

***CITY OF BARTLESVILLE,
OKLAHOMA***

Independent Auditor's Report
and Financial Statements
For the Fiscal Year Ended June 30, 2008

CITY OF BARTLESVILLE

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CITY OF BARTLESVILLE

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CITY OF BARTLESVILLE

List of Principal Officials

City Council

Ron Nikkel, (Mayor from 5-7-07 to 2-8-08) then council member
Thomas A. Gorman (Council member from 12-18-06 to 2-8-08) then Mayor
Eddie Mason, Vice Mayor
Julie Daniels, council member
Vic Holcomb, council member

City Manager

Ed Gordon

City Clerk/Finance Director

Mike Bailey

City Treasurer

Lou Ann Foltz (began 3-6-06 thru 7-20-07)
Vicki Carvalho (Interim City Treasurer began 8-7-07)

City Attorney

Jerry Maddux



ARCHAMBO & MUEGGENBORG, PC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Bartlesville, Oklahoma*, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the *City of Bartlesville, Oklahoma's* management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Bartlesville Development Corporation, which represents 100% of the assets and revenues of the Bartlesville Development Corporation component unit 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 and the Bartlesville Development Authority, which represents 100% of the assets and revenues of the Bartlesville Development Authority component unit 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 Community Center Trust Authority and Bartlesville Development Authority, are based on the reports of the other auditors.

We conducted our audit 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*. The audit of the Bartlesville Development Corporation that was performed by other auditors was conducted in accordance with the auditing standards generally accepted in the United States of America that are applicable to non-governmental entities. 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 provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Bartlesville, Oklahoma*, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2009, on our consideration of the *City of Bartlesville, Oklahoma'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 important for 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 85-92 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. 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 of Bartlesville, Oklahoma*'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 of *City of Bartlesville, Oklahoma*. The schedule of expenditures of federal awards has 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
Certified Public Accountants

January 16, 2009



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 governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Bartlesville, Oklahoma*, as of and for the year ended June 30, 2008, which collectively comprise the *City of Bartlesville, Oklahoma's* basic financial statements and have issued our report thereon dated January 16, 2009. 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. 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 and the Bartlesville Development Authority, which represents 100% of the assets and revenues of the Bartlesville Development Authority component unit 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 Community Center Trust Authority and Bartlesville Development 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 conducted in accordance with the auditing standards generally accepted in the United States of America applicable to non-governmental activities.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the *City of Bartlesville, Oklahoma's* ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principals such that there is more than a remote likelihood that a misstatement of the *City of Bartlesville, Oklahoma's* financial statements that is more than inconsequential will not be prevented or detected by the *City of Bartlesville, Oklahoma's* internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the *City of Bartlesville, Oklahoma's* internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiency described above, we consider Item 1997-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the *City of Bartlesville, Oklahoma's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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, Oklahoma*, in a separate letter dated January 16, 2009.

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

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



Archambo & Mueggenborg, PC
Certified Public Accountants

January 16, 2009



Report on Compliance with Requirements
Applicable to the Major Programs 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, Oklahoma* 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, 2008. The *City of Bartlesville, Oklahoma's* major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of *City of Bartlesville, Oklahoma's* management. Our responsibility is to express an opinion on *City of Bartlesville, Oklahoma's* compliance based on our audit.

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

We 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. 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 and the Bartlesville Development Authority, which represents 100% of the assets and revenues of the Bartlesville Development Authority component unit 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 Community Center Trust Authority and Bartlesville Development 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 the *City of Bartlesville, Oklahoma's* compliance with those requirements.

In our opinion, the *City of Bartlesville, Oklahoma* complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2008.

Internal Control over Compliance

The management of the *City of Bartlesville, Oklahoma*, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the *City of Bartlesville, Oklahoma's* internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of *City of Bartlesville, Oklahoma's* internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

This report is intended solely for the information and use of the audit committee, 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
Certified Public Accountants

January 16, 2009

CITY OF BARTLESVILLE
 Summary of Auditor's Results
 For the Year Ended June 30, 2008

<u>Section 1</u>	<u>Summary of Auditor's Results</u>
<u>Financial Statements</u>	
1. Type of auditor's report issued	Unqualified
2. Internal control over financial reporting:	
a. Material weaknesses identified?	1997-1
b. Significant deficiencies identified not considered to be material weaknesses?	None reported
3. Noncompliance material to the financial statements noted?	No
<u>Federal Awards</u>	
1. Internal control over major program:	
a. Material weaknesses identified?	No
b. Significant deficiencies 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:	
<u>CFDA Number</u>	<u>Name of Federal Program</u>
66.468	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, 2008
(continued)

Section 2

Financial Statement Findings
1997-1 (pp. 13 and 14)

Section 3

Federal Award Findings and Questioned Costs
(None reported)

CITY OF BARTLESVILLE
Schedule of Findings and Questioned Costs
June 30, 2008

CURRENT YEAR FINDINGS

Internal Control Over Financial Reporting

1997-1 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: Management has launched a project plan that should produce a complete Accounting Policies and Procedures Manual within four months. However, the full development of this document may take longer than expected, as management has elected to implement process improvements necessary to address weaknesses and inefficiency as they are discovered during the compilation and analysis of this manual. Even though this may result in some delays to the manual, management feels that synchronizing the process improvement and documentation tasks will result in a more efficient and well-controlled environment than merely documenting and formalizing existing processes.

CITY OF BARTLESVILLE
Schedule of Findings and Questioned Costs
June 30, 2008

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, 2008

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, 2008. 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 fifth 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 2008 were:

- The assets of the City of Bartlesville exceeded its liabilities at the close of the fiscal year by almost \$142.8 million. Of this amount, \$37.5 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 5.4%.
- Noteworthy changes to the City's capital assets included the completion of an extension to the Bartlesville Municipal Airport's runway and taxiway, several street overlays, replacement of several obsolete water mains, and the replacement of several worn out tennis courts in Johnstone Park.
- In addition to these items, the City of Bartlesville has been able to partner with other community organizations to begin construction on the Discovery 1 Park located at Johnstone Park. Phase 1 of the Discovery 1 Park, the construction of a working replica of the Nellie Johnstone (first working commercial oil well in Oklahoma), has been completed. The City was also able to partner with two other organizations, ConocoPhillips and Lyon's Foundation, to obtain funding for a new Frontier Pool that will feature interactive aquatic play equipment and handicap accessible features.

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2008
(continued)

Using this Annual Financial Report

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

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

Statement of Net Assets and the Statement of Activities

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

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

Fund Financial Statements

Fund financial reports provide detailed information about the City's major funds. These reports begin on page 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. The determination of which funds to present in detail is made based on the "significance" of each fund. Significance can be determined in one

(Unaudited - See independent auditor's report)

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2008
(continued)

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

Fund Financial Statements (continued)

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

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

Governmental Funds

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

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2008
(continued)

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

The Statement of Net Assets and the Statement of Activities look at the City as whole and are useful indicators of the City's overall financial position, but other factors should also be considered when evaluating the City's financial picture for 2008.

Table 1
Governmental Activities
Net Assets (In Millions)

	2007	2008
<u>Assets</u>		
Current and other assets	\$ 33.9	64.2
Capital assets, net	65.7	68.5
	99.6	132.8
<u>Liabilities</u>		
Current liabilities	2.3	29.9
Long-term liabilities:		
Due within one year	3.3	3.8
Due in more than one year	11.8	13.3
	17.4	47.0
<u>Net Assets</u>		
Invested in capital assets		
Net of related debt	51.6	52.6
Restricted for:		
Capital projects	9.5	8.0
Debt service	2.3	0.0
Other purposes	18.8	25.1
	82.2	85.7
Total net assets	\$ 82.2	85.7

Note: This is a recap of the Governmental Activities Column from the Statement of Net Assets on page 30 of the financial statement.

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2008
(continued)

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

Table 2
Governmental Activities
Statement of Activities (In Millions)

	<u>2007</u>	<u>2008</u>
<u>Governmental Activities (Expenses)</u>		
General government	\$ (6.6)	(4.4)
Public safety	(8.1)	(9.3)
Public works	(2.4)	(2.4)
Health, welfare and sanitation	0.0	(0.1)
Culture and recreation	(1.1)	(3.2)
Payments to Component Units	0.0	(0.9)
Interest of long-term debt	0.0	(0.5)
	<u>(18.2)</u>	<u>(20.8)</u>
<u>General Revenues</u>		
Taxes		
Property taxes, levied for debt service	2.7	3.0
Franchise taxes	2.9	3.0
Public service taxes	15.2	16.0
Grants and contributions, unrestricted	0.0	0.3
Investment earnings, unrestricted	2.0	1.2
Miscellaneous	0.0	0.2
Special item – gain on sale of asset	0.0	0.0
Transfers	0.3	0.8
	<u>23.2</u>	<u>24.5</u>
Change in net assets	5.1	3.6
Net Assets – beginning, unadjusted	58.0	82.2
Prior period adjustment	19.0	(0.1)
Net Assets – beginning, adjusted	<u>77.0</u>	<u>82.1</u>
Net Assets – ending	<u>\$ 82.2</u>	<u>85.7</u>

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

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2008
(continued)

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

Total assets from governmental activity are about \$104.0 million (rounded), which represents an increase of \$4.4 million from the prior fiscal year. Factors influencing the change in governmental assets include construction projects that were financed by: special sales tax for capital improvements, general obligation bond issues, and purchases made from appropriations.

The City's investment strategy for 2008 and previous years 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 latter goal has become more important in recent years, and the City continues to execute studies to determine how we can most effectively implement energy saving solutions.

