

***CITY OF BARTLESVILLE,
OKLAHOMA***

Independent Auditor's Report
and Financial Statements
For the Fiscal Year Ended June 30, 2013

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CITY OF BARTLESVILLE

List of Principal Officials

City Council

Thomas A. Gorman, Mayor
Ted Lockin, Vice Mayor
Dale Copeland, Council member
Eddie Mason, Council member
Mike McGrew, Council member

City Manager

Ed Gordon

Administrative Director/CFO

Mike Bailey

City Attorney

Jerry Maddux



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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 blended nonmajor component unit. We also did not audit the financial statements of the Bartlesville Community Center Trust Authority, which represents 100% of the assets and revenues of the Bartlesville Community Center Trust Authority blended major component unit, the Bartlesville Development Authority, which represents 100% of the assets and revenues of the Bartlesville Development Authority blended major component unit and the Bartlesville Redevelopment Trust Authority, which represents 100% of the assets and revenues of the Bartlesville Redevelopment Trust Authority blended nonmajor component unit. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Bartlesville Development Corporation, Bartlesville Community Center Trust Authority, Bartlesville Development Authority and Bartlesville

Redevelopment Trust Authority, are based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Bartlesville Development Corporation and Bartlesville Community Center Trust Authority were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the report 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, 2013, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages i through xv and 65 through 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the

Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the *City of Bartlesville, Oklahoma's* financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the schedule of expenditures and federal awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2014, on our consideration of the *City of Bartlesville, Oklahoma's* internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on

internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering *City of Bartlesville's* internal control over financial reporting and compliance.

Archambo & Mueggenborg, PC

Archambo & Mueggenborg, PC
Certified Public Accountants

January 8, 2014

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2013

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, 2013. The intent of this discussion and analysis is to summarize for the reader the financial information more fully contained in the attached financial statements and notes and to explain the major points in the financial statements, both positive and negative. Comparisons with prior fiscal years are provided as needed.

Financial Highlights

Key financial highlights for 2013 were:

- The City of Bartlesville's assets exceeded its liabilities at the close of the fiscal year by almost \$202.4 million.
- The City's main governmental revenue source, sales tax, ended the year with an increase of .6%.
- Noteworthy changes to the City's capital assets included:
 - Completed over \$1.6 million in major road rehabilitations with an additional \$3 million spent on continuing projects
- The City retained its AA- bond rating despite difficult economic times. This bond rating is the 3rd highest in the State of Oklahoma for public entities.
- The City is one of only five municipalities in the State of Oklahoma that receives the Government Finance Officers Association's Award for Distinguished Budget Presentation.
- The City added an additional \$1.3 million dollars to its stabilization reserve fund, bringing the total to \$2.5 million or 8.4% of budgeted expenditures.
- Due to changes to GASB rules, the City of Bartlesville is now reporting all component units as blended enterprise funds. Previously the Bartlesville Development Corporation and Bartlesville Development Authority were reported discretely.
- Copies of the full financial reports for the City's component units and the City of Bartlesville may be obtained at the office of the City's CFO, 401 S Johnstone Ave., Bartlesville, OK 74003.

CITY OF BARTLESVILLE

Management's Discussion and Analysis For the Year Ended June 30, 2013 (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 Position and the Statement of Activities

The Statement of Net Position presents information on all of the City of Bartlesville's assets and liabilities with the difference between the two being reported as net position. Over time, the increase or decrease in net position 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 Position 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 4. The *City of Bartlesville* uses many funds to account for a variety of financial transactions although some of the smaller and less significant funds are not presented in detail. The determination of which funds to present in detail is made based on the "significance" of each fund.

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2013
(continued)

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

Fund Financial Statements (continued)

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

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

Governmental Funds

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

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2013
(continued)

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

The Statement of Net Position 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 2013.

Table 1
Governmental Activities
Net Position (In Millions) – Differences Due to Rounding

| | <u>2012</u> | <u>2013</u> |
|--|----------------|--------------|
| <u>Assets</u> | | |
| Current and other assets | \$ 27.7 | 29.2 |
| Capital assets, net | <u>73.9</u> | <u>77.1</u> |
| Total assets | <u>101.6</u> | <u>106.3</u> |
| <u>Liabilities</u> | | |
| Current liabilities | 1.2 | 1.2 |
| Long-term liabilities: | | |
| Due within one year | 3.9 | 4.0 |
| Due in more than one year | <u>13.2</u> | <u>13.5</u> |
| Total liabilities | <u>18.3</u> | <u>18.7</u> |
| <u>Net Position</u> | | |
| Invested in capital assets net of related debt | 58.0 | 60.9 |
| Restricted by: | | |
| Enabling legislation | 16.1 | 18.2 |
| Statutory requirements | 3.4 | 5.4 |
| External contracts | .2 | .2 |
| Unrestricted | <u>5.6</u> | <u>2.9</u> |
| Total net position | <u>\$ 83.3</u> | <u>87.6</u> |

Note: This is a recap of the Governmental Activities Column from the Statement of Net Position on page 2 of the financial statement.

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2013
(continued)

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

Table 2
Governmental Activities
Statement of Activities (In Millions) – Differences Due to Rounding

| | <u>2012</u> | <u>2013</u> |
|---|----------------|---------------|
| <u>Governmental Activities (Net Cost)</u> | | |
| General government | \$ (3.2) | (6.2) |
| Public safety | (9.2) | (10.4) |
| Public works | (1.5) | (2.5) |
| Health, welfare and sanitation | (0.8) | 0.0 |
| Culture and recreation | (2.6) | (2.6) |
| Payments to component units | (0.8) | 0.0 |
| Interest on long-term debt | (0.5) | (0.4) |
| Total governmental activities | <u>(18.6)</u> | <u>(22.3)</u> |
| <u>General Revenues</u> | | |
| Taxes | | |
| Property taxes, levied for debt service | 3.2 | 3.1 |
| Franchise taxes | 2.6 | 1.5 |
| Sales and use taxes | 16.3 | 16.3 |
| Other taxes | 0.0 | 1.6 |
| Investment earnings, unrestricted | 0.1 | 0.3 |
| Miscellaneous | 0.5 | 0.9 |
| Special item – gain on sale of asset | 0.0 | 0.0 |
| Transfers | 1.6 | 3.0 |
| Total general revenues, special items and transfers | <u>24.3</u> | <u>26.6</u> |
| Change in net position | 5.7 | 4.4 |
| Net Position – beginning | 77.6 | 83.3 |
| Net Position – ending | <u>\$ 83.3</u> | <u>87.6</u> |

Note: This is a recap of the Governmental Activities Column from the Statement of Activities on page 3 of the financial statement.

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2013
(continued)

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

Total assets from governmental activity are about \$106.3 million (rounded), which represents an increase of \$4.7 million from the prior fiscal year. This increase can mainly be attributed to the issuance of new G.O. Bond debt and the conservative financial policies implemented by the City Council and City Staff. The most significant new policy is the Council's passage of the Stabilization Reserve Fund ordinance which institutionalizes incremental, annual savings. This ordinance resulted in an additional \$1.3 million being set aside in a formal reserve fund.

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

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

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2013
(continued)

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

FY 2013 was again a very successful year for the City in relation to grants and subsidized loan programs, and we were able to leverage State, Federal, and private grants to expand the impact of local tax revenues. The City was awarded the following 11 grants to be used for new projects during FY 2013.

| <u>Grant</u> | <u>Purpose</u> | <u>Award Amount</u> |
|---|---|---------------------|
| Phillips 66 | Restoration of Sooner Park Playtower | \$50,000 |
| Healthy Communities Incentive Grant | For walking and biking enhancements: bike racks, signs, SafeCyclist Program, Fitness Program, website, Pathfinder signage | \$20,000 |
| Phillips 66 | Fire Department radio system improvements | \$30,000 |
| Bulletproof Vest Partnership Program | Purchase 17 bulletproof vests | \$7,145 |
| 2012 Edward Byrne Justice Assistance Grant | Purchase 5 radars (City \$7,500) and 2 radars (County \$4,121) | \$7,500 |
| Oklahoma Humanities Council Opportunity Grant | "Riders on the Orphan Train" | \$1,000 |
| Community Literacy Grant | To fund a part time Literacy Assistant | \$9,500 |
| 2013 State Aid Grant | Improve library services | \$20,764 |
| CDBG | Expand approx. 2600 feet of sidewalk along Virginia | \$85,206 |
| Martha Jane Phillips Starr Field of Interest Fund | \$33,930 for digital conversion of BAHM archived film \$14,285 for digitization project | \$48,215 |
| Martha Jane Phillips Starr Field of Interest Fund | Grant extension for salaries to continue digitization | \$29,365 |
| TOTAL | | \$308,695 |

(Unaudited – See independent auditor's report)

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2013
(continued)

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

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

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2013
(continued)

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

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

Governmental Activities

Several revenue sources fund the City of Bartlesville’s governmental activities with sales tax being the largest. The City’s sales tax rate is 3%; however, this is apportioned to three funds. The General Fund receives 75% of the sales tax generated, and this constitutes our sales tax for operations. This amount has not been changed in more than twenty years. The remaining 25% is divided between economic development (1/3) and capital improvements (2/3). Sales tax revenue reported in the Government-wide Financial Statements totaled \$16,258,343 which represented a 1.1% increase over prior year receipts.

Public Safety is one of the most important yet costly governmental expense activities in the City. Combined, the Police and Fire departments accounted for 48.5% of net governmental expenses. The Fire department consists of 70 full-time employees, including one administrative assistant. The Police department consists of 66 full time employees with 58 being sworn enforcement personnel and 8 being civilian personnel.

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

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2013
(continued)

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

The Individual Fund Financial Statements

Information on the City's major funds starts on page 4. The governmental funds utilize the modified accrual basis of accounting. All governmental funds combined received total revenues of \$27.0 million for the year and \$32.5 million in expenditures resulting in a deficiency in revenues over expenditures of (\$5.5 million). The City's governmental funds also had other financing sources and uses (mainly transfers, debt proceeds, and sale of fixed assets) that netted to create other financing sources of \$7.4 million. When combined with the deficiency mentioned above, the City's governmental funds' fund balances in total finished the year up almost \$1.9 million more than where they started.

The individual net change in fund balances for the year was only significant in the Economic Development Fund, CIP – Wastewater Regulatory Fund, Capital Reserve Fund, 2008A G.O. Bond Fund, the 2010 G.O. Bond Fund, and the 2012 G.O. Bond Fund. The Economic Development Fund made transfers to the BDC totaling \$2.77 million. These amounts covered the operation of the BDC (\$770k) and paid a \$2 million incentive for the ABB construction project. The CIP – Wastewater Regulatory Fund receives dedicated utility revenues that are accumulated to pay for regulatory required wastewater projects. It received over \$1.4 million in revenues and paid less than \$100 thousand for projects. This resulted in an increase of \$1,316,211. The Capital Reserve Fund is new for fiscal year and is a capital improvement fund used to accumulate amounts from the Water, Wastewater, and Sanitation operations that will be used to finance these funds' long term capital plans. This fund accumulated \$3.7 million in transfers while only spending \$1.8 which resulted in increased fund balance of \$1.9 million. The 2008A G.O. Bond Fund and 2010 G.O. Bond Funds both contain revenues from past bond issues which are spent over a period of time. Both funds made substantial progress on their remaining projects which resulted in reductions of \$806,374 and \$995,287 respectively. The 2012 G.O. Bond Fund received \$3 million in proceeds from the issuance of G.O. bonds while incurring about \$1.6 million in expenditures. This resulted in an increase of \$1,390,186 in fund balance for this fund.

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2013
(continued)

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

The Individual Fund Financial Statements (continued)

The general fund reflects an increase in fund balance of \$1,254,088 which brings it up to \$6.2 million. While no standard is established for the desired level of fund balance that should be carried, it is desirable to have at least two months of average expenditures so that fluctuations in revenue and expenditures can be absorbed without major disruptions to the normal operations. With careful monitoring of revenue and expenditures combined with conservative budgeting, the City management believes the fund balance is adequate to allow the City to meet its obligations and reflects a good financial condition of the City as a whole.

General Fund Budgeting Highlights

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

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

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2013
(continued)

The Individual Fund Financial Statements (continued)

For the general fund, budget basis revenue was up by \$417,157 over the budget estimates of \$16,195,042. 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 2013 were \$616,363 below the final budget of \$18,688,126. These savings were achieved through spending restraints and careful monitoring of budget results.

Business-Type Activities

Overall, the business-type activities saw a decrease of \$7,056,498 in net position. This decrease of 5.8% is related primarily depreciation expense of \$6.2 million and transfers to the capital reserve fund of \$3.7 million.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013, the City of Bartlesville had \$224,624,633 invested in land, buildings, and capital equipment (net of depreciation). This was a decrease of \$512,226 from 2012. Table 2 shows the detail of the fiscal year 2013 balances of capital assets.

| | Table 2 | | |
|---------------------------------------|--|---------------|---------------|
| | <u>Capital Assets</u> | | |
| | <u>Net of Accumulated Depreciation</u> | | |
| | Governmental | Business-Type | Total |
| | Activities | Activities | |
| | 2013 | 2013 | 2013 |
| Land | \$ 3,360,534 | 4,515,639 | 7,876,173 |
| Works of art | 0 | 46,137 | 46,137 |
| Buildings | 13,063,014 | 147,078,305 | 160,141,319 |
| Other improvements and infrastructure | 86,485,250 | 77,718,985 | 164,204,235 |
| Furniture and equipment | 11,495,585 | 12,915,300 | 24,410,885 |
| Construction in progress | 6,723,504 | 949,984 | 7,673,488 |
| Total capital assets | 121,127,887 | 243,224,350 | 364,352,237 |
| (Less) depreciation | (44,014,196) | (95,713,408) | (139,727,604) |
| Capital assets (net of depreciation) | \$ 77,113,691 | 147,510,942 | 224,624,633 |

(Unaudited – See independent auditor's report)

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2013
(continued)

Capital Assets and Debt Administration (continued)

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

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

Funds provided by the capital improvement sales tax are providing a large portion of the City's general capital needs including some street, drainage, park, and facilities improvements as well as equipment and vehicle replacements. In 2013, the citizens approved an extension of the capital improvements sales tax for an additional seven years beginning July 1, 2014. This extension added needed improvements to the City's world class Community Center that is now 30 years old.

With regard to infrastructure, the engineering department maintains a list of street, drainage, and park 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, City Staff prioritizes these projects and makes recommendations to the City Council. 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.

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2013
(continued)

Capital Assets and Debt Administration (continued)

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

Debt

As of June 30, 2013 the City of Bartlesville had \$69,667,198 in outstanding debt. Table 3 summarizes the outstanding debt.

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

| | <u>2012</u> | <u>2013</u> |
|------------------------------|--------------------------|-----------------------|
| General Obligation Bonds | \$ 15,910,000 | 16,210,000 |
| Capital leases | 0 | 0 |
| Accrued compensated absences | 794,516 | 821,304 |
| Workers compensation claims | 804,483 | 988,695 |
| Notes payable | <u>45,929,868</u> | <u>51,647,199</u> |
| Total | <u>\$ 63,438,867</u> | <u>69,667,198</u> |

CITY OF BARTLESVILLE
Management's Discussion and Analysis
For the Year Ended June 30, 2013
(continued)

Capital Assets and Debt Administration (continued)

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

Current Related Financial Activities

The City of Bartlesville maintains a healthy financial condition by actively managing its expenditures. The City maintains a flexible management style by exercising constraint on filling vacancies in the workforce, continually stressing the performance of key revenue sources, enforcing budgetary control on departments, and encouraging the city council to address revenue shortfalls and adjust rates for services when justified. The City has a quality accounting and budgetary control program and conservative financial management policies. 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, management, and Council of the City of Bartlesville are committed to providing excellent service to its citizens. The financial management team is further committed to providing full disclosure of the financial position of the City.

Contacting the City of Bartlesville's Financial Management Team

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

CITY OF BARTLESVILLE
Basic Financial Statements
For the Year Ended June 30, 2013

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

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

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

CITY OF BARTLESVILLE

Statement of Net Position – Government-wide June 30, 2013

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|--------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and equivalents | \$ 817,772 | 3,929,599 | 4,747,371 |
| Investments | 24,509,621 | 12,172,167 | 36,681,788 |
| Receivables, net of allowance | 3,646,702 | 1,023,741 | 4,670,443 |
| Internal balances | (138,675) | 138,675 | - |
| Due from other governmental agencies | 108,025 | - | 108,025 |
| Prepaid expenses | 93,140 | 10,188 | 103,328 |
| Inventories | 80,139 | 507,144 | 587,283 |
| Incentive loans receivable, current | - | 133,256 | 133,256 |
| Total current assets | <u>29,116,724</u> | <u>17,914,770</u> | <u>47,031,494</u> |
| Noncurrent assets: | | | |
| Restricted cash and equivalents | 122,715 | 1,219,416 | 1,342,131 |
| Restricted investments | - | 1,090,144 | 1,090,144 |
| Loan issue costs, net of amortization | - | 30,361 | 30,361 |
| Mortgage and security agreement | - | 1,027,686 | 1,027,686 |
| Incentive loans receivable, noncurrent | - | 826,789 | 826,789 |
| Capital assets: | | | |
| Non-depreciable | 10,084,037 | 5,511,760 | 15,595,797 |
| Depreciable, net of depreciation | <u>67,029,654</u> | <u>141,999,182</u> | <u>209,028,836</u> |
| Total noncurrent assets | <u>77,236,406</u> | <u>151,705,338</u> | <u>228,941,744</u> |
| Total assets | <u>106,353,130</u> | <u>169,620,108</u> | <u>275,973,238</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable and accrued expenses | 1,021,951 | 1,533,007 | 2,554,958 |
| Fund cash overdraft | 45,079 | - | 45,079 |
| Meter deposit liability | - | 1,090,144 | 1,090,144 |
| Deferred revenues | 54,523 | 5,284 | 59,807 |
| Net OPEB obligation | 75,528 | 31,228 | 106,756 |
| Long-term liabilities: | | | |
| Due within one year: | | | |
| Bonds, capital leases and contracts | 2,700,000 | 2,264,960 | 4,964,960 |
| Compensated absences | 645,763 | 175,541 | 821,304 |
| Claims payable | 668,971 | 319,724 | 988,695 |
| Due in more than one year: | | | |
| Bonds, capital leases and contracts | <u>13,510,000</u> | <u>49,382,239</u> | <u>62,892,239</u> |
| Total liabilities | <u>18,721,815</u> | <u>54,802,127</u> | <u>73,523,942</u> |
| NET POSITION | | | |
| Net investment in capital assets | 60,903,691 | 95,863,743 | 156,767,434 |
| Restricted (Note 7): | | | |
| Enabling legislation | 18,227,639 | 408,269 | 18,635,908 |
| Statutory requirements | 5,365,911 | - | 5,365,911 |
| External contracts | 194,069 | 5,452,603 | 5,646,672 |
| Unrestricted | <u>2,940,005</u> | <u>13,093,366</u> | <u>16,033,371</u> |
| Total net position | <u>\$ 87,631,315</u> | <u>114,817,981</u> | <u>202,449,296</u> |

