

**CITY OF OWASSO,
OKLAHOMA**

June 30, 2013

CITY OF OWASSO, OKLAHOMA

June 30, 2013

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CITY OF OWASSO, OKLAHOMA

LIST OF PRINCIPAL OFFICIALS

June 30, 2013

City Council

Doug Bonebrake, Mayor

Dr. Chris Kelley, Vice Mayor

Jeri Moberly

Charlie Brown

Patrick Ross

Interim City Manager

Warren Lehr

Assistant City Manager

Sherry Bishop

Director of Finance

Linda Jones

BASIC FINANCIAL STATEMENTS

Independent Auditors' Report

Honorable Mayor and City Council
City of Owasso
Owasso, Oklahoma

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Owasso, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2013, the City adopted several new accounting pronouncements issued by the Government accounting Standards Board, including GASB Statements No. 63 and 65. The provisions of GASB Statements No. 63 and 65 required the City to retroactively restate its 2012 financial statements upon adoption. Our opinion is not modified with respect to this matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of pension plan funding progress and other post-employment benefits funding progress, and the general fund budgetary comparison schedule, as listed in the table of contents, 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and other supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining and individual nonmajor fund financial statements and other supplementary schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and other supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and 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 the City's internal control over financial reporting and compliance.



Oklahoma City, Oklahoma
December 17, 2013

City of Owasso, Oklahoma
Management's Discussion and Analysis
June 30, 2013

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

FINANCIAL AND ACTIVITY HIGHLIGHTS

- For the fiscal year ended June 30, 2013, the City's total net position increased by \$6,807,797, or 5.60%, from the prior year.
- During the year, the City's expenses for governmental activities were \$23,400,025 and were funded by program revenues of \$7,749,623 and further funded with taxes and other general revenues (net of transfers) that totaled \$18,507,565.
- In the City's business-type activities, such as utilities and golf course, total program revenues exceeded expenses by \$313,387.
- At June 30, 2013, the General Fund reported a total fund balance of \$3,963,572, which is an increase of 6.78% from the prior year.
- For budgetary reporting purposes, the General Fund reported total resources below estimates of \$537,173, or 1.4%. This was due to a decision to not accept grant funds for the purpose of converting police vehicles to Compressed Natural Gas (CNG).
- Actual expenditures were less than final appropriations by \$1,280,917, or 3.44%, due to conservative fiscal management.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Owasso (the "City") and its component units using the integrated approach as prescribed by GASB Statement No. 34. Included in this report are government-wide statements for three categories of activities: governmental, business type, and discretely presented component units. The government-wide financial statements present the complete financial picture of the City from the economic resources management focus using the accrual basis of accounting. They present governmental activities and business type activities separately and combined. These statements include all assets of the City (including infrastructure capital assets) as well as all liabilities (including all long-term debt).

See independent auditors' report as it relates to required supplementary information.

City of Owasso, Oklahoma
Management's Discussion and Analysis (Continued)
June 30, 2013

REPORTING THE CITY AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

Governmental activities - Most of the City's basic services are reported here, including the police, fire, general administration, streets, and parks. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.

Business-type activities - The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's water, wastewater, sanitation, and golf course activities are reported here.

Discretely-presented component units - These account for the activities of the City's reporting entity that do not meet the criteria for blending. The activities of the Owasso Economic Development Authority are presented here.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

See independent auditors' report as it relates to required supplementary information.

City of Owasso, Oklahoma
Management's Discussion and Analysis (Continued)
June 30, 2013

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS (Continued)

Fund Financial Statements (Continued)

Governmental funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic service it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

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

Fiduciary funds - When the City is responsible for assets that - because of a trust arrangement or other fiduciary requirement - can be used only for trust beneficiaries or other parties. The City is responsible for ensuring that the assets to be reported in these funds are used for their intended purpose. All of the City's fiduciary activities, if any, are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance operations.

See independent auditors' report as it relates to required supplementary information.

City of Owasso, Oklahoma
Management's Discussion and Analysis (Continued)
June 30, 2013

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

NET POSITION

The City's combined net position increased from \$121,673,412 to \$128,481,209 between fiscal years 2012 and 2013. Looking at the net position of governmental and business-type activities separately, governmental activities increased \$2,857,163 while business-type activities increased \$3,950,364. A comparative, condensed presentation of net position follows (*reported in thousands*).

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>Total Percentage Change</u>
	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012-2013</u>
			(restated)		(restated)		
Current and other assets	\$ 12,807	\$ 13,722	\$ 6,278	\$ 4,428	\$ 19,085	\$ 18,150	-4.9%
Capital assets, net	<u>81,026</u>	<u>83,643</u>	<u>67,971</u>	<u>69,107</u>	<u>148,997</u>	<u>152,750</u>	<u>2.5%</u>
Total assets	93,833	97,365	74,249	73,535	168,082	170,900	1.7%
Deferred outflows of resources	-	-	114	87	114	87	-23.7%
Long-term debt outstanding	2,359	2,723	40,831	36,484	43,190	39,207	-9.2%
Other liabilities	<u>1,724</u>	<u>2,035</u>	<u>1,585</u>	<u>1,244</u>	<u>3,309</u>	<u>3,279</u>	<u>-0.9%</u>
Total liabilities	4,083	4,758	42,416	37,728	46,499	42,486	-8.6%
Deferred inflows of resources	-	-	23	20	23	20	-13.0%
Net Assets							
Net investment in capital assets	81,026	83,643	27,870	33,394	108,896	117,037	7.5%
Restricted	3,509	3,849	2,364	2,334	5,873	6,183	5.3%
Unrestricted	<u>5,215</u>	<u>5,115</u>	<u>1,690</u>	<u>146</u>	<u>6,905</u>	<u>5,261</u>	<u>-23.8%</u>
Total net assets	<u>\$ 89,750</u>	<u>\$ 92,607</u>	<u>\$ 31,924</u>	<u>\$ 35,874</u>	<u>\$ 121,674</u>	<u>\$ 128,481</u>	<u>5.6%</u>

See independent auditors' report as it relates to required supplementary information.

City of Owasso, Oklahoma
Management's Discussion and Analysis (Continued)
June 30, 2013

CHANGES IN NET POSITION

For the year ended June 30, 2013, the change in net position of the primary government was the result of the following (*amounts are reported in thousands*):

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2012	2013	2012	2013	2012	2013	2012-2013
EXPENSES							
General government	\$ 4,286	\$ 4,952	\$ -	\$ -	\$ 4,286	\$ 4,952	15.5%
Public safety	13,078	13,503	-	-	13,078	13,503	3.2%
Highways and streets	2,891	2,924	-	-	2,891	2,924	1.1%
Culture and recreation	918	949	-	-	918	949	3.4%
Economic development	247	324	-	-	247	324	31.2%
Stormwater	701	748	-	-	701	748	6.7%
Water	-	-	6,134	5,616	6,134	5,616	-8.4%
Sewer	-	-	3,240	3,319	3,240	3,319	2.4%
Sanitation	-	-	1,375	1,333	1,375	1,333	-3.1%
Recycle center	-	-	354	361	354	361	2.0%
Golf	-	-	1,163	1,051	1,163	1,051	-9.6%
TOTAL EXPENSES	22,121	23,400	12,266	11,680	34,387	35,080	2.0%
PROGRAM REVENUES							
Charges for services	3,869	3,904	10,906	11,283	14,775	15,187	2.8%
Operating grants and contributions	1,794	2,060	-	-	1,794	2,060	14.8%
Capital grants and contributions	1,695	1,786	2,543	710	4,238	2,496	-41.1%
Total program revenues	7,358	7,750	13,449	11,993	20,807	19,743	-5.1%
NET REVENUES (EXPENSES)	(14,763)	(15,650)	1,183	313	(13,580)	(15,337)	12.9%
General revenues:							
Sales taxes	18,471	19,321	-	-	18,471	19,321	4.6%
Use taxes	549	708	-	-	549	708	29.0%
Franchise and public service taxes	1,129	1,032	-	-	1,129	1,032	-8.6%
Cigarette/tobacco tax	266	245	-	-	266	245	-7.9%
Hotel taxes	294	334	-	-	294	334	13.6%
Alcoholic beverage tax	46	51	-	-	46	51	10.9%
E-911 taxes	205	217	-	-	205	217	5.9%
Investment income	48	40	24	22	72	62	-13.9%
Miscellaneous	172	174	-	-	172	174	1.2%
Transfers	(5,513)	(3,615)	5,513	3,615	-	-	0.0%
TOTAL GENERAL REVENUES AND TRANSFERS	15,667	18,507	5,537	3,637	21,204	22,144	4.4%
CHANGE IN NET ASSETS	\$ 904	\$ 2,857	\$ 6,720	\$ 3,950	\$ 7,624	\$ 6,807	-10.7%

The 2013 activities reflected in the table above indicate that the City's financial condition, as a whole, improved from the prior year.

See independent auditors' report as it relates to required supplementary information.

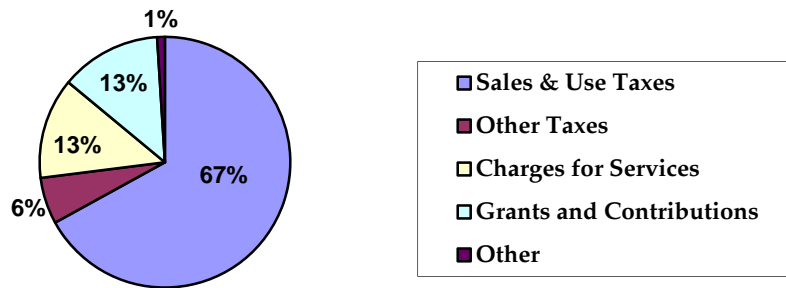
**City of Owasso, Oklahoma
Management's Discussion and Analysis (Continued)
June 30, 2013**

GOVERNMENTAL ACTIVITIES

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different from a typical Statement of Revenues, Expenditures, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or, if it is self-financing, through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note all taxes are classified as general revenue even if restricted for a specific purpose.

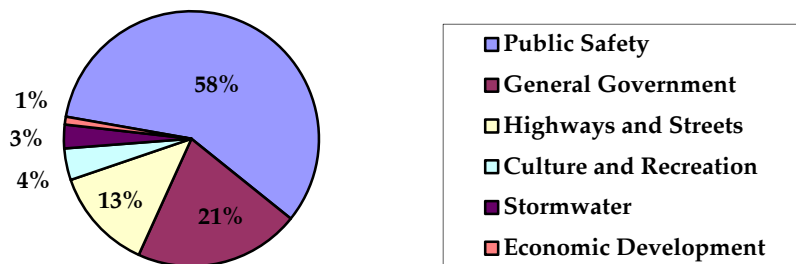
For the year ended June 30, 2013, the City's governmental activities were funded as follows:

Governmental Activities Sources



Uses of governmental activities in 2013 were as follows:

Governmental Activities Uses



See independent auditors' report as it relates to required supplementary information.

City of Owasso, Oklahoma
Management's Discussion and Analysis (Continued)
June 30, 2013

GOVERNMENTAL ACTIVITIES (Continued)

For the year ended June 30, 2013, expenses for governmental activities totaled \$23,400,025. Of these total expenses, taxpayers and other general revenues funded \$22,122,616, transfers to business-type activities used (\$3,615,051), and revenues that directly benefited from the program funded \$3,845,313 from grants and other contributions and \$3,904,310 from charges for services.

	Total Expense of Services	Net Revenue (Expense) of Services
General government	\$ 4,952,351	\$ (4,452,404)
Public safety	13,502,464	(9,311,268)
Highways and streets	2,924,348	(639,952)
Culture and recreation	949,144	(845,494)
Economic development	323,997	(315,387)
Stormwater	747,721	(85,897)
TOTAL	<u>\$ 23,400,025</u>	<u>\$ (15,650,402)</u>

BUSINESS-TYPE ACTIVITIES

In reviewing the business-type activities net (expense)/revenue, the following highlights should be noted:

- Total business-type activities reported net revenues of \$313,387 for the year ended June 30, 2013.