Money-saving programs and approaches to service delivery are constantly sought. This entails regular reevaluation and in many cases rebidding of our service contracts. Available grants are applied for to reduce local expenses as well.

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.

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2008
(continued)

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

In recent years, the City also elected to return to an “own risk” or self-funded plan for employee health insurance. While this program did return significant savings in its first year, the results for the second full year were less promising. The City’s employees suffered through an unusually high number of catastrophic illnesses and injuries. Wellness programs intended to target these specific types of illnesses have been implemented along with other cost saving measures. These changes combined with increased employee contribution rates will hopefully improve the financial condition of our plan. However, the plan will once again be monitored carefully to ensure its sustainability in future years.

Governmental Activities

Several revenue sources fund the City of Bartlesville’s governmental activities with sales tax being the largest. The City’s sales tax rate is 3%; however, this is apportioned to three funds. The General Fund receives 75% of the sales tax generated, and this constitutes our sales tax for operations. This amount has not been changed in more than twenty years. The remaining 25% is divided between economic development (1/3) and capital improvements (2/3). Sales tax revenue of \$15,786,041 represented a 5.4% increase over prior year receipts. The trend of increasing investment earnings was reversed in 2008 due to a declining interest rate environment. The affect of the sharp decline in interest rates resulted in a decrease of 42% from 2007, giving the City’s governmental funds’ investment earnings a total of \$1,156,264 for 2008.

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 42.4% of governmental expenditures. The Fire department consists of 71 full-time employees, including one administrative assistant. The Police department consists of 69 full time employees with 52 being sworn enforcement personnel and 19 being civilian administrative or technical personnel.

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2008
(continued)

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

Governmental Activities (continued)

The City has other many 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.

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 \$27,120,846 for the year and \$29,736,884 in expenditures resulting in a deficiency in revenues over expenditures of (\$2,616,038). The City's governmental funds also had other financing sources and uses (mainly transfers and debt proceeds) and special items (sale of fixed assets) that netted to create an other financing source of \$5,333,860. When combined with the deficiency mentioned above, the City's governmental funds' fund balances increased by \$2,726,721. The individual net change in fund balances for the year was not significant in any of the governmental funds except for the 2008 G.O. Bond Fund which received \$4.0 million in loan proceeds. With the exception of the 2008 G.O. Bond Fund, 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 \$539,924. 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, 2008
(continued)

Government-wide Financial Analysis – *City of Bartlesville as a Whole* (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; however the City's budget is adopted with the legal level of control set at the department level. This means that a department's budget may exceed its annual appropriations for a single line item but may not exceed its appropriations in total. Normally, several meetings are devoted to discussion and explanation of the proposed budget by staff. When the City Council is satisfied with the final form of the budget, it is adopted and the powers of the Council and City Manager are defined as follows.

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

For the general fund, budget basis revenue was \$964,510 in excess of the budget estimates of \$16,116,563. The City continues the conservative practice of estimating revenues based on long term trends adjusted for known factors. Expenditures are estimated using the most detailed data available. Salary and related expenses are calculated to the dollar based on the current staffing. Expenditures for 2008 were \$1,262,477 below the final budget of \$19,187,183. These savings were achieved through spending restraints and careful monitoring of budget results.

The City's ending unreserved fund balance, budget basis, in its General Fund was \$4,959,922.

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2008
(continued)

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

Business-Type Activities

Overall, the business-type activities saw a decrease of \$468,922 in net assets. The decrease in net assets is due mainly to depreciation of existing assets at a rate that exceeds the construction of new assets.

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2008
(continued)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the City of Bartlesville had \$158,122,697 invested in land, buildings, and capital equipment (net of depreciation). Table 2 shows the detail of the fiscal year 2008 balances of capital assets.

Table 2
Capital Assets
Net of Accumulated Depreciation

	Governmental Activities 2008	Business- Type Activities 2008	Total 2008
Land	\$ 4,023,507	1,340,474	5,363,981
Buildings	26,236,145	66,310,477	92,546,622
Other improvements and infrastructure	60,182,075	65,748,573	125,930,648
Machinery and equipment	11,242,629	9,569,457	20,812,086
Construction in progress	3,520,380	171,067	3,691,447
Total capital assets	<u>105,204,736</u>	<u>143,140,048</u>	<u>248,344,784</u>
(Less) depreciation	<u>(36,624,782)</u>	<u>(53,597,305)</u>	<u>(90,222,087)</u>
Capital assets (net of depreciation)	<u>\$ 68,579,954</u>	<u>89,542,743</u>	<u>158,122,697</u>

Perhaps the City's most important long-term capital needs revolve around a long term sustainable water supply. The construction of the new Ted Lockin potable water treatment plant was completed in September of 2006, and the next step 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, 2008
(continued)

Capital Assets and Debt Administration

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, sold at auction, or sold through a sealed bid process.

With regard to infrastructure, the engineering department maintains a list of street and drainage improvements awaiting construction. These are funded on a priority basis as funds become available from the sales tax reserved for capital improvements. As part of the annual budget process, the City Engineer, the Public Works Director, and the Street supervisor evaluate and prioritize these needs based on the latest information on the condition of the streets or the seriousness of the flooding threat. The projects that can be provided for from the capital improvement fund are included in the budget while the balance of projects are kept on the list waiting funding at a later date. Priorities sometimes change if external funding, such as grants or donations, becomes available for specific purposes.

Water and sewer projects are more often being funded with loans through the Oklahoma Water Resources Board's Safe Drinking Water Revolving Fund or the Clean Water Revolving Fund. These are revenue notes payable over terms up to 20 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, 2008
 (continued)

Debt

As of June 30, 2008 the City of Bartlesville had \$62,202,845 in outstanding debt. Of this total, \$15,655,000 was in General Obligation Bonds. Table 3 summarizes the outstanding debt.

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

	<u>2007</u>	<u>2008</u>
General Obligation Bonds	\$ 13,840,000	15,655,000
Capital leases	249,942	375,152
Workers compensation claims	455,540	520,243
Notes payable	<u>47,789,114</u>	<u>45,652,450</u>
 Total	 <u>\$ 62,334,596</u>	 <u>62,202,845</u>

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

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2008
(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, and we feel that our oversight and attention to financial condition are of even more importance in the current economic climate. The employees and management of the City of Bartlesville are committed to providing excellent service to its citizens. The financial management team is further committed to providing full disclosure of the financial position of the City.

Contacting the City of Bartlesville's Financial Management Team

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

CITY OF BARTLESVILLE

Basic Financial Statements For the Year Ended June 30, 2008

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, 2008

	Governmental Activities	Business-type Activities	Total	Total Component Units
<u>ASSETS</u>				
Cash and equivalents	\$ 2,210,746	2,353,511	4,564,257	1,443,001
Investments	29,214,757	10,222,270	39,437,027	0
Receivables	3,584,477	1,338,871	4,923,348	250,869
Internal balances	22,565	(22,304)	261	0
Due from other governmental agencies	332,793	0	332,793	0
Inventories	44,276	284,471	328,747	0
Other assets	32,366	4,153	36,519	289,416
Capital assets				
Land	4,023,507	1,340,474	5,363,981	832,736
Infrastructure and other improvements	60,182,075	65,748,573	125,930,648	0
Buildings	26,236,145	66,310,477	92,546,622	63,112,707
Equipment and furniture	11,242,629	9,569,457	20,812,086	38,866
Construction in progress	3,520,380	171,067	3,691,447	0
Less: accumulated depreciation	(36,624,782)	(53,597,305)	(90,222,087)	(4,900,848)
Total capital assets	<u>68,579,954</u>	<u>89,542,743</u>	<u>158,122,697</u>	<u>59,083,461</u>
Total assets	<u>\$ 104,021,934</u>	<u>103,723,715</u>	<u>207,745,649</u>	<u>61,066,747</u>
<u>LIABILITIES</u>				
Accounts payable and accrued expenses	\$ 891,284	694,195	1,585,479	177,731
Due to other governmental agencies	3,064	0	3,064	249,619
Deferred revenues	282,960	7,863	290,823	65,383
Long-term liabilities				
Due within one year				
Bonds, capital leases and contracts	2,694,464	2,517,284	5,211,748	308,073
Compensated absences	720,455	176,559	897,014	0
Claims payable	365,058	155,185	520,243	0
Due in more than one year				
Bonds, capital leases and contracts	13,335,688	43,135,166	56,470,854	6,399,165
Total liabilities	<u>18,292,973</u>	<u>46,686,252</u>	<u>64,979,225</u>	<u>7,199,971</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	52,549,802	43,890,293	96,440,095	52,017,387
Restricted for:				
Capital projects	8,044,181	0	8,044,181	0
Debt service	0	536,271	536,271	0
Other projects	0	288,626	288,626	1,552,059
Unrestricted	25,134,978	12,322,273	37,457,251	297,330
Total net assets	<u>\$ 85,728,961</u>	<u>57,037,463</u>	<u>142,766,424</u>	<u>53,866,776</u>