See accompanying notes to the financial statements

CITY OF BARTLESVILLE
Statement of Activities – Government-wide
For the Fiscal Year Ended June 30, 2013

| Functions/Programs | Expenses | Program Revenue | | | Net (Exp) Rev and Changes in Net Position | | |
|--|--------------|--------------------------------|------------------------------------|----------------------------------|---|--------------------------|--------------|
| | | Charges for Services and Fines | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | |
| | | | | | Governmental Activities | Business-type Activities | Total |
| Primary government | | | | | | | |
| Governmental Activities | | | | | | | |
| General Government | \$ 6,953,836 | 615,311 | 16,674 | 84,204 | (6,237,647) | | (6,237,647) |
| Public Safety | 11,646,798 | 960,356 | 65,209 | 200,217 | (10,421,016) | | (10,421,016) |
| Public Works | 4,364,716 | 1,535,446 | - | 291,380 | (2,537,890) | | (2,537,890) |
| Culture and Recreation | 2,885,434 | 57,523 | 146,571 | 69,526 | (2,611,814) | | (2,611,814) |
| Interest on long-term debt | 444,594 | - | - | - | (444,594) | | (444,594) |
| Total governmental activities | 26,295,378 | 3,168,636 | 228,454 | 645,327 | (22,252,961) | | (22,252,961) |
| Business-type Activities | | | | | | | |
| Wastewater System | 4,766,689 | 3,978,014 | - | - | | (788,675) | (788,675) |
| Water System | 12,035,971 | 8,719,057 | - | 500,000 | | (2,816,914) | (2,816,914) |
| Solid Waste Disposal | 3,176,913 | 4,402,177 | - | - | | 1,225,264 | 1,225,264 |
| Community Center | 1,540,730 | 476,985 | 177,586 | - | | (886,159) | (886,159) |
| Other Business-type Activities | 4,608,544 | 1,980,012 | 760,651 | - | | (1,867,881) | (1,867,881) |
| Total business-type Activities | 26,128,847 | 19,556,245 | 938,237 | 500,000 | | (5,134,365) | (5,134,365) |
| Total Primary Government | 52,424,225 | 22,724,881 | 1,166,691 | 1,145,327 | (22,252,961) | (5,134,365) | (27,387,326) |
| General revenues: | | | | | | | |
| Taxes | | | | | | | |
| Property taxes levied for debt service | | | | | \$ 3,124,483 | - | 3,124,483 |
| Franchise taxes | | | | | 1,455,153 | - | 1,455,153 |
| Sales and use taxes | | | | | 16,258,343 | - | 16,258,343 |
| Other taxes | | | | | 1,574,149 | - | 1,574,149 |
| Unrestricted investment earnings | | | | | 257,738 | 643,693 | 901,431 |
| Miscellaneous | | | | | 916,476 | 241,249 | 1,157,725 |
| Gain (loss) on sale of assets | | | | | 66,272 | 772 | 67,044 |
| Transfers (Note 5.A.) | | | | | 2,961,513 | (2,961,513) | - |
| Total general revenues, special items, and transfers | | | | | 26,614,127 | (2,075,799) | 24,538,328 |
| Change in net position | | | | | 4,361,166 | (7,210,164) | (2,848,998) |
| Net position - beginning | | | | | 83,270,149 | 122,028,145 | 205,298,294 |
| Net position - ending | | | | | \$ 87,631,315 | 114,817,981 | 202,449,296 |

See accompanying notes to the financial statements

CITY OF BARTLESVILLE
Balance Sheet – Governmental Funds
June 30, 2013

| | General Fund | Debt Service Fund | Capital Improvement Sales Tax Fund | Other Governmental Funds | Total Governmental Funds |
|--------------------------------------|---------------------|-------------------|------------------------------------|--------------------------|--------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 2,775 | - | - | 534,338 | 537,113 |
| Investments | 4,263,242 | 2,035,611 | 4,415,115 | 13,523,896 | 24,237,864 |
| Taxes receivable | 2,232,934 | - | 447,758 | 259,176 | 2,939,868 |
| Receivable from other governments | 41,783 | 15,722 | - | 50,527 | 108,032 |
| Other receivables, net of allowance | 658,309 | - | 13,941 | 33,700 | 705,950 |
| Inventories | 80,139 | - | - | - | 80,139 |
| Prepaid expenses | 93,140 | - | - | - | 93,140 |
| Cash - restricted | 62,715 | - | - | - | 62,715 |
| Total assets | <u>\$ 7,435,037</u> | <u>2,051,333</u> | <u>4,876,814</u> | <u>14,401,637</u> | <u>28,764,821</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 175,113 | - | 14,629 | 182,011 | 371,753 |
| Fund cash overdraft | - | - | - | 45,079 | 45,079 |
| Due to other funds | 54,741 | - | - | 250,000 | 304,741 |
| Deferred revenue | 54,523 | - | - | - | 54,523 |
| Other accrued expenses | 932,754 | - | - | 36,872 | 969,626 |
| Other payables | 63,914 | - | - | 39,433 | 103,347 |
| Total liabilities | <u>1,281,045</u> | <u>-</u> | <u>14,629</u> | <u>553,395</u> | <u>1,849,069</u> |
| Fund balances: | | | | | |
| Nonspendable | 173,279 | - | - | - | 173,279 |
| Restricted | - | 2,051,333 | 4,862,185 | 13,358,348 | 20,271,866 |
| Committed | 4,114,531 | - | - | 489,894 | 4,604,425 |
| Unassigned | 1,866,182 | - | - | - | 1,866,182 |
| Total fund balances | <u>6,153,992</u> | <u>2,051,333</u> | <u>4,862,185</u> | <u>13,848,242</u> | <u>26,915,752</u> |
| Total liabilities and fund balances | <u>\$ 7,435,037</u> | <u>2,051,333</u> | <u>4,876,814</u> | <u>14,401,637</u> | <u>28,764,821</u> |

See accompanying notes to the financial statements

CITY OF BARTLESVILLE

Reconciliation of the Governmental Funds Balance Sheet
to the Government-wide Statement of Net Position
For the Fiscal Year Ended June 30, 2013

Total fund balance, governmental funds \$ 26,915,752

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Position. 77,113,691

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 Position. 693,475

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 Position. (17,091,603)

Net Position of Governmental Activities in the Statement of Net Position \$ 87,631,315

CITY OF BARTLESVILLE

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

| | General Fund | Debt Service Fund | Capital Improvement Sales Tax Fund | Other Governmental Funds | Total Governmental Funds |
|---|--------------|-------------------|------------------------------------|--------------------------|--------------------------|
| REVENUES: | | | | | |
| Property taxes | \$ - | 3,124,484 | - | - | 3,124,484 |
| Sales and miscellaneous taxes | 13,951,521 | - | 2,700,253 | 1,994,467 | 18,646,241 |
| Fees and fines | 975,069 | - | - | - | 975,069 |
| Licenses and permits | 249,187 | - | - | - | 249,187 |
| Intergovernmental | 680,810 | - | - | 326,357 | 1,007,167 |
| Charges for services | 635,998 | - | - | 1,553,371 | 2,189,367 |
| Investment earnings (losses) | 102,249 | - | 8,205 | 150,715 | 259,169 |
| Miscellaneous | 190,473 | - | 4,554 | 147,310 | 342,337 |
| Contributions and donations | - | - | - | 226,179 | 226,179 |
| Total revenues | 16,785,305 | 3,124,484 | 2,711,012 | 4,398,399 | 27,019,200 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government | 5,101,135 | 1,775 | 48,034 | 974,844 | 6,125,788 |
| Public Safety | 9,599,137 | - | 22,109 | 1,118,818 | 10,740,064 |
| Public Works | 1,090,938 | - | 130,519 | 794,013 | 2,015,470 |
| Culture and recreation | 1,996,759 | - | 141,835 | 309,932 | 2,448,526 |
| Debt Service: | | | | | |
| Principal | - | 2,856,699 | - | - | 2,856,699 |
| Interest and other charges | - | 444,594 | - | 5,242 | 449,836 |
| Capital outlay | 8,010 | - | 2,992,959 | 4,840,380 | 7,841,349 |
| Total expenditures | 17,795,979 | 3,303,068 | 3,335,456 | 8,043,229 | 32,477,732 |
| Excess (deficiency) of revenues over expenditures | (1,010,674) | (178,584) | (624,444) | (3,644,830) | (5,458,532) |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Transfers in | 3,834,725 | - | - | 4,230,473 | 8,065,198 |
| Transfers out | (1,647,350) | - | (32,252) | (2,117,003) | (3,796,605) |
| Proceeds from sale of debt | - | 26,250 | - | 3,000,000 | 3,026,250 |
| Proceeds from sale of fixed assets | 77,387 | - | - | 3,771 | 81,158 |
| Total other financing sources and uses | 2,264,762 | 26,250 | (32,252) | 5,117,241 | 7,375,001 |
| Net change in fund balances | 1,254,088 | (152,334) | (656,696) | 1,472,411 | 1,917,469 |
| Fund balances - beginning | 4,899,904 | 2,203,667 | 5,518,881 | 12,375,831 | 24,998,283 |
| Fund balances - ending | \$ 6,153,992 | 2,051,333 | 4,862,185 | 13,848,242 | 26,915,752 |

See accompanying notes to the financial statements

CITY OF BARTLESVILLE

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Government-wide Statement of Activities For the Fiscal Year Ended June 30, 2013

Net change in fund balances - total governmental funds: **\$ 1,917,469**

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays \$8,072,923 exceeded depreciation \$3,796,482 in the current period. 4,276,441

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position. 260,114

Governmental funds do not report capital assets and therefore do not record a transfer when these assets are transferred to another fund. In contrast, the Statement of Activities reports these as transfers. (1,307,080)

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 \$3,000,000 exceeded repayments \$2,700,000. (300,000)

Governmental funds do not report workers' compensation claims payable. This is the amount that the workers compensation claims payable increased. (107,105)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 640

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. (379,313)

Change in net position of governmental activities **\$ 4,361,166**

CITY OF BARTLESVILLE
Statement of Net Position – Proprietary Funds
June 30, 2013

| ASSETS | Business-type Activities - Enterprise Funds | | | | | | | Governmental Activities - Internal Service Funds |
|---------------------------------------|---|--------------|------------------|----------------------------------|----------------------------------|------------------------------------|------------------------|--|
| | Wastewater Fund | Water Fund | Solid Waste Fund | Bartlesville Municipal Authority | Community Center Trust Authority | Bartlesville Development Authority | Other Enterprise Funds | |
| Current assets: | | | | | | | | |
| Cash | \$ 72,772 | - | - | 13,852 | 94,855 | 1,627,474 | 2,120,646 | 3,929,599 |
| Investments | - | 326,670 | 638,624 | 8,416,313 | 4,715,400 | - | 75,160 | 12,172,167 |
| Accounts receivable, net of allowance | (8) | - | 176,230 | 456,513 | - | - | - | 632,735 |
| Other receivables | 961 | 1,641 | 1,991 | 309,673 | 35,731 | - | 41,009 | 391,006 |
| Inventories | 27,497 | 479,647 | - | - | - | - | - | 507,144 |
| Prepaid expenses | - | - | - | - | - | - | 10,188 | 10,188 |
| Incentive loans receivable, current | - | - | - | - | - | - | 133,256 | 133,256 |
| Due from other funds | - | - | - | 250,000 | 54,741 | - | 31,973 | 336,714 |
| Total current assets | 101,222 | 807,958 | 816,845 | 7,446,361 | 4,900,727 | 1,627,474 | 2,412,232 | 18,112,809 |
| Non-current assets: | | | | | | | | |
| Restricted assets: | | | | | | | | |
| Restricted cash | - | - | - | 216,646 | - | 66,667 | 936,103 | 1,219,416 |
| Restricted investments | - | - | - | 1,090,144 | - | - | - | 1,090,144 |
| Loan issue costs, net of amortization | - | - | - | - | - | - | 30,361 | 30,361 |
| Mortgage and security agreement | - | - | - | - | - | - | 1,027,686 | 1,027,686 |
| Incentive loans receivable | - | - | - | - | - | - | 826,789 | 826,789 |
| Capital assets: | | | | | | | | |
| Land and improvements | 6,528 | 135,677 | - | 724,569 | 989,815 | 734,675 | 1,924,176 | 4,515,640 |
| Utility System | 36,701,381 | 22,726,137 | - | 12,466,335 | - | - | - | 71,893,853 |
| Construction in progress | - | 180,197 | - | 13,532 | - | 741,254 | 15,000 | 949,983 |
| Buildings | 14,138,362 | 5,761,355 | 134,434 | 45,890,585 | 14,339,066 | 62,860,158 | 3,954,345 | 147,078,305 |
| Equipment and furniture | 5,463,296 | 2,797,171 | 2,908,390 | - | 1,086,808 | - | 750,632 | 12,915,297 |
| Infrastructure and other improvements | - | 1,070,232 | - | 1,690,361 | 390,909 | - | 2,673,631 | 5,825,133 |
| Works of Art | - | - | - | - | 46,137 | - | - | 46,137 |
| Less accumulated depreciation | (36,092,027) | (23,144,667) | (1,576,389) | (10,265,246) | (9,515,664) | (11,798,418) | (3,320,995) | (95,713,406) |
| Total non-current assets | 20,217,540 | 9,436,302 | 1,466,435 | 51,826,926 | 7,396,071 | 52,604,398 | 8,817,728 | 151,706,338 |
| Total assets | 20,318,762 | 10,244,260 | 2,283,280 | 59,273,277 | 12,236,798 | 54,231,810 | 11,229,960 | 169,819,147 |

See accompanying notes to the financial statements

CITY OF BARTLESVILLE
Statement of Net Position – Proprietary Funds
June 30, 2013
(continued)

| | Business-type Activities - Enterprise Funds | | | | | | | Governmental Activities - Internal Service Funds |
|----------------------------------|---|------------|---------------------|--|---|--|------------------------------|---|
| | Wastewater Fund | Water Fund | Solid Waste Fund | Bartlesville Municipal Authority | Community Center Trust Authority | Bartlesville Development Authority | Other Enterprise Funds | |
| LIABILITIES | | | | | | | | |
| Current liabilities: | | | | | | | | |
| Accounts payable | \$ 426 | 86,966 | 34,820 | 148,793 | 48,119 | 215,438 | 70,945 | 85,883 |
| Accrued personnel expenses | 25,527 | 121,496 | 104,218 | - | (1,678) | - | 21,500 | 271,063 |
| Accrued interest payable | - | - | - | 487,817 | - | - | - | 487,817 |
| Motor deposit liability | - | - | - | 1,090,144 | - | - | - | 1,090,144 |
| Deferred revenue | - | - | - | - | - | - | 5,284 | 5,284 |
| Net OPEB obligation | 4,283 | 13,878 | 11,960 | - | - | - | 1,107 | 31,228 |
| Underfunded pension liability | 10,798 | 36,859 | 32,940 | - | - | - | 4,827 | 84,424 |
| Claims and judgments | 3,667 | 98,848 | 217,208 | - | - | - | - | 319,724 |
| Other payables | - | - | - | 180,190 | 4,030 | - | 75,817 | 260,037 |
| Due to other funds | - | - | - | - | - | 31,973 | - | 31,973 |
| Bonds, notes and loans payable | - | - | - | 1,786,513 | - | 406,776 | 93,671 | 2,286,960 |
| Total current liabilities | 44,701 | 356,947 | 400,947 | 3,672,457 | 50,471 | 653,187 | 273,151 | 5,451,861 |
| Non-current liabilities: | | | | | | | | |
| Bonds, notes and loans payable | - | - | - | 44,235,171 | - | 4,206,382 | 940,686 | 49,382,239 |
| Total non-current liabilities | - | - | - | 44,235,171 | - | 4,206,382 | 940,686 | 49,382,239 |
| Total liabilities | 44,701 | 356,947 | 400,947 | 47,907,628 | 50,471 | 4,859,569 | 1,213,837 | 54,834,100 |
| NET POSITION | | | | | | | | |
| Net investment in capital assets | 20,217,541 | 9,436,302 | 1,466,435 | 6,933,706 | 7,336,071 | 47,676,100 | 5,990,116 | 99,088,271 |
| Restricted for debt service | - | - | - | 4,431,943 | - | - | - | 4,431,943 |
| Restricted for other purposes | - | 408,269 | - | - | - | 66,667 | 953,993 | 1,428,929 |
| Unrestricted | 56,520 | 42,742 | 415,668 | - | 4,660,256 | 1,627,474 | 3,072,014 | 10,064,904 |
| Total net position | \$ 20,274,061 | 9,887,313 | 1,882,333 | 11,365,649 | 12,186,327 | 49,372,241 | 10,016,123 | 114,984,047 |

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 Position

(166,066)