Net Revenue (Expense) of Business-Type Activities for the year ended June 30, 2013 was as follows:

	Total Expense of Services	Net Revenue (Expense) of Services
Water	\$ 5,615,988	\$ 434,190
Wastewater	3,318,707	148,849
Sanitation	1,333,513	418,607
Recycle center	360,548	(327,368)
Golf course	1,051,279	(360,891)
TOTAL	<u>\$ 11,680,035</u>	<u>\$ 313,387</u>

See independent auditors' report as it relates to required supplementary information.

City of Owasso, Oklahoma
Management's Discussion and Analysis (Continued)
June 30, 2013

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2013, the City had \$152,750,400 invested in capital assets, net of depreciation. (See table below.) This represents a net increase of \$3,753,959 or 2.52% over last year.

City of Owasso Capital Assets						
(Net of Accumulated depreciation)						
	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
Land	\$ 7,562,909	\$ 7,719,647	\$ 322,519	\$ 322,519	\$ 7,885,428	\$ 8,042,166
Buildings	7,686,558	8,417,033	1,492,617	1,443,803	9,179,175	9,860,836
Improvements	4,870,068	7,188,347	1,933,638	1,891,077	6,803,706	9,079,424
Utilities	-	-	50,585,010	61,003,423	50,585,010	61,003,423
Machinery & equipment	3,721,542	3,391,578	1,483,704	1,421,306	5,205,246	4,812,884
Infrastructure	50,461,304	49,885,610	-	-	50,461,304	49,885,610
Construction in progress	<u>6,723,145</u>	<u>7,040,708</u>	<u>12,153,427</u>	<u>3,025,349</u>	<u>18,876,572</u>	<u>10,066,057</u>
Totals	<u>\$ 81,025,526</u>	<u>\$ 83,642,923</u>	<u>\$ 67,970,915</u>	<u>\$ 69,107,477</u>	<u>\$ 148,996,441</u>	<u>\$ 152,750,400</u>

This year's more significant capital asset additions included:

- Wastewater Treatment Plant Expansion
- Various sewer system improvements
- Various street improvements
- Construction of a Compressed Natural Gas Station

See Note 3.E to the financial statements for more detail on the City's capital assets and changes therein.

See independent auditors' report as it relates to required supplementary information.

City of Owasso, Oklahoma
Management's Discussion and Analysis (Continued)
June 30, 2013

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Long-Term Debt

At year-end, the City had \$39,207,584 in long-term debt outstanding which represents a \$3,981,693 (9.2%) decrease from the prior year. The City's long-term debt by type of debt is as follows:

	Primary Government Long-Term Debt						Total Percentage Change
	Governmental Activities		Business-Type Activities		Total		
	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	
Accrued absences	\$ 796,394	\$ 862,751	\$ 61,057	\$ 67,474	\$ 857,451	\$ 930,225	8.49%
Net OPEB obligation	347,590	451,254	81,104	105,293	428,694	556,547	29.82%
Claims liability	1,172,400	1,387,500	-	-	1,172,400	1,387,500	18.35%
Capital lease payable	42,383	21,809	-	-	42,383	21,809	-48.54%
Deposits subject to refund	-	-	496,941	530,930	496,941	530,930	6.84%
Notes payable, net	-	-	25,303,889	24,653,054	25,303,889	24,653,054	-2.57%
Revenue notes payable	-	-	14,887,519	11,127,519	14,887,519	11,127,519	-25.26%
TOTALS	<u>\$ 2,358,767</u>	<u>\$ 2,723,314</u>	<u>\$40,830,510</u>	<u>\$36,484,270</u>	<u>\$43,189,277</u>	<u>\$39,207,584</u>	<u>-9.22%</u>

See Note 3.F. to the financial statements for more detailed information on the City's long-term debt and changes therein.

See independent auditors' report as it relates to required supplementary information.

City of Owasso, Oklahoma
Management's Discussion and Analysis (Continued)
June 30, 2013

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Owasso's economic outlook based on sales tax revenue received in 2013 recognized a moderate increase of 4.6% from that of the previous fiscal year 2011-12. The negative national economic condition has not resulted in as significant an effect on the City of Owasso as many other cities across the state and nation have experienced.

Sales tax collections for FY2013 totaled \$19,320,777 compared to \$18,470,423 in FY2012. The total increase in sales tax collections was \$850,355 in fiscal year comparisons. Sales tax collections for fiscal year 2013 remain strong. As of the November 2013 sales tax reporting, the city has realized a \$611,193 or 8% increase over the same periods in FY2012.

From July 2012 through June 2013, there were 222 new single family residential permits with a total construction value of \$29,976,571 and 6 commercial permits issued with a total construction value of \$11,672,850 for a combined increase of \$41,649,421 in construction value.

The outlook for fiscal year 2014 is on pace for an increase of 28% in residential single family permits from 2013. Economic indicators predict a healthy year ahead with commercial construction. The area is expected to see growth in the retail, manufacturing, and corporate business areas. Owasso can expect a surge in sales tax collections in 2014 due to the addition of multiple retail facilities expected to generate new revenues. The economic climate in Owasso looks to be trending upward with respect to potential job growth at new retail venues, health care and manufacturing facilities, and educational institutions. Retail, restaurants, and hospitality have experienced an increase this past year with the recovering economy. This growth is expected to continue in 2014.

The City of Owasso leadership, staff, and Economic Development team have prepared a strategic plan that will take our City far into the future. The City seeks to lay the foundation for a future in which Owasso attracts both residents and jobs, encourages sustainable living practices, and provides an array of amenities to those who live and work here.

A new tiered utility rate system was put into effect for all water customers in Owasso beginning October 2012. Water, wastewater, and refuse rates were increased for the 2013 and 2014 fiscal years' budgets due to rate increases from the City of Tulsa which provides water to the City of Owasso.

The budget for fiscal year 2013-14 was adopted by the City of Owasso City Council on June 18, 2013 and went into effect on July 1, 2013. A small cost of living increase was authorized, the second in four years. Most operation and maintenance budgets were based on zero growth estimates.

See independent auditors' report as it relates to required supplementary information.

City of Owasso, Oklahoma
Management's Discussion and Analysis (Continued)
June 30, 2013

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors a general overview of the City's finances and show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director's office at 111 N. Main, P. O. Box 180, Owasso, Oklahoma 74055-0180 or phone (918)376-1500.

See independent auditors' report as it relates to required supplementary information.

STATEMENT OF NET POSITION

CITY OF OWASSO, OKLAHOMA

June 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development Authority
ASSETS				
Cash and cash equivalents	\$ 6,183,383	\$ 5,002,343	\$ 11,185,726	\$ 9,055
Investments	801,172	238,716	1,039,888	-
Interest receivable	-	34,017	34,017	-
Accounts receivable, net of allowance	586,007	857,859	1,443,866	-
Court fine receivable, net of allowance	54,816	-	54,816	-
Other receivables	381,262	1,200	382,462	-
Internal balances	2,870,128	(2,870,128)	-	-
Due from other governments	2,805,674	46,097	2,851,771	-
Prepaid items	39,593	-	39,593	-
Inventory	-	77,932	77,932	-
Lease receivable	-	1,040,000	1,040,000	-
Unamortized bond issuance costs	-	-	-	-
Capital assets:				-
Land and construction in progress	14,760,355	3,347,868	18,108,223	-
Other capital assets, net of depreciation	68,882,568	65,759,609	134,642,177	-
TOTAL ASSETS	97,364,958	73,535,513	170,900,471	9,055
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on debt refunding	-	87,382	87,382	-
LIABILITIES				
Accounts payable	1,065,608	305,605	1,371,213	-
Accrued payroll liabilities	815,689	117,093	932,782	-
Accrued interest payable	-	344,620	344,620	-
Retainage payable	64,037	254,245	318,282	-
Due to other governments	4,572	-	4,572	-
Due to bondholders	19,391	-	19,391	-
Other liabilities	65,531	222,429	287,960	-
Long-term liabilities:				-
Due within one year	1,222,740	4,898,491	6,121,231	-
Due in more than one year	1,500,574	31,585,779	33,086,353	-
TOTAL LIABILITIES	4,758,142	37,728,262	42,486,404	-
DEFERRED INFLOWS OF RESOURCES				
Deferred gain on debt refunding	-	20,240	20,240	-
NET POSITION				
Net investment in capital assets	83,642,923	33,394,046	117,036,969	-
Restricted for:				-
Debt service	-	2,334,333	2,334,333	-
Culture and recreation	761,137	-	761,137	-
Public safety	297,511	-	297,511	-
Capital projects	2,784,333	-	2,784,333	-
Other purposes	6,070	-	6,070	-
Unrestricted	5,114,842	146,014	5,260,856	9,055
TOTAL NET POSITION	\$ 92,606,816	\$ 35,874,393	\$ 128,481,209	\$ 9,055

See accompanying notes to the basic financial statements.

STATEMENT OF ACTIVITIES

CITY OF OWASSO, OKLAHOMA

For the fiscal year ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grant and Contributions	Capital Grants and Contributions	Primary Government			Economic Development Authority
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental activities:								
General government	\$ 4,952,351	\$ 499,947	\$ -	\$ -	\$ (4,452,404)	\$ -	\$ (4,452,404)	\$ -
Public safety	13,502,464	2,495,924	1,695,272	-	(9,311,268)	-	(9,311,268)	-
Highways and streets	2,924,348	134,355	364,357	1,785,684	(639,952)	-	(639,952)	-
Culture and recreation	949,144	103,650	-	-	(845,494)	-	(845,494)	-
Economic development	323,997	8,610	-	-	(315,387)	-	(315,387)	-
Stormwater	747,721	661,824	-	-	(85,897)	-	(85,897)	-
TOTAL GOVERNMENTAL ACTIVITIES	23,400,025	3,904,310	2,059,629	1,785,684	(15,650,402)	-	(15,650,402)	-
Business-type activities:								
Water	5,615,988	5,340,123	-	710,055	-	434,190	434,190	-
Wastewater	3,318,707	3,467,556	-	-	-	148,849	148,849	-
Sanitation	1,333,513	1,752,120	-	-	-	418,607	418,607	-
Recycle center	360,548	33,180	-	-	-	(327,368)	(327,368)	-
Golf	1,051,279	690,388	-	-	-	(360,891)	(360,891)	-
TOTAL BUSINESS-TYPE ACTIVITIES	11,680,035	11,283,367	-	710,055	-	313,387	313,387	-
Total primary government	\$ 35,080,060	\$ 15,187,677	\$ 2,059,629	\$ 2,495,739	(15,650,402)	313,387	(15,337,015)	-
Component Unit:								
Economic Development	\$ -	\$ -	\$ -	\$ -				-
General Revenues:								
Taxes:								
Sales taxes					19,320,778	-	19,320,778	-
Use taxes					707,531	-	707,531	-
Franchise and public service taxes					1,032,075	-	1,032,075	-
Cigarette/tobacco tax					245,097	-	245,097	-
Hotel taxes					334,434	-	334,434	-
Alcoholic beverage tax					50,547	-	50,547	-
E-911 taxes					216,733	-	216,733	-
Investment income					40,151	22,196	62,347	9
Miscellaneous					175,270	-	175,270	-
Transfers-Internal activity					(3,615,051)	3,615,051	-	-
Total general revenues and transfers					18,507,565	3,637,247	22,144,812	9
Change in net position					2,857,163	3,950,634	6,807,797	9
Net position-beginning of year					89,749,653	32,824,633	122,574,286	9,046
Adjustment for change in accounting principle - Note 1					-	(900,874)	(900,874)	-
Net position at beginning of year - as restated					89,749,653	31,923,759	121,673,412	9,046
Net position-end of year	\$	\$	\$	\$	<u>92,606,816</u>	<u>35,874,393</u>	<u>128,481,209</u>	<u>9,055</u>

See accompanying notes to the basic financial statements.