See accompanying notes to the financial statements

CITY OF BARTLESVILLE

Statement of Activities - Government-wide

June 30, 2008

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating		Primary Government				
			Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Units	
Primary government									
Governmental Activities	\$ 5,392,249	696,350	193,542	69,854	(4,432,503)			(4,432,503)	
General Government	10,357,048	1,052,113	12,214	0	(9,292,721)			(9,292,721)	
Public Safety	2,656,474	36,745	0	184,263	(2,435,466)			(2,435,466)	
Public Works	286,873	169,200	0	0	(117,673)			(117,673)	
Health, Welfare and Sanitation	4,313,618	543,246	220,803	359,391	(3,190,178)			(3,190,178)	
Culture and Recreation	877,242	0	0	0	(877,242)			(877,242)	
Payments to component units	519,519	0	0	0	(519,519)			(519,519)	
Interest on long-term debt									
Total governmental activities	24,403,023	2,497,654	426,559	613,508	(20,865,302)			(20,865,302)	
Business-type Activities									
Water System	7,647,760	8,238,632	0	60,000	0	650,872		650,872	
Wastewater System	4,232,078	3,178,093	0	67,583	0	(986,402)		(986,402)	
Solid Waste Disposal	3,239,145	3,845,203	0	0	0	606,058		606,058	
Other Business-type Activities	704,749	337,524	0	0	0	(367,225)		(367,225)	
Total business-type Activities	15,823,732	15,599,452	0	127,583	0	(96,697)		(96,697)	
Total Primary Government	40,226,755	18,097,106	426,559	741,091	(20,865,302)			(20,961,999)	
Component Units									
Total component units	\$ 3,253,530	1,603,482	0	0					(1,650,048)
General revenues:									
Taxes:									
Property taxes, levied for debt service					\$ 2,957,326			2,957,326	0
Franchise taxes					2,961,038			2,961,038	0
Public service taxes					16,009,843			16,009,843	0
Grants and contributions not restricted to specific programs					302,544			302,544	0
Unrestricted investment earnings					1,156,264	426,670		1,582,934	51,122
Miscellaneous					231,794	0		231,794	2,098
Pass through revenue					0	0		0	83,355
Special item - gain (loss) on sale of asset					(68)	27,472		27,404	0
Transfers					850,201	(850,201)		0	10,000
Total general revenues, special items, and transfers					24,468,942	(396,059)		24,072,883	146,575
Change in net assets					3,603,640	(492,756)		3,110,884	(1,503,473)
Net assets - beginning, unadjusted					82,220,142	57,464,647		139,684,789	2,742,939
Prior period adjustment (Note 7)					(94,821)	65,572		(29,249)	52,627,310
Net assets - beginning, adjusted					82,125,321	57,530,219		139,655,540	55,370,249
Net assets - ending					\$ 85,728,961	57,037,463		142,766,424	53,866,776

CITY OF BARTLESVILLE
Reconciliation of the Governmental Funds Balance Sheet
to the Government-wide Statement of Net Assets
June 30, 2008

Total fund balance, governmental funds	\$ 33,288,194
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.	68,579,954
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.	256,023
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>(16,395,210)</u>
Net Assets of Governmental Activities in the Statement of Net Assets	\$ <u><u>85,728,961</u></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, 2008

Net change in fund balances - total governmental funds:	\$ 2,726,721
<p>Amounts reported for Governmental Activities in the Statement of Activities are different because:</p>	
<p>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 \$6,249,735 exceeded depreciation \$3,126,581 in the current period.</p>	3,123,154
<p>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 asset sold.</p>	(8,967)
<p>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.</p>	(1,645,598)
<p>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.</p>	(483,659)
<p>Governmental funds do not report donations of capital assets. This is the amount of donated capital assets.</p>	81,574
<p>Governmental funds do not report workers' compensation claims payable. This is the amount that the workers compensation claims payable decreased.</p>	12,433
<p>Internal service funds are used by management to charge the costs of certain activities, such as workers' compensation and health insurance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.</p>	<u>(202,018)</u>
Change in net assets of governmental activities	\$ <u><u>3,603,640</u></u>

CITY OF BARTLESVILLE

Balance Sheet – Governmental Funds

June 30, 2008

	General Fund	Bartlesville Community Center	2008 G.O. Bond	Sales Tax Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 135,312	111,118	3,949,965	2,965,021	13,497,489	20,658,905
Cash held by third party	0	0	0	0	21,900	21,900
Investments	32,427,417	4,838,671	0	0	1,989,827	39,255,915
Taxes receivable, net	2,254,915	0	0	448,108	239,178	2,942,201
Due from other funds	7,679	42,716	0	0	0	50,395
Receivable from other governments	39,421	0	0	0	293,372	332,793
Other receivables	385,770	29,417	38,597	28,973	156,461	639,218
Inventories	44,276	0	0	0	0	44,276
Prepaid expenses	32,366	0	0	0	0	32,366
Total assets	<u>\$ 35,327,156</u>	<u>5,021,922</u>	<u>3,988,562</u>	<u>3,442,102</u>	<u>16,198,227</u>	<u>63,977,969</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 46,163	84,882	0	8,318	11,177	150,540
Due to other funds	50,134	0	0	0	0	50,134
Cash fund overdraft	28,741,878	0	0	0	0	28,741,878
Payable to other governments	0	0	0	0	3,064	3,064
Deferred revenue	271,015	0	0	0	11,945	282,960
Other accrued expenses	1,247,886	0	0	0	41,507	1,289,393
Other payables	10,158	0	0	42,397	119,251	171,806
Total liabilities	<u>30,367,234</u>	<u>84,882</u>	<u>0</u>	<u>50,715</u>	<u>186,944</u>	<u>30,689,775</u>
Fund balances:						
Reserved for:						
Prepaid expenses	32,367	0	0	0	0	32,367
Debt service	0	0	0	0	0	0
Other purposes	44,276	4,937,040	0	0	0	4,981,316
Unreserved	4,883,279	0	3,988,562	3,391,387	0	12,263,228
Unreserved, reported in non-major:						
Special revenue funds	0	0	0	0	7,967,102	7,967,102
Capital projects funds	0	0	0	0	8,044,181	8,044,181
Debt service funds	0	0	0	0	0	0
Permanent Endowment Fund	0	0	0	0	0	0
Total fund balances	<u>4,959,922</u>	<u>4,937,040</u>	<u>3,988,562</u>	<u>3,391,387</u>	<u>16,011,283</u>	<u>33,288,194</u>
Total liabilities and fund balances	<u>\$ 35,327,156</u>	<u>5,021,922</u>	<u>3,988,562</u>	<u>3,442,102</u>	<u>16,198,227</u>	<u>63,977,969</u>

See accompanying notes to the financial statements

CITY OF BARTLESVILLE
 Statement of Activities - Governmental Funds
 June 30, 2008

	General Fund	Bartlesville Community Center	2008 G.O. Bond	Sales Tax Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Property taxes	0	0	0	0	2,957,326	2,957,326
Sales and miscellaneous taxes	14,337,429	0	0	2,668,309	1,512,209	18,517,947
Fees and fines	1,095,395	0	0	0	509,642	1,605,037
Licenses and permits	260,951	0	0	0	0	260,951
Intergovernmental	220,378	0	0	0	276,290	496,668
Charges for services	311,913	420,598	0	0	347,675	1,080,186
Investment earnings (losses)	633,591	(95,598)	38,597	92,020	472,191	1,140,801
Miscellaneous	213,966	1,009	0	22,500	86	237,561
Contributions and donations	7,450	428,722	0	40,000	348,197	824,369
Total revenues	17,081,073	754,731	38,597	2,822,829	6,423,616	27,120,846
EXPENDITURES:						
Current:						
General government	4,789,007	0	0	10,000	1,139,702	5,938,709
Public Safety	9,196,522	0	0	0	642,137	9,838,659
Public Works	1,122,341	0	0	9,328	0	1,131,669
Culture and recreation	2,226,034	1,160,661	0	0	244,992	3,631,687
Debt Service:						
Principal	120,898	0	0	121,008	2,185,000	2,426,906
Interest and other charges	10,170	0	0	16,371	492,978	519,519
Capital outlay	459,734	223,735	0	2,592,600	2,973,666	6,249,735
Total expenditures	17,924,706	1,384,396	0	2,749,307	7,678,475	29,736,884
Excess (deficiency) of revenues over expenditures	(843,633)	(629,665)	38,597	73,522	(1,254,859)	(2,616,038)
OTHER FINANCING SOURCES (USES):						
Transfers in	1,906,629	267,081	0	0	906,378	3,080,088
Transfers out	(574,937)	0	0	(435,250)	(736,041)	(1,746,228)
Loan proceeds	50,035	0	3,949,965	0	0	4,000,000
Total other financing sources and uses	1,381,727	267,081	3,949,965	(435,250)	170,337	5,333,860
SPECIAL ITEM:						
Proceeds from sale of fixed assets	1,830	0	0	5,000	2,069	8,899
Net change in fund balances	539,924	(362,584)	3,988,562	(356,728)	(1,082,453)	2,726,721
Fund balances - beginning, unadjusted	4,433,344	5,299,624	0	3,748,115	17,093,736	30,574,819
Prior period adjustment (Note 7)	(13,346)	0	0	0	0	(13,346)
Fund balances - beginning, adjusted	4,419,998	5,299,624	0	3,748,115	17,093,736	30,561,473
Fund balances - ending	4,959,922	4,937,040	3,988,562	3,391,387	16,011,283	33,288,194