Total Business-type net position per Government-wide financial statements

114,817,981

See accompanying notes to the financial statements

CITY OF BARTLESVILLE

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds For the Fiscal Year Ended June 30, 2013

| | Business-type Activities - Enterprise Funds | | | | | | | Governmental Activities - Internal Service Funds |
|---|---|---------------|------------------------|--|---|--|------------------------------|---|
| | Wastewater Fund | Water Fund | Solid Waste Fund | Bartlesville Municipal Authority | Community Center Trust Authority | Bartlesville Development Authority | Other Enterprise Funds | Total |
| REVENUES: | | | | | | | | |
| Charges for services | \$ - | - | 4,402,177 | 12,618,153 | 476,985 | 748,560 | 1,231,173 | 19,477,048 |
| Miscellaneous revenue | - | - | - | - | - | - | 88,075 | 88,075 |
| Interest and investment revenue | - | - | - | - | - | - | 84,587 | 84,587 |
| Total operating revenues | - | - | 4,402,177 | 12,618,153 | 476,985 | 748,560 | 1,383,835 | 19,629,710 |
| OPERATING EXPENSES: | | | | | | | | |
| Personal services | 569,879 | 2,255,535 | 1,747,136 | - | 599,020 | - | 634,162 | 5,805,732 |
| Contractual services | 2,119,165 | 209,049 | 739,920 | 82,700 | 358,691 | 81,200 | 169,509 | 3,759,234 |
| Utilities | 639 | 481,585 | 3,937 | - | 112,384 | - | 41,130 | 639,755 |
| Repairs and maintenance | 266,537 | 578,583 | 155,002 | 7,475 | 36,530 | - | 87,163 | 1,131,290 |
| Other supplies and expenses | 77,134 | 886,809 | 282,313 | 3,638,237 | 53,899 | 138 | 160,447 | 5,098,977 |
| Programs | - | - | - | - | - | - | 1,472,381 | 1,472,381 |
| Depreciation | 1,548,358 | 690,808 | 182,044 | 1,704,269 | 390,209 | 1,365,842 | 300,370 | 6,181,697 |
| Total operating expenses | 4,582,012 | 5,091,149 | 3,110,352 | 5,432,681 | 1,540,730 | 1,466,980 | 2,885,162 | 24,089,066 |
| Operating income (loss) | (4,582,012) | (5,091,149) | 1,291,825 | 7,185,472 | (1,063,745) | (718,420) | (1,481,327) | (4,459,356) |
| NON-OPERATING REVENUES (EXPENSES): | | | | | | | | |
| Interest and investment revenue | 1,752 | 1,777 | (3,035) | 35,857 | 541,328 | - | 1,429 | 579,108 |
| Sales and other miscellaneous taxes | - | - | - | - | - | - | 703,474 | 703,474 |
| Miscellaneous revenue | - | 59,694 | - | 145,931 | 22,915 | - | 6,904 | 232,444 |
| Miscellaneous expense | - | - | - | - | - | - | (50,340) | (50,340) |
| Grants and contributions | - | - | - | 500,000 | 177,586 | - | 57,102 | 734,688 |
| Interest expense | - | - | - | (1,658,872) | - | (164,503) | - | (1,823,375) |
| Total non-operating revenue (expenses) | 1,752 | 59,471 | (3,035) | (977,084) | 741,829 | (164,503) | 718,599 | 375,999 |
| Income (loss) before contributions and transfers | (4,580,260) | (5,032,678) | 1,288,790 | 6,208,388 | (321,916) | (882,923) | (762,758) | (4,083,357) |
| Capital asset transfers | 41,669 | 9,199 | 1,053,963 | - | - | - | 202,249 | 1,307,080 |
| Transfers in | 4,565,836 | 8,893,267 | - | 244,856 | 305,171 | 2,000,000 | 137,160 | 14,146,431 |
| Transfers out | (1,487,209) | (2,509,703) | (2,902,840) | (11,515,264) | - | - | - | (18,415,024) |
| Special item - gain (loss) on sale of capital assets | - | 772 | - | - | - | - | - | 772 |
| Change in net position | (1,459,862) | (639,123) | (560,085) | (5,062,021) | (16,745) | 1,117,077 | (423,329) | (7,044,088) |
| Total net position - beginning | 21,733,823 | 10,526,436 | 2,442,428 | 16,427,670 | 12,203,072 | 48,255,164 | 10,437,947 | 122,026,640 |
| Prior period adjustment | - | - | - | - | - | - | 1,505 | 1,505 |
| Total net position - ending | \$ 20,274,061 | 9,887,313 | 1,882,333 | 11,365,649 | 12,186,327 | 49,372,241 | 10,016,123 | 114,984,047 |
| Change in net position per above | | | | | | | | (7,044,088) |
| 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. | | | | | | | | (166,066) |
| Change in Business-type Activities in Net Assets per Government-wide Financial Statements | | | | | | | | (7,210,154) |

See accompanying notes to the financial statements

CITY OF BARTLESVILLE
Statement of Cash Flows – Proprietary Funds
For the Fiscal Year Ended June 30, 2013

| | Business-type Activities - Enterprise Funds | | | | | | | Governmental Activities - Internal Service Funds |
|--|---|-------------|---------------------|--|--|--|------------------------------|---|
| | Wastewater Fund | Water Fund | Solid Waste Fund | Bartlesville Municipal Authority | Community Center Trust Authority | Bartlesville Development Authority | Other Enterprise Funds | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | | |
| Receipts from customers | \$ (953) | (483) | 4,412,346 | 12,935,852 | 456,444 | 748,560 | 2,277,882 | 20,829,748 |
| Receipts from grantors and contributors | - | - | - | - | - | - | - | - |
| Receipts from investments | - | - | - | - | - | - | 1,106 | 1,106 |
| Receipts from taxes | - | - | - | - | - | - | - | - |
| Payment for incentives and operations | - | - | - | - | - | - | (708,319) | (708,319) |
| Payments to suppliers | (2,456,961) | (2,256,638) | (1,180,050) | (3,415,579) | (571,795) | 134,100 | (1,297,091) | (11,044,014) |
| Payments to employees | (570,606) | (2,172,295) | (1,742,059) | - | (596,595) | - | (535,501) | (5,617,056) |
| Prior period adjustment | - | - | - | - | - | - | 1,505 | - |
| Net cash provided (used) by operating activities | (3,028,520) | (4,429,416) | 1,490,237 | 9,520,273 | (711,946) | 882,660 | (260,316) | 3,462,970 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | | | |
| Other income | - | 56,694 | - | 145,931 | 22,915 | - | 6,904 | 232,444 |
| Intergovernmental income | - | - | - | 500,000 | 177,586 | - | 57,102 | 734,686 |
| Receipts from loans | - | - | - | - | - | - | - | - |
| Interfund transfers in (out) | 3,120,398 | 4,392,783 | (1,848,885) | (11,020,409) | 303,414 | 2,031,973 | 339,429 | (2,681,297) |
| Net cash provided (used) by noncapital financing activities | 3,120,398 | 4,449,477 | (1,848,885) | (10,374,478) | 503,915 | 2,031,973 | 403,435 | (1,714,165) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | | | |
| Proceeds from sale of capital assets | - | - | - | - | - | - | 11,923 | 11,923 |
| Purchases of capital assets | (331,210) | (21,376) | (1,053,597) | - | (87,527) | (741,254) | (236,173) | (2,471,137) |
| Cash held by third party | - | - | - | - | - | - | - | - |
| Proceeds from sale of debt | - | - | - | 3,292,533 | - | - | - | 3,292,533 |
| Principal paid on capital debt | - | - | - | (2,113,031) | - | (381,402) | (90,739) | (2,585,172) |
| Interest paid on capital debt | - | - | - | (1,860,363) | - | (164,503) | (62,426) | (1,887,292) |
| Net cash provided (used) by capital and related financing activities | (331,210) | (21,376) | (1,053,597) | (480,861) | (87,527) | (1,287,159) | (377,415) | (3,639,145) |

See accompanying notes to the financial statements

CITY OF BARTLESVILLE
Statement of Cash Flows – Proprietary Funds
For the Fiscal Year Ended June 30, 2013
(continued)

| | Business-type Activities - Enterprise Funds | | | | | | | Governmental Activities - Internal Service Funds |
|---|---|-------------|---------------------|--|--|--|------------------------------|---|
| | Wastewater Fund | Water Fund | Solid Waste Fund | Bartlesville Municipal Authority | Community Center Trust Authority | Bartlesville Development Authority | Other Enterprise Funds | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | |
| Investment income | 1,753 | 1,777 | (3,035) | 35,857 | 541,328 | - | 323 | 578,003 |
| Purchase of investments | - | (506,620) | (1) | (10,446,180) | (257,428) | - | 79,144 | (11,131,265) |
| Sale of investments | 310,351 | 506,358 | 1,415,281 | 10,727,321 | - | - | 289,527 | 901,178 |
| Net cash provided (used) by investing activities | 312,104 | 1,315 | 1,412,246 | 917,018 | 283,900 | - | 348,994 | 869,756 |
| Net increase (decrease) in cash and cash equivalents | \$ 72,772 | - | - | (1,018,048) | (11,658) | 1,527,474 | 114,696 | 280,659 |
| Cash and cash equivalents, beginning of year | - | - | - | 1,248,546 | 106,513 | 66,867 | 2,942,053 | 4,363,779 |
| Cash and cash equivalents, end of year | \$ 72,772 | - | - | 230,498 | 94,855 | 1,694,141 | 3,056,749 | 4,644,438 |
| OPERATING ACTIVITIES | | | | | | | | |
| Operating income (loss) | \$ (4,582,012) | (5,081,149) | 1,291,825 | 7,185,472 | (1,063,745) | (718,420) | (776,747) | (3,754,776) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | | | | |
| Depreciation and amortization expense | 1,548,358 | 680,808 | 182,044 | 1,704,269 | 380,205 | 1,385,642 | 324,091 | 6,205,418 |
| (Increase) decrease in accounts receivable | (653) | (483) | 10,169 | 271,281 | (12,641) | - | 218,495 | 485,868 |
| (Increase) decrease in inventories | 8,245 | (71,378) | - | - | - | - | - | (63,133) |
| (Increase) decrease in prepaid expenses | - | - | - | - | - | - | (1,270) | (1,270) |
| Payments to related parties | - | - | - | - | - | - | (50,340) | (50,340) |
| Prior period adjustment | - | - | - | - | - | - | 1,505 | 1,505 |
| Increase (decrease) in accounts payable | (1,431) | (30,454) | 1,122 | 359,251 | (10,291) | 215,438 | 29,332 | 562,967 |
| Increase (decrease) in deferred revenue | - | - | - | - | (7,900) | - | (4,628) | (12,528) |
| Increase (decrease) in payroll liabilities | (727) | 83,240 | 5,077 | - | 2,426 | - | (756) | 89,269 |
| Total adjustments | 1,553,492 | 661,733 | 198,412 | 2,334,801 | 351,799 | 1,601,080 | 516,429 | 7,217,746 |
| Net cash provided (used) by operating activities | \$ (3,028,520) | (4,429,416) | 1,490,237 | 8,520,273 | (711,946) | 882,660 | (260,318) | 3,462,970 |

See accompanying notes to the financial statements

CITY OF BARTLESVILLE
Statement of Net Position – Fiduciary Funds
June 30, 2013

| | <u>Mausoleum Endowment</u> | <u>Housing TIF Districts</u> | <u>Hotel TIF District</u> |
|--|--------------------------------|----------------------------------|-------------------------------|
| <u>ASSETS</u> | | | |
| Cash and cash equivalents | \$ 10,724 | 26,270 | - |
| Taxes receivable | - | - | 11,656 |
| Other receivables | 33 | 82 | - |
| Total assets | <u>10,757</u> | <u>26,352</u> | <u>11,656</u> |
| <u>LIABILITIES</u> | | | |
| Refunds payable and other liabilities | - | 5,000 | - |
| Total liabilities | <u>-</u> | <u>5,000</u> | <u>-</u> |
| <u>NET POSITION</u> | | | |
| Held in trust for benefits and other purposes | \$ 10,757 | 21,352 | 11,656 |
| Total net position | <u>10,757</u> | <u>21,352</u> | <u>11,656</u> |

See accompanying notes to the financial statements

CITY OF BARTLESVILLE

**Statement of Changes in Fiduciary Net Position – Fiduciary Funds
For the Fiscal Year Ended June 30, 2013**

| | <u>Mausoleum Endowment</u> | <u>TIF Districts</u> | <u>Hotel TIF District</u> |
|--------------------------------------|--------------------------------|----------------------|-------------------------------|
| ADDITIONS: | | | |
| Property taxes for specific purposes | \$ - | 299,251 | - |
| Sales and miscellaneous taxes | - | 23,764 | 220,921 |
| Investment earnings (loss) | 427 | 750 | - |
| Total additions | <u>427</u> | <u>323,765</u> | <u>220,921</u> |
| DEDUCTIONS: | | | |
| General government | - | 294 | 216,807 |
| Interest expense | - | 72,659 | - |
| Principal payments | - | 238,702 | - |
| Total deductions | <u>-</u> | <u>311,655</u> | <u>216,807</u> |
| Change in net position | 427 | 12,110 | 4,114 |
| Net position - beginning | <u>10,330</u> | <u>9,242</u> | <u>7,542</u> |
| Net position - ending | <u>\$ 10,757</u> | <u>21,352</u> | <u>11,656</u> |

See accompanying notes to the financial statements

CITY OF BARTLESVILLE
Notes to Basic Financial Statements – Index
June 30, 2013

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CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.A. INTRODUCTION

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

1.B. FINANCIAL REPORTING ENTITY

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

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

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(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 in accordance with GASB 61 as shown in the following table:

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.B. FINANCIAL REPORTING ENTITY (continued)

| Blended Component Units Reported with the Primary Government | Brief Description of Activity's Relationship to City | Reporting Funds |
|--|--|--------------------|
| Bartlesville Redevelopment Trust Authority | Develop, redevelop, restore and beautify a certain portion of central Bartlesville, Oklahoma jurisdictional boundaries. (Classified as Discretely Presented prior to July 1, 2010) | Enterprise Fund |
| 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. | Enterprise Fund |
| Bartlesville Development Authority | Finances certain facilities for the purpose of promoting economic development in the <i>City of Bartlesville, Oklahoma</i> and surrounding areas. | Enterprise Fund |

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.C. BASIS OF PRESENTATION

Government-wide Financial Statements:

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

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

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.C. BASIS OF PRESENTATION (continued)

- 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.
- c. A fund not meeting the criteria of (a) or (b) except that management has elected to report the fund as a major fund due to its significance to the users of the financial statements.

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.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.C. BASIS OF PRESENTATION (continued)

Proprietary Fund Types:

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

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

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

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.C. BASIS OF PRESENTATION (continued)

Fiduciary Fund Types:

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

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

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

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.C. BASIS OF PRESENTATION (continued)

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 Fund | See above for description. |
| Special Revenue Fund: | |
| Debt Service Fund | See above for description. |
| Capital Project Fund: | |
| Capital Improvement Sales Tax Fund | Accounts for revenues and expenditures related to a sales tax issue restricted for capital improvements |
| Enterprise Funds: | |
| Wastewater Fund | Accounts for activities of the public trust in providing wastewater services to the public. |
| Water Fund | Accounts for activities of the public trust in providing water services to the public. |
| Solid Waste Fund | Accounts for activities of the public trust in providing solid waste services to the public. |
| Bartlesville Municipal Authority | See above for description. |
| Bartlesville Community Center Trust Authority | See above for description. |
| Bartlesville Development Authority | See above for description. |

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.C. BASIS OF PRESENTATION (continued)

| <u>Fund</u> | <u>Brief Description</u> |
|--|---|
| Non-Major: | |
| Special Revenue Funds: | |
| Bartlesville History Museum Trust Authority | See above for description. |
| E-911 Fund | Accounts for revenues and expenditures of the E-911 service that is legally restricted for public safety use. |
| Special Library Fund | Accounts for State Library Assistance and library donations which are provided to the library for operations. |
| Special Museum Fund | Accounts for museum grants and donations that are provided primarily by the BHMTA. |
| Economic Development Fund | Accounts for revenues and expenditures of promoting economic diversification. |
| Bartlesville Library Trust Authority | See blended component units above for description. |
| Restricted Donations Fund | Accounts for receipts and expenditures of donations that are restricted for specific purposes. |
| Municipal Airport Fund | See above for description. |
| Golf Course Memorial Fund | Accounts for donations and proceeds of an annual memorial golf tournament. |
| Justice Assistance Grant Fund (JAG) | Accounts for revenues and expenditures related to the Justice Assistance Grant. |
| Police Grant Fund | Accounts for revenues and expenditures related to grants. |
| Neighborhood Park Fund | Accounts for the receipt and expenditures of development fees that are reserved for use in the various parks of the City. |
| Cemetery Perpetual Care Fund | Accounts for revenues and expenditures of the cemetery's upkeep in accordance with State law. |
| Memorial Stadium Operating Fund | Accounts for receipt of stadium fees and transfers from the City for capital improvements. |

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.C. BASIS OF PRESENTATION (continued)

| <u>Fund</u> | <u>Brief Description</u> |
|--|---|
| Non-Major: (continued) | |
| Capital Project Funds: | |
| Capital Improvement - Wastewater Fund | Accounts for the revenues and expenditures associated with improving the wastewater system. |
| Capital Improvement – Wastewater Regulatory Fund | Accounts for revenues and expenditures associated with the wastewater capital investment fees, which are assessed as \$1.00/1,000 gallons of billable wastewater. |
| Capital Improvement – City Hall Fund | Accounts for revenues and expenditures associated with improving City Hall. |
| 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 the series 2005 G.O. Bond. |
| 2007 G.O. Bond Fund | Accounts for bond proceeds and expenditures associated with the series 2007 G.O. Bond. |
| 2008A G.O. Bond Fund | Accounts for bond proceeds and expenditures associated with the series 2008A G.O. Bond. |
| 2008B G.O. Bond Fund | Accounts for bond proceeds and expenditures associated with the series 2008B G.O. Bond. |
| 2009 G.O. Bond Fund | Accounts for bond proceeds and expenditures associated with the series 2009 G.O. Bond. |
| 2010 G.O. Bonds Fund | Accounts for bond proceeds and expenditures associated with the series 2010 G.O. Bond. |
| 2012 G.O. Bonds Fund | Accounts for bond proceeds and expenditures associated with the series 2012 G.O. Bond. |
| Capital Reserve Fund | Accounts for proceeds and expenditures associated with the City's capital reserve ordinance. |

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.C. BASIS OF PRESENTATION (continued)

| <u>Fund</u> | <u>Brief Description</u> |
|--|--|
| Non-Major: (continued) | |
| Proprietary Funds: | |
| Adams Municipal Golf Course | Accounts for revenues and expenses of the municipal golf course. |
| Sooner Pool | Accounts for revenues and expenses of Sooner Pool. |
| Frontier Pool | Accounts for revenues and expenses of Frontier Pool. |
| Adult Center Trust Authority | See above for description. |
| Bartlesville Redevelopment Trust Authority | See above for description. |
| Bartlesville Development Corporation | See above for description. |

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

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Measurement Focus (continued)

- 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 position.
- 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 position.
- 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 Position 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.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Basis of Accounting (continued)

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.

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 Position. See Note 5 for details of interfund transactions, including receivables and payables at year-end.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(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.

Deposit with Third-Party Administrator

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Inventory

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

Fixed Assets

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

Government-wide Statements

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

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fixed Assets (continued)

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

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

Fund Financial Statements

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

Restricted Assets

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

Long-Term Debt

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Long-Term Debt (continued)

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

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

Compensated Absences

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

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Equity Classifications

Government-wide Statements

Equity is classified as net position 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 position – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, (2) law through constitutional provisions or enabling legislation, or (3) external contracts.
- c. Unrestricted net position – all other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

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

Governmental Fund Financial Statements

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

- a. Non-spendable – The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Equity Classifications (continued)

Governmental Fund Financial Statements (continued)

b. Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

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

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

e. Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within the unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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 one-third percent (8 1/3%) is deposited in the Economic Development Fund, and sixteen and two-thirds percent (16 2/3%) is deposited in the Sales Tax Capital Improvement Fund. Sales taxes collected by the State in June and July (which represent sales for May and June) and received by the City in July and August have been accrued and are included under the caption "Due from other governments".

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(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. Property taxes unpaid are attached by an enforceable lien on the property the day after the due date. The Treasurer of Washington County bills and collects the property taxes and remits to the City its portion in the month following collection. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end.

Operating Revenues and Expenses

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

Cigarette, Tobacco and Tobacco Products Tax

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(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.