BALANCE SHEET--GOVERNMENTAL FUNDS

CITY OF OWASSO, OKLAHOMA

June 30, 2013

	General	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 83,917	\$ 2,126,463	\$ 3,281,997	\$ 5,492,377
Investments	254,444	176,785	274,079	705,308
Receivables:				-
Account receivable, net of allowance	-	-	586,007	586,007
Due from other funds	3,000,000	954,825	-	3,954,825
Due from other governments	2,776,361	-	29,313	2,805,674
Court fines receivable, net of allowance	54,816	-	-	54,816
Other receivables	162,846	-	-	162,846
TOTAL ASSETS	<u>\$ 6,332,384</u>	<u>\$ 3,258,073</u>	<u>\$ 4,171,396</u>	<u>\$ 13,761,853</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 357,821	\$ 430,063	\$ 55,152	\$ 843,036
Accrued payroll liabilities	761,824	-	44,778	806,602
Due to other funds	1,109,802	-	8,522	1,118,324
Due to other governments	4,572	-	-	4,572
Due to bondholders	19,391	-	-	19,391
Retainage payable	-	43,677	20,360	64,037
Other liabilities	65,531	-	-	65,531
TOTAL LIABILITIES	<u>2,318,941</u>	<u>473,740</u>	<u>128,812</u>	<u>2,921,493</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - charges for services	49,871	-	215,157	265,028
FUND BALANCE				
Restricted for:				
Culture and recreation	-	-	761,137	761,137
Public safety	-	-	297,511	297,511
Capital projects	-	2,784,333	-	2,784,333
Other	-	-	6,070	6,070
Committed:				
Public safety	-	-	337,736	337,736
Culture and recreation	-	-	204,680	204,680
Stormwater management	-	-	1,259,556	1,259,556
Capital projects	-	-	960,737	960,737
Assigned:				
Homeowners' Association	15	-	-	15
FY14 expenditures	411,364	-	-	411,364
Unassigned	3,552,193	-	-	3,552,193
TOTAL FUND BALANCES	<u>3,963,572</u>	<u>2,784,333</u>	<u>3,827,427</u>	<u>10,575,332</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 6,332,384</u>	<u>\$ 3,258,073</u>	<u>\$ 4,171,396</u>	<u>\$ 13,761,853</u>

(Continued)

BALANCE SHEET--GOVERNMENTAL FUNDS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

Total fund balances- governmental funds	\$ 10,575,332
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 funds, net of accumulated depreciation of \$42,771,265, and net of capital assets of Internal Service Funds of \$185,083	83,457,840
Certain assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:	
Accounts receivable	265,028
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.	
Net position of the Internal Service Fund	(363,828)
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Accrued compensated absences	(854,493)
Net OPEB obligation	(451,254)
Other long term liability	<u>(21,809)</u>
Net position of governmental activities	<u>\$ 92,606,816</u>

See accompanying notes to the basic financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES--
GOVERNMENTAL FUNDS

CITY OF OWASSO, OKLAHOMA

For the fiscal year ended June 30, 2013

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 21,060,384	\$ -	\$ -	\$ 21,060,384
Intergovernmental	2,649,766	-	551,549	3,201,315
Charges for services	506,163	-	2,412,579	2,918,742
Fines and forfeitures	605,584	-	8,937	614,521
Licenses and permits	239,519	-	79,800	319,319
Investment income	17,936	22	16,737	34,695
Miscellaneous	151,985	21,420	1,865	175,270
TOTAL REVENUES	25,231,337	21,442	3,071,467	28,324,246
EXPENDITURES				
Current:				
General government	4,341,787	-	-	4,341,787
Public safety	11,113,372	-	1,432,139	12,545,511
Highway and streets	584,501	113,849	-	698,350
Culture and recreation	638,084	-	-	638,084
Economic development	105,429	-	217,635	323,064
Stormwater	249,112	-	106,588	355,700
Capital outlay	704,097	3,451,470	1,068,598	5,224,165
Debt service - principal	-	-	20,575	20,575
TOTAL EXPENDITURES	17,736,382	3,565,319	2,845,535	24,147,236
Excess (deficiency) of revenues over expenditures	7,494,955	(3,543,877)	225,932	4,177,010
OTHER FINANCING SOURCES (USES)				
Transfers in	12,327,611	3,804,006	153,558	16,285,175
Transfers out	(19,570,778)	(91,347)	(238,101)	(19,900,226)
TOTAL OTHER FINANCING SOURCES (USES)	(7,243,167)	3,712,659	(84,543)	(3,615,051)
NET CHANGE IN FUND BALANCES	251,788	168,782	141,389	561,959
FUND BALANCE - BEGINNING OF YEAR	3,711,784	2,615,551	3,686,038	10,013,373
FUND BALANCE - END OF YEAR	\$ 3,963,572	\$ 2,784,333	\$ 3,827,427	\$ 10,575,332

(Continued)

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES--
 GOVERNMENTAL FUNDS--Continued

CITY OF OWASSO, OKLAHOMA

For the fiscal year ended June 30, 2013

Reconciliation of the Statement of Revenues, Expenditures, and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities:

Net change in fund balances- total governmental funds \$ 561,959

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

Governmental funds report capital outlays and issue costs as expenditures
 while governmental activities report depreciation and amortization expense
 to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	4,901,104
Depreciation expense	(3,758,482)
Loss on disposal of capital assets	<u>(15,390)</u>
	1,127,232

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

Contributed assets	1,490,809
Deferred revenue	<u>51,729</u>
	1,542,538

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:

Accrued compensated absences	(64,590)
Net other post-employment benefit obligation (asset)	(103,664)
Other long term liability	<u>20,574</u>
	(147,680)

Internal service funds are used by management to charge the costs of
 certain activities, such as insurance, to individual funds. The assets and
 liabilities of the internal service fund is included in governmental activities
 in the Statement of Net Position.

Change in net position of the internal service fund	<u>(226,886)</u>
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Change in net position of governmental activities \$ 2,857,163

See accompanying notes to the basic financial statements.

STATEMENT OF NET POSITION--PROPRIETARY FUNDS

CITY OF OWASSO, OKLAHOMA

June 30, 2013

	Enterprise Funds			Internal Service Funds
	Owasso Public Works Authority	Owasso Public Golf Authority	Total	
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,822,407	\$ 4,070	\$ 1,826,477	\$ 691,006
Investments	238,716	-	238,716	95,864
Restricted cash and cash equivalents	2,153,316	-	2,153,316	-
Accounts receivable, net of allowance	857,859	-	857,859	-
Other receivables	-	1,200	1,200	218,416
Due from other funds	1,601,940	-	1,601,940	33,627
Due from other governments	46,097	-	46,097	-
Prepaid items	-	-	-	39,593
Inventory	-	77,932	77,932	-
TOTAL CURRENT ASSETS	6,720,335	83,202	6,803,537	1,078,506
NONCURRENT ASSETS				
Restricted Assets:				
Cash and cash equivalents	1,022,550	-	1,022,550	-
Interest receivable	34,017	-	34,017	-
Lease purchase receivable from other governments	1,040,000	-	1,040,000	-
Land and construction in progress	3,347,868	-	3,347,868	-
Other depreciable capital assets, net	65,184,321	575,288	65,759,609	185,083
TOTAL NONCURRENT ASSETS	70,628,756	575,288	71,204,044	185,083
TOTAL ASSETS	\$ 77,349,091	\$ 658,490	\$ 78,007,581	\$ 1,263,589
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on debt refunding	\$ 87,382	\$ -	\$ 87,382	\$ -
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable	\$ 270,164	\$ 35,441	\$ 305,605	\$ 222,572
Accrued payroll liabilities	85,407	31,686	117,093	9,087
Interest payable	344,620	-	344,620	-
Contracts and retainage payable	254,245	-	254,245	-
Due to other funds	964,349	3,507,719	4,472,068	-
Other liabilities	182,622	39,807	222,429	-
Current portion of noncurrent liabilities:				
Deposits subject to refund	116,175	-	116,175	-
Notes payable	1,642,938	-	1,642,938	-
Revenue note payable	3,080,000	-	3,080,000	-
Net OPEB obligation	22,683	5,337	28,020	-
Incurred but not reported claims	-	-	-	679,875
Accrued compensated absences	24,240	7,118	31,358	3,838
TOTAL CURRENT LIABILITIES	6,987,443	3,627,108	10,614,551	915,372
NONCURRENT LIABILITIES				
Deposits subject to refund	414,755	-	414,755	-
Notes payable, net	23,010,116	-	23,010,116	-
Revenue note payable	8,047,519	-	8,047,519	-
Net OPEB obligation	62,554	14,719	77,273	-
Incurred but not reported claims	-	-	-	707,625
Accrued compensated absence	27,918	8,198	36,116	4,420
TOTAL NONCURRENT LIABILITIES	31,562,862	22,917	31,585,779	712,045
TOTAL LIABILITIES	\$ 38,550,305	\$ 3,650,025	\$ 42,200,330	\$ 1,627,417
DEFERRED INFLOWS OF RESOURCES				
Deferred gain on debt refunding	\$ 20,240	\$ -	\$ 20,240	\$ -
NET POSITION				
Net investment in capital assets	\$ 32,818,758	\$ 575,288	\$ 33,394,046	\$ 185,083
Restricted for:				
Debt service	2,334,333	-	2,334,333	-
Unrestricted	3,712,837	(3,566,823)	146,014	(548,911)
TOTAL NET POSITION	\$ 38,865,928	\$ (2,991,535)	\$ 35,874,393	\$ (363,828)

See accompanying notes to the basic financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION--PROPRIETARY FUNDS

CITY OF OWASSO, OKLAHOMA

For the fiscal year ended June 30, 2013

	Enterprise Funds			Internal Service Funds
	Owasso Public Works Authority	Owasso Public Golf Authority	Total	
OPERATING REVENUES				
Charges for services:				
Water	\$ 5,062,458	\$ -	\$ 5,062,458	\$ -
Wastewater	3,467,556	-	3,467,556	-
Sanitation	1,752,120	-	1,752,120	-
Penalties/late charges	249,493	-	249,493	-
Golf	-	686,656	686,656	-
Recycle	33,180	-	33,180	-
Internal service charges for services	-	-	-	4,623,513
Other	28,173	3,732	31,905	242,470
TOTAL OPERATING REVENUES	10,592,980	690,388	11,283,368	4,865,983
OPERATING EXPENSES				
Utility billing	354,443	-	354,443	-
Administration	712,122	-	712,122	747,196
Water	3,577,685	-	3,577,685	-
Wastewater treatment plant	980,835	-	980,835	-
Wastewater collection	555,980	-	555,980	-
Refuse collections	840,971	-	840,971	-
Recycle center	254,416	-	254,416	-
Golf	-	971,453	971,453	-
Claims expense	-	-	-	3,990,259
City garage	-	-	-	352,831
Depreciation	1,468,247	79,536	1,547,783	8,039
Other	955,390	290	955,680	-
TOTAL OPERATING EXPENSES	9,700,089	1,051,279	10,751,368	5,098,325
OPERATING INCOME (LOSS)	892,891	(360,891)	532,000	(232,342)
NONOPERATING REVENUES (EXPENSES)				
Investment income	22,195	-	22,195	5,456
Interest expense and amortization of bond issue costs	(928,667)	-	(928,667)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(906,472)	-	(906,472)	5,456
Net income (loss) before contributions and transfers	(13,581)	(360,891)	(374,472)	(226,886)
Capital contributions	710,055	-	710,055	-
Transfers in- pledged as security for debt	19,320,778	-	19,320,778	-
Transfers in- unpledged	1,084,641	341,347	1,425,988	123,068
Transfers out	(17,131,715)	-	(17,131,715)	(123,068)
CHANGE IN NET POSITION	3,970,178	(19,544)	3,950,634	(226,886)
NET POSITION - BEGINNING	35,796,624	(2,971,991)	32,824,633	(136,942)
ADJUSTMENT FOR CHANGE IN ACCOUNTING PRINCIPLE - NOTE 1	(900,874)	-	(900,874)	-
NET POSITION AT BEGINNING OF YEAR - AS RESTATED	34,895,750	(2,971,991)	31,923,759	(136,942)
NET POSITION - ENDING	\$ 38,865,928	\$ (2,991,535)	\$ 35,874,393	\$ (363,828)

See accompanying notes to the basic financial statements.