See accompanying notes to the financial statements

CITY OF BARTLESVILLE
Statement of Net Assets – Component Units
June 30, 2008

	Component Units			Total
	Bartlesville Development Corporation	Bartlesville Development Authority	Bartlesville Redevelopment Trust Authority	
ASSETS				
Cash and equivalents	\$ 1,352,429	74,383	16,189	1,443,001
Receivables	250,869	0	0	250,869
Due from other governmental agencies	0	0	0	0
Inventories	0	0	0	0
Other assets	9,403	0	280,013	289,416
Capital assets				
Land	98,061	734,675		832,736
Infrastructure and other improvements	0	0	0	0
Buildings	252,549	62,860,158	0	63,112,707
Equipment and furniture	38,866	0	0	38,866
Construction in progress	0	0	0	0
Less: accumulated depreciation	(30,640)	(4,870,208)	0	(4,900,848)
Total capital assets	358,836	58,724,625	0	59,083,461
Total assets	1,971,537	58,799,008	296,202	61,066,747
LIABILITIES				
Accounts payable and accrued expenses	172,256	0	5,475	177,731
Cash fund overdraft	0	0	0	0
Due to other governmental agencies		0	249,619	249,619
Deferred revenues	0	65,383	0	65,383
Long-term liabilities				
Due within one year				0
Bonds, capital leases and contracts	0	308,073	0	308,073
Compensated absences	0	0	0	0
Claims payable	0	0	0	0
Due in more than one year				
Bonds, capital leases and contracts	0	6,399,165	0	6,399,165
Total liabilities	172,256	6,772,621	255,094	7,199,971
NET ASSETS				
Invested in capital assets, net of related debt	0	52,017,387	0	52,017,387
Restricted for:				
Capital projects	0	0	0	0
Debt service	0	0	0	0
Other projects	1,266,738	285,321	0	1,552,059
Unrestricted	532,543	(276,321)	41,108	297,330
Total net assets	\$ 1,799,281	52,026,387	41,108	53,866,776

See accompanying notes to the financial statements

CITY OF BARTLESVILLE

Statement of Activities – Government-wide – Component Units June 30, 2008

Functions/Programs Component Units	Program Revenue			Net (Expense) Revenue and Changes in Net Assets Component Units			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Bartlesville Development Corporation	Bartlesville Development Authority	Bartlesville Redevelopment Trust Authority	Total
Bartlesville Development Corporation	\$ 1,213,377	0	0	(292,809)	0	0	(292,809)
Bartlesville Development Authority	1,974,357	0	0	0	(1,291,443)	0	(1,291,443)
Bartlesville Redevelopment Trust Authority	65,796	0	0	0	0	(65,796)	(65,796)
Total component units	<u>\$ 3,253,530</u>	<u>0</u>	<u>0</u>	<u>(292,809)</u>	<u>(1,291,443)</u>	<u>(65,796)</u>	<u>(1,650,048)</u>
General revenues:							
Taxes:							
Property taxes, levied for debt service	\$			0	0	0	0
Franchise taxes				0	0	0	0
Public service taxes				0	0	0	0
Grants and contributions not restricted to specific programs				0	0	0	0
Unrestricted investment earnings				50,898	0	224	51,122
Miscellaneous				25	0	2,073	2,098
Pass through revenue				83,355	0	0	83,355
Special item - gain (loss) on sale of asset				0	0	0	0
Transfers				0	0	10,000	10,000
Total general revenues, special items, and transfers				<u>134,278</u>	<u>0</u>	<u>12,297</u>	<u>146,575</u>
Change in net assets				<u>(158,531)</u>	<u>(1,291,443)</u>	<u>(53,499)</u>	<u>(1,503,473)</u>
Net assets - beginning, unadjusted				<u>1,957,812</u>	<u>690,520</u>	<u>94,607</u>	<u>2,742,939</u>
Prior period adjustment (Note 7)				0	52,627,310	0	52,627,310
Net assets - beginning, adjusted				<u>1,957,812</u>	<u>53,317,830</u>	<u>94,607</u>	<u>55,370,249</u>
Net assets - ending				<u>\$ 1,799,281</u>	<u>52,026,387</u>	<u>41,108</u>	<u>53,866,776</u>

See accompanying notes to the financial statements

CITY OF BARTLESVILLE
 Statement of Net Assets – Proprietary Funds
 June 30, 2008

	Enterprise Funds							Internal Service Funds
	Bartlesville						Total	
	Wastewater	Water	Solid Waste	Municipal Authority	Other Enterprise Funds			
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 318,813	281,298	1,039,676	149,374	28,079	1,817,240	180,661	
Cash held by third party	0	0	0	536,271	0	536,271	50,000	
Investments	0	0	0	10,222,270	0	10,222,270	0	
Accounts receivable, net	0	61	309,530	997,147	2,524	1,309,262	0	
Other receivables	3,115	3,109	10,159	12,952	274	29,609	3,058	
Inventories	0	284,471	0	0	0	284,471	0	
Prepaid expenses	0	0	0	0	4,153	4,153	0	
Total current assets	321,928	568,939	1,359,365	11,918,014	35,030	14,203,276	233,719	
Non-current assets:								
Capital assets:								
Land and improvements	6,528	135,877	0	699,569	498,500	1,340,474	0	
Utility System	35,187,660	21,686,034	0	5,095,529	0	61,969,223	0	
Construction in progress	0	157,535	0	13,532	0	171,067	0	
Buildings	14,138,362	5,761,355	134,434	45,890,585	385,741	66,310,477	0	
Equipment and furniture	5,037,828	2,677,848	1,519,106	0	334,675	9,569,457	0	
Infrastructure and other improvements	0	0	0	1,690,361	2,088,989	3,779,350	0	
Less accumulated depreciation	(28,725,088)	(19,705,727)	(951,162)	(2,630,041)	(1,585,287)	(53,597,305)	0	
Total non-current assets	25,645,290	10,712,922	702,378	50,759,535	1,722,618	89,542,743	0	
Total assets	25,967,218	11,281,861	2,061,743	62,677,549	1,757,648	103,746,019	233,719	

See accompanying notes to the financial statements

CITY OF BARTLESVILLE

Statement of Net Assets – Proprietary Funds
June 30, 2008
(continued)

	Enterprise Funds						Internal Service Funds
	Wastewater	Water	Solid Waste	Municipal Authority	Other Enterprise Funds	Total	
LIABILITIES							
Current liabilities:							
Accounts payable	\$ 11,623	21,881	40,151	0	1,971	75,626	0
Salaries payable	22,011	73,933	63,237	0	9,102	168,283	0
Accrued interest payable	0	0	0	450,286	0	450,286	0
Deferred revenue	0	0	0	0	7,863	7,863	0
Compensated absences	20,551	72,339	76,079	0	7,590	176,559	0
Claims and judgments	0	69,877	70,779	0	14,529	155,185	0
Bonds, notes and loans payable	0	0	0	2,517,284	0	2,517,284	0
Total current liabilities	<u>54,185</u>	<u>238,030</u>	<u>250,246</u>	<u>2,967,570</u>	<u>41,055</u>	<u>3,551,086</u>	<u>0</u>
Non-current liabilities:							
Bonds, notes and loans payable	0	0	0	43,135,166	0	43,135,166	0
Total non-current liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>43,135,166</u>	<u>0</u>	<u>43,135,166</u>	<u>0</u>
Total liabilities	<u>54,185</u>	<u>238,030</u>	<u>250,246</u>	<u>46,102,736</u>	<u>41,055</u>	<u>46,686,252</u>	<u>0</u>
NET ASSETS							
Invested in capital assets, net of related debt	25,645,290	10,712,922	702,378	5,107,085	1,722,618	43,890,293	0
Restricted for debt service	0	0	0	536,271	0	536,271	0
Restricted for other purposes	0	284,472	0	0	4,154	288,626	0
Unrestricted	267,743	46,437	1,109,119	10,931,457	(10,179)	12,344,577	233,719
Total net assets	<u>\$ 25,913,033</u>	<u>11,043,831</u>	<u>1,811,497</u>	<u>16,574,813</u>	<u>1,716,593</u>	<u>57,059,767</u>	<u>233,719</u>

The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the Business-type Activities of the Statement of Net Assets.