1.G. STABILIZATION RESERVE FUND

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

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.G. STABILIZATION RESERVE FUND (continued)

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

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

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.G. STABILIZATION RESERVE FUND (continued)

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

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

As of June 30, 2013, the City had the following balances committed for stabilization:

| | <u>Amount Committed for Stabilization</u> | <u>Original Budgeted Operating Expenses</u> | <u>Stabilization as % of Budgeted Expenses</u> |
|------------|---|---|--|
| General | \$ 1,393,367 | 19,183,252 | 7.3% |
| Wastewater | 255,994 | 2,912,124 | 8.8% |
| Water | 506,798 | 4,589,691 | 11.0% |
| Sanitation | <u>342,291</u> | <u>3,051,427</u> | <u>11.2%</u> |
| | <u>\$ 2,498,450</u> | <u>29,599,914</u> | <u>8.4%</u> |

1.H. USE OF ESTIMATES

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.I. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the City and its component units are subject to various federal, state, and local laws and contractual regulations.

1.J. DEFICIT FUND BALANCES OR NET POSITION

Title 11, Section 17-211 of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund of the City (excluding public trusts). At June 30, 2013, the City reported no individual fund deficits.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 2 – OEPOSITS, INVESTMENTS AND COLLATERAL

The following is a table of deposits and investments of the City at June 30, 2013 by type.

| | Credit Rating | Carrying Value | On Demand | Maturities in Years | |
|---|------------------|----------------------|------------------|---------------------|------------------|
| | | | | Less Than One | 1-5 |
| Type Deposits: | | | | | |
| Petty Cash | N/A | \$ 2,775 | 2,775 | | |
| Demand Deposits | N/A | 8,755,743 | 8,755,743 | | |
| Time Deposits | N/A | 14,502,569 | | 10,671,623 | 3,830,946 |
| Total Deposits | | <u>23,261,087</u> | | | |
| Investments: | | | | | |
| Corporate Stocks and Bonds | | - | | | |
| Community Center | N/A | 4,715,400 | | | |
| Library Trust Authority | AAAAA | 11,215 | | | |
| Agencies of the U.S Govt. | | | | | |
| GNMA/FHLB/FNMA/FFCR | AAA | 14,595,648 | | | |
| Mutual Funds | | | | | |
| Library Trust Authority | AAA-AAAAA | <u>1,105,099</u> | | | |
| Total Investments: | | <u>20,427,362</u> | | | |
| Note Payments held in trust and cash with fiscal agent | | 209,979 | | | |
| Total: | | <u>\$ 43,898,428</u> | <u>8,758,518</u> | <u>10,671,623</u> | <u>3,830,946</u> |
| Reconciliation to Statement of Net Position: | | | | | |
| Cash and Cash Equivalents: | | | | | |
| Government-wide | | \$ 4,747,371 | | | |
| TIF Districts | | 26,270 | | | |
| Investments: | | | | | |
| Government-wide | | 36,681,788 | | | |
| Mausoleum | | 10,724 | | | |
| Restricted Cash and Cash Equivalents: | | | | | |
| Government-wide | | 1,342,131 | | | |
| Restricted Investments: | | | | | |
| Government-wide | | <u>1,090,144</u> | | | |
| Total: | | <u>\$ 43,898,428</u> | | | |

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

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 3 – CAPITAL ASSETS

3.A. CAPITAL ASSET ACTIVITY – GOVERNMENTAL ACTIVITIES

Capital asset activity for governmental activities for the year ended June 30, 2013 was as follows:

| Class | Governmental Activities | | | | Ending Balance June 30, 2013 |
|--|------------------------------------|-------------|-----------|-------------|------------------------------------|
| | Ending Balance June 30, 2012 | Additions | Deletions | Transfers | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 3,360,533 | - | - | - | 3,360,533 |
| Construction in progress | 2,549,615 | 6,420,819 | - | (2,246,930) | 6,723,504 |
| Total capital assets, not being depreciated | 5,910,148 | 6,420,819 | - | (2,246,930) | 10,084,037 |
| Capital assets, being depreciated: | | | | | |
| Infrastructure and improvements | 84,138,312 | 306,156 | - | 2,040,783 | 86,485,251 |
| Buildings | 13,020,414 | 7,699 | - | 34,901 | 13,063,014 |
| Equipment and furniture | 11,038,768 | 1,597,262 | (21,595) | (1,118,850) | 11,495,585 |
| Total capital assets, being depreciated | 108,197,494 | 1,911,117 | (21,595) | 956,834 | 111,043,850 |
| Less accumulated depreciation for: | | | | | |
| Infrastructure and improvements | (26,700,109) | (2,686,330) | - | - | (29,386,439) |
| Buildings | (5,807,113) | (498,067) | - | - | (6,305,180) |
| Equipment and furniture | (7,716,199) | (612,082) | 5,704 | - | (8,322,577) |
| Total accumulated depreciation | (40,223,421) | (3,796,479) | 5,704 | - | (44,014,196) |
| Total capital assets, being depreciated, net | 67,974,073 | (1,885,362) | (15,891) | 956,834 | 67,029,654 |
| Governmental activities capital assets, net | \$ 73,884,221 | 4,535,457 | (15,891) | (1,290,096) | 77,113,691 |

On October 16, 2010, the BDC received a quit-claim deed from the City of Bartlesville for the Sunset Industrial Park. The land was given to the BDC on a condition that they would maintain, insure, and market it as a possible location for local business development. With the quit-claim deed, the Bartlesville City Council has the right to ask for the return of the deed and the property after twelve months. As of November 4, 2013, the Council has not requested the return of the land.

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 3 – CAPITAL ASSETS (continued)

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

Capital asset activity for business-type activities for the year ended June 30, 2013, was as follows:

| Class | Business-type Activities | | | | Ending Balance June 30, 2013 |
|--|------------------------------------|-------------|-----------|-----------|------------------------------------|
| | Ending Balance June 30, 2012 | Additions | Deletions | Transfers | |
| Capital assets, net being depreciated: | | | | | |
| Land | \$ 4,515,639 | - | - | - | 4,515,639 |
| Works of Art | 46,137 | - | - | - | 46,137 |
| Construction in progress | 193,730 | 756,254 | - | - | 949,984 |
| Total capital assets, not being depreciated | 4,755,506 | 756,254 | - | - | 5,511,760 |
| Capital assets, being depreciated: | | | | | |
| Infrastructure and improvements | 77,469,198 | 86,241 | - | 163,546 | 77,718,985 |
| Buildings | 147,258,315 | - | (180,010) | - | 147,078,305 |
| Equipment and furniture | 11,817,539 | 327,762 | (366,551) | 1,126,550 | 12,915,300 |
| Total capital assets, being depreciated | 236,545,052 | 414,003 | (536,561) | 1,290,096 | 237,712,590 |
| Less accumulated depreciation for: | | | | | |
| Infrastructure and improvements | (38,127,243) | (2,043,635) | - | - | (40,170,878) |
| Buildings | (42,407,901) | (3,675,207) | 180,010 | - | (45,903,098) |
| Equipment and furniture | (9,512,776) | (483,207) | 356,551 | - | (9,639,432) |
| Total accumulated depreciation | (90,047,920) | (6,202,049) | 536,561 | - | (95,713,408) |
| Total capital assets, being depreciated, net | 146,497,132 | (5,788,046) | - | 1,290,096 | 141,999,182 |
| Business-type capital assets | \$ 151,252,638 | (5,031,792) | - | 1,290,096 | 147,510,942 |

3.C. DEPRECIATION CHARGES

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

| Functional Category | Amount |
|------------------------|--------------|
| General Government | \$ 733,821 |
| Public Safety | 400,567 |
| Public Works | 2,212,291 |
| Culture and Recreation | 449,800 |
| Total depreciation | \$ 3,796,479 |

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 4 – LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2013:

| | General Obligation Bonds Payable | Notes Payable | Workers' Comp Claims Liability | Accrued Compensated Absences | Total |
|-------------------------------|---|-------------------|---|------------------------------------|-------------------|
| Long-term debt, July 1, 2012 | \$ 15,910,000 | 45,929,868 | 804,483 | 794,516 | 63,438,867 |
| Debt issued | 3,000,000 | 2,792,533 | 319,689 | 26,788 | 6,139,010 |
| Debt retired | (2,700,000) | 2,924,798 | (135,477) | - | 89,321 |
| Long-term debt, June 30, 2013 | <u>\$ 16,210,000</u> | <u>51,647,199</u> | <u>988,695</u> | <u>821,304</u> | <u>69,667,198</u> |
| Amount due in one year | <u>\$ 2,700,000</u> | <u>2,264,960</u> | <u>988,695</u> | <u>821,304</u> | <u>6,774,959</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.

General obligation bonds payable at June 30, 2013, are comprised of the following issues:

| | | |
|---|----|------------------|
| On November 1, 2012, \$3,000,000 General Obligation Bonds, Series 2012, serial bonds Current due in annual installments of \$330,000, except for a final installment of \$360,000 Long-term through November 1, 2022; semi-annual interest at rates varying from 1.8% to 1.05%. Total | \$ | - |
| | | <u>3,000,000</u> |
| On December 1, 2010, \$5,000,000 General Obligation Bonds, Series 2010, serial bonds Current due in annual installments of \$710,000, except for a final installment of \$740,000 Long-term through December 1, 2018; semi-annual interest at rates varying from 2.15% to .75%. Total | \$ | 710,000 |
| | | <u>3,580,000</u> |
| On September 1, 2009, \$3,000,000 General Obligation Bonds Series 2009, due in annual Current installments of \$330,000 through September 1, 2020; semi-annual interest at rates Long-term varying from 2.7% to 5.7%. Total | | 330,000 |
| | | <u>2,010,000</u> |
| On September 1, 2008, \$2,000,000 General Obligation Bonds Series 2008B, due in Current annual installments of \$220,000 through September 1, 2018; semi-annual interest at Long-term rates varying from 2.7% to 5.7%. Total | | 220,000 |
| | | <u>1,120,000</u> |
| | | <u>1,340,000</u> |

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 4 – LONG-TERM DEBT (continued)

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

| | | |
|---|-----------|----------------------|
| On June 1, 2008, \$4,000,000 General Obligation Bonds, Series 2008A, 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%. | Current | 440,000 |
| | Long-term | <u>1,800,000</u> |
| | Total | <u>2,240,000</u> |
| On April 1, 2007, \$4,500,000 General Obligation Bonds, Series 2007, 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%. | Current | \$ 500,000 |
| | Long-term | <u>1,500,000</u> |
| | Total | <u>2,000,000</u> |
| On May 1, 2005, \$4,500,000 General Obligation Bonds, Series 2005, 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%. | Current | 500,000 |
| | Long-term | <u>500,000</u> |
| | Total | <u>1,000,000</u> |
| Total current portion | | 2,700,000 |
| Total long-term portion | | <u>13,510,000</u> |
| Total general obligation bonds | | <u>\$ 16,210,000</u> |

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

Notes payable at June 30, 2013 are comprised of the following obligations:

| | | |
|---|-----------|----------------|
| Note payable by the BMA 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. The note will mature March 15, 2022. | Current | \$ 38,133 |
| | Long-term | <u>305,063</u> |
| | Total | <u>343,196</u> |
| Note payable by the BMA to the Oklahoma Water Resources Board, proceeds of \$726,000 were used to refinance an interim construction loan on March 31, 2004, principle payments of \$18,150 are due semi-annually starting September 15, 2004. This note bears no interest but is subject to a 1/2% administrative fee. The note will mature March 15, 2024. | Current | 36,300 |
| | Long-term | <u>363,003</u> |
| | Total | <u>399,303</u> |
| Note payable by the BMA to the Oklahoma Water Resources Board, proceeds of \$552,498 were used to refinance an interim construction loan on March 31, 2004, principle payments of \$13,812 are due semi-annually starting September 15, 2004. This note bears no interest but is subject to a 1/2% administrative fee. The note will mature March 15, 2024. | Current | 27,625 |
| | Long-term | <u>276,249</u> |
| | Total | <u>303,874</u> |
| Note payable by the BMA to Bank of America proceeds of \$3,030,000 were used to refinance three variable interest rate loans with Oklahoma Water Resources Board to a fixed interest rate of 3.8% per annum on March 1, 2005. Principal and interest are due semiannually starting on October 1, 2005. Principal payments range from \$130,000 to \$175,000. This note matures March 1, 2015. | Current | 340,000 |
| | Long-term | <u>350,000</u> |
| | Total | <u>690,000</u> |

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 4 – LONG-TERM DEBT (continued)

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

Note payable by the BMA to the Oklahoma Water Resources Board, proceeds of \$40,445,000 were used to refinance indebtedness incurred for construction water system. Principle and interest payments of \$2,387,700 will be due in two semi-annual installments commencing on March 15, 2009. This note bears interest at a rate of 3.91% per annum. The note will mature on March 15, 2036.

| | |
|-----------|-------------------|
| Current | \$ 970,000 |
| Long-term | <u>35,525,000</u> |
| Total | <u>36,495,000</u> |

Note payable by the BMA to Marjorie E. Pitzer, proceeds of \$256,000 were used to purchase real property. Principle and interest payments of \$51,346 will be due in annual installments commencing on April 1, 2009. This note bears interest at a rate of 5.5% per annum. The note will mature on April 1, 2014.

| | |
|-----------|---------------|
| Current | 48,669 |
| Long-term | <u>-</u> |
| Total | <u>48,669</u> |

Note payable by the BMA to Oklahoma Water Resources Board, proceeds of \$5,330,688 were used to finance construction improvements to the drinking water system on September 1, 2009. This note bears interest at a rate of 2.77% per annum. Principal and interest are due semiannually starting March 15, 2011. The note will mature on September 15, 2030.

| | |
|-----------|------------------|
| Current | 211,702 |
| Long-term | <u>4,716,407</u> |
| Total | <u>4,928,109</u> |

Note payable by the BMA to Oklahoma Water Resources Board, proceeds of \$3,810,000 were used to finance construction improvements to the drinking water system on August 30, 2012, draws as of June 30, 2013 were \$2,792,533. This note bears interest at a rate of 2.29% per annum. Principal and interest are due semiannually starting March 15, 2014. The note will mature on September 15, 2028.

| | |
|-----------|------------------|
| Current | 93,084 |
| Long-term | <u>2,699,449</u> |
| Total | <u>2,792,533</u> |

Note payable by the BRTA to BancFirst proceeds of \$1,200,009 were used to finance costs associated with the construction of Downtown Bartlesville Hotel. Principal and interest are due annually on June 1st with a variable interest rate starting at 5.5%. The note will mature on June 1, 2022.

| | |
|-----------|------------------|
| Current | 87,000 |
| Long-term | <u>,940,686</u> |
| Total | <u>1,027,686</u> |

Note payable by the BDA to Arvest proceeds of \$6,865,000 were used to finance costs associated with the construction of the original ABB facility in the Bartlesville Industrial Park with additional principal authorized on March 21, 2013 to be used to expand said facility with a total amount available of \$17,000,000. Principal and interest payments of \$55,613 are due monthly from March 15, 2013 through February 15, 2014 increasing to \$166,048 monthly starting March 15, 2014 through maturity with a variable interest rate indexed to Wall Street Prime on January 15th of each year. The note will mature on March 15, 2023.

| | |
|-----------|------------------|
| Current | 405,776 |
| Long-term | <u>4,206,382</u> |
| Total | <u>4,612,158</u> |

Note payable by the BDC proceeds of \$37,366 were used to finance the purchase of an auto. Principal and interest payments of \$861 are due monthly from February 2010 through maturity with an interest rate of 4.9%. The note will mature on January 2014.

| | |
|-----------|--------------|
| Current | 6,671 |
| Long-term | <u>-</u> |
| Total | <u>6,671</u> |

| | |
|-------------------------|----------------------|
| Total current portion | 2,264,960 |
| Total long-term portion | <u>49,382,239</u> |
| Total notes payable | <u>\$ 51,647,199</u> |

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 4 – LONG-TERM DEBT (continued)

4.C. WORKERS' COMPENSATION CLAIMS LIABILITY

The City self-insures workers' compensation claims liability. The administration of claims for self-insurance is primarily performed by third party administrators. At June 30, 2013, the City's workers' compensation claims liability was \$988,695 based upon the estimated claims payable reported as reserves in the third party administrator's monthly and quarterly reports to the City. \$668,971 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. \$319,724 is payable from the Proprietary Funds and is recorded in claims payable. Due to the uncertainty of when these liabilities will be paid, the entire amount is considered to be a component of the current portion of long-term debt. All court ordered judgments are levied in accordance with State law over three years.

4.D. DEBT SERVICE REQUIREMENTS TO MATURITY

The annual requirements to amortize long-term debt outstanding as of June 30, 2013, are as follows:

| <u>Period</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------|----------------------|-------------------|-------------------|
| 2014 | \$ 4,964,960 | 2,300,812 | 7,265,772 |
| 2015 | 5,451,941 | 2,117,040 | 7,568,981 |
| 2016 | 6,079,569 | 1,939,594 | 8,019,163 |
| 2017 | 6,196,733 | 1,753,685 | 7,950,418 |
| 2018 | 4,160,543 | 1,580,906 | 5,741,449 |
| 2019-2023 | 12,603,058 | 6,463,106 | 19,066,164 |
| 2024-2028 | 10,297,892 | 4,568,539 | 14,866,431 |
| 2029-2032 | 10,367,503 | 2,596,936 | 12,964,439 |
| 2033-2038 | 7,735,000 | 616,706 | 8,351,706 |
| Total | \$ <u>67,857,199</u> | <u>23,937,324</u> | <u>91,794,523</u> |

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 5 – INTERFUND TRANSACTIONS

5.A. INTERFUND TRANSFERS

| Transfer to | Transfer From | Amount | Nature of Interfund Balance |
|--------------------------------------|--------------------------------------|----------------------|---|
| General Fund | Bartlesville History Museum Trust | 2,500 | To subsidize the operations of the fund |
| Special Museum | Bartlesville History Museum Trust | 40,000 | To subsidize the operations of the fund |
| Special Library Fund | Bartlesville Library Trust Authority | 59,072 | To subsidize the operations of the fund |
| Wastewater Fund | BMA - Wastewater | 4,565,938 | To subsidize the operations of the fund |
| BMA - Water | BMA - Wastewater | 46,132 | Debt repayment |
| General Fund | BMA - Water | 9,907 | Transfer utility deposit interest to General fund |
| Water Fund | BMA - Water | 6,893,287 | To subsidize the operations of the fund |
| BMA - General | CIP - Sales Tax | 32,252 | Debt repayment |
| Bartlesville Development Authority | Economic Development Fund | 2,000,000 | TIF requirement |
| Bartlesville Development Corporation | Economic Development Fund | 770,000 | To fund operation of BDC |
| E-911 Fund | General Fund | 343,119 | To subsidize the operations of the fund |
| Memorial Stadium Operating | General Fund | 43,552 | To subsidize the operations of the fund |
| Adams Municipal Golf Course Fund | General Fund | 75,123 | To subsidize the operations of the fund |
| Community Center | General Fund | 305,171 | To subsidize the operations of the fund |
| Frontier Pool Fund | General Fund | 24,744 | To subsidize the operations of the fund |
| Spomer Pool Fund | General Fund | 37,313 | To subsidize the operations of the fund |
| Stabilization Fund | General Fund | 818,328 | Stabilization reserve fund established by Ordinance |
| BMA - General | Neighborhood Park Fund | 18,431 | Debt repayment |
| General Fund | Solid Waste Fund | 702,684 | To subsidize the operations of the fund |
| Stabilization Fund | Solid Waste Fund | 150,164 | Stabilization reserve fund established by Ordinance |
| Capital Reserve Fund | Solid Waste Fund | 2,050,000 | Capital reserve fund established by Ordinance |
| General Fund | Wastewater Fund | \$ 702,684 | To subsidize the operations of the fund |
| Stabilization Fund | Wastewater Fund | 116,485 | Stabilization reserve fund established by Ordinance |
| Capital Reserve Fund | Wastewater Fund | 520,000 | Capital reserve fund established by Ordinance |
| BMA - Water | Wastewater Fund | 148,040 | Debt repayment |
| General Fund | Water Fund | 1,104,217 | To subsidize the operations of the fund |
| Stabilization Fund | Water Fund | 227,756 | Stabilization reserve fund established by Ordinance |
| Capital Reserve Fund | Water Fund | 1,177,730 | Capital reserve fund established by Ordinance |
| | | <u>\$ 22,981,629</u> | |

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(continued)

NDTE 5 – INTERFUND TRANSACTIONS (continued)

S.B. INTERFUND RECEIVABLES AND PAYABLES

| Interfund Payables | Bartlesville Community Center Authority | General Fund | BMA - Water | Bartlesville Dev. Corporation | Bartlesville Dev. Authority | Payables Total |
|---|--|-----------------|----------------|-------------------------------------|-----------------------------------|-------------------|
| General Fund | \$ 54,741 | - | - | - | - | 54,741 |
| Capital Improvement Wastewater Regulatory | - | - | 250,000 | - | - | 250,000 |
| Bartlesville Development Authority | - | - | - | 31,973 | - | 31,973 |
| Receivables total | \$ 54,741 | - | 250,000 | 31,973 | - | 336,714 |

NDTE 6 – RETIREMENT PLANS

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

6.A. DEFINED CONTRIBUTION PLAN

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

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 6 – RETIREMENT PLANS (continued)

6.A. DEFINED CONTRIBUTION PLAN (continued)

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

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

Employees direct how their money is invested.