STATEMENT OF CASH FLOWS--PROPRIETARY FUNDS

CITY OF OWASSO, OKLAHOMA

For the fiscal year ended June 30, 2013

	Enterprise Funds			Internal Service Funds
	Owasso Public Works Authority	Owasso Public Golf Authority	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 10,611,560	\$ 686,656	\$ 11,298,216	\$ 4,623,513
Payments to suppliers	(5,481,833)	(305,174)	(5,787,007)	(4,567,532)
Payments to employees	(2,106,459)	(664,075)	(2,770,534)	(263,084)
Receipts of customer meter deposits	150,164	-	150,164	-
Customer meter deposits refunded or applied	(116,175)	-	(116,175)	-
Other receipts (payments)	119,619	41,305	160,924	239,826
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	3,176,876	(241,288)	2,935,588	32,723
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	20,405,419	341,347	20,746,766	-
Transfers to other funds	(17,061,904)	-	(17,061,904)	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	3,343,515	341,347	3,684,862	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from the issuance of debt	1,302,479	-	1,302,479	-
Purchases of capital assets	(1,518,558)	(100,527)	(1,619,085)	(7,395)
Principal paid on capital debt	(5,536,739)	-	(5,536,739)	-
Interest paid on capital debt	(1,273,077)	-	(1,273,077)	-
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(7,025,895)	(100,527)	(7,126,422)	(7,395)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of investments	98,623	-	98,623	9,835
Repayment of lease purchase receivable	150,000	-	150,000	-
Investment income received	27,101	-	27,101	5,456
NET CASH PROVIDED BY INVESTING ACTIVITIES	275,724	-	275,724	15,291
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(229,780)	(468)	(230,248)	40,619
BALANCES - BEGINNING OF YEAR	5,228,053	4,538	5,232,591	650,387
BALANCES - END OF YEAR	\$ 4,998,273	\$ 4,070	\$ 5,002,343	\$ 691,006

(Continued)

STATEMENT OF CASH FLOWS--PROPRIETARY FUNDS--Continued

CITY OF OWASSO, OKLAHOMA

For the fiscal year ended June 30, 2013

	Enterprise Funds			Internal Service Funds
	Owasso Public Works Authority	Owasso Public Golf Authority	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income (loss)	\$ 892,891	\$ (360,891)	\$ 532,000	\$ (232,342)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	1,468,247	79,536	1,547,783	8,039
Loss on disposal of capital assets	22,461	290	22,751	-
Change in assets and liabilities:				
Accounts receivables, net	79,933	-	79,933	-
Other receivables	-	-	-	71,382
Inventory	-	(2,468)	(2,468)	-
Due from other funds	123,963	-	123,963	(2,644)
Net OPEB obligation	17,650	6,539	24,189	-
Accounts payable	(52,219)	(9,007)	(61,226)	24,935
Accrued payroll liabilities	(909)	779	(130)	1,126
Estimated liability for claims	-	-	-	215,100
Customer meter deposits payable	33,989	-	33,989	-
Due to other funds	950,452	37,573	988,025	-
Other liabilities	(363,501)	3,863	(359,638)	(54,640)
Accrued compensated absences	3,919	2,498	6,417	1,767
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 3,176,876</u>	<u>\$ (241,288)</u>	<u>\$ 2,935,588</u>	<u>\$ 32,723</u>
NONCASH ACTIVITIES				
Contributed capital assets	<u>\$ 710,055</u>	<u>\$ -</u>	<u>\$ 710,055</u>	<u>\$ -</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION				
Cash and cash equivalents - current	\$ 1,822,407	\$ 4,070	\$ 1,826,477	\$ 691,006
Cash and cash equivalents - restricted current	2,153,316	-	2,153,316	-
Cash and cash equivalents - restricted noncurrent	<u>1,022,550</u>	<u>-</u>	<u>1,022,550</u>	<u>-</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 4,998,273</u>	<u>\$ 4,070</u>	<u>\$ 5,002,343</u>	<u>\$ 691,006</u>
				(Concluded)

See accompanying notes to the basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF OWASSO, OKLAHOMA

June 30, 2013

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NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF OWASSO, OKLAHOMA

June 30, 2013

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared as required by generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). The accounting and reporting framework and the more significant accounting policies are discussed in subsequent sections of this note.

1. A--Financial Reporting Entity

The City's financial reporting entity is comprised of the following:

Primary government:	City of Owasso
Blended Component Units:	Owasso Public Works Authority Owasso Public Golf Authority
Discretely Presented Component Unit:	Owasso Economic Development Authority

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34*, and includes all component units for which the City is financially accountable.

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

Blended Component Units: Blended component units are entities that meet the component unit criteria described above and are, in substance, part of the City's operations, even though they are legally separate entities. These component units' funds are blended into those of the City's by appropriate fund category to comprise the primary government presentation.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

1. A--Financial Reporting Entity--Continued

The component units that are blended into the primary governments' fund categories are presented below:

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>	<u>Included Funds</u>
Owasso Public Works Authority	Created January 10, 1973, to finance, develop, and operate the water, wastewater, and refuse disposal facilities. The current City Council serves as entire governing body (Trustees) of the OPWA, and management of the City has operational responsibility for the OPWA. Any issuances of debt would require a three-quarters approval of the City Council.	OPWA Enterprise Fund
Owasso Public Golf Authority	Created August 8, 1989, to acquire, construct, own, maintain, equip, operate, and conduct a golf course and incidental facilities. The current City Council serves as entire governing body (Trustees) of OPGA, and management of the City has operational responsibility for the OPGA. Any issuances of debt would require a three-quarters approval of the City Council.	OPGA Enterprise Fund

Discretely Presented Component Units: Discretely presented component units are separate legal entities whose governing body (in majority) is appointed by the Mayor or City Council, but these entities do not meet the criteria for blending. Since these component units are not as closely associated with the primary government as are blended component units, they are reported in discretely presented columns on the government-wide financial statements labeled "Component Units." The City has one component unit that is discretely presented in the City's report as described below:

Owasso Economic Development Authority (OEDA)	Created October 21, 1987, to promote and encourage development of industry and commerce on behalf of the City. The OEDA governing body is comprised of seven members: one council member of the Beneficiary, one board member of the Chamber of Commerce, and five appointed members. Any issuances of debt would require a two-thirds approval of the City Council.
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The discretely presented component unit of the City does not issue separately audited component unit financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

1.B--Basis of Presentation

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

Fund Financial Statements: Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, deferred inflows and outflows of resources, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The City presently has no fiduciary funds. 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 10 percent of the corresponding total for all funds of that category or type, and
- b) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c) A fund that does not meet the criteria of (a) and (b) but which management has determined is of such significance to be reported as a major fund.

The funds of the financial reporting entity are described below:

GOVERNMENTAL FUNDS:

General Fund: The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

1.B--Basis of Presentation--Continued

Special Revenue Funds: Special Revenue Funds are used to account for the proceeds of specific revenue sources that are mostly legally or administratively restricted or committed to expenditure for certain purposes. The reporting entity includes the following special revenue funds:

<u>Funds</u>	<u>Brief Description</u>
Ambulance Service Fund	Accounts for the revenue received from ambulance subscriptions and billings. Allocated revenue is 85% of receipts for ambulance billings and 50% of receipts for ambulance subscriptions.
Emergency Siren Fund	Accounts for the per acre fees received when new subdivisions are platted as required by subdivision regulations. Funds are used for the acquisition and/or purchase of emergency sirens.
Cemetery Care Fund	Accounts for 12.5% of revenue from cemetery service fees (lot sales and interments). These funds may only be used for capital improvements to the cemetery.
Park Development Fund	Accounts for revenue received from building permit charges required by ordinance as in-lieu-of payments in subdivisions that do not donate park property. Funds are used for improvements to and development of the park system.
Emergency 911 Fund	Accounts for the revenue received from the emergency service fee on telephone bills. Funds are used to pay monthly service charges for the 911 system. Remaining funds may be used for any other emergency communications need.
Juvenile Court Fund	Accounts for fines generated as a result of prosecution of juveniles under the "Agreement for Municipal Court Jurisdiction Concerning Juveniles." Funds are used for local programs that address problems of juvenile crime.
Hotel Tax Fund	Accounts for a 3% tax to be used in economic development and promotion of tourism and a 2% tax designated to fund the Owasso Strong Neighborhoods Initiative.
Stormwater Management Fund	Established by ordinance to account for revenues derived from the storm water system service charge. Funds are used for expenses attributable to storm water management services.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

1.B--Basis of Presentation--Continued

Capital Project Funds: Capital Project Funds are used to account for resources restricted, committed, or assigned for the acquisition or construction of specific capital projects or items. The reporting entity includes the following capital project funds:

<u>Funds</u>	<u>Brief Description</u>
Capital Improvement Fund	Accounts for the funds remaining from the one-cent capital improvements sales tax after payment of principal and interest on debt to fund capital projects. The expenditure items in this budget are based on priorities and recommendations established by the capital improvements committee and approved by the City Council.
Ambulance Capital Fund	Accounts for the fifteen percent (15%) of revenue from ambulance billings and 8.6% of revenue from ambulance subscriptions transferred from the ambulance service fund. Expenditures are for ambulance capital outlay for the ambulance service.
Public Safety Capital Fund	Accounts for 41.4% of the revenue received from ambulance subscriptions. Expenditures are for capital outlay for the fire and police departments.
Capital Project Grant Fund	Accounts for grant revenue from state and federal grants. Funds are used for infrastructure capital improvements as specified in grant contracts.

Debt Service Fund: The debt service fund accounts for ad-valorem taxes levied by the City for use in retiring judgments and their related interest expense.

PROPRIETARY FUNDS:

Proprietary funds include both enterprise funds and internal service funds. Enterprise funds are used to account for business-like activities provided to the general public. Internal service funds are used to account for business-like activities provided and charged to other funds or entities within the reporting entity. 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. The reporting entity includes the following enterprise funds and internal service funds:

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

1.B--Basis of Presentation--Continued

Enterprise Funds:

<u>Funds</u>	<u>Brief Description</u>
Owasso Public Works Authority	Accounts for activities of the public trust in providing water, wastewater and refuse disposal services to the public.
Owasso Public Golf Authority	Accounts for activities of the public trust in providing recreational golf activities to the public.

Internal Service Funds:

<u>Funds</u>	<u>Brief Description</u>
City Garage Fund	Accounts for the financing of goods and services provided by one department to other departments of the City. The city garage bills for vehicle parts and services used by other departments.
General Liability / and Property Self-Insurance	Accounts for the funds reserved for payments of expenses of property claims and for collision repairs to city vehicles. The City carries only liability insurance on City vehicles.
Worker's Comp Self Insurance	Accounts for the funds reserved for the payment of expenses and administration for workers' compensation benefits for all City employees. Expenditures from this fund are approved by the City Council but, by ordinance, are not subject to limitations on spending amounts as are other City purchases.
Healthcare Self-Insurance	Accounts for the funds reserved for the payment of expenses and administration for healthcare benefits for all City employees. Plan is administered by a third party administrator.