Total net assets per Government-wide financial statements

(22,304)
\$ 57,037,463

CITY OF BARTLESVILLE

Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds June 30, 2008

	Enterprise Funds					Total	Internal Service Funds
	Bartlesville				Other Enterprise Funds		
	Wastewater	Water	Solid Waste	Municipal Authority			
REVENUES:							
Charges for services	\$ 0	55,747	3,845,203	11,360,978	337,524	15,599,452	2,671,277
Total operating revenues	<u>0</u>	<u>55,747</u>	<u>3,845,203</u>	<u>11,360,978</u>	<u>337,524</u>	<u>15,599,452</u>	<u>2,671,277</u>
OPERATING EXPENSES:							
Personal services	585,177	2,058,367	1,688,021	0	319,736	4,651,301	2,544,462
Contractual services	23,154	16,867	848,285	3,250	86,998	978,554	371,014
Utilities	3,125	612,525	4,666	0	32,774	653,090	0
Repairs and maintenance	69,323	372,491	158,874	0	39,192	639,880	0
Other supplies and expenses	2,009,363	882,419	363,066	69,804	74,442	3,399,094	0
Depreciation	1,507,239	740,644	129,992	1,350,394	65,939	3,794,208	0
Total operating expenses	<u>4,197,381</u>	<u>4,683,313</u>	<u>3,192,904</u>	<u>1,423,448</u>	<u>619,081</u>	<u>14,116,127</u>	<u>2,915,476</u>
Operating income (loss)	<u>(4,197,381)</u>	<u>(4,627,566)</u>	<u>652,299</u>	<u>9,937,530</u>	<u>(281,557)</u>	<u>1,483,325</u>	<u>(244,199)</u>
NON-OPERATING REVENUES (EXPENSES):							
Interest and investment revenue	10,536	8,997	35,017	370,231	1,889	426,670	19,877
Miscellaneous revenue	67,584	0	0	0	0	67,584	0
Operating grants and contributions	0	0	0	60,000	0	60,000	0
Interest expense	0	0	0	(1,685,300)	0	(1,685,300)	0
Total non-operating revenue (expenses)	<u>78,120</u>	<u>8,997</u>	<u>35,017</u>	<u>(1,255,069)</u>	<u>1,889</u>	<u>(1,131,046)</u>	<u>19,877</u>
Income (loss) before contributions and transfers	<u>(4,119,261)</u>	<u>(4,618,569)</u>	<u>687,316</u>	<u>8,682,461</u>	<u>(279,668)</u>	<u>352,279</u>	<u>(224,322)</u>
Capital asset transfers	0	478,659	0	0	5,000	483,659	0
Transfers in	3,333,602	4,879,376	0	435,250	137,519	8,785,747	0
Transfers out	(562,904)	(780,821)	(562,904)	(8,212,978)	0	(10,119,607)	0
Special item - gain (loss) on sale of capital assets	6,250	13,298	10,024	0	(2,100)	27,472	0
Change in net assets	<u>(1,342,313)</u>	<u>(28,057)</u>	<u>134,436</u>	<u>904,733</u>	<u>(139,249)</u>	<u>(470,450)</u>	<u>(224,322)</u>
Total net assets - beginning, unadjusted	<u>27,255,346</u>	<u>11,008,235</u>	<u>1,677,061</u>	<u>15,668,161</u>	<u>1,855,842</u>	<u>57,464,645</u>	<u>458,041</u>
Prior period adjustment (Note 7)	0	63,653	0	1,919	0	65,572	0
Total net assets - beginning, adjusted	<u>27,255,346</u>	<u>11,071,888</u>	<u>1,677,061</u>	<u>15,670,080</u>	<u>1,855,842</u>	<u>57,530,217</u>	<u>458,041</u>
Total net assets - ending	<u>\$ 25,913,033</u>	<u>11,043,831</u>	<u>1,811,497</u>	<u>16,574,813</u>	<u>1,716,593</u>	<u>57,059,767</u>	<u>233,719</u>
Change in net assets, per above						(470,450)	
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-type Activities.						(22,304)	
Change in Business-type Activities in Net Assets per Government-wide Financial Statements						<u>\$ (492,754)</u>	

See accompanying notes to the financial statements

CITY OF BARTLESVILLE

Statement of Cash Flows – Proprietary Funds June 30, 2008

	Enterprise Funds					Total
	Wastewater	Water	Solid Waste	Bartlesville Municipal Authority	Other Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ (2,559)	53,551	3,842,417	11,369,764	344,579	15,607,752
Payments to suppliers	(2,093,522)	(1,802,698)	(1,363,803)	(74,973)	(183,885)	(5,518,881)
Payments to employees	(582,209)	(2,114,783)	(1,675,123)	0	(318,178)	(4,690,293)
Net cash provided (used) by operating activities	<u>(2,678,290)</u>	<u>(3,863,930)</u>	<u>803,491</u>	<u>11,294,791</u>	<u>(157,484)</u>	<u>5,398,578</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Other income	67,584	0	0	60,000	0	127,584
Intergovernmental income	0	0	0	0	0	0
Interfund transfers in (out)	2,770,698	4,098,555	(562,904)	(7,777,728)	137,519	(1,333,860)
Net cash provided (used) by noncapital financing activities	<u>2,838,282</u>	<u>4,098,555</u>	<u>(562,904)</u>	<u>(7,717,728)</u>	<u>137,519</u>	<u>(1,206,276)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from sale of capital assets	6,250	13,298	10,024	0	(2,100)	27,472
Purchases of capital assets	(101,219)	(84,638)	(140,994)	(380,000)	(32,888)	(739,739)
Proceeds from issuance of long-term debt	0	0	0	320,000	0	320,000
Cash held by third party	0	0	0	(15,176)	0	(15,176)
Principal paid on capital debt	0	0	0	(2,393,164)	0	(2,393,164)
Interest paid on capital debt	0	0	0	(1,091,477)	0	(1,091,477)
Net cash provided (used) by capital and related financing activities	<u>(94,969)</u>	<u>(71,340)</u>	<u>(130,970)</u>	<u>(3,559,817)</u>	<u>(34,988)</u>	<u>(3,892,084)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment income	10,536	8,997	35,017	370,231	1,889	426,670
Purchase of investments	0	0	0	0	0	0
Sale of investments	45,000	(50,000)	285,000	9,444,838	0	9,724,838
Net cash provided (used) by investing activities	<u>55,536</u>	<u>(41,003)</u>	<u>320,017</u>	<u>9,815,069</u>	<u>1,889</u>	<u>10,151,508</u>
Net increase (decrease) in cash and cash equivalents	120,559	122,282	429,634	9,832,315	(53,064)	10,451,726
Cash and cash equivalents, beginning of year	198,254	159,016	610,042	358,216	81,143	1,406,671
Cash and cash equivalents, end of year	<u>\$ 318,813</u>	<u>281,298</u>	<u>1,039,676</u>	<u>10,190,531</u>	<u>28,079</u>	<u>11,858,397</u>

See accompanying notes to the financial statements

CITY OF BARTLESVILLE

Statement of Cash Flows – Proprietary Funds

June 30, 2008

(continued)

	Enterprise Funds						Total
	Bartlesville			Other			
	Wastewater	Water	Solid Waste	Municipal Authority	Enterprise Funds	Funds	
	\$ (4,197,381)	(4,627,566)	652,299	9,937,530	(281,557)	1,483,325	
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	1,507,239	740,644	129,992	1,350,394	65,939	3,794,208	
(Increase) decrease in accounts receivable	(2,559)	(2,196)	(2,786)	8,786	6,465	7,710	
(Increase) decrease in inventories	0	2,703	0	0	0	2,703	
(Increase) decrease in prepaid items	0	0	0	0	(2,891)	(2,891)	
Increase (decrease) in accounts payable	11,443	78,901	11,088	(1,919)	52,412	151,925	
Increase (decrease) in deferred revenue	0	0	0	0	590	590	
Increase (decrease) in payroll liabilities	2,968	(56,416)	12,898	0	1,558	(38,992)	
Total adjustments	<u>1,519,091</u>	<u>763,636</u>	<u>151,192</u>	<u>1,357,261</u>	<u>124,073</u>	<u>3,915,253</u>	
Net cash provided (used) by operating activities	<u>\$ (2,678,290)</u>	<u>(3,863,930)</u>	<u>803,491</u>	<u>11,294,791</u>	<u>(157,484)</u>	<u>5,398,578</u>	

See accompanying notes to the financial statements

CITY OF BARTLESVILLE
Statement of Net Assets – Fiduciary Funds
June 30, 2008

	<u>Mausoleum Endowment</u>	<u>Utility Deposits</u>	<u>Municipal Court Bond</u>	<u>TIF Districts</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,401	607,763	68,272	356,917
Investments	14,261	0	0	0
Interest receivable	126	0	0	0
Total assets	<u>15,788</u>	<u>607,763</u>	<u>68,272</u>	<u>356,917</u>
<u>LIABILITIES</u>				
Due to other funds	\$ 0	0	7,679	0
Cash fund overdraft	2,267	0	0	0
Refunds payable and other liabilities	0	607,763	60,593	5,000
Total liabilities	<u>2,267</u>	<u>607,763</u>	<u>68,272</u>	<u>5,000</u>
<u>NET ASSETS</u>				
Held in trust for benefits and other purposes	<u>\$ 13,521</u>	<u>0</u>	<u>0</u>	<u>351,917</u>

See accompanying notes to the financial statements

CITY OF BARTLESVILLE

Statement of Changes in Fiduciary Net Assets - Fiduciary Funds June 30, 2008

	<u>Mausoleum Endowment</u>	<u>Utility Deposits</u>	<u>Municipal Court Bond</u>	<u>TIF Districts</u>
ADDITIONS:				
Property taxes for specific purposes	\$ 0	0	0	249,350
General sales tax	0	0	0	40,389
Miscellaneous revenue	0	0	0	130,426
Interest	1,104	0	0	5,154
Total additions	<u>1,104</u>	<u>0</u>	<u>0</u>	<u>425,319</u>
DEDUCTIONS:				
General government	5,053	0	0	0
Interest expense	0	0	0	189,288
Transfers out	0	0	0	0
Total deductions	<u>5,053</u>	<u>0</u>	<u>0</u>	<u>189,288</u>
Change in net assets	<u>(3,949)</u>	<u>0</u>	<u>0</u>	<u>236,031</u>
Net assets - beginning	17,470	0	0	115,886
Prior period adjustment	0	0	0	0
Total net assets - beginning, adjusted	<u>17,470</u>	<u>0</u>	<u>0</u>	<u>115,886</u>
Net assets - ending	<u>\$ 13,521</u>	<u>0</u>	<u>0</u>	<u>351,917</u>

See accompanying notes to the financial statements

CITY OF BARTLESVILLE

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June 30, 2008

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CITY OF BARTLESVILLE

Notes to Basic Financial Statements

June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.A. INTRODUCTION

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

1.B. FINANCIAL REPORTING ENTITY

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

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

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

CITY OF BARTLESVILLE

Notes to Basic Financial Statements

June 30, 2008

(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, 2008

(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, Oklahoma</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, 2008

(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, 2008

(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.C. BASIS OF PRESENTATION (continued)

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

GOVERNMENTAL FUND TYPES:

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

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

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

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

PROPRIETARY FUND TYPES:

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2008
(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>
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 expenditures 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, 2008

(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.
TIF Districts Fund	Accounts for ad valorem and general sales taxes that are to be used to fund infrastructure improvements to the designated TIF areas.

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: 2008A G.O. Bond	Accounts for bond proceeds and expenditures associated with improving the streets and drainage.
Sales Tax Capital Improve- ment Fund	Accounts for revenues and expenditures related to a sales tax issue restricted for capital improvements.