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

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

For the fiscal year ended June 30, 2013 the City contributed \$72,352 to the plan.

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

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 6 – RETIREMENT PLANS

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

All regular, full-time employees of the *City of Bartlesville*, except police, firefighters and other employees who are covered under an approved system, (with two years of service-prior to July 1, 1996 until July 1, 2006), participate in the Employee Retirement Plan. Employees had a onetime chance to change from the Defined Benefit Plan to the Defined Contribution plan in December 2009. Approximately 25% of the employees in the Defined Benefit Plan changed to the Defined Contribution Plan. The plan was funded through a Group Annuity Contract with Southwestern Life Insurance Company, through July 1, 1997. The City began participation in the Oklahoma Municipal Retirement Fund on July 1, 1997.

The number of Fund participants by category is as follows:

| | |
|---|------------|
| Terminated members entitled to but not yet receiving benefits | 38 |
| Retirees and beneficiaries currently receiving benefits | 95 |
| Fully vested employees | 143 |
| Non-vested employees | <u>22</u> |
| Total as of 1/1/13 | <u>302</u> |

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

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 6 – RETIREMENT PLANS (continued)

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

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

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

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 6 – RETIREMENT PLANS (continued)

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

Schedule of employer and employee contributions per actual paid payroll based on actuary's percentage of payroll:

| <u>Fiscal Year</u> | <u>Required Contribution Rate</u> | <u>Annual Required Contribution</u> | <u>Annual Actual Contribution</u> | <u>Percentage Contributed</u> |
|------------------------|---|---|---|-----------------------------------|
| 2011 | 22.75% | 1,419,921 | 1,419,921 | 100% |
| 2012 | 24.54% | 1,517,437 | 1,642,962 | 108% |
| 2013 | 27.89% | 1,493,850 | 1,599,365 | 107% |

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

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

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets (a)</u> | <u>Actuarial Accrued Liability (AAL) (b)</u> | <u>Unfunded AAL (UAAL) (b-a)</u> | <u>Funded Ratio (a/b)</u> | <u>Covered Payroll (c)</u> | <u>UAAL as a Percentage of Covered Payroll (b-a/c)</u> |
|---|--|--|--|-----------------------------------|------------------------------------|--|
| 1/1/06 | \$ 3,997,881 | 5,452,141 | 1,454,260 | 73.3% | 5,743,064 | 25.3% |
| 1/1/07 | 4,660,888 | 8,392,743 | 3,711,855 | 55.8% | 7,439,181 | 49.9% |
| 1/1/08 | 5,496,136 | 9,733,979 | 4,237,843 | 56.5% | 7,130,565 | 59.4% |
| 1/1/09 | 5,857,260 | 13,096,204 | 7,238,944 | 44.7% | 7,708,287 | 93.9% |
| 1/1/10 | 6,735,427 | 15,940,247 | 9,204,821 | 42.3% | 6,824,433 | 134.9% |
| 1/1/11 | 7,827,081 | 17,433,271 | 9,606,190 | 44.9% | 6,185,093 | 155.3% |
| 1/1/12 | 9,007,298 | 18,359,941 | 9,352,643 | 49.1% | 5,925,252 | 157.8% |
| 1/1/13 | 10,541,708 | 19,305,653 | 8,763,945 | 54.6% | 5,698,170 | 153.8% |

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 6 – RETIREMENT PLANS (continued)

6.C. COST SHARING, MULTIPLE EMPLOYER PLANS

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

The Oklahoma Insurance Department made a contribution to the OPPRS of \$282,140 on behalf of the City's employed police officers who participate in the Oklahoma Police Pension & Retirement System. This was recorded as a miscellaneous revenue and public safety expense on the government-wide financial statements.

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

As of June 30, 2013, the System held no related party investments of the City or any of its entities.

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 6 – RETIREMENT PLANS (continued)

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

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

As of June 30, 2013, 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.

| | <u>Police Pension System</u> | <u>Fire Pension System</u> |
|--|--------------------------------------|------------------------------------|
| City contribution as a percent of covered payroll | 13% | 13% |
| Employee contributions as a percent of covered payroll | 8% | 8% |

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 6 – RETIREMENT PLANS (continued)

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

| Fiscal Year | Oklahoma Police Pension and Retirement System | | Oklahoma Firefighters Pension and Retirement System | |
|----------------|--|---------------------------|--|---------------------------|
| | Required Contribution | Percentage Contributed | Required Contribution | Percentage Contributed |
| 2011 | 276,578 | 100% | 396,739 | 100% |
| 2012 | 293,535 | 100% | 414,854 | 100% |
| 2013 | 315,327 | 100% | 428,813 | 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, 2013. Copies of these reports may be obtained from the State Retirement System.

The Bartlesville Community Center Trust Authority employees participate in a 403(b) Thrift Plan whereby the Trust Authority contributes 5% of eligible employees' compensation received during the plan year. Employees may elect to make salary reduction contributions to the plan. For the fiscal year ended June 30, 2013, the employer contributed \$15,975 to the plan.

6.D. RETIREE MEDICAL PLAN

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

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 6 – RETIREMENT PLANS (continued)

6.D. RETIREE MEDICAL PLAN (continued)

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, 2012 was \$105,516 per actual paid payroll based on actuarial percentages. Contributions paid were \$105,516.

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

| | |
|---|-------------------|
| OPEB liability (accrued actuarial liability) at July 1, 2011 | \$ 698,862 |
| Annual Amortization (30 years level payments) | 39,440 |
| Normal Cost | <u>42,496</u> |
| Annual Required Contribution (ARC) (Normal Cost + amortization) | 81,936 |
| Interest on Net OPEB Obligation (NOO) | - |
| Amortization of NOO | <u>-</u> |
| Annual OPEB Cost | 81,936 |
| Employer contributions (expected claims less contributions) | <u>28,557</u> |
| Estimated NOO at end of year (June 30, 2012) | <u>\$ 53,379</u> |
| Estimated NOO at end of year (June 30, 2013) | <u>\$ 106,758</u> |

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 6 – RETIREMENT PLANS (continued)

6.D. RETIREE MEDICAL PLAN (continued)

The City's significant OPEB calculations for 2013 are as follows:

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

Funded Status:

FUNDED STATUS AT THE END OF THE FISCAL YEAR

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

Actuarial Assumptions:

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

Actuarial Method:

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 6 – RETIREMENT PLANS (continued)

6.D. RETIREE MEDICAL PLAN (continued)

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

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

6.E. COMPONENT UNIT RETIREMENT PLANS

Effective July 1, 1997, Bartlesville Development Corporation (BDC) adopted the American Chamber of Commerce Executives (ACCE) 401(k) Plan as a vehicle to provide retirement plan benefits to BDC employees. In May 2005, the BDC 401(k) plan was combined with the Bartlesville Regional Chamber of Commerce plan to provide retirement benefits to all employees of the Chamber of Commerce. BDC will pay an amount equal to 4 percent of a qualified employee's annual salary and match an employee's contribution up to 1 percent of the employee's annual salary. During the fiscal years ending June 30, 2013, BDC paid a total of \$11,677 to the plan, which has been recorded as employee benefits in the statement of activities.

NOTE 7 – FUND BALANCES AND NET POSITION

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

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 7 – FUND BALANCES AND NET POSITION (continued)

| | General Fund | Debt Service Fund | Capital Improvement Sales Tax Fund | Other Governmental Funds | Total |
|----------------------------|---------------------|-------------------------|---|--------------------------------|-------------------|
| Fund balances: | | | | | |
| Non-spendable | | | | | |
| Inventory | \$ 80,139 | - | - | - | 80,139 |
| Prepaid items | 93,140 | - | - | - | 93,140 |
| Restricted for: | | | | | |
| Debt service | - | 2,051,333 | - | - | 2,051,333 |
| CIP Sales tax | - | - | 4,862,185 | - | 4,862,185 |
| History museum | - | - | - | 129,549 | 129,549 |
| E-911 | - | - | - | 27,139 | 27,139 |
| Special library | - | - | - | 283,333 | 283,333 |
| Special museum | - | - | - | 132,085 | 132,085 |
| Economic development | - | - | - | 1,824,763 | 1,824,763 |
| Library | - | - | - | 1,247,117 | 1,247,117 |
| Restricted revenues | - | - | - | 177,275 | 177,275 |
| Justice assistance | - | - | - | 37,732 | 37,732 |
| Neighborhood parks | - | - | - | 5,941 | 5,941 |
| Cemetery | - | - | - | 80,552 | 80,552 |
| CIP Parks & Recreation | - | - | - | 181,012 | 181,012 |
| CIP Wastewater | - | - | - | 243,161 | 243,161 |
| CIP Wastewater Regulatory | - | - | - | 3,715,427 | 3,715,427 |
| CIP Storm Sewer | - | - | - | 50,922 | 50,922 |
| CIP City Hall | - | - | - | 152,596 | 152,596 |
| Capital reserve | - | - | - | 1,907,520 | 1,907,520 |
| 2007 G.O. bonds | - | - | - | 5,806 | 5,806 |
| 2008A G.O. bonds | - | - | - | 25,024 | 25,024 |
| 2008B G.O. bonds | - | - | - | 15,337 | 15,337 |
| 2009 G.O. bonds | - | - | - | 65,834 | 65,834 |
| 2010 G.O. bonds | - | - | - | 1,660,037 | 1,660,037 |
| 2012 G.O. bonds | - | - | - | 1,390,186 | 1,390,186 |
| Committed to: | | | | | |
| Next year's budget | 1,616,081 | - | - | - | 1,616,081 |
| Stabilization reserve | 2,498,450 | - | - | - | 2,498,450 |
| Municipal airport | - | - | - | 439,030 | 439,030 |
| Golf course | - | - | - | 16,794 | 16,794 |
| Memorial stadium | - | - | - | 34,070 | 34,070 |
| Unassigned: | 1,866,182 | - | - | - | 1,866,182 |
| Total fund balances | \$ 6,153,992 | 2,051,333 | 4,862,185 | 13,848,242 | 26,915,752 |

CITY OF BARTLESVILLE
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 7 – FUND BALANCES AND NET POSITION (continued)

Restricted net position as reported in the Statement of Net Position is comprised of the following:

| | <u>Enabling Legislation</u> | <u>Statutory Requirement</u> | <u>External Contracts</u> |
|---|---------------------------------|----------------------------------|-------------------------------|
| Restricted Net Position - Governmental Activities: | | | |
| Economic Development | \$ 1,824,763 | - | - |
| E-911 | 27,139 | - | - |
| Special Library | 283,333 | - | - |
| Special Museum | 132,085 | - | - |
| Municipal Airport | 439,030 | - | - |
| Bartlesville History Museum Trust Authority | 129,549 | - | - |
| Bartlesville Library Trust Authority | 1,247,117 | - | - |
| Restricted revenues | - | - | 177,275 |
| Golf Course Memorial | - | - | 16,794 |
| Justice Assistance Grant | - | 37,732 | - |
| Neighborhood Park | 5,941 | - | - |
| Cemetery Perpetual Care | - | 80,552 | - |
| Memorial Stadium Operations | - | 34,070 | - |
| Workers' Compensation | 178,625 | - | - |
| Health Insurance | 77,027 | - | - |
| Auto Collision Insurance | 271,757 | - | - |
| Stabilization Reserve | 2,498,450 | - | - |
| Debt Service | - | 2,051,333 | - |
| Capital Improvement Funds: | | | |
| Sales Tax Capital Improvement Fund | 4,862,185 | - | - |
| Park & Recreation Fund | 181,012 | - | - |
| Wastewater Fund | 243,161 | - | - |
| Wastewater Regulatory Fund | 3,715,427 | - | - |
| Storm Sewer Fund | 50,922 | - | - |
| City Hall | 152,596 | - | - |
| Capital Reserve Fund | 1,907,520 | - | - |
| General Obligation Bond Funds: | | | |
| 2007 G.O. Bond Fund | - | 5,806 | - |
| 2008A G.O. Bond Fund | - | 25,024 | - |
| 2008B G.O. Bond Fund | - | 15,337 | - |
| 2009 G.O. Bond Fund | - | 65,834 | - |
| 2010 G.O. Bond Fund | - | 1,660,037 | - |
| 2012 G.O. Bond Fund | - | 1,390,186 | - |
| Total restricted net position | <u>\$ 18,227,639</u> | <u>5,365,911</u> | <u>194,069</u> |
| Restricted Net Position - Business-type Activities: | | | |
| Bartlesville Municipal Authority | \$ - | - | 4,431,943 |
| Water | 408,269 | - | - |
| Bartlesville Development Authority | - | - | 66,667 |
| Bartlesville Redevelopment Trust Authority | - | - | 953,993 |
| Total restricted net position | <u>\$ 408,269</u> | <u>-</u> | <u>5,452,603</u> |

CITY OF BARTLESVILLE

Notes to Basic Financial Statements

June 30, 2013

(continued)

NOTE 8 – ACCOUNTS RECEIVABLE

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

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

| Governmental Activities: | Interest | Taxes | Court | Other | Total |
|--|------------------|------------------|----------------|----------------|------------------|
| Accounts receivable | \$ 73,724 | 2,894,883 | 202,642 | 511,497 | 3,682,746 |
| Less: allowance for uncollectible accounts | - | - | - | (36,044) | (36,044) |
| Accounts receivable, net of allowance | <u>\$ 73,724</u> | <u>2,894,883</u> | <u>202,642</u> | <u>475,453</u> | <u>3,646,702</u> |

The business-type activities accounts receivable follows:

| Business-type Activities: | Utility Accounts Receivable | Misc. Accounts Receivable | Total |
|--|--|--|------------------|
| Wastewater | \$ 653,347 | 4,016 | 657,363 |
| Water | 734,223 | 308,259 | 1,042,482 |
| Solid Waste | 535,654 | 1,991 | 537,645 |
| Golf | - | 7,430 | 7,430 |
| Sooner Pool | - | 169 | 169 |
| Frontier Pool | - | 205 | 205 |
| Bartlesville Community Center | - | 35,731 | 35,731 |
| Bartlesville Development Corporation | - | 7,952 | 7,952 |
| Bartlesville Redevelopment Trust Authority | - | 25,253 | 25,253 |
| Total | 1,923,224 | 391,006 | 2,314,230 |
| Less: allowance for uncollectible accounts | (1,290,489) | - | (1,290,489) |
| Accounts receivable, net of allowance | <u>\$ 632,735</u> | <u>391,006</u> | <u>1,023,741</u> |

NOTE 9 – COMMITMENTS AND CONTINGENCIES

The City maintains a stop-loss policy for plans to limit risk associated with the plans. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

CITY OF BARTLESVILLE

Notes to Basic Financial Statements

June 30, 2013

(continued)

NOTE 10 – RISK MANAGEMENT

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

The City manages these various risks of loss as follows:

| Type of Loss | Method Managed | Risk of Loss Retained |
|---|--|--|
| a. General Liability: - Torts - Errors and omissions - Police liability - Vehicle | Purchased insurance with Oklahoma Municipal Assurance Group | None |
| b. Physical Property: - Theft - Damage to assets - Natural disasters | Purchased insurance with \$2,500 deductible | None |
| c. Workers' Compensation - Employee injuries | Self-insured with third-party administration of the claims process. Workers' Compensation Insurance Fund used to account for activities with participating funds charged through an estimated annual claim cost for each fund. Judgments are levied on property taxes. Administered by Consolidated Benefits Resource. | Entire risk of loss retained. |
| d. Health and Life: - Medical - Dental | Self-insured with City paying a portion of health care and life and disability premiums. Health administered by Blue Cross Blue Shield of Oklahoma. Life and disability purchased through Allstate. | No risk on life and disability. Health claims are reinsured with a self-insured retention level of \$75,000 individual and \$1,954,788 aggregate. |

CITY OF BARTLESVILLE

Notes to Basic Financial Statements

June 30, 2013

(continued)

NOTE 11 – SUBSEQUENT EVENT

Management has evaluated and disclosed subsequent events up to and including January 8, 2014, which is the date the financial statements were available for issuance. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

CITY OF BARTLESVILLE
Required Supplementary Information
June 30, 2013

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

- Budgetary Comparison Schedules – General Fund, Debt Service Fund, and Capital Improvement – Sales Tax Fund