COMPONENT UNITS:

The City has the following discretely presented component unit:

<u>Component Unit</u>	<u>Brief Description</u>
Owasso Economic Development Authority	Accounts for revenues and expenditures of the public trust used in establishing and operating economic development activities.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

1.B--Basis of Presentation--Continued

Major and Non-Major Funds: The funds are further classified as major or non-major as follows:

Major Funds

General Fund
Capital Improvement Fund

Enterprise Funds:
 Owasso Public
 Works Authority
 Owasso Public
 Golf Authority

Non-Major Funds

Special Revenue Funds:
 Ambulance Service Fund
 Emergency Siren Fund
 Cemetery Care Fund
 Park Development Fund
 Emergency 911 Fund
 Juvenile Court Fund
 Hotel Tax Fund
 Stormwater Management Fund

Capital Project Funds:
 Ambulance Capital Fund
 Public Safety Capital Fund
 Capital Projects Grants Fund

Debt Service Fund

Internal Service Funds:
 City Garage Fund
 General Liability / Property
 Self-Insurance Fund
 Workers' Comp Self-Insurance Fund
 Health Care Self-Insurance Fund

1.C--Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe **how** transactions are recorded within the 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-type activities are presented using the economic resources measurement focus as defined in item 2, below.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

1.C--Measurement Focus and Basis of Accounting--Continued

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

1. All governmental fund types and similar component units 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.
2. Proprietary fund types and similar component units utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net position.

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

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the 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 (defined by the City as 60 days after year end) to pay current liabilities. Sales and use taxes, franchise taxes, hotel taxes, court fines, and interest are considered susceptible to accrual. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general long-term debt principal and interest, claims and judgments, and accrued compensated absences, which are recorded as expenditures to the extent they have matured. Proceeds of general long-term debt and capital leases are reported as other financing sources.

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

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

1.D--Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Cash Equivalents: Cash and cash equivalents include all demand, savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less. Revenue bond and promissory note trust account investments in open-ended mutual fund shares are also considered cash equivalents and are reported at the funds' current share prices.

Investments: Investments consist of investments in revenue anticipation notes, which are reported at fair value. Since the City's investments in revenue anticipation notes of the Owasso Public Works Authority and Owasso Public Golf Authority do not have readily determinable market prices and management intends to hold these investments to maturity, fair value has been determined to be equivalent to the cost of the investments.

Receivables: 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 reported as deferred inflows of resources at the fund level. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available at the fund level.

Material receivables in proprietary funds 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.

Inventories: The City has chosen to record consumable materials and supplies as expenditures in the governmental funds at the time of purchase, and year-end inventory on-hand is not material; therefore, no balances for inventory on-hand are reported on the balance sheet for such funds. However, in the Owasso Public Golf Authority, the golf pro shop and food/beverage inventory is recorded as an asset when purchased and expensed when consumed. Such inventory is valued at the lower cost or market. The City considers all other propriety fund inventory on-hand as immaterial, and therefore, they are expensed when purchased.

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

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

1.D--Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance--Continued

Capital Asset--Continued:

Government-Wide Statements: In the government-wide financial statements, property, plant, and equipment are accounted for as capital assets. The City's capitalization threshold is \$5,000. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. General infrastructure assets (such as roads, bridges, and traffic systems) acquired prior to July 1, 2002 are reported at estimated historical cost using deflated replacement costs. The cost of normal maintenance and repairs to these assets that do not add materially to the value of the assets or extend the assets' useful lives are not capitalized.

Depreciation of all exhaustible capital assets is recorded as an operating expense in proprietary fund financial statements and an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follow:

Buildings	50 years
Other improvements	10-50 years
Infrastructure	15-50 years
Equipment and vehicles	5-10 years

Fund Financial Statements: In the governmental fund financial statements, capital assets acquired are accounted for as capital outlay expenditures.

Restricted Assets: Restricted assets include current assets of enterprise funds and business-type activities that are legally restricted as to their use. The primary restricted assets are related to revenue bond and promissory note trustee accounts restricted for debt service and deposits held for refund.

Unearned Revenue: Revenue received prior to being earned is recorded as unearned revenue. Currently, the City's unearned revenue consists of golf course gift certificates outstanding and sales of patron cards for which cash was received during the current fiscal year but the service/goods were not yet used for their intended purpose.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

1.D--Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance--Continued

Long-Term Debt: Accounting treatment of long-term debt varies depending upon the source of repayment and the measurement focus applied and whether the debt is reported in the government-wide or fund financial statements.

Government-Wide Statements: All long-term debt to be repaid from governmental activities, business-type activities, proprietary fund, and component unit resources are reported as liabilities incurred. The long-term debt consists primarily of accrued compensated absences; capital leases payable, notes payable, and revenue bonds payable. This long-term debt is reported net of unamortized premiums and discounts.

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

Compensated Absences: After a six month probationary period, all regular full-time and part-time employees are granted vacation benefits in amounts from 80 hours to 160 hours per year depending upon tenure with the City, with a maximum of 200 hours. After a twelve month probationary period, police officers are granted vacation benefits in amounts from 96 hours to 216 hours per year depending upon tenure with the City, with a maximum 500 hours. Firefighters accrue 144 vacation hours a year during the first year of employment; after a twelve month probationary period, firefighters are granted vacation benefits in amounts from 264 hours to 384 hours per year depending upon tenure with the City, with a maximum of 504 hours. All vacation benefits accumulate pro rata on a monthly basis. Accumulated vacation leave vests, and the City is obligated to make payment even if the employee terminates.

Regular full-time and part-time employees accrue 96 hours of sick leave per year up to a maximum of 1,000 hours. Police officers accrue 111 hours of sick leave per year up to a maximum of 1,105 hours. Firefighters accrue 216 hours of sick leave per year up to a maximum of 1,440 hours. Sick leave benefits accumulate pro rata on a monthly basis. However, sick leave is not paid upon termination.

The estimated liabilities for vested benefits also include salary-related payments such as employment taxes. Compensated absences are reported as accrued in the government-wide, proprietary, fiduciary, and component unit financial statements. Governmental funds report only the matured compensated absences payable to currently terminating employees.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

1.D--Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance--Continued

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government-wide and proprietary fund statements of net position include one item that is reported as a deferred outflow of resources, the deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government-wide and proprietary fund statements of net position include one item that is reported as a deferred inflow, the deferred gain on debt refunding. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The governmental fund balance sheet also includes unavailable revenue, which is reported as a deferred inflow of resources only under the modified accrual basis of accounting. The unavailable revenue from charges for services is deferred and recognized as an inflow of resources in the period that the amounts become available.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

1.D--Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance--Continued

Equity Classifications:

Government-Wide and Proprietary Fund Financial Statements: Equity is classified as net position and displayed in three components:

- a) Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bond, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.
- b) Restricted net position - Consists of resources with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c) Unrestricted net position - All other resources that do not meet the definition of "restricted" or "net investment in capital assets."

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

Governmental Fund Financial Statements: Governmental fund equity is classified as fund balance. Fund balances of the government funds are classified as follows:

- a) Restricted - Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- b) Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the City through formal action of the highest level of decision making authority (ordinance).
- c) Assigned - Includes fund balance amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent can be stipulated either through the governing body or by an official to whom the authority has been given.
- d) Unassigned - Includes the residual balance of the general fund that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

1.D--Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance--Continued

Equity Classifications--Continued:

The City uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City first uses committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

1.E--Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide statement of net position and statement of activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

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

1. Internal balances - amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are reported as internal balances.
2. Internal activities - amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide statement of activities except for the net amount of transfers between governmental and business-type activities, which are reported as transfers - internal activities. The effect of interfund services between funds is not eliminated in the statement of activities.
3. Primary government and component unit activity and balances - resource flows between the primary government (the City, OPWA, and OPGA) and the discretely-presented component unit (the Owasso Economic Development Authority) are reported as if they were external transactions.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

1.E--Internal and Interfund Balances and Activities--Continued

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

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

1. F--Revenues, Expenditures, and Expenses

Sales Tax: The City 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 Oklahoma Tax Commission. The entire sales tax is recorded as revenue within the General Fund. Upon receipt the General Fund distributes the dedicated portion of the sales tax as follows:

- 3 cents transferred to the OPWA as required by revenue bond indentures; with
 - 1 cent used to retire principal and interest on OPWA debt with any remaining sales tax transferred to Capital Improvement Fund, followed by
 - 2 cents less payback agreements transferred back to the General Fund from the OPWA for operations
 - ½ cent and 1 cent transferred to OPWA sales tax sub account for various development agreements

Sales tax resulting from sales occurring prior to year end and received by the City after year end has been accrued and is included under the caption *Due from Other Governments* because they represent taxes on sales occurring during the reporting period.

Property Tax: Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and any court-assessed judgments. At the present time, the City only levies property tax for court-assessed judgments.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

1. F--Revenues, Expenditures, and Expenses--Continued

Program Revenues: In the statement of activities, revenues that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following program revenues in each activity:

General government	Cemetery lot sales and interments, zoning fees, other fees, licenses, and permits
Public safety	Fine and forfeiture revenue, court costs and fees, police and fire reports; operating and capital grants include U.S. Department of Justice and Federal Emergency Management Agency grants
Highways and streets	Surcharge for streets; operating and capital grants, and contributions from the U.S. Department of Housing and Urban Development, motor fuel and commercial vehicle revenues, and capital contributions from outside sources
Culture and recreation	Park development fees and community center user fees
Economic development	Surcharge for economic development
Stormwater	Stormwater system service charges.

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

Expenditures/Expenses: In the government-wide statement of activities, expenses, including depreciation of capital assets, are reported by function or activity. In the governmental fund financial statements, expenditures are reported by class as current (further reported by function), capital outlay, and debt service. In proprietary fund financial statements, expenses are reported by object or activity.

1.G--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.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

1.H--New Accounting Pronouncements

The City adopted several new accounting pronouncements during the year ended June 30, 2013 as follows:

- *Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements.*
GASB No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. This Statement applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met. The City will only be required to adopt the provisions of GASB No. 60 if it enters into an SCA, and it currently has not entered into any such arrangements.
- *Statement No. 61, The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and No. 34.*
GASB No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. The adoption of GASB No. 61 did not have a significant impact on the City's financial statement presentation.
- *Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*
GASB No. 62 is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. The adoption of GASB No. 62 did not have an impact on the City's financial position, or changes in financial position or cash flows, or its financial statement presentation.
- *Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*
GASB No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Adoption of this statement has required the City to make changes in its financial statement presentation, and required certain financial statement elements previously reported as assets or liabilities to be reported as deferred outflows or inflows of resources.
- *Statement No. 65, Items Previously Reported as Assets and Liabilities.*
GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources certain items that were previously reported as assets and liabilities and recognizes as outflows of resources (expenses) or inflows of resources (revenues) certain items that were previously recognized as assets and liabilities. The City has chosen to early adopt GASB Statement No. 65 in 2013. As a result of the adoption of GASB Statement No. 65, the City's net position as of July 1, 2012 decreased by \$900,874.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

NOTE 2--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. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

2.A--Deposits and Investments Laws and Regulations

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at no more than market value. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations, surety bonds, or certain letters of credit. As required by 12 U.S.C.A., Section 1823 (e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee. As reflected in Note 3.A., the City's uninsured deposits were sufficiently collateralized in accordance with these provisions for the year ended June 30, 2013.

Investments of a city (excluding public trusts) are limited by state law to the following:

- a) Direct obligations of the U.S. Government, its agencies, and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State of Oklahoma is pledged.
- b) Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c) With certain limitations, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper, and repurchase agreements with certain limitations.
- d) County, municipal, or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district.
- e) Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f) Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c., and d.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

2.A--Deposits and Investments Laws and Regulations--Continued

Public trusts created under O.S. Title 60, are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2013, the City and its public trusts complied in all material respects with these investment restrictions.

2.B--Debt Restrictions and Covenants

General Long-Term Debt: As required by the Oklahoma State Constitution, the City, (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval. For the year ended June 30, 2013, no such debt was incurred by the City.

