9,776,851</u>	<u>(213,358)</u>	<u>2,358,990</u>
Capital asset transfers	344,873	0	94,300	4,456	142,409	586,038
Transfers in	2,887,203	3,643,011	0	429,432	197,578	7,157,224
Transfers out	(350,000)	(450,000)	(325,000)	(6,530,225)	0	(7,655,225)
Special item - gain (loss) on sale of capital assets	939	8,934	19,480	0	1,662	31,015
Change in net assets	(1,104,728)	(692,786)	466,751	3,680,514	128,291	(211,432)
Total net assets - beginning, unadjusted	30,371,747	12,558,347	626,270	8,807,139	1,740,960	54,104,463
Prior period adjustment (Note 7)	(490,691)	(635,912)	(51,117)	0	3,850	(1,173,870)
Total net assets - beginning, adjusted	29,881,056	11,922,435	575,153	8,807,139	1,744,810	52,930,593
Total net assets - ending	<u>28,776,328</u>	<u>11,229,649</u>	<u>1,041,904</u>	<u>12,487,653</u>	<u>1,873,101</u>	<u>55,408,635</u>
Change in net assets, per above						2,478,042
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with Business Activities.						(108,942)
Change in Business-Type Activities in Net Assets per Government-Wide Financial Statements						<u>\$ 2,369,100</u>

See accompanying notes to the financial statements

CITY OF BARTLESVILLE

Statement of Cash Flows – Proprietary Funds June 30, 2006

	Enterprise Funds					Total
	Wastewater	Water	Solid Waste	Bartlesville Municipal Authority	Other Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ (1,840)	37,759	3,296,491	15,347,938	335,638	19,015,986
Payments to suppliers	(1,983,475)	(1,494,638)	(1,189,163)	(4,645,259)	(219,468)	(9,532,001)
Payments to employees	(550,335)	(1,676,830)	(1,475,568)	0	(277,427)	(3,980,160)
Net cash provided (used) by operating activities	<u>(2,535,648)</u>	<u>(3,133,709)</u>	<u>631,760</u>	<u>10,702,679</u>	<u>(161,257)</u>	<u>5,503,825</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Other income	1,336	0	0	1	2	1,339
Intergovernmental income	0	12,448	0	0	0	12,448
Interfund transfers in (out)	2,537,203	3,193,011	(325,000)	(6,100,793)	197,578	(498,001)
Net cash provided (used) by noncapital financing activities	<u>2,538,539</u>	<u>3,205,459</u>	<u>(325,000)</u>	<u>(6,100,792)</u>	<u>197,580</u>	<u>(484,214)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from sale of capital assets	936	8,258	19,480	0	1,662	30,336
Purchases of capital assets	(32,133)	(189,811)	(215,654)	(10,852,973)	(15,966)	(11,306,537)
Proceeds from issuance of long-term debt	0	0	0	10,072,886	0	10,072,886
Cash held by third party	0	0	0	1,320,334	0	1,320,334
Principal paid on capital debt	0	0	0	(747,058)	0	(747,058)
Interest paid on capital debt	0	0	0	(1,520,632)	0	(1,520,632)
Net cash provided (used) by capital and related financing activities	<u>(31,197)</u>	<u>(181,553)</u>	<u>(196,174)</u>	<u>(1,727,443)</u>	<u>(14,304)</u>	<u>(2,150,671)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment income	7,256	5,152	4,801	333,629	1,804	352,642
Purchase of investments	(205,000)	(60,639)	0	(3,199,507)	0	(3,465,146)
Sale of investments	0	0	155,000	110,876	0	265,876
Net cash provided (used) by investing activities	<u>(197,744)</u>	<u>(55,487)</u>	<u>159,801</u>	<u>(2,755,002)</u>	<u>1,804</u>	<u>(2,846,628)</u>
Net increase (decrease) in cash and cash equivalents	<u>(226,050)</u>	<u>(165,290)</u>	<u>270,387</u>	<u>119,442</u>	<u>23,823</u>	<u>22,312</u>
Cash and cash equivalents, beginning of year	<u>294,989</u>	<u>171,848</u>	<u>24,652</u>	<u>358,216</u>	<u>17,227</u>	<u>866,932</u>
Cash and cash equivalents, end of year	<u>\$ 68,939</u>	<u>6,558</u>	<u>295,039</u>	<u>477,658</u>	<u>41,050</u>	<u>889,244</u>

See accompanying notes to the financial statements

CITY OF BARTLESVILLE
 Statement of Cash Flows – Proprietary Funds
 June 30, 2005
 (continued)