CITY OF BARTLESVILLE

Notes to Basic Financial Statements

June 30, 2008

(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, 2008
(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.
Justice Assistance Grant (JAG)	Accounts for revenues and expenditures related to the Justice Assistance Grant
Neighborhood Park Fund	Accounts for the receipt and expenditures of development fees that are reserved for use in the various parks of the City
Cemetery Perpetual Care Fund	Accounts for revenues and expenditures of the cemetery's upkeep in accordance with State law.
Memorial Stadium Operating Fund	Accounts for receipt of stadium fees and transfers from the City for capital improvements.
Geographical Information Systems	Accounts for receipt of community development fees and related expenditures.
Bartlesville Adult Center Trust Authority	See blended component unit above for description.

CITY OF BARTLESVILLE

Notes to Basic Financial Statements

June 30, 2008

(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 - 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 - Storm Sewer Fund	Accounts for revenues and expenditures associated with improving the storm sewer system.
Community Development Block Grant Fund	Accounts for revenues and expenditures related to the Community Development Block Grant.
2005 G.O. Bond Fund	Accounts for bond proceeds and expenditures associated with improving the streets, water system, buildings and water system.
2007 G.O. Bond Fund	Accounts for bond proceeds and expenditures associated with improving the streets.
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, 2008

(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, 2008
(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, 2008

(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, 2008
(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 its major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 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, 2008

(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, 2008
(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. Since that time, all governmental infrastructure assets have been recorded as acquired. The governmental infrastructure assets for the proceeding 20 years were recorded at their actual historical cost, or estimated historical cost if actual was unavailable, as of July 1, 2006.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is 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, 2008
(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 a liability in the fund financial statements. The debt proceeds are reported as revenue and payment of principal and interest reported as expenditures. The accounting for proprietary 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, 2008
(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, 2008
(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, 2008

(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Property Tax

Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and any court-assessed judgments. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied annually on November 1 and are due one-half by December 31 and one-half by March 31. 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, 2008

(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Expenditures and Expenses

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

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

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

Proprietary Fund - by Operating and Non-Operating

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

Interfund Transfers

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2008
(continued)

NOTE 2 - DEPOSITS, INVESTMENTS AND COLLATERAL

The following is a table of deposits and investments for the City at June 30, 2008 by type.

	<u>Credit Rating</u>	<u>Carrying Value</u>
Type Deposits:		
Petty Cash	N/A	\$ 2,775
Demand Deposits	N/A	4,994,307
Time Deposits	N/A	16,647,371
Total Deposits		21,644,453
Investments:		
Corporate Stocks and Bonds		
Community Center	N/A	4,838,671
Library Trust Authority	AAAAA	11,799
Agencies of the U.S. Govt.		
GNMA/FHLB/FNMA/FFCR	AAA/AAA	16,898,921
Mutual Funds		
Library Trust Authority	AAAA	1,056,798
Total Investments:		22,806,189
Note Payments held in trust and cash with fiscal agent		599,256
Total:		\$ 45,049,898
Reconciliation to Statement of Net Assets:		
Cash and Cash Equivalents:		
Government-Wide		\$ 4,564,257
Mausoleum		1,401
Utility Deposits		607,763
Municipal Court Bond		68,272
TIF Districts		356,917
Investments:		
Government-Wide		39,437,027
Mausoleum		14,261
Total:		\$ 45,049,898

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 except for \$96,793.

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, 2008

(continued)

NOTE 3 - PROPERTY AND EQUIPMENT

3.A. CAPITAL ASSET ACTIVITY - GOVERNMENTAL ACTIVITIES

Capital asset activity for governmental activities for the year ended June 30, 2008 was as follows:

Class	Governmental Activities					Ending Balance June 30, 2008
	Previously Reported Ending Balance June 30, 2007	Adjustments to Previously Reported Balances (Note 3.D.)	Additions	Deletions	Transfers	
Land	\$ 4,023,507	0	0	0	0	4,023,507
Infrastructure and improvements	54,732,643	0	41,030	0	5,408,402	60,182,075
Buildings	25,775,400	0	50,431	0	410,314	26,236,145
Equipment and furniture	10,284,560	0	1,101,557	(160,763)	17,275	11,242,629
Construction in progress	4,460,557	(81,475)	5,757,125	(318,451)	(6,297,376)	3,520,380
Accumulated depreciation	(33,621,950)	0	(3,126,581)	146,023	(22,274)	(36,624,782)
Total	\$ 65,654,717	(81,475)	3,823,562	(333,191)	(483,659)	68,579,954

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

Capital asset activity for business-type activities for the year ended June 30, 2008 was as follows:

Class	Business-type Activities					Ending Balance June 30, 2008
	Previously Reported Ending Balance June 30, 2007	Additions	Deletions	Transfers		
Land	\$ 960,474	380,000	0	0		1,340,474
Infrastructure and improvements	65,269,913	0	0	478,660		65,748,573
Buildings	66,310,477	0	0	0		66,310,477
Equipment and furniture	9,335,626	328,050	(76,944)	(17,275)		9,569,457
Construction in progress	40,628	130,439	0	0		171,067
Accumulated depreciation	(49,900,213)	(3,794,208)	74,842	22,274		(53,597,305)
Total	\$ 92,016,905	(2,955,719)	(2,102)	483,659		89,542,743

CITY OF BARTLESVILLE

Notes to Basic Financial Statements

June 30, 2008

(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	\$ 459,387
Public Safety	415,090
Public Works	1,547,707
Culture and Recreation	<u>704,397</u>
Total	<u>\$ 3,126,581</u>

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

A prior period adjustment was necessary to correct the beginning balances related to fixed assets in the Government Fund Types. The beginning balance of construction in progress fixed assets was reduced by \$81,475 due to the City reclassifying costs related to engineering/feasibility studies from capital outlay to professional services.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2008
(continued)

NOTE 4 - LONG-TERM DEBT

The following is a summary of long-term debt of the City at June 30, 2008:

	General Obligation Bonds Payable	Capital Lease Payable	Notes Payable	Workers' Comp Claims Liability	Total
Long-term debt, July 1, 2007	\$ 13,840,000	249,942	47,789,114	455,540	62,334,596
Debt issued	4,000,000	367,117	320,000	77,136	4,764,253
Debt retired	<u>(2,185,000)</u>	<u>(241,907)</u>	<u>(2,456,664)</u>	<u>(12,433)</u>	<u>(4,896,004)</u>
Long-term debt, June 30, 2008	<u>\$ 15,655,000</u>	<u>375,152</u>	<u>45,652,450</u>	<u>520,243</u>	<u>62,202,845</u>

4.A. GENERAL OBLIGATION BONDS TO BE REPAYED 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, 2008

(continued)

NOTE 4 - LONG-TERM DEBT (continued)

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

General obligation bonds payable at June 30, 2008 are comprised of the following issues:

On June 1, 2008, \$4,000,000 General Obligation Bonds, Series 2008, serial bonds due in annual installments of \$440,000, except for a final installment of \$480,000 through June 1, 2018; semi-annual interest at rates varying from 2.7% to 4.75% for street and drainage improvements.	Current	\$ 0
	Long-term	<u>4,000,000</u>
	Total	<u>4,000,000</u>
On April 1, 2007, \$4,500,000 General Obligation Bonds, Series 2007, serial bonds due in annual installments of \$500,000 from April 1, 2009 through April 1, 2017; semi-annual interest at rates varying from 3.40% to 4.75% commencing April 1, 2008 for street improvements.	Current	500,000
	Long-term	<u>4,000,000</u>
	Total	<u>4,500,000</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>1,020,000</u>
	Total	<u>1,350,000</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>1,190,000</u>
	Total	<u>1,575,000</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>0</u>
	Total	<u>730,000</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>3,000,000</u>
	Total	<u>3,500,000</u>
Total current portion		2,445,000
Total long-term portion		<u>13,210,000</u>
Total general obligation bonds		<u>\$ 15,655,000</u>

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2008
(continued)

NOTE 4 - LONG-TERM DEBT (continued)

4.B. CAPITAL LEASE PAYABLE

On August 27, 2007, a lease-purchase agreement with First Capital Equipment Leasing Corp in the amount of \$367,117 was entered into by the City to purchase an Emergency One Rescue Pumper. Payments are made annually in the amount of \$131,068 with 4.28% interest.	Current	\$	120,530
	Long-term		<u>125,688</u>
	Total		<u>246,218</u>

On November 2, 2006, a lease-purchase agreement with Ford Motor Credit Company in the amount of \$385,218 was entered into by the City to purchase 22 police cars. Payments are made annually in the amount of \$137,379 with 6.55% interest.	Current		128,934
	Long-term		<u>0</u>
	Total		<u>128,934</u>

Total current portion			249,464
Total long-term portion			<u>125,688</u>
Total capital lease payable		\$	<u><u>375,152</u></u>

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2008
(continued)

NOTE 4 - LONG-TERM DEBT (continued)