Revenue Bond and Promissory Note Debt: The various bond and note indentures relating to the revenue bond and promissory note issuances of the OPWA contain a number of restrictions or covenants that are financial related. These include covenants, such as a required flow of funds through special accounts, required reserve account balances, and revenue bond debt service coverage requirements. The following schedule presents a brief summary of the most significant requirements and the OPWA's level of compliance thereon as of June 30, 2013.

<u>Requirement</u>	<u>Level of Compliance</u>
a. Reserve Account Requirement:	
1. 1999B OWRB Note Payable Balance to be \$38,000	Balance in account at June 30, 2013 is \$38,000
2. 2001B OWRB Note Payable: Balance to be \$125,500	Balance in account at June 30, 2013 is \$125,500
3. 2001C OWRB Note Payable: Balance to be \$68,000	Balance in account at June 30, 2013 is \$68,000
4. 2004 OWRB Note Payable: Balance to be \$235,000	Balance in account at June 30, 2013 is \$235,000
5. 2006 OWRB Note Payable: Balance to be \$386,500	Balance in account at June 30, 2013 is \$386,501
6. 2010 OWRB Note Payable: Balance to be \$65,500	Balance in account at June 30, 2013 is \$65,504
7. 2012A OWRB Note Payable Balance to be \$100,500	Balance in account at June 30, 2013 is \$104,045

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

2.B--Debt Restrictions and Covenants--Continued

b. Revenue Bond Coverage:

- | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Net operating revenue plus pledged sales tax must equal 125% of maximum annual debt service on the 2004 OWRB Note. | Net revenues available, including sales tax transferred, amounted to \$16,390,110. The maximum annual debt service on the bonds and any subordinate debt amounted to \$4,738,783. Actual coverage was 346%. |
| 2. Net operating revenue plus pledged sales tax must equal 125% of maximum annual debt service on the 1999A, 1999B, 2001A, 2001B, 2001C, 2002A, 2006, 2009B, 2009C, 2010, 2011, and 2012A OWRB Notes, 2006 and 2007 Sales Tax Revenue Note. | Net revenues available, including sales tax transferred, amounted to \$16,105,313. The maximum annual debt service on the bonds and any subordinate debt amounted to \$4,738,783. Actual coverage was 340%. |

2.C--Fund Equity/Net Position Restrictions

Deficit Prohibition: 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). For the year ended June 30, 2013, the City incurred no deficit fund balances.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

NOTE 3--DETAIL NOTES--TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3.A--Deposit and Investment Risks

Primary Government: The City, including its blended component units, held the following deposits and investments at June 30, 2013:

	<u>Carrying Value</u>		
Deposits			
Demand deposits	\$ 8,540,792		
Total Deposits	<u>8,540,792</u>		
	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Maturity Date</u>
Investments			
Money Market Mutual Funds			
Federated Prime Obligations Fund	44,984	AAAm	N/A
Goldman Sachs FS Money Market Fund	1,666,631	AAAm	N/A
Morgan Stanley Prime Institutional Fund	933,321	AAAm	N/A
Revenue Anticipation Note (1)	<u>1,039,886</u>	N/A	9/1/2017
Total Investments	<u>3,684,822</u>		
Total Deposits and Investments	<u>\$ 12,225,614</u>		
Reconciliation to Statement of Net Assets			
Cash and cash equivalents	\$ 11,185,726		
Investments	<u>1,039,888</u>		
	<u>\$ 12,225,614</u>		

(1) This obligation of the OPWA has been purchased by the City. See repayment terms at Note 3.F.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

3.A--Deposit and Investment Risks--Continued

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

The City's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100% of the uninsured deposits and accrued interest thereon. The investment policy also limits acceptable collateral to U.S. Treasury securities and direct debt obligations of municipalities, counties, and school districts in the State of Oklahoma. As required by federal 12 U.S.C.A., Section 1823 (e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee.

The bank balances of the City's deposits totaled \$8,459,575 at June 30, 2013. The difference between the carrying amount of deposits and the bank balance is due to outstanding checks and deposits. As of June 30, 2013, the City was not exposed to custodial credit risk due to uninsured and uncollateralized deposits.

Investment Credit Risk: The City's investment policy limits investments to those allowed in state law applicable to municipalities. These investment limitations are described in Note 2.A. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations (rating agencies) as of the year end. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

As noted in the schedule of deposits and investments above, at June 30, 2013, all of the City's investments in debt securities were rated either AAAM by Standard and Poor's or Aaa by Moody's Investor Service.

Investment Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

3.A--Deposit and Investment Risks--Continued

As noted in the schedule of deposits and investments above, June 30, 2013, the investments held by the City mature September 2017.

Concentration of Investment Credit Risk: Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration.

At June 30, 2013, the City had no concentration of credit risk as defined above.

Component Units: Total bank deposits of \$9,055 of the discretely presented component unit were insured with Federal Deposit Insurance Corporation Insurance. Total carrying value of the deposits was \$9,055.

3.B--Accounts Receivable

Accounts receivable outstanding at June 30, 2013 consist of the following:

	<u>Governmental Activities</u>			
	Utility Billing	Fire and Emergency Service Billings	Hotel Taxes Due	Total
Accounts receivable	\$ 73,533	\$ 569,496	\$ 35,288	\$ 678,317
Allowance for uncollectible accounts	-	(92,310)	-	(92,310)
Accounts receivables, net	<u>\$ 73,533</u>	<u>\$ 477,186</u>	<u>\$ 35,288</u>	<u>\$ 586,007</u>
	<u>Business-Type Activities</u>			
	Utility Billing	Golf Billing	Total	
Accounts receivable	\$ 1,355,143	\$ -	\$ 1,355,143	
Allowance for uncollectible accounts	(497,284)	-	(497,284)	
Accounts receivables, net	<u>\$ 857,859</u>	<u>\$ -</u>	<u>\$ 857,859</u>	

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

3.C--Leasehold Receivables

During the year ended June 30, 2007, the City, through the Owasso Public Works Authority, entered into a lease purchase agreement with the Board of Education of Independent School District No. 9 (Owasso Public Schools) to acquire land owned by the City. Under the terms of the agreement, Owasso Public Schools agrees to pay to the City annual rental payments for the use of the land, and upon receipt of the annual payment, the City will transfer title equal to 1/12th of the tracts of land to Owasso Public Schools. The agreement is dated as of December 1, 2006, and the annual payments are due each August 15, beginning August 15, 2007, and commencing through August 15, 2018.

3.D--Restricted Assets

The amounts reported as restricted assets of the business-type activities are comprised of cash and investments held by the trustee bank on behalf of the Public Trusts (Authorities) related to their required revenue bond and promissory note accounts as described in Note 2.B and deposits held for refund.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

3.D--Restricted Assets--Continued

The restricted assets as of June 30, 2013 were as follows:

Restricted Cash and Cash Equivalents	Current	Noncurrent	Accrued Interest
1999B Promissory Note Accounts:			
Debt Service Account	\$ 31,587	\$ -	\$ -
Reserve Account	-	38,000	-
2001B Promissory Note Accounts:			
Debt Service Account	104,209	-	-
Reserve Account	-	125,500	-
2001C Promissory Note Accounts:			
Debt Service Account	56,496	-	-
Reserve Account	-	68,000	-
2004 Promissory Note Accounts:			
Debt Service Account	194,271	-	-
Reserve Account	-	235,000	-
2005 Revenue Note Trustee Accounts:			
Debt Service Account	-	-	-
2006 Promissory Note Account			
Debt Service Account	427,067	-	-
2006 Revenue Note Trustee Accounts			
Reserve Fund	-	386,501	-
2007 Revenue Note Trustee Accounts			
Debt Service Account	552,528	-	-
2008 Revenue Note Trustee Accounts			
Debt Service Account	44,984	-	-
2009 Revenue Note Account:			
Debt Service Account	70,087	-	-
2010 Promissory Note			
Debt Service Account	57,037	-	-
Reserve Account	-	65,504	-
2012A Promissory Note Accounts:			
Debt Service Account	84,120	-	-
Reserve Account	-	104,045	-
Accrued interest receivable (all accounts)	-	-	34,017
Deposits held for refund	530,930	-	-
TOTAL RESTRICTED ASSETS	\$ 2,153,316	\$ 1,022,550	\$ 34,017

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

3.E--Capital Assets

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

	July 1, 2012	Additions	Disposals/ Reductions	June 30, 2013
Governmental activities:				
Non-depreciable:				
Land	\$ 7,562,909	\$ 156,738	\$ -	\$ 7,719,647
Construction in-progress	6,723,145	4,263,635	(3,946,072)	7,040,708
Total non-depreciable assets at historical cost	<u>14,286,054</u>	<u>4,420,373</u>	<u>(3,946,072)</u>	<u>14,760,355</u>
Depreciable:				
Buildings	9,987,851	920,744	-	10,908,595
Improvements	7,049,736	2,646,943	-	9,696,679
Machinery and equipment	9,126,129	490,474	(96,363)	9,520,240
Infrastructure	<u>79,897,925</u>	<u>1,797,034</u>	<u>-</u>	<u>81,694,959</u>
Total depreciable assets at historical cost	<u>106,061,641</u>	<u>5,855,195</u>	<u>(96,363)</u>	<u>111,820,473</u>
Less: accumulated depreciation:				
Buildings	(2,301,293)	(190,268)	-	(2,491,561)
Improvements	(2,179,668)	(328,664)	-	(2,508,332)
Machinery and equipment	(5,404,587)	(874,860)	150,785	(6,128,662)
Infrastructure	<u>(29,436,621)</u>	<u>(2,372,729)</u>	<u>-</u>	<u>(31,809,350)</u>
Total accumulated depreciation	<u>(39,322,169)</u>	<u>(3,766,521)</u>	<u>150,785</u>	<u>(42,937,905)</u>
Net depreciable assets	<u>66,739,472</u>	<u>2,088,674</u>	<u>54,422</u>	<u>68,882,568</u>
Governmental activities capital assets, net	<u>\$ 81,025,526</u>	<u>\$ 6,509,047</u>	<u>\$ (3,891,650)</u>	<u>\$ 83,642,923</u>
Business-type activities:				
Non-depreciable:				
Land	\$ 322,519	\$ -	\$ -	\$ 322,519
Construction-in-progress	12,153,427	1,750,606	(10,878,684)	3,025,349
Total non-depreciable assets at historical cost	<u>12,475,946</u>	<u>1,750,606</u>	<u>(10,878,684)</u>	<u>3,347,868</u>
Depreciable:				
Buildings	2,711,380	-	-	2,711,380
Improvements	3,566,658	16,916	-	3,583,574
Machinery and equipment	3,587,650	304,268	(122,279)	3,769,639
Infrastructure	<u>76,050,587</u>	<u>11,583,804</u>	<u>-</u>	<u>87,634,391</u>
Total depreciable assets at historical cost	<u>85,916,275</u>	<u>11,904,988</u>	<u>(122,279)</u>	<u>97,698,984</u>
Less: accumulated depreciation:				
Buildings	(1,218,763)	(48,814)	-	(1,267,577)
Improvements	(1,633,020)	(59,476)	-	(1,692,496)
Machinery and equipment	(2,103,946)	(274,102)	29,714	(2,348,334)
Infrastructure	<u>(25,465,577)</u>	<u>(1,165,391)</u>	<u>-</u>	<u>(26,630,968)</u>
Total accumulated depreciation	<u>(30,421,306)</u>	<u>(1,547,783)</u>	<u>29,714</u>	<u>(31,939,375)</u>
Net depreciable assets	<u>55,494,969</u>	<u>10,357,205</u>	<u>(92,565)</u>	<u>65,759,609</u>
Business-type activities capital assets, net	<u>\$ 67,970,915</u>	<u>\$ 12,107,811</u>	<u>\$ (10,971,249)</u>	<u>\$ 69,107,477</u>

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

3.E--Capital Assets--Continued

Depreciation expense was charged to functions in the statement of activities as follows:

Depreciation expense charged to governmental activities:

General government	\$ 287,689
Public safety	634,483
Streets and highways	2,193,442
Culture and recreation	291,770
Economic development	932
Stormwater	<u>350,166</u>
Sub-total	3,758,482

In addition, depreciation on capital assets held by the City's internal service funds is charged to the various functions based on their usage of the assets	<u>8,039</u>
Total Governmental Activities Depreciation Expense	<u><u>\$ 3,766,521</u></u>

Depreciation expense charged to business-type activities:

Water	\$ 479,039
Refuse	122,349
Wastewater	860,818
Recycle center	6,041
Golf course	<u>79,536</u>
Total Business-Type Activities Depreciation Expense	<u><u>\$ 1,547,783</u></u>

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

3.F--Long Term Debt

The reporting entity's long-term debt is segregated by the amounts involving governmental activities, business-type activities and component units.