	Enterprise Funds						Total
	Bartlesville			Other		Enterprise Funds	
	Wastewater	Water	Solid Waste	Municipal Authority	Funds		
Operating income (loss)	\$ (3,996,335)	(3,912,331)	673,170	10,963,853	(215,164)	3,513,193	
RECONCILIATION OF OPERATING INCOME (LOSS) OF NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES							
Operating income (loss)							
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Depreciation expense	1,509,450	738,813	100,881	146,785	60,153	2,556,082	
(Increase) decrease in accounts receivable	(1,840)	33	(32,209)	3,387,313	(11,061)	3,342,236	
(Increase) decrease in inventories	0	(34,346)	0	0	0	(34,346)	
(Increase) decrease in prepaid items	0	0	0	0	5,480	5,480	
Increase (decrease) in accounts payable	(50,605)	56,344	(126,749)	(3,795,272)	(4,801)	(3,921,083)	
Increase (decrease) in deferred revenue	0	0	0	0	3,650	3,650	
Increase (decrease) in payroll liabilities	3,682	17,778	16,667	0	486	38,613	
Total adjustments	<u>1,460,687</u>	<u>778,622</u>	<u>(41,410)</u>	<u>(261,174)</u>	<u>53,907</u>	<u>1,990,632</u>	
Net cash provided by operating activities	\$ <u>(2,535,648)</u>	<u>(3,133,709)</u>	<u>631,760</u>	<u>10,702,679</u>	<u>(161,257)</u>	<u>5,503,825</u>	

See accompanying notes to the financial statements

CITY OF BARTLESVILLE
Statement of Net Assets – Fiduciary Funds
June 30, 2006

	<u>Mausoleum Endowment</u>	<u>Utility Deposits</u>	<u>Municipal Court Bond</u>	<u>Bartlesville Development Authority Trust</u>
ASSETS				
Cash and cash equivalents	\$ 3,483	73,671	50,874	99,084
Investments	<u>13,214</u>	<u>475,000</u>	<u>0</u>	<u>0</u>
Total assets	<u><u>16,697</u></u>	<u><u>548,671</u></u>	<u><u>50,874</u></u>	<u><u>99,084</u></u>
LIABILITIES				
Due to other funds	0	0	2,277	99,030
Refunds payable and other liabilities	<u>0</u>	<u>548,671</u>	<u>48,597</u>	<u>0</u>
Total liabilities	<u><u>0</u></u>	<u><u>548,671</u></u>	<u><u>50,874</u></u>	<u><u>99,030</u></u>
NET ASSETS				
Held in trust for benefits and other purposes	<u><u>\$ 16,697</u></u>			<u><u>54</u></u>

See accompanying notes to the financial statements

CITY OF BARTLESVILLE
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds
June 30, 2006

	<u>Mausoleum Endowment</u>	<u>Bartlesville Development Authority Trust</u>
ADDITIONS:		
Investment earnings:		
Interest	\$ <u>393</u>	<u>54</u>
DEDUCTIONS:		
Miscellaneous expense	<u>0</u>	<u>0</u>
Change in net assets	393	54
Net assets - beginning	<u>16,304</u>	<u>0</u>
Net assets - ending	<u>\$ <u>16,697</u></u>	<u><u>54</u></u>

See accompanying notes to the financial statements

CITY OF BARTLESVILLE
Notes to Basic Financial Statements - Index
June 30, 2006

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CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.A. INTRODUCTION

The financial statements of the *City of Bartlesville* (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 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 discreetly.

CITY OF BARTLESVILLE

Notes to Basic Financial Statements

June 30, 2006

(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 Activities 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.	Special Revenue Fund
Bartlesville Library Trust Authority	Encourage, finance and promote the public library. The City Council appoints the 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. Trustees 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.	Special Revenue Fund

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2006
(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.B. FINANCIAL REPORTING ENTITY (continued)

<u>Discreetly Presented Component Unit</u>	<u>Brief Description of Activities Relationship to City</u>	<u>Reporting Funds</u>
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.	Discreetly Presented
Bartlesville Development Authority	Finances certain facilities for the purpose of promoting economic development in the <i>City of Bartlesville</i> and surrounding areas.	Discreetly Presented
Bartlesville Redevelopment Trust Authority	Develop, redevelop, restore and beautify that portion of central Bartlesville, Oklahoma jurisdictional boundaries.	Discreetly Presented

CITY OF BARTLESVILLE

Notes to Basic Financial Statements

June 30, 2006

(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 nonexchange 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, 2006

(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.C. BASIS OF PRESENTATION (continued)

The funds of the *City of Bartlesville* 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.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2006
(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>
Fleet Maintenance	Accounts for the revenues and expenditures of the municipal garage.
Worker's Compensation	Accounts for the revenues and expenditures of the City's worker's compensation plan.
Health Insurance	Accounts for the revenues and expenditures of the City's health insurance plan.

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 expense of the mausoleum. Comprised initially of monies in deposit for the mausoleum's care when the City accepted the mausoleum.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2006
(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>
Utility Deposit Fund	Accounts for utility deposits made by individuals using the utility system.
Municipal Court Bond Fund	Accounts for municipal court bonds held for individuals awaiting court dates.
Bartlesville Development Authority Trust Fund	Accounts for lease and development fees that are to be used for capital projects as approved by the Authority.