CITY OF BARTLESVILLE

Budgetary Comparison Schedule - General Fund For the Year Ended June 30, 2013

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance with Final Budget- Positive (Negative) |
|---|------------------|-------------|---|--|
| | Original | Final | | |
| REVENUES | | | | |
| Sales and miscellaneous taxes | \$ 13,958,266 | 13,976,991 | 14,033,572 | 56,581 |
| Fees and fines | 823,500 | 823,500 | 991,477 | 167,977 |
| Licenses and permits | 249,400 | 249,400 | 249,187 | (213) |
| Intergovernmental | 646,451 | 656,451 | 692,608 | 36,157 |
| Charges for services | 379,100 | 379,100 | 393,449 | 14,349 |
| Investment earnings | 46,900 | 46,900 | 26,981 | (19,919) |
| Miscellaneous | 62,700 | 62,700 | 224,925 | 162,225 |
| Total revenues | 16,166,317 | 16,195,042 | 16,612,199 | 417,157 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 5,835,100 | 5,821,452 | 5,361,377 | 460,075 |
| Public safety | 9,542,084 | 9,583,837 | 9,568,436 | 15,401 |
| Streets and highways | 1,146,986 | 1,149,606 | 1,131,926 | 17,680 |
| Culture and recreation | 2,133,231 | 2,133,231 | 2,010,024 | 123,207 |
| Total Expenditures | 18,659,401 | 18,688,126 | 18,071,763 | 616,363 |
| Excess (deficiency) of revenues over expenditures | (2,493,084) | (2,493,084) | (1,459,564) | 1,033,520 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 2,512,085 | 2,512,085 | 2,512,092 | 7 |
| Transfers out | (1,342,179) | (1,342,179) | (1,342,179) | - |
| Reserves | (755,833) | (755,833) | - | 755,833 |
| Total other financing sources and uses | 414,073 | 414,073 | 1,169,913 | 755,840 |
| Net change in fund balances | (2,079,011) | (2,079,011) | (289,651) | 1,789,360 |
| Fund balances - beginning | 2,079,011 | 2,079,011 | 1,990,176 | (88,835) |
| Fund balances - ending | \$ - | - | 1,700,525 | 1,700,525 |

(Unaudited - See independent auditor's report)

CITY OF BARTLESVILLE
Budgetary Comparison Schedule – Debt Service Fund
For the Year Ended June 30, 2013

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts (Budgetary Basis)</u> | <u>Variance with Final Budget- Positive (Negative)</u> |
|---|-------------------------|------------------|---|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Property taxes | \$ 3,361,273 | 3,361,273 | 3,131,231 | (230,042) |
| G.O. bond proceeds | - | - | 26,250 | 26,250 |
| Total revenues | <u>3,361,273</u> | <u>3,361,273</u> | <u>3,157,481</u> | <u>(203,792)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 1,650 | 1,775 | 1,775 | - |
| Debt service: | | | | |
| Principal | 2,880,036 | 2,879,911 | 2,856,699 | 23,212 |
| Interest | <u>444,594</u> | <u>444,594</u> | <u>444,594</u> | - |
| Total Expenditures | <u>3,326,280</u> | <u>3,326,280</u> | <u>3,303,068</u> | <u>23,212</u> |
| Excess (deficiency) of revenues over expenditures | <u>34,993</u> | <u>34,993</u> | <u>(145,587)</u> | <u>(180,580)</u> |
| Net change in fund balances | <u>34,993</u> | <u>34,993</u> | <u>(145,587)</u> | <u>(180,580)</u> |
| Fund balances - beginning | <u>2,243,593</u> | <u>2,243,593</u> | <u>2,181,197</u> | <u>(62,396)</u> |
| Fund balances - ending | <u>\$ 2,278,586</u> | <u>2,278,586</u> | <u>2,035,610</u> | <u>(242,976)</u> |

(Unaudited – See independent auditor's report)

CITY OF BARTLESVILLE

Budgetary Comparison Schedule – Capital Improvement – Sales Tax Fund For the Year Ended June 30, 2013

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance with Final Budget- Positive (Negative) |
|---|--------------------|--------------------|---|--|
| | Original | Final | | |
| REVENUES | | | | |
| Sales and miscellaneous taxes | \$ 2,692,929 | 2,692,929 | 2,735,581 | 42,652 |
| Investment earnings | 30,200 | 30,200 | 14,621 | (15,579) |
| Miscellaneous | - | - | 4,554 | 4,554 |
| Total revenues | <u>2,723,129</u> | <u>2,723,129</u> | <u>2,754,756</u> | <u>31,627</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 528,987 | 540,987 | 286,805 | 254,182 |
| Public safety | 540,000 | 605,000 | 196,140 | 408,860 |
| Streets and highways | 4,345,000 | 4,616,085 | 2,357,662 | 2,258,403 |
| Culture and recreation | 1,140,000 | 1,155,708 | 342,645 | 813,063 |
| Wastewater | 100,000 | 100,000 | - | 100,000 |
| Total Expenditures | <u>6,653,987</u> | <u>7,017,760</u> | <u>3,183,252</u> | <u>3,834,508</u> |
| Excess (deficiency) of revenues over expenditures | <u>(3,930,858)</u> | <u>(4,294,631)</u> | <u>(428,496)</u> | <u>3,866,135</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (32,252) | (32,252) | (32,252) | - |
| Reserves | (400,496) | (36,723) | - | 36,723 |
| Total other financing sources and uses | <u>(432,748)</u> | <u>(68,975)</u> | <u>(32,252)</u> | <u>36,723</u> |
| Net change in fund balances | <u>(4,363,606)</u> | <u>(4,363,606)</u> | <u>(460,748)</u> | <u>3,902,858</u> |
| Fund balances - beginning | <u>4,363,606</u> | <u>4,363,606</u> | <u>5,128,054</u> | <u>764,448</u> |
| Fund balances - ending | <u>\$ -</u> | <u>-</u> | <u>4,667,306</u> | <u>4,667,306</u> |

(Unaudited - See independent auditor's report)

CITY OF BARTLESVILLE

Notes to Required Supplementary Information on Budgetary Accounting and Control June 30, 2013

BUDGETARY ACCOUNTING AND CONTROL

BUDGET LAW

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

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

CITY OF BARTLESVILLE

Notes to Required Supplementary Information on Budgetary Accounting and Control June 30, 2013 (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, 2013

(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, 2013, the following supplemental increases and decreases in appropriations were approved:

| | <u>Original Appropriations</u> | <u>Net Supplemental Appropriations (Increases)</u> | <u>Revised Appropriations</u> |
|----------------------------------|------------------------------------|--|-----------------------------------|
| General fund | \$ 18,784,401 | 28,725 | 18,813,126 |
| General fund transfers | 1,973,012 | - | 1,973,012 |
| Debt service | 3,326,280 | - | 3,326,280 |
| Special revenue funds | 6,525,332 | 107,370 | 6,632,702 |
| Special revenue funds transfers | 18,431 | - | 18,431 |
| Capital projects funds | 14,200,706 | 3,164,544 | 17,365,250 |
| Capital projects funds transfers | 287,494 | - | 287,494 |

CITY OF BARTLESVILLE
Other Supplementary Information
For the Year Ended June 30, 2013

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

The supplementary information includes:

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

CITY OF BARTLESVILLE
Other Supplementary Information
Combining Balance Sheet -- Non-Major Governmental Funds
June 30, 2013

| | Special Revenue Funds | | | | | | | Page Totals |
|--------------------------------------|--|---------------|----------------------------|---------------------------|---------------------------------|---|--------------------------------|------------------|
| | Bartlesville History Museum Trust Authority | E-911 Fund | Special Library Fund | Special Museum Fund | Economic Development Fund | Bartlesville Library Trust Authority | Restricted Revenues Fund | |
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ - | 45,748 | - | - | - | - | - | 45,748 |
| Investments | 129,146 | - | 284,314 | 132,239 | 1,579,960 | 1,246,713 | 177,275 | 3,549,647 |
| Taxes receivable | - | 17,303 | - | - | 241,873 | - | - | 259,176 |
| Other receivables, net of allowance | 403 | 143 | 887 | 413 | 4,930 | 404 | - | 7,180 |
| Total assets | <u>\$ 129,549</u> | <u>63,194</u> | <u>285,201</u> | <u>132,652</u> | <u>1,826,763</u> | <u>1,247,117</u> | <u>177,275</u> | <u>3,861,751</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable | \$ - | 310 | 1,668 | - | 2,000 | - | - | 3,979 |
| Other accrued expenses | - | 35,745 | 199 | 567 | - | - | - | 36,511 |
| Total liabilities | <u>-</u> | <u>36,055</u> | <u>1,868</u> | <u>567</u> | <u>2,000</u> | <u>-</u> | <u>-</u> | <u>40,490</u> |
| Fund balances: | | | | | | | | |
| Non-spendable | - | - | - | - | - | - | - | - |
| Restricted | 129,549 | 27,139 | 283,333 | 132,085 | 1,824,763 | 1,247,117 | 177,275 | 3,821,261 |
| Total fund balances | <u>129,549</u> | <u>27,139</u> | <u>283,333</u> | <u>132,085</u> | <u>1,824,763</u> | <u>1,247,117</u> | <u>177,275</u> | <u>3,821,261</u> |
| Total liabilities and fund balances | <u>\$ 129,549</u> | <u>63,194</u> | <u>285,201</u> | <u>132,652</u> | <u>1,826,763</u> | <u>1,247,117</u> | <u>177,275</u> | <u>3,861,751</u> |

See independent auditor's report

CITY OF BARTLESVILLE
Other Supplementary Information
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2013
(continued)

| | Special Revenue Funds | | | | | | | Total Special Revenue Funds |
|--------------------------------------|------------------------------|---------------------------------|-------------------------------------|-------------------------|---------------------------|------------------------------------|--|--------------------------------------|
| | Municipal Airport Fund | Golf Course Memorial Fund | Justice Assistance Grant Fund | Police Grant Fund | Neighborhood Park Fund | Cemetery Perpetual Care Fund | Memorial Stadium Operating Fund | |
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ - | 16,742 | 32,241 | - | 5,923 | 80,301 | 38,784 | 219,739 |
| Investments | 456,725 | - | - | - | - | - | - | 4,006,372 |
| Taxes receivable | - | - | - | - | - | - | - | 259,176 |
| Receivable from other governments | - | - | 5,390 | 45,129 | - | - | - | 50,519 |
| Other receivables, net of allowance | 1,425 | 52 | 101 | - | 18 | 251 | 121 | 9,148 |
| Total assets | <u>\$ 458,150</u> | <u>16,794</u> | <u>37,732</u> | <u>45,129</u> | <u>5,941</u> | <u>80,552</u> | <u>38,905</u> | <u>4,544,954</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable | \$ 19,120 | - | - | 58 | - | - | 4,474 | 27,631 |
| Fund cash overdraft | - | - | - | 45,071 | - | - | - | 45,071 |
| Other accrued expenses | - | - | - | - | - | - | 361 | 36,872 |
| Total liabilities | <u>19,120</u> | <u>-</u> | <u>-</u> | <u>45,129</u> | <u>-</u> | <u>-</u> | <u>4,835</u> | <u>109,574</u> |
| Fund balances: | | | | | | | | |
| Restricted | - | - | 37,732 | - | 5,941 | 80,552 | - | 3,945,486 |
| Committed | 439,030 | 16,794 | - | - | - | - | 34,070 | 489,894 |
| Total fund balances | <u>439,030</u> | <u>16,794</u> | <u>37,732</u> | <u>-</u> | <u>5,941</u> | <u>80,552</u> | <u>34,070</u> | <u>4,435,380</u> |
| Total liabilities and fund balances | <u>\$ 458,150</u> | <u>16,794</u> | <u>37,732</u> | <u>45,129</u> | <u>5,941</u> | <u>80,552</u> | <u>38,905</u> | <u>4,544,954</u> |

See independent auditor's report

CITY OF BARTLESVILLE
Other Supplementary Information
Combining Balance Sheet -- Non-Major Governmental Funds
June 30, 2013
(continued)

| | Capital Project Funds | | | | | | | | Page Totals |
|--------------------------------------|---|-----------------------------|---|---------------------------------|-------------------------|---|----------------------------|------------------------|------------------|
| | CIP - Park and Recreation Fund | CIP - Wastewater Fund | CIP - Wastewater Regulatory Fund | CIP - Storm Sewer Fund | CIP - City Hall Fund | Community Development Block Grant Fund | Capital Reserve Fund | 2005 G.O. Bond Fund | |
| ASSETS | | | | | | | | | |
| Cash and cash equivalents | \$ - | - | - | 50,761 | 152,183 | - | - | - | 202,944 |
| Investments | 180,449 | 242,405 | 3,953,092 | - | - | - | 1,911,472 | - | 6,287,418 |
| Receivable from other governments | - | - | - | - | - | 8 | - | - | 8 |
| Other receivables, net of allowance | 563 | 756 | 12,335 | 161 | 475 | - | - | - | 14,290 |
| Total assets | <u>\$ 181,012</u> | <u>243,161</u> | <u>3,965,427</u> | <u>50,922</u> | <u>152,658</u> | <u>8</u> | <u>1,911,472</u> | <u>-</u> | <u>6,504,660</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | | | |
| Liabilities: | | | | | | | | | |
| Accounts payable | \$ - | - | - | - | 62 | - | 3,952 | - | 4,014 |
| Fund cash overdraft | - | - | - | - | - | 8 | - | - | 8 |
| Due to other funds | - | - | 250,000 | - | - | - | - | - | 250,000 |
| Total liabilities | <u>-</u> | <u>-</u> | <u>250,000</u> | <u>-</u> | <u>62</u> | <u>8</u> | <u>3,952</u> | <u>-</u> | <u>254,022</u> |
| Fund balances: | | | | | | | | | |
| Restricted | 181,012 | 243,161 | 3,715,427 | 50,922 | 152,596 | - | 1,907,520 | - | 6,250,638 |
| Total fund balances | <u>181,012</u> | <u>243,161</u> | <u>3,715,427</u> | <u>50,922</u> | <u>152,596</u> | <u>-</u> | <u>1,907,520</u> | <u>-</u> | <u>6,250,638</u> |
| Total liabilities and fund balances | <u>\$ 181,012</u> | <u>243,161</u> | <u>3,965,427</u> | <u>50,922</u> | <u>152,658</u> | <u>8</u> | <u>1,911,472</u> | <u>-</u> | <u>6,504,660</u> |

See independent auditor's report

CITY OF BARTLESVILLE
Other Supplementary Information
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2013
(continued)

| | Capital Project Funds | | | | | | Total Capital Project Funds | Total Other Governmental Funds |
|--------------------------------------|------------------------|-------------------------|-------------------------|------------------------|------------------------|------------------------|--------------------------------------|--------------------------------------|
| | 2007 G.O. Bond Fund | 2008A G.O. Bond Fund | 2008B G.O. Bond Fund | 2009 G.O. Bond Fund | 2010 G.O. Bond Fund | 2012 G.O. Bond Fund | | |
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ 5,788 | 24,949 | 15,289 | 65,629 | - | - | 314,599 | 534,338 |
| Investments | - | - | - | - | 1,750,187 | 1,479,919 | 9,517,524 | 13,523,896 |
| Taxes receivable | - | - | - | - | - | - | - | 269,176 |
| Receivable from other governments | - | - | - | - | - | - | 8 | 50,527 |
| Other receivables, net of allowance | 18 | 75 | 48 | 205 | 5,041 | 4,875 | 24,552 | 33,700 |
| Total assets | <u>\$ 5,806</u> | <u>25,024</u> | <u>15,337</u> | <u>65,834</u> | <u>1,755,228</u> | <u>1,484,794</u> | <u>9,856,683</u> | <u>14,401,637</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable | \$ - | - | - | - | 55,758 | 94,608 | 154,380 | 182,011 |
| Fund cash overdraft | - | - | - | - | - | - | 8 | 45,079 |
| Due to other funds | - | - | - | - | - | - | 250,000 | 250,000 |
| Other accrued expenses | - | - | - | - | - | - | - | 36,872 |
| Other payables | - | - | - | - | 39,433 | - | 39,433 | 39,433 |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>95,191</u> | <u>94,608</u> | <u>443,821</u> | <u>553,395</u> |
| Fund balances: | | | | | | | | |
| Restricted | 5,806 | 25,024 | 15,337 | 65,834 | 1,660,037 | 1,390,186 | 9,412,862 | 13,358,348 |
| Committed | - | - | - | - | - | - | - | 489,894 |
| Total fund balances | <u>5,806</u> | <u>25,024</u> | <u>15,337</u> | <u>65,834</u> | <u>1,660,037</u> | <u>1,390,186</u> | <u>9,412,862</u> | <u>13,848,242</u> |
| Total liabilities and fund balances | <u>\$ 5,806</u> | <u>25,024</u> | <u>15,337</u> | <u>65,834</u> | <u>1,755,228</u> | <u>1,484,794</u> | <u>9,856,683</u> | <u>14,401,637</u> |

See independent auditor's report

CITY OF BARTLESVILLE
Other Supplementary Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2013

| Special Revenue Funds | | | | | | | | |
|---|--|------------|----------------------------|---------------------------|---------------------------------|---|--------------------------------|-------------|
| | Bartlesville History Museum Trust Authority | E-911 Fund | Special Library Fund | Special Museum Fund | Economic Development Fund | Bartlesville Library Trust Authority | Restricted Revenues Fund | Page Totals |
| REVENUES: | | | | | | | | |
| Sales and miscellaneous taxes | \$ - | 428,391 | - | - | 1,566,076 | - | - | 1,994,467 |
| Intergovernmental | - | - | 31,264 | - | - | - | - | 31,264 |
| Charges for services | - | 2,400 | 100 | 83 | - | - | - | 2,583 |
| Investment earnings (losses) | 117 | 25 | 626 | 468 | 308 | 128,512 | - | 130,056 |
| Miscellaneous | - | - | 161 | - | - | - | 9,738 | 9,899 |
| Contributions and donations | - | - | 34,701 | 80,606 | - | - | 94,065 | 209,372 |
| Total revenues | 117 | 430,816 | 66,852 | 81,157 | 1,566,384 | 128,512 | 103,803 | 2,377,641 |
| EXPENDITURES: | | | | | | | | |
| Current: | | | | | | | | |
| General government | - | - | - | - | 802,810 | - | 1,807 | 804,617 |
| Public safety | - | 822,919 | - | - | - | - | 32,309 | 855,228 |
| Culture and recreation | - | - | 115,098 | 56,502 | - | - | - | 171,600 |
| Total expenditures | - | 822,919 | 115,098 | 56,502 | 802,810 | - | 34,116 | 1,831,445 |
| Excess (deficiency) of revenues over expenditures | 117 | (392,103) | (48,246) | 24,655 | 763,574 | 128,512 | 69,687 | 546,196 |
| OTHER FINANCING SOURCES (USES): | | | | | | | | |
| Transfers in | - | 343,119 | 56,072 | 40,000 | - | - | - | 439,191 |
| Transfers out | (42,500) | - | - | - | (2,000,000) | (56,072) | - | (2,098,572) |
| Proceeds from sale of fixed assets | - | - | 3,771 | - | - | - | - | 3,771 |
| Total other financing sources and uses | (42,500) | 343,119 | 59,843 | 40,000 | (2,000,000) | (56,072) | - | (1,655,610) |
| Net change in fund balances | (42,383) | (48,984) | 11,597 | 64,655 | (1,236,426) | 72,440 | 69,687 | (1,109,414) |
| Fund balances - beginning | 171,932 | 76,123 | 271,736 | 67,430 | 3,061,189 | 1,174,877 | 107,588 | 4,930,675 |
| Fund balances - ending | \$ 129,549 | 27,139 | 283,333 | 132,085 | 1,824,763 | 1,247,117 | 177,275 | 3,821,261 |