Governmental Activities Long-Term Debt: At June 30, 2013, the governmental activities long-term debt consisted of the following:

Accrued Compensated Absences:

Accrued compensated absences reported in the governmental activities are comprised of accrued vacation and comp time

Current portion	\$ 400,968
Non-current portion	461,783
Total Accrued Compensated Absences	<u>\$ 862,751</u>

Risk Management Claims Liability:

Risk management claims liability related to self-insurance

Current portion	\$ 679,875
Non-current portion	707,625
Total Risk Management Claims Liability	<u>\$ 1,387,500</u>

Other Postemployment Benefits Obligation:

Net obligation for medical insurance benefits for retired employees

Current portion	\$ 120,088
Non-current portion	331,166
Total Other Postemployment Benefits Obligation	<u>\$ 451,254</u>

Capital Lease Payable:

Ford Motor Credit lease dated September 2011 with an annual interest rate of 6%, original amount of \$65,501, with annual payments of \$23,119 and final maturity in September 2013, used to purchase 3 police cars

Current portion	\$ 21,809
Non-current portion	-
Total Capital Lease Payable	<u>\$ -</u>

Total Governmental Activities Long-Term Debt:

Current portion	\$ 1,222,740
Non-current portion	1,500,574
Total Governmental Activities Long-Term Debt	<u>\$ 2,723,314</u>

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

3.F--Long Term Debt--Continued

Business-Type Activities Long-Term Debt: As of June 30, 2013, the long-term debt payable from enterprise fund resources consisted of the following:

Enterprise Funds

Notes Payable:

1999A OWRB Note Payable, dated June 30, 1999, original amount of \$931,610 with an administration fee of 0.5%, semiannual installments of principal and administration fee, final maturity August 15, 2018.	\$	262,762
1999B OWRB Note Payable, dated June 30, 1999, original amount of \$570,000 with fixed serial interest rates, annual installments of principal and semi-annual interest, final maturity September 1, 2019.		264,200
2001A OWRB Note Payable, dated June 27, 2001, original amount of \$1,029,535 with an administration fee of 0.5%, semiannual installments of principal and administration fee, final maturity February 15, 2021.		411,814
2001B OWRB Note Payable, dated June 27, 2001, original amount of \$1,805,000 with fixed serial interest rates, annual installments of principal and semi-annual interest, final maturity September 1, 2019.		872,900
2001C OWRB Note Payable, dated June 27, 2001, original amount of \$1,005,000 with fixed serial interest rates, annual installments of principal and semi-annual interest, final maturity September 1, 2019.		472,900
2002A OWRB Note Payable, dated December 30, 2002, original amount of \$886,418 with an administration fee of 0.5%, semiannual installments of principal and administration fee, final maturity August 15, 2022.		421,048
2004 OWRB Note Payable, dated May 12, 2004, original amount of \$2,350,000 with fixed serial interest rates, annual installments of principal and semi-annual interest, final maturity September 1, 2015.		690,000
2006 OWRB Drinking Water SRF Promissory Note, dated March 8, 2006, original amount of \$4,853,250 fixed interest rate of 3.55%, semiannual installments of principal and interest, final maturity September 15, 2026		2,801,378
2006 Promissory Note Payable, Ator land, dated December 14, 2006, original amount of \$1,865,000 with an interest rate of 3.925%; annual installments of principal and interest; final maturity September 1, 2018		1,040,000
2009B OWRB Note Payable, dated December 8, 2009, original amount of \$10,795,000 with an interest rate of 2.28% plus administration fee of 0.5%; semiannual installments of principal, interest and administration fee; final maturity September 15, 2031		9,627,253
2009C OWRB Note Payable, dated December 8, 2009, original amount of \$4,510,000 with an interest rate of 2.25% plus administration fee of 0.5%; semiannual installments of principal, interest and administration fee; final maturity March 15, 2031		3,945,589
2010 OWRB Note Payable, dated June 16, 2010, original amount of \$655,000 with fixed serial interest rates, annual installments of principal and semi-annual interest; final maturity October 1, 2019		525,000
2011 Interim Series OWRB Note Payable, dated November 17, 2011, original amount of \$3,115,000 with an interest rate of 2.11% plus administration fee of 0.5%; semiannual installments of principal, interest and administration fee; final maturity September 15, 2032.		2,368,210
2012 OWRB Note Payable, dated March 1, 2012, original amount of \$1,005,000 with fixed serial interest rates, annual installments of principal and semi-annual interest, final maturity October 1, 2016.		950,000
Total Notes Payable	\$	<u>24,653,054</u>
Current portion	\$	1,642,938
Non-current portion		23,010,116
Net notes payable	\$	<u>24,653,054</u>

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

3.F--Long Term Debt--Continued

Business-Type Activities Long-Term Debt, Continued:

Enterprise Funds, Continued

Revenue Notes Payable:

Series 2006 Utility System and Sales Tax Revenue Note Payable dated November 27, 2006, issued by Owasso Public Works Authority, secured by pledge of sales tax and utility system revenues, original amount of \$3,865,000 with an annual interest rate of 3.8%, annual principal payments varying from \$300,000 to \$420,000 due each July 1 with final maturity July 1, 2017, proceeds of note used to currently refund the Series 1996 Revenue Bonds	1,945,000
Series 2007 Utility System and Sales Tax Revenue Note Payable dated September 1, 2007, issued by Owasso Public Works Authority, secured by pledge of sales tax and utility system revenues, original amount of \$10,000,000 with an annual interest rate of 4.08%, semiannual principal payments varying from \$625,000 to \$815,000 due each March 1 with final maturity September 1, 2014	2,390,000
Series 2008 Sales Tax Revenue Note Payable dated December 1, 2008, issued by Owasso Public Works Authority, secured by pledge of sales tax revenues only, original amount of \$7,680,000 with an annual interest rate of 4.60%, semiannual principal payments varying from \$100,000 to \$585,000 due each June 1 and December 1 with final maturity December 1, 2018	5,765,000
Revenue Note Payable dated August 21, 2007, issued by Owasso Public Works Authority, original amount not to exceed \$3,500,000 with an annual interest rate of 4%, semiannual principal payments varying from \$80,000 to \$122,519 with final maturity on September 1, 2017. This note was purchased as an investment by the City of Owasso.	1,027,519
Total Revenue Notes Payable	<u>\$ 11,127,519</u>
Current portion	3,080,000
Noncurrent portion	<u>8,047,519</u>
Net Revenue Notes Payable	<u>\$ 11,127,519</u>

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

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Amount Due Within One Year
Governmental Activities:					
Net OPEB obligation	\$ 347,590	\$ 120,088	\$ (16,424)	\$ 451,254	\$ 120,088
Accrued compensated absences	796,394	436,474	(370,117)	862,751	400,968
Risk management claims liability	1,172,400	3,963,471	(3,748,371)	1,387,500	679,875
Capital lease payable	42,383	-	(20,574)	21,809	21,809
Total Governmental Activities	<u>\$ 2,358,767</u>	<u>\$ 4,520,033</u>	<u>\$ (4,155,486)</u>	<u>\$ 2,723,314</u>	<u>\$ 1,222,740</u>
Business-Type Activities:					
Revenue notes payable	\$ 14,887,519	\$ -	\$ (3,760,000)	\$ 11,127,519	\$ 3,080,000
Notes payable	25,303,889	1,125,902	(1,776,737)	24,653,054	1,642,938
Deposits subject to refund	496,941	150,164	(116,175)	530,930	116,175
Net OPEB obligation	81,104	28,020	(3,831)	105,293	28,020
Accrued compensated absences	61,057	34,793	(28,376)	67,474	31,358
Total Business Type Activities	<u>\$ 40,830,510</u>	<u>\$ 1,338,879</u>	<u>\$ (5,685,119)</u>	<u>\$ 36,484,270</u>	<u>\$ 4,898,491</u>

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

3.F--Long Term Debt--Continued

Debt Service Requirements to Maturity - Primary Government: The annual debt service requirements to maturity for long-term debt as of June 30, 2013 are as follows:

Year Ending June 30,	Business-Type Activities			
	<u>Revenue Note Payable</u>		<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 3,080,000	\$ 438,266	\$ 1,642,938	\$ 636,947
2015	2,395,000	306,982	1,690,096	588,593
2016	1,665,000	220,421	1,991,996	533,317
2017	1,730,000	147,226	1,806,424	477,078
2018	1,672,519	73,990	1,470,659	430,488
2019-2023	585,000	13,455	5,782,444	1,560,388
2024-2028	-	-	4,875,774	804,850
2029-2032	-	-	3,024,513	165,985
	11,127,519	1,200,340	22,284,844	5,197,646
Construction loans	-	-	2,368,210	-
	<u>\$ 11,127,519</u>	<u>\$ 1,200,340</u>	<u>\$ 24,653,054</u>	<u>\$ 5,197,646</u>

Year Ending June 30,	Governmental Activities	
	<u>Capital Lease Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 21,809	\$ 1,310
	<u>\$ 21,809</u>	<u>\$ 1,310</u>

Pledged Revenues: The City has pledged proceeds from a 2% sales tax, along with revenues from water, wastewater, sanitation, and golf, to repay the 1999A, 1999B, 2001A, 2001B, 2001C, 2002A, 2004, 2006, 2009B, 2009C, 2010, 2011, and 2012A OWRB notes payable and the 2006 and 2007 sales tax revenue notes. The notes are payable through 2027 and were used to finance various OPWA projects. The total principal and interest payable for the remainder of the term of the notes is \$33,286,631. Pledged revenue received in the current year totaled \$24,098,802. Debt service payments of \$4,387,726 for the current year were 18% of pledged revenue.

The City has also pledged proceeds from a 1% sales tax to repay the 2005 and 2008 sales tax revenue notes. The notes are payable through 2019 and were used to finance various OPWA projects. The total principal and interest payable for the remainder of the term of the notes is \$6,590,125. Pledged revenue received in the current year totaled \$6,440,259. Debt service payments of \$2,016,147 for the current year were 31% of pledged revenue.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

3.G--Interfund Balances and Activities

Interfund receivables and payables at June 30, 2013 consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Nature of Interfund Balance</u>
General Fund	OPGA	\$ 3,000,000	negative share of pooled cash
Capital Improvement Fund	Capital Projects Grant Fund	382	negative share of pooled cash
OPWA	OPGA	507,719	negative share of pooled cash
OPWA	General Fund	1,094,221	sales tax per debt indentures
Capital Improvement Fund	OPWA	954,443	capital improvements
Worker's Comp Self Insurance Fund	Debt Service Fund	1,419	debt service
General Liability/Property Self Insurance Fund	Debt Service Fund	4,494	debt service
City Garage	OPWA	9,906	garage billing for services
City Garage	General Fund	15,581	garage billing for services

Interfund transfers for the year ended June 30, 2013 consist of the following:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Nature of Transfer</u>
General Fund	OPGA	\$ 250,000	Transfer to subsidize OPGA
General Fund	OPWA	19,320,778	Pledged sales tax per debt indentures
Capital Improvement Fund	OPGA	91,347	Golf equipment purchased in capital improvement fund
OPWA	General Fund	11,927,611	Pledged sales tax per debt indenture
OPWA	Capital Improvement Fund	3,804,006	Capital improvements
OPWA	Stormwater	153,558	Development
OPWA	General Fund	400,000	Administrative functions
Stormwater	OPWA	238,101	Debt Service

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

3.H--Fund Balances and Net Position

Committed Fund Balance: Fund balance classifications at June 30, 2013 include amounts committed for various purposes as detailed in the balance sheet for governmental funds. The City committed these balances through adoption of various City ordinances.