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

Notes payable at June 30, 2008 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;">495,727</td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>533,860</u></td> </tr> </table>	Current	\$ 38,133	Long-term	495,727	Total	<u>533,860</u>
Current	\$ 38,133						
Long-term	495,727						
Total	<u>533,860</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;">544,505</td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>580,805</u></td> </tr> </table>	Current	36,300	Long-term	544,505	Total	<u>580,805</u>
Current	36,300						
Long-term	544,505						
Total	<u>580,805</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;">414,373</td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>441,998</u></td> </tr> </table>	Current	27,625	Long-term	414,373	Total	<u>441,998</u>
Current	27,625						
Long-term	414,373						
Total	<u>441,998</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;">425,000</td> </tr> <tr> <td>Long-term</td> <td style="text-align: right;">215,000</td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>640,000</u></td> </tr> </table>	Current	425,000	Long-term	215,000	Total	<u>640,000</u>
Current	425,000						
Long-term	215,000						
Total	<u>640,000</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;">285,000</td> </tr> <tr> <td>Long-term</td> <td style="text-align: right;">1,935,000</td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>2,220,000</u></td> </tr> </table>	Current	285,000	Long-term	1,935,000	Total	<u>2,220,000</u>
Current	285,000						
Long-term	1,935,000						
Total	<u>2,220,000</u>						

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2008
(continued)

NOTE 4 – LONG-TERM DEBT (continued)

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

Notes payable at June 30, 2008 are comprised of the following obligations:
(continued)

<p>Note payable to the Oklahoma Water Resources Board, proceeds of \$44,903,153 were used to construct the water treatment plant. Principle and interest payments of \$1,543,897 will be due in two semi-annual installments commencing on March 15, 2007. This note bears interest at a rate of 3.50% per annum. The note will mature on March 15, 2026.</p>	<table border="0"> <tr> <td>Current</td> <td style="text-align: right;">\$ 1,667,988</td> </tr> <tr> <td>Long-term</td> <td style="text-align: right;">39,311,299</td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>40,979,287</u></td> </tr> </table>	Current	\$ 1,667,988	Long-term	39,311,299	Total	<u>40,979,287</u>
Current	\$ 1,667,988						
Long-term	39,311,299						
Total	<u>40,979,287</u>						
<p>Note payable to Marjorie E. Pitzer, proceeds of \$256,000 were used to real property. Principle and interest payments of \$51,346 will be due in annual installments commencing on April 1, 2009. This note bears interest at a rate of 5.5% per annum. The note will mature on April 1, 2014.</p>	<table border="0"> <tr> <td>Current</td> <td style="text-align: right;">37,238</td> </tr> <tr> <td>Long-term</td> <td style="text-align: right;">219,262</td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>256,500</u></td> </tr> </table>	Current	37,238	Long-term	219,262	Total	<u>256,500</u>
Current	37,238						
Long-term	219,262						
Total	<u>256,500</u>						
<table border="0"> <tr> <td style="padding-left: 40px;">Total current portion</td> <td style="text-align: right;">2,517,284</td> </tr> <tr> <td style="padding-left: 40px;">Total long-term portion</td> <td style="text-align: right;"><u>43,135,166</u></td> </tr> <tr> <td style="padding-left: 40px;">Total notes payable</td> <td style="text-align: right;"><u>\$ 45,652,450</u></td> </tr> </table>	Total current portion	2,517,284	Total long-term portion	<u>43,135,166</u>	Total notes payable	<u>\$ 45,652,450</u>	
Total current portion	2,517,284						
Total long-term portion	<u>43,135,166</u>						
Total notes payable	<u>\$ 45,652,450</u>						

4.D. WORKERS' COMPENSATION CLAIMS LIABILITY

The City self-insures workers' compensation claims liability. The administration of claims for self-insurance is primarily performed by third party administrators. At June 30, 2008, the City's workers' compensation claims liability was \$520,243 based upon the estimated claims payable reported as reserves in the third party administrator's monthly and quarterly reports to the City. \$365,058 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. \$155,185 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, 2008

(continued)

NOTE 4 - LONG-TERM DEBT (continued)

4.E. DEBT SERVICE REQUIREMENTS TO MATURITY

The annual requirements to amortize long-term debt outstanding as of June 30, 2008, are as follows:

<u>Period</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 5,211,748	2,019,344	7,231,092
2010	4,658,912	2,002,624	6,661,536
2011	4,391,353	1,733,526	6,124,879
2012	4,531,755	1,587,469	6,119,224
2013	3,834,511	1,306,423	5,140,934
2014-2018	17,134,495	5,279,841	22,414,336
2019-2023	13,134,429	2,776,701	15,911,130
2024-2026	<u>8,785,399</u>	<u>541,911</u>	<u>9,327,310</u>
Total	\$ <u>61,682,602</u>	<u>17,247,839</u>	<u>78,930,441</u>

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2008
(continued)

NOTE 5 - INTERFUND TRANSACTIONS

5.A. INTERFUND OPERATING TRANSFERS

	Transfers In										
	Transfers Out	Memorial Stadium Operating Fund	Adams Municipal Golf Course Fund	E-911 Fund	Special Library Fund	Bond Financing Fund	Wastewater Fund	General Fund	Debt Service	Water Fund	BMA Street Fund
General Fund	\$ 63,741	137,519	106,596	0	0	0	0	0	0	0	0
Bartlesville Library Trust Authority	0	0	0	64,834	0	0	0	0	0	0	0
Golf Course Memorial Fund	0	0	0	0	31,678	0	0	0	0	0	0
Capital Improvement Fund	0	0	0	0	0	0	0	0	0	0	435,250
Bartlesville Municipal Authority	0	0	0	0	0	0	3,333,602	0	0	4,879,376	0
Wastewater Fund	0	0	0	0	0	0	0	562,904	0	0	0
Water Fund	0	0	0	0	0	0	0	780,821	0	0	0
Solid Waste Fund	0	0	0	0	0	0	0	562,904	0	0	0
Bond Financing Fund	0	0	0	0	0	0	0	0	639,529	0	0
Economic Development Fund	0	0	0	0	0	0	0	0	0	0	0
Transfers In Total	\$ 63,741	137,519	106,596	64,834	31,678	3,333,602	1,906,629	639,529	4,879,376	435,250	

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2008
(continued)

NOTE 5 - INTERFUND TRANSACTIONS (continued)

5.A. INTERFUND OPERATING TRANSFERS (continued)

Transfers In (cont'd)				
Transfers Out	Bartlesville Development Corporation	Bartlesville Redevelop- ment Trust Authority	Bartlesville Community Center Trust Authority	Transfers Out Total
General Fund	\$ 0	0	267,081	574,937
Bartlesville Library Trust Authority	0	0	0	64,834
Golf Course Memorial Fund	0	0	0	31,678
Capital Improvement Fund	0	10,000	0	445,250
Bartlesville Municipal Authority	0	0	0	8,212,978
Wastewater Fund	0	0	0	562,904
Water Fund	0	0	0	780,821
Solid Waste Fund	0	0	0	562,904
Bond Financing	0	0	0	639,529
Economic Development Fund	867,242	0	0	867,242
Transfers In Total	\$ 867,242	10,000	267,081	12,743,077

CITY OF BARTLESVILLE

Notes to Basic Financial Statements

June 30, 2008

(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>
Municipal Court Bond	\$ 7,679	0	7,679
General Fund	<u>0</u>	<u>42,716</u>	<u>42,716</u>
Receivables total	<u>\$ 7,679</u>	<u>42,716</u>	<u>50,395</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, 2008
(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	35
Retirees and beneficiaries currently receiving benefits	70
Fully Vested Employees	137
Nonvested Employees	<u>74</u>
Total	<u>316</u>

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, 2008
(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. On July 1, 2006, the plan was revised to an annual payment equal to 2.5% of the normal annual compensation of the employee at the employee's normal retirement date and the employees can now contribute 3.0% of their pay. 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 and service
Asset value	Actuarial method

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2008
(continued)

NOTE 6 - EMPLOYEES RETIREMENT PLANS (continued)

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

Schedule of employer and employee contributions:

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Annual Actual Contribution</u>	<u>Percentage Contributed</u>
2006	\$ 470,153	601,581	128%
2007	523,085	638,807	122%
2008	933,294	984,760	106%

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, 2008, 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, 2008
(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, 2008, 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, 2008
(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
2006	\$ 247,381	100%	358,928	100%
2007	317,142	100%	374,552	100%
2008	278,713	100%	404,487	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, 2008. 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, 2008 the employer contributed \$10,740 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, 2008, the employer contributed \$8,824 to the plan.

CITY OF BARTLESVILLE

Notes to Basic Financial Statements

June 30, 2008

(continued)

NOTE 6 - EMPLOYEES RETIREMENT PLANS (continued)

6.D. RETIREE MEDICAL PLAN

On July 1, 2006, the *City of Bartlesville* implemented a Retiree Medical Plan 401(h) benefit. Eligible employees are retired from active service under the pension plan, having completed at least 20 years of eligibility service. The plan will pay the retiree's medical (including dental and vision) premiums in the amount in effect under the State and Education Employees Group Insurance Act at the time of retirement, but the plan will not pay more than \$10 per month per year of service. The payment of premiums under the retirement plan will terminate with respect to the retiree, the earlier of the date of the retiree's death or the 65th birthday of the retiree, with respect to the spouse or eligible dependent of a retiree, the 65th birthday of the retiree or, in the event that the retiree dies before attaining age 65, the date on which the retiree would have attained age 65. Funding requirement for fiscal year ending June 30, 2008 was \$100,883. Actual contributions were \$105,192.

NOTE 7 - PRIOR PERIOD ADJUSTMENTS

A prior period adjustment was necessary to correct the beginning balances related to fixed assets in the Governmental Fund Types. The beginning balance of construction in progress fixed assets was reduced by \$81,475 due to the City reclassifying costs related to engineering/feasibility studies from capital outlay to professional services.

In addition to the City made adjustments to correct prior year errors related to an overstatement of accounts receivable in the General Fund in the amount of \$13,346, compensated absences in the amount of \$50,936 and accounts payable in the amount of \$12,717 in the Water Fund and accounts payable in the amount of \$1,919 in the Bartlesville Municipal Authority Fund.