See independent auditor's report

CITY OF BARTLESVILLE
Other Supplementary Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2013
(continued)

| | Special Revenue Funds | | | | | | | |
|---|------------------------------|------------------------------------|-------------------------------------|-------------------------|---------------------------|------------------------------------|--|--------------------------------------|
| | Municipal Airport Fund | Golf Course Memorial Fund | Justice Assistance Grant Fund | Police Grant Fund | Neighborhood Park Fund | Cemetery Perpetual Care Fund | Memorial Stadium Operating Fund | Total Special Revenue Funds |
| REVENUES: | | | | | | | | |
| Sales and miscellaneous taxes | \$ - | - | - | - | - | - | - | 1,994,467 |
| Intergovernmental | - | - | 17,011 | 200,217 | - | - | - | 248,492 |
| Charges for services | - | 13,126 | - | - | - | 2,216 | - | 17,925 |
| Investment earnings (losses) | 342 | (372) | 113 | - | (34) | 48 | 117 | 130,270 |
| Miscellaneous | - | - | - | - | - | - | 25,285 | 35,184 |
| Contributions and donations | - | 10,148 | - | - | 4,200 | 2,459 | - | 226,179 |
| Total revenues | 342 | 22,902 | 17,124 | 200,217 | 4,166 | 4,723 | 25,402 | 2,652,517 |
| EXPENDITURES: | | | | | | | | |
| Current: | | | | | | | | |
| General government | 43,968 | - | - | - | - | 1,525 | - | 850,110 |
| Public safety | - | - | 9,511 | 196,402 | - | - | - | 1,061,141 |
| Culture and recreation | - | 4,843 | - | - | - | - | 62,409 | 238,852 |
| Capital outlay | 205,064 | 91,695 | - | 3,636 | - | 26,000 | - | 326,395 |
| Total expenditures | 249,032 | 96,538 | 9,511 | 200,038 | - | 27,525 | 62,409 | 2,475,498 |
| Excess (deficiency) of revenues over expenditures | (248,690) | (73,636) | 7,613 | 179 | 4,166 | (22,802) | (37,007) | 176,019 |
| OTHER FINANCING SOURCES (USES): | | | | | | | | |
| Transfers in | - | - | - | - | - | - | 43,552 | 482,743 |
| Transfers out | - | - | - | - | (18,431) | - | - | (2,117,003) |
| Proceeds from sale of fixed assets | - | - | - | - | - | - | - | 3,771 |
| Total other financing sources and uses | - | - | - | - | (18,431) | - | 43,552 | (1,630,489) |
| Net change in fund balances | (248,690) | (73,636) | 7,613 | 179 | (14,265) | (22,802) | 6,545 | (1,454,470) |
| Fund balances - beginning | 687,720 | 90,430 | 30,119 | (179) | 20,206 | 103,354 | 27,525 | 5,889,650 |
| Fund balances - ending | \$ 439,030 | 16,794 | 37,732 | - | 5,941 | 80,552 | 34,070 | 4,435,380 |

See independent auditor's report

CITY OF BARTLESVILLE
Other Supplementary Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2013
(continued)

| | Capital Project Funds | | | | | | | |
|---|---|-----------------------------|---|---------------------------------|----------------------------|---|----------------------------|------------------------------|
| | CIP - Park and Recreation Fund | CIP - Wastewater Fund | CIP - Wastewater Regulatory Fund | CIP - Storm Sewer Fund | CIP - City Hall Fund | Community Development Block Grant Fund | Capital Reserve Fund | 2005 G.O. Bond Fund |
| | | | | | | | | Page Totals |
| REVENUES: | | | | | | | | |
| Intergovernmental | \$ - | - | - | - | - | 77,865 | - | - |
| Charges for services | - | 117,800 | 1,404,109 | 13,537 | - | - | - | - |
| Investment earnings (losses) | 345 | 797 | 10,746 | 135 | 560 | - | - | (219) |
| Miscellaneous | - | - | - | - | 112,126 | - | - | - |
| Total revenues | 345 | 118,597 | 1,414,855 | 13,672 | 112,686 | 77,865 | - | (219) |
| EXPENDITURES: | | | | | | | | |
| Current: | | | | | | | | |
| General government | - | - | - | - | 10,291 | - | - | 6,504 |
| Publicworks | - | - | 87,770 | 2,174 | - | - | 641,628 | - |
| Debt service | - | - | 5,242 | - | - | - | - | - |
| Interest and other charges | - | - | 5,632 | - | 25,100 | 77,776 | 1,198,582 | 66,093 |
| Capital outlay | - | - | 98,644 | 2,174 | 35,391 | 77,776 | 1,840,210 | 72,597 |
| Total expenditures | - | - | 98,644 | 2,174 | 35,391 | 77,776 | 1,840,210 | 72,597 |
| Excess (deficiency) of revenues over expenditures | 345 | 118,597 | 1,316,211 | 11,498 | 77,295 | 69 | (1,840,210) | (72,816) |
| OTHER FINANCING SOURCES (USES): | | | | | | | | |
| Transfers in | - | - | - | - | - | - | 3,747,730 | - |
| Total other financing sources and uses | - | - | - | - | - | - | 3,747,730 | - |
| Net change in fund balances | 345 | 118,597 | 1,316,211 | 11,498 | 77,295 | 89 | 1,907,520 | (72,816) |
| Fund balances - beginning | 180,667 | 124,564 | 2,399,216 | 39,424 | 75,301 | (89) | - | 72,816 |
| Fund balances - ending | \$ 181,012 | 243,161 | 3,715,427 | 50,922 | 152,596 | - | 1,907,520 | - |

See independent auditor's report

CITY OF BARTLESVILLE
Other Supplementary Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2013
(continued)

| | Capital Project Funds | | | | | | Total Capital Project Funds | Total Other Governmental Funds |
|---|------------------------|-------------------------|-------------------------|------------------------|------------------------|------------------------|--------------------------------------|--------------------------------------|
| | 2007 G.O. Bond Fund | 2008A G.O. Bond Fund | 2008B G.O. Bond Fund | 2009 G.O. Bond Fund | 2010 G.O. Bond Fund | 2012 G.O. Bond Fund | | |
| REVENUES: | | | | | | | | |
| Sales and miscellaneous taxes | \$ - | - | - | - | - | - | - | 1,994,467 |
| Intergovernmental | - | - | - | - | - | - | 77,865 | 326,357 |
| Charges for services | - | - | - | - | - | - | 1,535,446 | 1,553,371 |
| Investment earnings (losses) | 13 | (2,010) | 30 | (153) | 885 | 9,316 | 20,445 | 150,715 |
| Miscellaneous | - | - | - | - | - | - | 112,126 | 147,310 |
| Contributions and donations | - | - | - | - | - | - | - | 226,179 |
| Total revenues | 13 | (2,010) | 30 | (153) | 885 | 9,316 | 1,745,882 | 4,398,359 |
| EXPENDITURES: | | | | | | | | |
| Current: | | | | | | | | |
| General government | - | - | - | - | - | 107,939 | 124,734 | 974,844 |
| Public safety | - | - | - | - | - | 57,677 | 57,677 | 1,118,818 |
| Public works | - | - | - | 18,348 | 44,093 | - | 794,013 | 794,013 |
| Culture and recreation | - | - | - | - | - | 71,080 | 71,080 | 309,932 |
| Debt service | - | - | - | - | - | - | - | - |
| Interest and other charges | - | - | - | - | - | - | 5,242 | 5,242 |
| Capital outlay | - | 804,364 | - | 1,925 | 952,079 | 1,382,434 | 4,513,985 | 4,840,380 |
| Total expenditures | - | 804,364 | - | 20,273 | 996,172 | 1,619,130 | 5,566,731 | 8,043,229 |
| Excess (deficiency) of revenues over expenditures | 13 | (806,374) | 30 | (20,426) | (995,287) | (1,609,814) | (3,820,849) | (3,644,830) |
| OTHER FINANCING SOURCES (USES): | | | | | | | | |
| Transfers in | - | - | - | - | - | - | 3,747,730 | 4,230,473 |
| Transfers out | - | - | - | - | - | - | - | (2,117,003) |
| Proceeds from long-term debt | - | - | - | - | - | 3,000,000 | 3,000,000 | 3,000,000 |
| Proceeds from sale of fixed assets | - | - | - | - | - | - | - | 3,771 |
| Total other financing sources and uses | - | - | - | - | - | 3,000,000 | 6,747,730 | 5,117,241 |
| Net change in fund balances | 13 | (806,374) | 30 | (20,426) | (995,287) | 1,390,186 | 2,926,881 | 1,472,411 |
| Fund balances - beginning | 5,793 | 831,398 | 15,307 | 86,260 | 2,655,324 | - | 6,485,981 | 12,375,831 |
| Fund balances - ending | \$ 5,806 | 25,024 | 15,337 | 65,834 | 1,660,037 | 1,390,186 | 9,412,862 | 13,848,242 |

See independent auditor's report

CITY OF BARTLESVILLE
Combining Statement of Net Position
Non-Major Proprietary Funds
June 30, 2013

| | Adams Municipal Golf Course | Sooner Pool | Frontier Pool | Adult Center Trust Authority | Bartlesville Development Corporation | Bartlesville Redevelop- ment Trust Authority | Total Other Enterprise Funds |
|---------------------------------------|-----------------------------------|----------------|------------------|---------------------------------------|--|---|------------------------------------|
| ASSETS | | | | | | | |
| Current assets: | | | | | | | |
| Cash | \$ 96,385 | 52,919 | 62,299 | 57,873 | 569,524 | 1,281,646 | 2,120,646 |
| Investments | - | - | - | 75,160 | - | - | 75,160 |
| Other receivables | 7,430 | 169 | 205 | - | 7,952 | 25,253 | 41,009 |
| Prepaid expenses | - | - | - | - | 10,188 | - | 10,188 |
| Incentive loans receivable | - | - | - | - | 133,256 | - | 133,256 |
| Due from other funds | - | - | - | - | 31,973 | - | 31,973 |
| Total current assets | 103,815 | 53,088 | 62,504 | 133,033 | 752,893 | 1,306,899 | 2,412,232 |
| Non-current assets: | | | | | | | |
| Restricted assets: | | | | | | | |
| Restricted cash | - | - | - | - | 936,103 | - | 936,103 |
| Loan issue costs, net of amortization | - | - | - | - | - | 30,361 | 30,361 |
| Mortgage and security agreement | - | - | - | - | - | 1,027,686 | 1,027,686 |
| Incentive loans receivable | - | - | - | - | 826,789 | - | 826,789 |
| Capital assets: | | | | | | | |
| Land and improvements | 498,500 | - | - | 97,615 | 1,328,061 | - | 1,924,176 |
| Construction in progress | 15,000 | - | - | - | - | - | 15,000 |
| Buildings | 394,541 | 358,610 | 2,758,573 | 190,072 | 252,549 | - | 3,954,345 |
| Equipment and furniture | 644,071 | 19,027 | - | - | 87,534 | - | 750,632 |
| Infrastructure and other improvements | 2,258,936 | 394,114 | - | 20,581 | - | - | 2,673,631 |
| Less accumulated depreciation | (2,084,677) | (428,750) | (590,926) | (104,080) | (112,562) | - | (3,320,995) |
| Total non-current assets | 1,726,371 | 343,001 | 2,167,647 | 204,186 | 3,318,474 | 1,058,047 | 8,817,728 |
| Total assets | 1,830,186 | 396,089 | 2,230,151 | 337,221 | 4,071,367 | 2,364,946 | 11,229,960 |

See independent auditor's report

CITY OF BARTLESVILLE
Combining Statement of Net Position
Non-Major Proprietary Funds
June 30, 2013
(continued)

| | Adams Municipal Golf Course | Sooner Pool | Frontier Pool | Adult Center Trust Authority | Bartlesville Development Corporation | Bartlesville Redevelop- ment Trust Authority | Total Other Enterprise Funds |
|----------------------------------|-----------------------------------|----------------|------------------|---------------------------------------|--|---|------------------------------------|
| LIABILITIES | | | | | | | |
| Current liabilities: | | | | | | | |
| Accounts payable | 5,089 | 5,287 | 6,117 | 578 | 40,947 | 12,927 | 70,945 |
| Accrued personnel expenses | 7,953 | 4,106 | 9,441 | - | - | - | 21,500 |
| Deferred revenue | 5,284 | - | - | - | - | - | 5,284 |
| Net OPEB obligation | 1,107 | - | - | - | - | - | 1,107 |
| Underfunded pension liability | 4,827 | - | - | - | - | - | 4,827 |
| Other payables | - | - | - | - | 66,667 | 9,150 | 75,817 |
| Bonds, notes and loans payable | - | - | - | - | 6,671 | 87,000 | 93,671 |
| Total current liabilities | <u>24,260</u> | <u>9,393</u> | <u>15,558</u> | <u>578</u> | <u>114,285</u> | <u>109,077</u> | <u>273,151</u> |
| Non-current liabilities: | | | | | | | |
| Bonds, notes and loans payable | - | - | - | - | - | 940,686 | 940,686 |
| Total non-current liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>940,686</u> | <u>940,686</u> |
| Total liabilities | <u>24,260</u> | <u>9,393</u> | <u>15,558</u> | <u>578</u> | <u>114,285</u> | <u>1,049,763</u> | <u>1,213,837</u> |
| NET POSITION | | | | | | | |
| Net investment in capital assets | 1,726,371 | 343,000 | 2,167,647 | 204,188 | 1,548,910 | - | 5,990,116 |
| Restricted for other purposes | - | - | - | - | - | 953,993 | 953,993 |
| Unrestricted | <u>79,555</u> | <u>43,696</u> | <u>46,946</u> | <u>132,455</u> | <u>2,408,172</u> | <u>361,190</u> | <u>3,072,014</u> |
| Total net position | <u>\$ 1,805,926</u> | <u>386,696</u> | <u>2,214,593</u> | <u>336,643</u> | <u>3,957,082</u> | <u>1,315,183</u> | <u>10,016,123</u> |

See independent auditor's report

CITY OF BARTLESVILLE
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Non-Major Proprietary Funds
For the Fiscal Year Ended June 30, 2013

| | Adams Municipal Golf Course | Sooner Pool | Frontier Pool | Adult Center Trust Authority | Bartlesville Development Corporation | Bartlesville Redevelop- ment Trust Authority | Total Other Enterprise Funds |
|--|--------------------------------------|----------------|------------------|---------------------------------------|--|---|------------------------------------|
| REVENUES: | | | | | | | |
| Charges for services | \$ 330,613 | 29,987 | 67,260 | 33,313 | 770,000 | - | 1,231,173 |
| Miscellaneous revenue | - | - | - | - | 88,000 | 75 | 88,075 |
| Interest and investment revenue | - | - | - | - | 64,587 | - | 64,587 |
| Total operating revenues | 330,613 | 29,987 | 67,260 | 33,313 | 922,587 | 75 | 1,383,835 |
| OPERATING EXPENSES: | | | | | | | |
| Personal services | 189,097 | 40,541 | 79,479 | 24,816 | 200,812 | 99,417 | 634,162 |
| Contractual services | 107,835 | 1,240 | 1,368 | - | - | 58,266 | 169,509 |
| Utilities | 21,181 | 3,783 | 10,951 | 5,215 | - | - | 41,130 |
| Repairs and maintenance | 46,374 | 13,287 | 8,480 | 18,022 | - | - | 87,163 |
| Other supplies and expenses | 45,315 | 11,951 | 18,622 | 8,598 | - | 75,961 | 160,447 |
| Programs | - | - | - | - | 923,241 | 549,140 | 1,472,381 |
| Depreciation | 96,274 | 23,109 | 174,046 | 6,941 | - | - | 300,370 |
| Total operating expenses | 505,876 | 93,911 | 292,946 | 64,592 | 1,124,053 | 783,784 | 2,865,162 |
| Operating income (loss) | (175,263) | (63,924) | (225,686) | (31,279) | (201,466) | (783,709) | (1,481,327) |
| NON-OPERATING REVENUES (EXPENSES): | | | | | | | |
| Interest and investment revenue | 155 | 99 | 60 | 9 | - | 1,106 | 1,429 |
| Sales and other miscellaneous taxes | - | - | - | - | - | 703,474 | 703,474 |
| Miscellaneous revenue | (2,031) | 625 | 8,310 | - | - | - | 6,904 |
| Miscellaneous expense | - | - | - | - | (50,340) | - | (50,340) |
| Grants and contributions | - | - | - | 57,102 | - | - | 57,102 |
| Total non-operating revenue (expenses) | (1,876) | 724 | 8,370 | 57,111 | (50,340) | 704,580 | 718,569 |
| Income (loss) before contributions and transfers | (177,139) | (63,200) | (217,316) | 25,832 | (251,806) | (79,129) | (762,758) |
| Capital asset transfers | 202,249 | - | - | - | - | - | 202,249 |
| Transfers in | 75,123 | 37,313 | 24,744 | - | - | - | 137,180 |
| Change in net position | 100,233 | (25,887) | (192,572) | 25,832 | (251,806) | (79,129) | (423,329) |
| Total net position - beginning | 1,705,693 | 412,583 | 2,407,165 | 310,811 | 4,207,383 | 1,394,312 | 10,437,947 |
| Prior period adjustment | - | - | - | - | 1,505 | - | 1,505 |
| Total net position - ending | \$ 1,805,926 | 386,696 | 2,214,593 | 336,643 | 3,957,082 | 1,315,183 | 10,016,123 |

See independent auditor's report

CITY OF BARTLESVILLE
Combining Statement of Cash Flows
Non-Major Proprietary Funds
For the Fiscal Year Ended June 30, 2013

| | Adams Municipal Golf Course | Sooner Pool | Frontier Pool | Adult Center Trust Authority | Bartlesville Development Corporation | Bartlesville Redevelop- ment Trust Authority | Total Other Enterprise Funds |
|--|-----------------------------------|----------------|------------------|---------------------------------------|--|---|------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | |
| Receipts from customers | \$ 322,175 | 30,105 | 67,436 | 33,313 | 1,017,586 | 807,367 | 2,277,962 |
| Receipts from investments | - | - | - | - | - | 1,106 | 1,106 |
| Payment for incentives and operations | - | - | - | - | - | (708,319) | (708,319) |
| Payments to suppliers | (220,728) | (29,100) | (40,336) | (33,358) | (973,569) | - | (1,297,091) |
| Payments to employees | (191,068) | (41,576) | (77,229) | (24,816) | (200,812) | - | (535,501) |
| Prior period adjustment | - | - | - | - | 1,505 | - | 1,505 |
| Net cash provided (used) by operating activities | (89,621) | (40,571) | (50,129) | (24,861) | (155,290) | 100,154 | (260,318) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | | |
| Other income | (2,031) | 625 | 8,310 | - | - | - | 6,904 |
| Intergovernmental income | - | - | - | 57,102 | - | - | 57,102 |
| Interfund transfers in (out) | 277,372 | 37,313 | 24,744 | - | - | - | 339,429 |
| Net cash provided (used) by noncapital financing activities | 275,341 | 37,938 | 33,054 | 57,102 | - | - | 403,435 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | | |
| Proceeds from sale of capital assets | 11,923 | - | - | - | - | - | 11,923 |
| Purchases of capital assets | (236,173) | - | - | - | - | - | (236,173) |
| Principal paid on capital debt | - | - | - | - | (9,739) | (81,000) | (90,739) |
| Interest paid on capital debt | - | - | - | - | - | (62,426) | (62,426) |
| Net cash provided (used) by capital and related financing activities | (224,250) | - | - | - | (9,739) | (143,426) | (377,415) |