MAJOR AND NON-MAJOR FUNDS

The funds are further classified as major or non-major as follows:

<u>Fund</u>	<u>Brief Description</u>
Major:	
General	See above for description.
Special Revenue Fund: Bartlesville Community Center Trust Authority	See above for description.
Capital Project Fund: 99 Sales Tax Improvements Fund	Accounts for revenues and expenditures related to a sales tax issue passed in 1999.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2006
(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.C. BASIS OF PRESENTATION (continued)

MAJOR AND NON-MAJOR 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.
Non-Major:	
Special Revenue Funds:	
Economic Development Fund	Accounts for revenues and expenditures of promoting economic diversification.
Bond Financing Fund	Accounts for receipt and expenditures of sales tax money for debt service purposes.
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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2006
(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.C. BASIS OF PRESENTATION (continued)

Non-Major: (continued)

Municipal Airport Fund	Accounts for revenues and expenditures of the municipal airport including fees, contracts, and grants
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
Golf Course Memorial Fund	Accounts for donations and proceeds of an annual memorial golf tournament.
Bartlesville Downtown Trust Authority	See blended component units above for description. Dissolved September 13, 2004.
Local Law Enforcement Block Grant Fund	Accounts for revenues and expenditures related to the Local Law Enforcement Block Grant
Neighborhood Park Fund	Accounts for the receipt and expenditure of development fees that are reserved for use in the various parks of the City
Cemetery Perpetual Care Fund	Accounts for revenues and expenses 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.
Bartlesville Adult Center Trust Authority	See blended component unit above for description.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2006
(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.C. BASIS OF PRESENTATION (continued)

Non-Major: (continued)

Debt Service Fund	See description above.
Capital Project Funds:	
Capital Improvement - Water	Accounts for the revenues and expenditures associated with improving the water system.
Capital Improvement - Wastewater Fund	Accounts for the revenues and expenditures associated with improving the wastewater system.
Capital Improvement - Park and Recreation Fund	Accounts for revenues and expenditures associated with improving the parks and recreation facilities.
Capital Improvement - General Fund	Accounts for revenues and expenditures associated with general City improvements.
Capital Improvement - Storm Sewer Fund	Accounts for revenues and expenditures associated with improving the storm sewer system.
Capital Improvement - Street	Accounts for revenues and expenditures associated with improving the streets.
Community Development Block Grant Fund	Accounts for revenues and expenditures related to the Community Development Block Grant.
Proprietary Funds:	
Adams Municipal Golf Course	Accounts for revenues and expenditures of the municipal golf course.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2006
(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.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2006
(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- d. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

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, 2006
(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 payable at year-end.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2006
(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 it's 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 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.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2006
(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 funded 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, respectively. Inventories for all other funds are insignificant and purchases of such items are expensed.

Fixed Assets

The accounting treatment over 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, 2006
(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.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. All current year infrastructure additions have been recorded at actual cost. The City is not required to account for infrastructure assets acquired prior to July 1, 2002 until the fiscal year ending June 30, 2007. No governmental fund infrastructure assets have been recorded for the period prior to July 1, 2002, however all proprietary infrastructure assets are recorded.

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 provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	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, 2006
(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 for the same as in the government-wide statements.

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to 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 workman's compensation claims payable.

Long-term debt for governmental funds is not reported as liabilities 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 fund 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, 2006
(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 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, or (2) law through constitutional provisions or enabling legislation.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2006
(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.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".

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

1.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 a 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".

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2006
(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Property Tax

Under State law, municipalities are limited to 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. The Treasurer of Washington County bills and collects the property taxes and remits to the City its portion. 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.

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 are 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. 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".

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2006
(continued)

NOTE 2 - DEPOSITS, INVESTMENTS AND COLLATERAL

The following is a table of deposits and investments for the City at June 30, 2006 by type.

	<u>Credit Rating</u>	<u>Carrying Value</u>
Type Deposits:		
Petty cash	N/A	\$ 2,775
Demand deposits	N/A	4,047,653
Time deposits	N/A	3,458,931
Total deposits		<u>7,509,359</u>
Investments:		
Corporate stocks and bonds - Community Center	N/A	4,744,787
Agencies of the U.S. Govt: GNMA/FHLB/FNMA/FFCR	N/A	23,154,817
Mutual Funds: Library Trust Authority	AAAAA	<u>1,075,393</u>
Total investments		<u>28,974,997</u>
Note payments held in trust and cash with fiscal agent		<u>606,659</u>
Total		<u>\$ 37,091,015</u>
Reconciliation to Statement of Net Assets:		
Cash and cash equivalents:		
Government-wide		\$ 4,431,903
Mausoleum		1,373
Utility deposits		73,671
Municipal Court Bond		50,874
Bartlesville Development Authority Trust		99,084
Investments:		
Government-wide		31,945,896
Mausoleum		13,214
Utility deposits		<u>475,000</u>
Total		<u>\$ 37,091,015</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, 2006
(continued)