A prior period adjustment was necessary for the Bartlesville Development Authority to record the Wal-Mart Distribution Center. This facility should have been recorded on May 1, 2005 upon its completion and given to BDA. This adjustment was calculated using the Washington County Assessors appraisal of \$55,011,120. The Building account was increased by \$55,011,120, accumulated depreciation was increased by \$2,383,810, and net assets increased by \$52,627,310.

CITY OF BARTLESVILLE
Required Supplementary Information
June 30, 2008

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, 2008A G.O. Bond Fund, and Sales Tax Capital Improvement Fund

CITY OF BARTLESVILLE
 Required Supplementary Information on
 Pension Plan Funding Progress
 June 30, 2008

**DEFINED BENEFIT RETIREMENT PLAN - SCHEDULE OF FUNDING
 PROGRESS**

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
1/1/04	\$ 2,810,838	3,831,659	1,020,821	73.4%	5,718,618	17.9%
1/1/05	3,361,482	4,476,154	1,114,673	75.1%	6,019,000	18.5%
1/1/06	3,997,881	5,452,141	1,454,260	73.3%	5,743,064	25.3%
1/1/07	4,660,888	8,392,743	3,711,855	55.8%	7,439,181	49.9%
1/1/08	5,496,136	9,733,979	4,237,843	56.5%	7,130,565	59.4%

(Unaudited - See independent auditor's report)

CITY OF BARTLESVILLE

Budgetary Comparison Schedule - General Fund

June 30, 2008

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Sales and miscellaneous taxes	\$ 14,166,363	14,166,363	14,337,429	171,066
Fees and fines	861,100	861,100	1,095,395	234,295
Licenses and permits	298,100	298,100	260,951	(37,149)
Intergovernmental	0	0	220,378	220,378
Charges for services	389,800	389,800	311,913	(77,887)
Investment earnings	311,900	311,900	633,591	321,691
Contributions and donations	0	0	7,450	7,450
Miscellaneous	89,300	189,300	213,966	24,666
Total revenues	<u>16,116,563</u>	<u>16,216,563</u>	<u>17,081,073</u>	<u>864,510</u>
EXPENDITURES				
Current:				
General government	5,571,168	5,683,739	4,789,007	894,732
Public Safety	9,015,584	9,230,013	9,196,522	33,491
Public Works	1,252,207	1,261,019	1,122,341	138,678
Culture and recreation	2,351,297	2,363,152	2,226,034	137,118
Debt Service:				
Principal	120,897	120,897	120,898	(1)
Interest and other charges	10,170	10,170	10,170	0
Capital Outlay	182,250	518,193	459,734	58,459
Total Expenditures	<u>18,503,573</u>	<u>19,187,183</u>	<u>17,924,706</u>	<u>1,262,477</u>
Excess (deficiency) of revenues over expenditures	<u>(2,387,010)</u>	<u>(2,970,620)</u>	<u>(843,633)</u>	<u>2,126,987</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,876,346	1,876,346	1,906,629	30,283
Transfers out	(371,356)	(307,856)	(574,937)	(267,081)
Loan proceeds	0	0	50,035	50,035
Total other financing sources and uses	<u>1,504,990</u>	<u>1,568,490</u>	<u>1,381,727</u>	<u>(236,798)</u>
SPECIAL ITEM				
Proceeds from sale of capital assets	0	0	1,830	1,830
Net change in fund balances	<u>(882,020)</u>	<u>(1,402,130)</u>	<u>539,924</u>	<u>(1,942,054)</u>
Fund balances - beginning, unadjusted	3,009,535	3,593,145	4,433,344	(840,199)
Prior period adjustment (Note 7)	0	0	(13,346)	(13,346)
Fund balances - beginning, adjusted	<u>3,009,535</u>	<u>3,593,145</u>	<u>4,419,998</u>	<u>(853,545)</u>
Fund balances - ending	<u>\$ 2,127,515</u>	<u>2,191,015</u>	<u>4,959,922</u>	<u>(2,782,253)</u>

(Unaudited - See independent auditor's report)

CITY OF BARTLESVILLE

Budgetary Comparison Schedule - 2008A G.O. Bond Fund June 30, 2008

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Investment earnings	\$ 0	0	38,597	38,597
Total revenues	<u>0</u>	<u>0</u>	<u>38,597</u>	<u>38,597</u>
EXPENDITURES				
Current:				
Capital Outlay	0	0	0	0
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>0</u>	<u>38,597</u>	<u>38,597</u>
OTHER FINANCING SOURCES (USES)				
Loan proceeds	0	0	3,949,965	(3,949,965)
Total other financing sources and uses	<u>0</u>	<u>0</u>	<u>3,949,965</u>	<u>(3,949,965)</u>
Net change in fund balances	0	0	3,988,562	(3,988,562)
Fund balances - beginning	0	0	0	0
Fund balances - ending	<u>\$ 0</u>	<u>0</u>	<u>3,988,562</u>	<u>(3,988,562)</u>

(Unaudited - See independent auditor's report)

CITY OF BARTLESVILLE

Budgetary Comparison Schedule – Sales Tax Capital Improvement Fund June 30, 2008

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Sales and miscellaneous taxes	\$ 2,624,614	2,624,614	2,668,309	43,695
Contributions and donations	0	0	40,000	40,000
Investment earnings	147,900	147,900	92,020	(55,880)
Miscellaneous	0	0	22,500	22,500
Total revenues	<u>2,772,514</u>	<u>2,772,514</u>	<u>2,822,829</u>	<u>50,315</u>
EXPENDITURES				
Current:				
General government	0	310,000	10,000	300,000
Public works	0	6,187	9,328	(3,141)
Debt Service:				
Principal	0	137,379	121,008	16,371
Interest and other charges	0	0	16,371	(16,371)
Capital Outlay	<u>1,399,900</u>	<u>4,753,958</u>	<u>2,592,600</u>	<u>2,161,358</u>
Total Expenditures	<u>1,399,900</u>	<u>5,207,524</u>	<u>2,749,307</u>	<u>2,458,217</u>
Excess (deficiency) of revenues over expenditures	<u>1,372,614</u>	<u>(2,435,010)</u>	<u>73,522</u>	<u>2,508,532</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(435,250)</u>	<u>(435,250)</u>	<u>(435,250)</u>	<u>0</u>
Total other financing sources and uses	<u>(435,250)</u>	<u>(435,250)</u>	<u>(435,250)</u>	<u>0</u>
SPECIAL ITEM				
Proceeds from sale capital assets	<u>0</u>	<u>0</u>	<u>5,000</u>	<u>(5,000)</u>
Net change in fund balances	937,364	(2,870,260)	(356,728)	(2,513,532)
Fund balances - beginning	<u>1,265,355</u>	<u>5,072,979</u>	<u>3,748,115</u>	<u>1,324,864</u>
Fund balances - ending	<u>\$ 2,202,719</u>	<u>2,202,719</u>	<u>3,391,387</u>	<u>(1,188,668)</u>

(Unaudited - See independent auditor's report)

CITY OF BARTLESVILLE

Notes to Required Supplementary Information on Budgetary Accounting and Control June 30, 2008

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, 2008
(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, 2008
(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, 2008, the following supplemental increases and decrease in appropriations were approved:

	<u>Original</u>	<u>Net</u>	<u>Revised</u>
	<u>Appropriations</u>	<u>Supplemental</u>	<u>Appropriations</u>
		<u>(Decreases)</u>	
General fund	\$ 18,503,573	683,608	19,187,181
General fund transfers	371,356	(63,500)	307,856
Debt service	2,712,703	0	2,712,703
Special revenue funds	6,900,215	344,282	7,244,497
Special revenue funds transfers	677,315	63,500	740,815
Capital projects funds	6,613,056	5,615,320	12,228,376
Capital projects funds transfers	435,250	0	435,250

CITY OF BARTLESVILLE

Other Supplementary Information
For the Year Ended June 30, 2008

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, 2008

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Award Number</u>	<u>Disbursements/ Expenditures</u>
Department of Housing and Urban Development			
Passed through the Oklahoma Department of Commerce			
CDBG Small Cities Program	14.228	11939 CDBG 05	\$ 95,238
CDGB Small Cities Program	14.228	12375 CDGB 06	78,300
Total Department of Housing and Urban Development			<u>173,538</u>
U.S. Department of Justice:			
Justice Assistance Grant 06	16.738	2006-DJ-BX-0568	3,831
Justice Assistance Grant 07	16.738	2007-DJ-BX-1339	13,972
Joint Terrorism Task Force	16.614	none	5,341
Total U.S. Department of Justice			<u>23,144</u>
U.S. Department of Transportation:			
Airport Improvement Program - 05	20.106	AIP 3-40-007-006-2005	645
Airport Improvement Program - 06	20.106	AIP 3-40-007-007-2006	19,000
Total U.S. Department of Transportation			<u>19,645</u>
Institute of Museum and Library Services:			
Museums for America	45.301	MA-01-06-0365-06	3,701
Environmental Protection Agency:			
Passed through the Oklahoma Water Resources Board			
Safe Drinking Water State Revolving Fund federal loan balanc	66.468	ORF-03-0012DW	14,758,471
Federal Emergency Management Agency			
Passed through the Oklahoma Department of Emergency Management			
Ice Storms	97.036	FEMA-1735-DR-OK	76,451
Hurricane Katrina	97.036	none	25,181
Floods	97.036	FEMA-1712-DR-OK	112,188
Total Federal Emergency Management Agency			<u>213,820</u>
Total Expenditures of Federal Awards			<u>\$ 15,192,319</u>

See independent auditor's report