See independent auditor's report

CITY OF BARTLESVILLE
Combining Statement of Cash Flows
Non-Major Proprietary Funds
For the Fiscal Year ended June 30, 2013
(continued)

| | Adams Municipal Golf Course | Sooner Pool | Frontier Pool | Adult Center Trust Authority | Bartlesville Development Corporation | Bartlesville Redevelop- ment Trust Authority | Total Other Enterprise Funds |
|--|-----------------------------------|----------------|------------------|---------------------------------------|--|---|------------------------------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | |
| Investment income | 156 | 98 | 60 | 9 | - | - | 323 |
| Purchase of investments | - | - | - | 79,144 | - | - | 79,144 |
| Sale of investments | 134,759 | 55,454 | 79,314 | - | - | - | 269,527 |
| Net cash provided (used) by investing activities | 134,915 | 55,552 | 79,374 | 79,153 | - | - | 348,994 |
| Net increase (decrease) in cash and cash equivalents | \$ 96,385 | 52,919 | 62,299 | 111,394 | (165,029) | (43,272) | 114,696 |
| Cash and cash equivalents, beginning of year | - | - | - | (53,521) | 1,670,856 | 1,324,918 | 2,942,053 |
| Cash and cash equivalents, end of year | \$ 96,385 | 52,919 | 62,299 | 57,873 | 1,505,827 | 1,281,646 | 3,056,749 |
| OPERATING ACTIVITIES | | | | | | | |
| Operating income (loss) | \$ (175,263) | (63,924) | (225,686) | (31,279) | (201,466) | (79,129) | (776,747) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | | | |
| Depreciation and amortization expense | 96,274 | 23,109 | 174,046 | 6,941 | 19,986 | 3,735 | 324,091 |
| (Increase) decrease in accounts receivable | (3,810) | 118 | 176 | - | 94,999 | 127,012 | 218,495 |
| (Increase) decrease in prepaid expenses | 2,031 | - | - | - | (3,301) | - | (1,270) |
| Payments to related parties | - | - | - | - | (50,340) | - | (50,340) |
| Prior period adjustment | - | - | - | - | 1,505 | - | 1,505 |
| Increase (decrease) in accounts payable | (2,254) | 1,161 | (915) | (523) | (16,673) | 48,536 | 29,332 |
| Increase (decrease) in deferred revenue | (4,628) | - | - | - | - | - | (4,628) |
| Increase (decrease) in payroll liabilities | (1,971) | (1,035) | 2,250 | - | - | - | (756) |
| Total adjustments | 85,642 | 23,353 | 175,557 | 6,418 | 46,176 | 179,283 | 516,429 |
| Net cash provided (used) by operating activities | \$ (89,621) | (40,571) | (50,129) | (24,861) | (155,290) | 100,154 | (260,318) |

See independent auditor's report

CITY OF BARTLESVILLE
Combining Statement of Net Position
Internal Service Funds
June 30, 2013

| | <u>Workers'</u> <u>Compensation</u> | <u>Health</u> <u>Insurance</u> | <u>Auto</u> <u>Collision</u> <u>Insurance</u> <u>Fund</u> | <u>Total</u> |
|-------------------------------|--|-----------------------------------|--|----------------|
| <u>ASSETS</u> | | | | |
| Cash | \$ 138,147 | 142,512 | - | 280,659 |
| Cash held by third parties | 60,000 | - | - | 60,000 |
| Investments | - | - | 271,757 | 271,757 |
| Other receivables | 431 | 445 | - | 876 |
| Total assets | <u>198,578</u> | <u>142,957</u> | <u>271,757</u> | <u>613,292</u> |
| <u>LIABILITIES</u> | | | | |
| Accounts payable | 19,953 | 65,930 | - | 85,883 |
| Other accrued expenses | - | - | - | - |
| Total liabilities | <u>19,953</u> | <u>65,930</u> | <u>-</u> | <u>85,883</u> |
| <u>NET POSITION</u> | | | | |
| Restricted for other purposes | <u>178,625</u> | <u>77,027</u> | <u>271,757</u> | <u>527,409</u> |
| Total net position | <u>\$ 178,625</u> | <u>77,027</u> | <u>271,757</u> | <u>527,409</u> |

See independent auditor's report

CITY OF BARTLESVILLE

Combining Statement of Revenues, Expenses and Changes in Fund Net Position Internal Service Funds For the Fiscal Year Ended June 30, 2013

| | <u>Workers'</u> <u>Compensation</u> | <u>Health</u> <u>Insurance</u> | <u>Auto</u> <u>Collision</u> <u>Insurance</u> <u>Fund</u> | <u>Total</u> |
|--|--|-----------------------------------|--|------------------|
| REVENUES: | | | | |
| Charges for services | \$ 79,771 | 1,993,945 | - | 2,073,716 |
| Total operating revenues | <u>79,771</u> | <u>1,993,945</u> | <u>-</u> | <u>2,073,716</u> |
| OPERATING EXPENSES: | | | | |
| Personal services | 235,427 | 2,037,067 | - | 2,272,494 |
| Contractual services | 19,964 | 304,982 | - | 324,946 |
| Repairs and maintenance | - | - | 11,981 | 11,981 |
| Other supplies and expenses | - | - | 35,845 | 35,845 |
| Total operating expenses | <u>255,391</u> | <u>2,342,049</u> | <u>47,826</u> | <u>2,645,266</u> |
| Operating income (loss) | <u>(175,620)</u> | <u>(348,104)</u> | <u>(47,826)</u> | <u>(571,550)</u> |
| NON-OPERATING REVENUES (EXPENSES): | | | | |
| Interest and investment revenue | (157) | (1,262) | 1 | (1,418) |
| Miscellaneous revenue | 8,007 | - | 19,582 | 27,589 |
| Total non-operating revenue (expenses) | <u>7,850</u> | <u>(1,262)</u> | <u>19,583</u> | <u>26,171</u> |
| Income (loss) before contributions and transfers | <u>(167,770)</u> | <u>(349,366)</u> | <u>(28,243)</u> | <u>(545,379)</u> |
| Transfers in | - | - | - | - |
| Change in net position | <u>(167,770)</u> | <u>(349,366)</u> | <u>(28,243)</u> | <u>(545,379)</u> |
| Total net position - beginning | <u>346,395</u> | <u>426,393</u> | <u>300,000</u> | <u>1,072,788</u> |
| Total net position - ending | <u>\$ 178,625</u> | <u>77,027</u> | <u>271,757</u> | <u>527,409</u> |

See independent auditor's report

CITY OF BARTLESVILLE
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2013

| | <u>Workers'</u> <u>Compensation</u> | <u>Health</u> <u>Insurance</u> | <u>Auto</u> <u>Collision</u> <u>Insurance</u> <u>Fund</u> | <u>Total</u> |
|--|--|-----------------------------------|--|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | \$ 79,771 | 1,993,945 | - | 2,073,716 |
| Payments to suppliers | (238,505) | (2,436,976) | (47,826) | (2,723,307) |
| Net cash provided by operating activities | <u>(158,734)</u> | <u>(443,031)</u> | <u>(47,826)</u> | <u>(649,591)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Other income | <u>8,824</u> | <u>2,086</u> | <u>19,582</u> | <u>30,492</u> |
| Net cash provided by noncapital financing activities | <u>8,824</u> | <u>2,086</u> | <u>19,582</u> | <u>30,492</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Investment income | (158) | (1,263) | 1 | (1,420) |
| Sale of investments | <u>288,215</u> | <u>584,720</u> | <u>28,243</u> | <u>901,178</u> |
| Net cash (used) by investing activities | <u>288,057</u> | <u>583,457</u> | <u>28,244</u> | <u>899,758</u> |
| Net increase (decrease) in cash and cash equivalents | 138,147 | 142,512 | - | 280,659 |
| Cash and cash equivalents, beginning of year | - | - | - | - |
| Cash and cash equivalents, end of year | <u>\$ 138,147</u> | <u>142,512</u> | <u>-</u> | <u>280,659</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) OF NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | | |
| Operating income (loss) | \$ <u>(175,620)</u> | <u>(348,104)</u> | <u>(47,826)</u> | <u>(571,550)</u> |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | | |
| Increase (decrease) in accounts payable | <u>16,886</u> | <u>(94,927)</u> | <u>-</u> | <u>(78,041)</u> |
| Net cash provided by operating activities | <u>\$ (158,734)</u> | <u>(443,031)</u> | <u>(47,826)</u> | <u>(649,591)</u> |

See independent auditor's report



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

Honorable Mayor and City Council
City of Bartlesville, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2013, and the related notes to the financial statements, which collectively comprise the *City of Bartlesville, Oklahoma's* basic financial statements and have issued our report thereon dated January 8, 2014. Our report includes a reference to other auditors. The financial statements of the Bartlesville Development Corporation and the Bartlesville Community Center Trust Authority were not audited in accordance with *Government Auditing Standards*. Other auditors audited the financial statements of Bartlesville Community Center Trust Authority, Bartlesville Development Authority, Bartlesville Development Corporation, and Bartlesville Redevelopment Trust Authority, as described in our report on the *City of Bartlesville, Oklahoma's* financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

Archambo & Mueggenborg, PC

Archambo & Mueggenborg, PC
Certified Public Accountants
Bartlesville, Oklahoma

January 8, 2014



Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

Honorable Mayor and City Council
City of Bartlesville, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited the *City of Bartlesville, Oklahoma's* compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the *City of Bartlesville, Oklahoma's* major federal programs for the year ended June 30, 2013. 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.

Management's Responsibility

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

Auditor's Responsibility

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2013-1 and 2013-2.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency: 2013-3.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the *City of Bartlesville, Oklahoma's* financial statements are free from 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 and other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain matters that we reported to management of the *City of Bartlesville, Oklahoma*, in a separate letter dated January 8, 2014.

City of Bartlesville, Oklahoma's Response to Findings

City of Bartlesville, Oklahoma's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. *City of Bartlesville, Oklahoma's* response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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


Archambo & Mueggenborg, PC
Certified Public Accountants

January 8, 2014

CITY OF BARTLESVILLE
Summary of Auditor's Results
For the Fiscal Year Ended June 30, 2013

| <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? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| 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: | Unmodified |
| 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 | Safe 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
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013

Current Year Findings

Section II – Financial Statement Findings

2013-1

Criteria: The auditee is required to prepare a schedule of expenditures of federal awards that is materially correct.

Condition: The initial schedule of expenditures of federal awards prepared by the auditee did not include the Oklahoma Water Resources Board (OWRB) loan federal dollars. This omission resulted in the appearance that a Single Audit was not required. The inclusion of the OWRB loan federal dollars as documented by a letter from the OWRB resulted in a Single Audit being required, with the OWRB loan being the one (1) major program.

Context: The initially-omitted OWRB loan federal dollars amount was \$1,047,270, as documented by a letter from the OWRB.

Effect: Potential omission of a Single Audit when such an audit was required.

Cause: The cause appears to be a lack of communication between auditee departments as to federal expenditures and an inability by the staff responsible for preparation of the schedule of federal expenditures to access the general ledger and to reconcile the schedule to the general ledger.

Recommendation: We recommend that the responsibility for the preparation of the schedule of expenditures of federal awards be assigned to staff with sufficient accounting knowledge and access to the general ledger, and that management emphasize to all departments the importance of communicating all expenditures of federal dollars in a timely manner and accompanied by appropriate documentation.

Views of responsible officials and planned corrective actions:

The Accounting and Finance Department has agreed to take primary responsibility for the preparation of the schedule of expenditure of federal awards. The Grants Coordinator will still work closely with the Accounting and Finance Department to ensure that all grants are represented. This should ensure that the proper expertise is present during the preparation of this schedule.

CITY OF BARTLESVILLE
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013

Current Year Findings
(continued)

Section II – Financial Statement Findings

2013-2

Criteria: The auditce is required to keep accurate and complete records of all inventories.

Condition: During the observation of inventory procedures, it was noted that the inventory at the water distribution warehouse is not being tracked as to the movement of inventory on a daily basis. The inventory is taken annually, however during the year there is no tracking of inventory on an ongoing basis. There is no perpetual inventory system in place. It was further noted that the process for counting inventory at year end was unorganized, there was no tagging system used to determine what had been counted, bins were not clearly labeled with the part number, and the warehouse was messy. Often the part number on the bin did not match the inventory that was in that bin. It was further noted that scrap inventory was not organized in many areas of the warehouse, leaving the City susceptible to theft. It was also noted that inventory was taken by only one individual that it took several days to complete and was done early in the process leaving a process of roll-forward of numbers in order to present inventory properly at of June 30, 2013.

Context: The inventory process leaves open the possibility that inventory may not be complete or accurate and the City may be susceptible to theft of inventory.

Effect: Inventory might be misstated as of June 30, 2013 and is not accurate throughout the year.

Cause: The cause appears to be a lack of implementing policies and procedures on how to process the year-end physical count as well as tracking the movement of inventory on a daily basis.

CITY OF BARTLESVILLE
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013

Current Year Findings
(continued)

Section II – Financial Statement Findings

2013-2 (continued)

Recommendation: We recommend that policies and procedures be implemented for the annual physical count and for the day-to-day processes of inventory. We further recommend that the warehouse be kept orderly, with part numbers labeled with the proper items in each bin. We recommend that the physical count be taken closer to year-end and that items be tagged, or marked in some manner, as they are counted. We recommend that a reconciliation of the physical count be made to the perpetual count at least annually.

Views of responsible officials and planned corrective actions

Staff reductions and limited computer capabilities have affected the City's ability to properly account for inventory amounts. While staff is confident that the amounts presented as inventory at the end of the year are accurate, recent events have revealed that the City's system of inventory and surplus controls are ineffective. The City has currently enacted certain physical systems to better protect inventory and surplus, but these controls still are not sufficient to ensure accurate reporting.

The City will issue an RFP for accounting software in the next 2 months. This software will increase our capabilities and make inventory tracking simpler and more accurate. In the meantime, the City will still have to make decisions relating to personnel assignments, physical asset security, and interim systems designed to ensure accurate reporting and protection of inventory while the new system is pending.

CITY OF BARTLESVILLE

Schedule of Findings and Questioned Costs For the Fiscal Year Ended June 30, 2013

Current Year Findings (continued)

Section II – Financial Statement Findings

2013-3

Criteria: The auditee is required to collect delinquent utility billing amounts.

Condition: This is the third year the City has not collected delinquent utility billing accounts and business licenses.

Context: The collectability of these old accounts decreases with each passing year.

Effect: Accounts receivable may not be collectible due to length of time to begin the process of collecting.

Cause: The City was not actively collecting delinquent utility bills and business licenses for the fiscal year June 30, 2013.

Recommendation: We recommend that City engage a collection agency and work with them to collect these accounts.

Views of responsible officials and planned corrective actions

The City has had a contract with a collection firm for unpaid utility and court balances for several years. This contract requires a remote digital interface in order to upload delinquent files to the collection agency. The City was able to set up the interface relatively quickly for our Court system, but the interface between our utility system and the collection firm has faced many challenges. A number of fixes have been created by the City's software vendor and tested by City staff. All of the fixes have been found to be insufficient after testing. Our software vendor is preparing the latest iteration that will enable this functionality, and they are confident that it will meet our needs. In the meantime, Staff is developing a manual process to verify delinquent accounts and prepare them for collection. This will allow us to implement the new system immediately for all past due accounts once the new patch is tested and installed.

CITY OF BARTLESVILLE
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013

Current Year Findings
(continued)

Section II – Financial Statement Findings

2013-3

Views of responsible officials and planned corrective actions (continued)

As to business licenses and vending permits, the City uses local contractors to collect for this function, since site visits are necessary in order to collect or close many of these accounts. The contractor that the City has used for several years again signed an agreement for fiscal year 2013 but then stopped returning Staff's calls and emails. Staff is currently investigating alternative agents for this purpose.

CITY OF BARTLESVILLE
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013
(continued)

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

None

CITY OF BARTLESVILLE
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013
(continued)

Schedule of Prior Year Findings

2012-1 Cleared

2012-2 Cleared

CITY OF BARTLESVILLE

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2013

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the *City of Bartlesville, Oklahoma* under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the schedule presents only a selected portion of the operations of the *City of Bartlesville, Oklahoma*, it is not intended to and does not present the financial position, changes in net position or cash flows of the *City of Bartlesville, Oklahoma*.

Note 2 - Summary of Significant Accounting Policies

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

CITY OF BARTLESVILLE
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2013

| <u>Federal Grantor/Pass Through Grantor/Program Title</u> | <u>CFDA Number</u> | <u>Award Number</u> | <u>Disbursements/ Expenditures</u> |
|---|------------------------|---------------------|--|
| U.S. Department of Housing and Urban Development | | | |
| Passed through the Oklahoma Department of Commerce | | | |
| CDBG Small Cities Program | 14.228 | 14835 CDBG 11 | \$ <u>77,857</u> ^a |
| Total U.S. Department of Housing and Urban Development | | | <u>77,857</u> |
| U.S. Department of Justice | | | |
| COPS Technology Program Grant | 16.710 | 2010-CKWX-0023 | 199,979 |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2012-DJ-BX-0395 | 7,500 |
| Bulletproof Vest Partnership Program | 16.607 | N/A | 5,390 |
| Total U.S. Department of Justice | | | <u>212,869</u> |
| National Endowment for the Humanities | | | |
| Passed through the Oklahoma Humanities Council | | | |
| Opportunity Grant ("Riders on the Orphan Train") | 45.129 | Y12.085 | <u>1,000</u> |
| Total National Endowment for the Humanities | | | <u>1,000</u> |
| Environmental Protection Agency | | | |
| Passed through the Oklahoma Water Resources Board | | | |
| Safe Drinking Water State Revolving Fund Loan | 66.468 | ORF-12-0003-DW | <u>1,047,270</u> ^c |
| Total Environmental Protection Agency | | | <u>1,047,270</u> |
| Department of Homeland Security | | | |
| Federal Emergency Management Agency | | | |
| Fire Prevention and Safety Grant | 97.044 | EMW-2010-FP-01335 | <u>7,026</u> ^b |
| Total Department of Homeland Security | | | <u>7,026</u> |
| Total Expenditures of Federal Awards | | | <u>\$ <u>1,346,022</u></u> |

a) Grant closed. Award balance of \$1,481.22 returned.

b) Prior year expenditure not previously reported.

c) Denotes major program.