NOTE 3 - PROPERTY AND EQUIPMENT

3.A. CAPITAL ASSET ACTIVITY - GOVERNMENTAL TYPE

Capital asset activity for governmental type activities for the year ended June 30, 2006 was as follows:

<u>Governmental Type</u>							
<u>Class</u>	<u>Previously Reported Ending Balance June 30, 2005</u>	<u>Adjustments to Previously Reported Balances (Note 3.D.)</u>	<u>Restated Ending Balance June 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance June 30, 2006</u>
Land	\$ 4,082,581	(255,656)	3,826,925	176,582	0	0	4,003,507
Infrastructure and improvements	14,441,564	(823,699)	13,617,865	4,358	0	698,105	14,320,328
Buildings	26,003,405	22,700	26,026,105	167,196	0	(112,215)	26,081,086
Equipment and furniture	7,917,775	468,517	8,386,292	1,285,643	(305,468)	(68,721)	9,297,746
Construction in progress	4,016,941	0	4,016,941	3,791,785	0	(1,103,207)	6,705,519
Accumulated depreciation	(18,351,966)	455,487	(17,896,479)	(1,617,779)	304,231	0	(19,210,027)
Total	\$ 38,110,300	(132,651)	37,977,649	3,807,785	(1,237)	(586,038)	41,198,159

3.B. CAPITAL ASSET ACTIVITY - BUSINESS TYPE

Capital asset activity for business type activities for the year ended June 30, 2006 was as follows:

<u>Business Type</u>							
<u>Class</u>	<u>Previously Reported Ending Balance June 30, 2005</u>	<u>Adjustments to Previously Reported Balances (Note 3.D.)</u>	<u>Restated Ending Balance June 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance June 30, 2006</u>
Land	\$ 962,801	(2,327)	960,474	0	0	0	960,474
Infrastructure and improvements	75,602,212	(12,560,604)	63,041,608	0	0	375,067	63,416,675
Buildings	14,942,765	4,928,350	19,871,115	0	0	112,215	19,983,330
Equipment and furniture	9,913,656	(1,060,072)	8,853,584	450,954	(232,500)	94,300	9,166,338
Construction in progress	35,687,904	0	35,687,904	10,862,969	0	4,456	46,555,329
Accumulated depreciation	(51,503,777)	7,520,783	(43,982,994)	(2,556,078)	230,116	0	(46,308,956)
Total	\$ 85,605,561	(1,173,870)	84,431,691	8,757,845	(2,384)	586,038	93,773,190

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2006
(continued)

NOTE 3 - PROPERTY AND EQUIPMENT (continued)

3.C. DEPRECIATION CHARGES

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

<u>Functional Category</u>	<u>Amount</u>
General Government	\$ 314,187
Public Safety	313,651
Public Works	313,811
Culture and Recreation	<u>676,130</u>
Total	<u>\$ 1,617,779</u>

3.D. CAPITAL ASSET ACTIVITY - ADJUSTMENTS TO PREVIOUSLY REPORTED BALANCES

A prior period adjustment was necessary to correct the balances related to fixed assets. The City completed a lengthy conversion process in the fiscal year ended June 30, 2006 to track fixed assets through the use of an integrated fixed asset module. In preparation for this conversion, the City reviewed all of its fixed asset records to determine if they met the City's capitalization policy and if they were assets still actually owned and utilized by the City. The analysis resulted in a change to the previously reported balances in the capital assets on the government-wide statements of activities for the *City of Bartlesville* as listed below:

	<u>Amount</u>
Governmental Type	
Capital Assets	\$ (588,138)
Accumulated depreciation	<u>455,487</u>
Total	<u>\$ (132,651)</u>
 Business Type	
Capital Assets	\$ (8,694,653)
Accumulated depreciation	<u>7,520,783</u>
Total	<u>\$ (1,173,870)</u>

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2006
(continued)

NOTE 4 - LONG-TERM DEBT

The following is a summary of long-term debt of the City at June 30, 2006:

	General Obligation Bonds Payable	Notes Payable	Workers' Comp Claims Liability	Total
Long-term debt, July 1, 2005	\$ 13,825,000	38,302,816	381,485	52,509,301
Debt issued	0	10,082,886	0	10,082,886
Debt retired	<u>(2,000,000)</u>	<u>(747,058)</u>	<u>(45,298)</u>	<u>(2,792,356)</u>
Long-term debt, June 30, 2006	\$ <u>11,825,000</u>	<u>47,638,644</u>	<u>336,187</u>	<u>59,799,831</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.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2006
(continued)

NOTE 4 - LONG-TERM DEBT (continued)

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

General obligation bonds payable at June 30, 2006 are comprised of the following issues:

\$3,000,000 Combined Bonds of 1997, serial bonds due in annual installments of \$335,000, except for a final installment of \$320,000, through May 1, 2007; interest at rates varying from 4.7% to 7.15%.	Current	\$ 320,000
	Long-term	<u>0</u>
	Total	<u>320,000</u>
\$2,000,000 Combined Bonds of 1998, serial bonds due in annual installments of \$220,000, except for a final installment of \$240,000 through April 1, 2008; semi-annual interest at rates varying from 4.05% to 7%.	Current	220,000
	Long-term	<u>240,000</u>
	Total	<u>460,000</u>
\$3,000,000 Combined Bonds of 2001, serial bonds due in annual installments of \$330,000, except for a final installment of \$360,000 through November 1, 2011; semi-annual interest at rates varying from 3.10% through 4.95%.	Current	330,000
	Long-term	<u>1,680,000</u>
	Total	<u>2,010,000</u>
\$3,500,000 Sanitary Sewer System Improvement Bonds of 2002, serial bonds due in annual installments of \$385,000, except for a final installment of \$420,000, through February 1, 2012; semi-annual interest at rates varying from 3.25% through 4.30%.	Current	385,000
	Long-term	<u>1,960,000</u>
	Total	<u>2,345,000</u>
\$3,650,000 Sanitary Sewer System Improvement Bonds of 2003, serial bonds due in annual installments of \$730,000 through January 1, 2009; semi-annual interest at rates varying from 3.25% through 4.30%.	Current	730,000
	Long-term	<u>1,460,000</u>
	Total	<u>2,190,000</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	500,000
	Long-term	<u>4,000,000</u>
	Total	<u>4,500,000</u>
Total current portion		2,485,000
Total long-term portion		<u>9,340,000</u>
Total general obligation bonds		<u>\$ 11,825,000</u>

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2006
(continued)

NOTE 4 - LONG-TERM DEBT (continued)

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

Notes payable at June 30, 2006 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 due semi-annually starting March 15, 2003. This note is interest free, but is subject to a 0.5% administrative fee.</p>	<table border="0"> <tr> <td>Current</td> <td style="text-align: right;">\$ 38,133</td> </tr> <tr> <td>Long-term</td> <td style="text-align: right;">571,993</td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>610,126</u></td> </tr> </table>	Current	\$ 38,133	Long-term	571,993	Total	<u>610,126</u>
Current	\$ 38,133						
Long-term	571,993						
Total	<u>610,126</u>						

<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.</p>	<table border="0"> <tr> <td>Current</td> <td style="text-align: right;">36,300</td> </tr> <tr> <td>Long-term</td> <td style="text-align: right;">617,105</td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>653,405</u></td> </tr> </table>	Current	36,300	Long-term	617,105	Total	<u>653,405</u>
Current	36,300						
Long-term	617,105						
Total	<u>653,405</u>						

<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.</p>	<table border="0"> <tr> <td>Current</td> <td style="text-align: right;">27,625</td> </tr> <tr> <td>Long-term</td> <td style="text-align: right;">469,623</td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>497,248</u></td> </tr> </table>	Current	27,625	Long-term	469,623	Total	<u>497,248</u>
Current	27,625						
Long-term	469,623						
Total	<u>497,248</u>						

<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 range from \$185,000 to \$425,000. This note bears interest at a rate of 2.99% per annum. Principal and interest are due semiannually starting March 1, 2005. The note will mature on September 1, 2009.</p>	<table border="0"> <tr> <td>Current</td> <td style="text-align: right;">395,000</td> </tr> <tr> <td>Long-term</td> <td style="text-align: right;">1,045,000</td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>1,440,000</u></td> </tr> </table>	Current	395,000	Long-term	1,045,000	Total	<u>1,440,000</u>
Current	395,000						
Long-term	1,045,000						
Total	<u>1,440,000</u>						

<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.</p>	<table border="0"> <tr> <td>Current</td> <td style="text-align: right;">265,000</td> </tr> <tr> <td>Long-term</td> <td style="text-align: right;">2,495,000</td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>2,760,000</u></td> </tr> </table>	Current	265,000	Long-term	2,495,000	Total	<u>2,760,000</u>
Current	265,000						
Long-term	2,495,000						
Total	<u>2,760,000</u>						

CITY OF BARTLESVILLE

Notes to Basic Financial Statements

June 30, 2006

(continued)

NOTE 4 - LONG-TERM DEBT (continued)

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

Notes payable at June 30, 2006 are comprised of the following obligations:
(continued)

Note payable to the Oklahoma Water Resources Board, construction proceeds of \$41,677,865 were drawn as of June 30, 2006, \$45,510,000 is the total amount available, principle will be payable in two semi-annual installments to be determined on September 15, 2006.

Current	\$	1,971,552
Long-term		<u>39,706,313</u>
Total		<u>41,677,865</u>

Total current portion	2,733,610
Total long-term portion	<u>44,905,034</u>
Total notes payable	<u>\$ 47,638,644</u>

4.C. 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, 2006, the City's workers compensation claims liability was \$336,187 based upon the estimated claims payable reported as reserves in the third party administrator's monthly and quarterly reports to the City. \$226,562 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. \$109,625 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.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2006
(continued)

NOTE 4 - LONG-TERM DEBT (continued)

4.D. DEBT SERVICE REQUIREMENTS TO MATURITY

The annual requirements to amortize long-term debt outstanding as of June 30, 2006 are as follows:

<u>Period</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 5,218,610	1,984,545
2008	4,468,687	1,819,556
2009	4,311,703	1,676,026
2010	3,436,592	1,534,709
2011	3,288,418	1,420,174
2012 – 2016	13,882,246	5,465,670
2017 – 2021	11,520,927	3,379,234
2022 – 2026	<u>13,336,460</u>	<u>1,293,330</u>
Total	<u>\$ 59,463,644</u>	<u>18,573,243</u>

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2006
(continued)

NOTE 5 - INTERFUND TRANSACTIONS

5.A. INTERFUND OPERATING TRANSFERS

	<u>Transfers In</u>											<u>Transfers Out Total</u>
	<u>Memorial Stadium Operating Fund</u>	<u>Adams Municipal Golf Course Fund</u>	<u>E-911 Fund</u>	<u>Special Library Fund</u>	<u>Bond Financing Fund</u>	<u>Wastewater Fund</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Water Fund</u>	<u>BMA Street Fund</u>	<u>Bartlesville Redevelopment Trust Authority</u>	
General Fund	\$ 41,164	197,578	313,840	0	0	0	0	0	0	0	198,527	751,109
Economic Development Fund	0	0	0	0	0	0	0	0	0	20,000	0	20,000
Bartlesville Library Trust Authority	0	0	0	57,314	0	0	0	0	0	0	0	57,314
Golf Course Memorial Fund	0	0	0	0	25,000	0	0	0	0	0	0	25,000
Capital Improvement Fund	0	0	0	0	0	0	0	0	429,432	0	0	429,432
Bond Financing Fund	0	0	0	0	0	0	450,000	0	0	0	0	450,000
Bartlesville Municipal Authority	0	0	0	0	0	2,887,203	0	3,643,011	0	0	0	6,530,214
Wastewater Fund	0	0	0	0	0	0	0	0	0	0	0	350,000
Water Fund	0	0	0	0	0	0	0	0	0	0	0	450,000
Solid Waste Fund	0	0	0	0	0	0	0	0	0	0	0	325,000
Transfers In Total	\$ 41,164	197,578	313,840	57,314	25,000	2,887,203	1,125,000	3,643,011	429,432	20,000	198,527	9,388,069

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2006
(continued)

NOTE 5 - INTERFUND TRANSACTIONS (continued)

5.B. INTERFUND RECEIVABLES AND PAYABLES

<u>Interfund Payables</u>	<u>General Fund</u>	<u>Bartlesville Community Center Trust Authority</u>	<u>Payables Total</u>
Health Insurance Fund	\$ 10,751	0	10,751
General Fund	<u>0</u>	<u>42,656</u>	<u>42,656</u>
Receivables total	<u>\$ 10,751</u>	<u>42,656</u>	<u>53,407</u>

NOTE 6 - EMPLOYEES RETIREMENT PLANS

The City participates in the Oklahoma State Police Pension and Retirement System, Oklahoma State Firefighters Pension and Retirement System and Oklahoma Municipal Retirement Fund, which together provide coverage to substantially all full-time City employees.

6.A. SINGLE EMPLOYER, DEFINED BENEFIT PENSION 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 full-time employees of the *City of Bartlesville*, except police officers and firefighters, with two years of service, participate in the Employee Retirement 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.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2006
(continued)

NOTE 6 - EMPLOYEES RETIREMENT PLANS

6.A. SINGLE EMPLOYER, DEFINED BENEFIT PENSION PLAN (continued)

The number of Fund participants by category is as follows:

Terminated members entitled to but not yet receiving benefits	27
Retirees and beneficiaries currently receiving benefits	55
Fully Vested Employees	149
Nonvested Employees	18
Total	249

City employees participating in the defined benefit plan become vested in retirement benefits upon completion of seven years of service to 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 at reduced amounts 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 reduced 2% for each year his age is less than 65. 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, 2006
(continued)

NOTE 6 - EMPLOYEES RETIREMENT PLANS (continued)

6.A. SINGLE EMPLOYER, DEFINED BENEFIT PENSION 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. Upon reaching age 65, the employee's retirement benefit is the sum of the annuities purchased over the period of employment. 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
Retirement age	Rates by age
Turnover	Rates by age
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, 2006
(continued)

NOTE 6 - EMPLOYEES RETIREMENT PLANS (continued)

6.A. SINGLE EMPLOYER, DEFINED BENEFIT PENSION PLAN (continued)

Schedule of employer contributions:

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Annual Actual Contribution</u>	<u>Percentage Contributed</u>
2004	464,257	517,690	112%
2005	470,153	593,806	126%
2006	523,085	601,581	115%

6.B. 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.

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, 2006, the System held no related party investments of the City or any of its entities.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2006
(continued)

NOTE 6 - EMPLOYEES RETIREMENT PLANS (continued)

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

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.

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, 2006, 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.

CITY OF BARTLESVILLE

Notes to Basic Financial Statements

June 30, 2006

(continued)

NOTE 6 - EMPLOYEES RETIREMENT PLANS (continued)

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

	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%

Fiscal Year	Oklahoma Police Pension and Retirement System		Oklahoma Firefighters Pension and Retirement System	
	Required Contribution	Percentage Contributed	Required Contribution	Percentage Contributed
2004	242,701	100%	350,517	100%
2005	228,796	100%	343,102	100%
2006	247,381	100%	358,928	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, 2006. Copies of these reports may be obtained from the State Retirement System.

6.C. COMPONENT UNIT RETIREMENT PLANS

The Bartlesville Development Corporation participates in a defined contribution plan administered by the American Chamber of Commerce Executives (ACCE) 401(k) Plan. The employer contributes four percent of annual salary, and a match of employee's contribution of 1%. For the fiscal year ended June 30, 2006 the employer contributed \$7,825 to the plan.

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, 2006, the employer contributed \$14,363 to the plan.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2006
(continued)

NOTE 6 - EMPLOYEES RETIREMENT PLANS (continued)

6.D. OTHER POSTEMPLOYMENT BENEFITS

The *City of Bartlesville* pays health insurance on two employees as part of their early retirement agreements. The amount paid during the fiscal year ending June 30, 2006 was \$11,789.

NOTE 7 - PRIOR PERIOD ADJUSTMENTS

A prior period adjustment was necessary to correct the beginning balances related to fixed assets. Governmental type fixed assets were adjusted (\$132,651) and Business type fixed assets were adjusted (\$1,173,873). Note 3.D. provides additional information regarding adjustment of fixed assets. In addition to the prior period adjustment necessary to correct the beginning balances of the fixed assets, the City also made a prior period adjustment to the general fund to decrease revenues that were recorded in error in the fiscal year ended June 30, 2005. This resulted in a decrease in the previously reported cash balance in the General Fund of \$9,738.

CITY OF BARTLESVILLE
Required Supplementary Information
June 30, 2006

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:

- Schedule of Funding Progress - Defined Benefit Retirement Program
- Budgetary Comparison Schedules - General Fund, Debt Service Fund, and Capital Improvement Wastewater Fund

CITY OF BARTLESVILLE
 Required Supplementary Information on
 Pension Plan Funding Progress
 June 30, 2006

**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.

	<u>Actuarial Valuation Date</u>		<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll c</u>	<u>UAAL as a Percentage of Covered Payroll (b-a/c)</u>
2004	1/1/03	\$	2,326,665	3,732,622	1,405,957	62.3%	5,753,077	24.4%
2005	1/1/04		2,810,838	3,831,659	1,020,821	73.4%	5,718,618	17.9%
2006	1/1/05		3,361,482	4,476,154	1,114,673	75.1%	6,019,000	18.5%

(Unaudited - See independent auditor's report)

CITY OF BARTLESVILLE
 Budgetary Comparison Schedule - General Fund
 June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
	REVENUES			
Sales and miscellaneous taxes	\$ 12,087,400	12,087,400	13,319,470	1,232,070
Fees and fines	759,400	759,400	879,643	120,243
Licenses and permits	209,900	209,900	320,939	111,039
Intergovernmental	380,000	380,000	47,979	(332,021)
Charges for services	349,600	349,600	373,845	24,245
Investment earnings	80,000	80,000	208,910	128,910
Contributions and donations	0	0	4,815	4,815
Miscellaneous	62,300	62,300	19,576	(42,724)
Total revenues	<u>13,928,600</u>	<u>13,928,600</u>	<u>15,175,177</u>	<u>1,246,577</u>
EXPENDITURES				
Current:				
General government	4,278,670	4,387,255	3,956,868	430,387
Public Safety	8,256,328	8,380,943	8,017,268	363,675
Public Works	1,112,251	1,115,259	1,006,603	108,656
Culture and recreation	1,810,546	1,818,893	1,740,251	78,642
Debt Service:				
Principal	0	0	0	0
Capital Outlay	655,415	602,117	239,859	362,258
Total Expenditures	<u>16,113,210</u>	<u>16,304,467</u>	<u>14,960,849</u>	<u>1,343,618</u>
Excess (deficiency) of revenues over expenditures	<u>(2,184,610)</u>	<u>(2,375,867)</u>	<u>214,328</u>	<u>2,590,195</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,125,000	1,125,000	1,125,000	0
Transfers out	(909,907)	(909,907)	(751,109)	158,798
Total other financing sources and uses	<u>215,093</u>	<u>215,093</u>	<u>373,891</u>	<u>158,798</u>
SPECIAL ITEM				
Proceeds from sale of capital assets	0	0	16,166	16,166
Net change in fund balances	(1,969,517)	(2,160,774)	604,385	(2,765,159)
Fund balances - beginning	1,969,517	1,969,517	4,029,862	(2,060,345)
Fund balances - ending	<u>\$ 0</u>	<u>(191,257)</u>	<u>4,634,247</u>	<u>(4,825,504)</u>

(Unaudited - See independent auditor's report)

CITY OF BARTLESVILLE

Budgetary Comparison Schedule – 99 Sales Tax Improvements Fund June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Sales and miscellaneous taxes	\$ 2,331,111	2,331,111	2,459,797	128,686
Contributions and donations	0	0	143,329	143,329
Investment earnings	40,000	40,000	143,042	103,042
Total revenues	<u>2,371,111</u>	<u>2,371,111</u>	<u>2,746,168</u>	<u>375,057</u>
EXPENDITURES				
Current:				
General government	0	49,045	49,045	0
Highways and roads	0	14,486	6,270	8,216
Health and sanitation	0	0	0	0
Culture and recreation	0	2,164	0	2,164
Capital Outlay	<u>5,844,954</u>	<u>6,101,639</u>	<u>1,391,099</u>	<u>4,710,540</u>
Total Expenditures	<u>5,844,954</u>	<u>6,167,334</u>	<u>1,446,414</u>	<u>4,720,920</u>
Excess (deficiency) of revenues over expenditures	<u>(3,473,843)</u>	<u>(3,796,223)</u>	<u>1,299,754</u>	<u>5,095,977</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(429,432)</u>	<u>(439,432)</u>	<u>(429,432)</u>	<u>(10,000)</u>
Total other financing sources and uses	<u>(429,432)</u>	<u>(439,432)</u>	<u>(429,432)</u>	<u>(10,000)</u>
SPECIAL ITEM				
Proceeds from sale capital assets	<u>0</u>	<u>0</u>	<u>3,750</u>	<u>(3,750)</u>
Net change in fund balances	<u>(3,903,275)</u>	<u>(4,235,655)</u>	<u>874,072</u>	<u>(5,109,727)</u>
Fund balances - beginning	<u>3,903,275</u>	<u>3,903,275</u>	<u>3,716,558</u>	<u>186,717</u>
Fund balances - ending	<u>\$ 0</u>	<u>(332,380)</u>	<u>4,590,630</u>	<u>(4,923,010)</u>

(Unaudited - See independent auditor's report)

CITY OF BARTLESVILLE

Notes to Required Supplementary Information on
Budgetary Accounting and Control
June 30, 2006

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.
- d. 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, 2006
(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, 2006
(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, 2006, the following supplemental increases and decrease in appropriations were approved:

	Original Appropriations	Net Supplemental Appropriations (Decreases)	Revised Appropriation s
General fund	\$ 16,113,210	191,257	16,304,467
General fund transfers	909,907	0	909,907
Debt service	2,509,193	0	2,509,193
Special revenue funds	6,789,665	3,078,202	9,867,867
Special revenue funds transfers	475,000	0	475,000
Capital projects funds	11,709,823	636,006	12,345,829
Capital projects funds transfers	429,432	10,000	439,432

CITY OF BARTLESVILLE

Other Supplementary Information
For the Year Ended June 30, 2006

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:

- Schedule of Expenditures of Federal Awards

CITY OF BARTLESVILLE
 Other Supplementary Information
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2006

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Disbursements/ Expenditures</u>
National Park Service, Department of the Interior:		
Passed through the Oklahoma Tourism and Recreation Department Bartlesville Community Accessible Park	15.916	<u>95,611</u>
U.S. Department of Justice:		
Edward Byrne Memorial Justice Assistance Grant Program - 2005-DJ-BX-1000	16.738	20,676
Bulletproof Vests Partnership Program	16.607	1,330
Joint Terrorism Task Force		<u>7,814</u>
Total U.S. Department of Justice		<u>29,820</u>
U.S. Department of Transportation:		
Airport Improvement Program - AIP 3-40-0007-004-2003	20.106	8,473
Airport Improvement Program - AIP 3-40-0007-005-2004	20.106	730,418
Airport Improvement Program - AIP 3-40-0007-005-2005	20.106	1,056,720
Airport Improvement Program - AIP 3-40-0007-007-2006	20.106	<u>146,802</u>
Total Airport Improvement Program		<u>1,942,413</u>
Passed through the Oklahoma Department of Transportation: Formula Grants for Other Than Urbanized Areas - 00494-99310-541200	20.509	<u>24,663</u>
Total U.S. Department of Transportation		<u>1,967,076</u>
Institute of Museum and Library Services:		
Passed through the Oklahoma Department of Libraries 2005 Conservation Assessment Program	45.310	<u>3,000</u>
Environmental Protection Agency:		
Passed through the Oklahoma Water Resources Board: Safe Drinking Water State Revolving Fund - ORF-03-0012-DW	66.468	<u>16,782,510</u>
Department of Homeland Security:		
Passed through the Oklahoma Office of Homeland Security: Homeland Security Preparedness Technical Assistance	97.007	<u>45,368</u>
Total Expenditures of Federal Awards		<u>\$ 18,923,385</u>