Assigned Fund Balance: Fund balance classifications at June 30, 2013 include amounts assigned to a Homeowners' Association by the City Manager and amounts assigned through the budgetary process.

Restricted Net Position: Restricted net position relates to revenue bond and promissory note trustee accounts. Balances at June 30, 2013, are as follows:

Debt service account- 1999B	\$ 31,587
Reserve account- 1999B	38,000
Debt service account- 2001B	104,209
Reserve account- 2001B	125,500
Debt service account- 2001C	56,496
Reserve account- 2001C	68,000
Debt service account- 2004	194,271
Reserve account- 2004	235,000
Debt service account- 2006	427,067
Reserve account- 2006	386,501
Revenue note account-2007	552,528
Revenue note account-2008	44,984
Debt service account- 2009C	70,087
Debt service account- 2010	57,037
Reserve account- 2010	65,504
Debt service account- 2012	84,120
Reserve account- 2012	104,045
Interest receivable	<u>34,017</u>
Subtotal	2,678,953
Less: Amounts payable from restricted assets - accrued interest	<u>(344,620)</u>
Restricted for Debt Service	<u>\$2,334,333</u>

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

NOTE 4--OTHER NOTES

4.A--Employee Pension and Other Benefit Plans

The City participates in four employee pension systems as follows:

<u>Name of System</u>	<u>Type of System</u>
Oklahoma Police Pension and Retirement System	Cost-Sharing Multiple Employers' Public Employees Retirement System - Defined Benefit Plan
Oklahoma Firefighters' Pension and Retirement System	Cost-Sharing Multiple Employers' Public Employees Retirement System - Defined Benefit Plan
Oklahoma Municipal Retirement Fund	Agent Multiple Employer Defined Benefit Plan
Oklahoma Municipal Retirement Fund	Agent Multiple Employer Defined Contribution Plan

Oklahoma Police and Firefighters' Pension and Retirement System: The City participates in two statewide cost-sharing multi-employer defined benefit plans on behalf of City Police and Firefighters. Both the Police and the Firefighters' systems are funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

4.A--Employee Pension and Other Benefit Plans--Continued

Oklahoma Police and Firefighters' Pension and Retirement Systems--Continued: The following table provides the eligibility factors, contribution methods, and benefit provisions for the Police and Firefighters' pension and retirement systems:

	Oklahoma Police Pension and Retirement System	Oklahoma Firefighters' Pension and Retirement System
Obtaining separately issued financial statements	Police Pension and Retirement 1001 N.W. 63rd Street, Suite 605 Oklahoma City, OK 73116-7335	Firefighters' Pension and Retirement 4545 N. Lincoln Blvd., Suite 265 Oklahoma City, OK 73105-3414
Authority establishing contributon obligations and benefits	State Statute. The authority to establish and amend benefit provisions and contribution requirements rests with the state legislature.	State Statute. The authority to establish and amend benefit provisions and contribution requirements rests with the state legislature.
Eligibility to participate	All full-time officers employed by a participating municipality; age not less than 21 nor more than 45 when accepted for membership	All full-time firefighters of participating municipalities and fire protection districts; minimum age 18, maximum age 45 when accepted for membership
Member contributions	8% of base salary. However, the City's contract with the union, provides that the member contribution will be 4%.	8% of base salary.
Employer contributions	13% of eligible salary. However, the City's contract with the union provides that the employer contribution will be 17%.	13% of eligible salary for each firefighter.
Benefit provisions	The Police System provides defined retirement benefits based on members' final average compensation, age and terms of service. In addition, the Police System provides for death and disability benefits. Title 11 of the Oklahoma Statutes, Section 50-101 defines all retirement benefits.	The Firefighters' System provides defined retirement benefits based on members' final average compensation, age and terms of service. In addition, the Firefighters' System provides for death and disability benefits. Title 11 of the Oklahoma Statutes, Section 49-101 defines all retirement benefits.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

4.A--Employee Pension and Other Benefit Plans--Continued

Oklahoma Police and Firefighters' Pension and Retirement Systems--Continued: For the year ended June 30, 2013, the State of Oklahoma contributed approximately \$262,000 to the Oklahoma Police Pension and Retirement System on behalf of the City. The State of Oklahoma also contributed approximately \$987,000 on behalf of the City to the Oklahoma Firefighters' Pension and Retirement System. These amounts have been recorded as both a revenue and expenditure of the governmental activities and General Fund in the financial statements.

A. Trend Information:

City contributions required by State statute were as follows:

Fiscal Year	Oklahoma Police Pension and Retirement System		Oklahoma Firefighters' Pension and Retirement System	
	Required Contribution	Percentage Contributed	Required Contribution	Percentage Contributed
2011	218,903	100%	294,819	100%
2012	279,800	100%	415,524	100%
2013	288,613	100%	427,838	100%

Trend information showing the progress of the Systems in accumulating sufficient assets to pay benefits when due is presented in their respective separate annual financial reports.

B. Related Party Investments:

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

Oklahoma Municipal Retirement Fund-Defined Benefit Plan:

A. Plan Description Eligibility Factors, Contribution Methods, and Benefit Provision:

1. Plan Description:

Effective July 1, 1972, the City began contributing to the City of Owasso and Owasso Public Works Authority Plan and Trust in the form of The Oklahoma Municipal Retirement System Master Defined Benefit Plan and Trust, an agent multiple employer-defined benefit plan, for all eligible employees except for those covered by the Police and Firefighter Pension Systems. Administration of the City's individual plan rests with the City Council. The overall operations of OMRF are supervised by a nine-member Board of Trustees elected by the participating municipalities. JP Morgan Chase Bank, N.A. of Oklahoma City acts as administrator and securities custodian. OMRF issues separate plan financial statements which may be obtained by contacting the Oklahoma Municipal Retirement Fund, 100 N. Broadway, Oklahoma City, Oklahoma 73102.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

4.A--Employee Pension and Other Benefit Plans--Continued

Oklahoma Municipal Retirement Fund-Defined Benefit Plan--Continued:

A. Plan Description Eligibility Factors, Contribution Methods, and Benefit Provision--Continued:

2. Eligibility Factors, Contribution Methods, and Benefit Provisions:

<u>Provisions</u>	<u>OMRF Plan</u>
a. Eligible to Participate	All regular, full-time employees except police, firefighters, and other employees covered under an approved system.
b. Contribution Requirements:	
- Authorization	By City Ordinance
- Actuarially Determined	Yes
- Employer Rate	8.54% of covered payroll
- Employee Rate	4.26% of gross pay
c. Period Required to Vest	5 years of credited service
d. Eligibility for Distribution	<ul style="list-style-type: none"> - Normal retirement at age 65 with 5 years of service or age 62 with 30 years of service - Early retirement at age 55 with 5 years of service - Disability retirement upon disability with 5 years of service - Death benefit with 5 years of service
e. Benefit Determination Base	Final average salary-the average of the five highest consecutive annual salaries out of the last 10 calendar years of service.
f. Benefit Determination Methods:	
- Normal Retirement	2.625% of final average salary multiplied by credited years of service.
- Early Retirement	Actuarially reduced benefit based upon age and years of service at termination
- Disability Retirement	Same as normal retirement
- Death Benefit	50% of employee's accrued benefit, but terminate upon spouse re-marriage.
- Prior to 5 Years Service	Return of employee contributions with accrued interest.
g. Form of Benefit Payments	Normal form is a 60-month certain and life thereafter basis.

B. Annual Pension Costs:

1. Current Year Contribution Information:

For the year ended June 30, 2013, the City's annual pension cost of \$440,076 was equal to actual contributions made by the City.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

4.A--Employee Pension and Other Benefit Plans--Continued

Oklahoma Municipal Retirement Fund-Defined Benefit Plan--Continued:

B. Annual Pension Costs--Continued:

2. Actuarial Assumptions:

Date of Last Actuarial Valuation	January 1, 2013
Actuarial Cost Method	Entry age normal cost method
Rate of Return on Investments	7.5%
Projected Salary Increase	Average of 5%
Post Retirement Cost-of-Living Increase	N/A
Inflation Rate	Separate inflation rate not available; inflation included in projected salary increase.
Amortization Method of Unfunded Actuarial Accrued Liability	Level dollar
Remaining Amortization Period	Unfunded actuarial liabilities are amortized over 30 years
Asset Valuation Method	Actuarial method

C. Trend Information:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	\$ 436,293	100%	\$ -
June 30, 2012	\$ 449,348	100%	\$ -
June 30, 2013	\$ 440,076	100%	\$ -

D. Funded Status and Funding Progress:

The funded status of the plan as of the date of the most recent actuarial valuation was as follows:

	January 1, 2013
Actuarial accrued liability (AAL)	\$ 10,956,894
Actuarial value of plan assets	10,022,110
Unfunded actuarial accrued liability (UAAL)	\$ 934,784
Funded ratio (actuarial value of plan assets/AAL)	91.5%
Covered payroll (active plan members)	\$ 5,060,133
UAAL as a percentage of covered payroll	18.5%

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

4.A--Employee Pension and Other Benefit Plans--Continued

Oklahoma Municipal Retirement Fund-Defined Benefit Plan--Continued:

D. Funded Status and Funding Progress--Continued:

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information, as available, about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Defined Contribution Plan-OMRF: The City has also provided a defined contribution plan and trust known as the City of Owasso Plan and Trust in the form of The Oklahoma Municipal Retirement System Master Defined Contribution Plan (OMRF). OMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. The plan is administered by JP Morgan Chase Bank, N.A. The defined contribution plan is available to all full-time employees. Benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate upon hire, and may make contributions to the plan. Based upon employee contributions, the City's contributions vary from 0%-1% of covered payroll. The City's contributions for each employee (and interest allocated to the employee's account) are vested at a rate of 40% after two years and then 20% per year for the next three years. The employee is fully vested after 5 years of service. City contributions for, and interest forfeited by, employees who leave employment prior to fully vesting are allocated back to the City. The authority to establish and amend the provisions of the plan rests with the City Council.

For the year ended June 30, 2013, the following amounts related to the defined contribution plan:

Employee contributions	\$119,627
City contributions	\$59,814

4.B--Other Post-Employment Benefits

A. Plan Description:

The City provides medical insurance benefits to eligible retired employees until age 65. As of June 30, 2013, there were 209 active employees receiving health insurance benefits and 2 retirees receiving insurance benefits. The plan is a single-employer defined benefit plan that does not issue a stand-alone financial report, nor is it included in the financial report of another entity.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

4.B--Other Post-Employment Benefits--Continued

B. Funding Policy:

The contribution requirements are established and may be amended by the City Council.

C. Annual OPEB Cost:

The annual OPEB cost and net obligation for 2013 is as follows:

Annual required contribution	\$ 155,270
Interest on net OPEB obligation	17,148
Adjustment to annual required contribution	<u>(24,310)</u>
Annual OPEB cost	148,108
Contribution made	<u>(20,255)</u>
Increase in net OPEB obligation	127,853
Net OPEB obligation at beginning of year	<u>428,694</u>
Net OPEB obligation at end of year	<u>\$ 556,547</u>
OPEB Obligation included in the financial statements as follows:	
Governmental Activities	\$ 451,254
Business-Type Activities	<u>105,293</u>
	<u>\$ 556,547</u>

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. For the most recent actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4% investment rate of return and an annual healthcare cost inflationary increase of 6%.

D. Trend Information:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
2011	\$ 281,771	17%	\$ 194,896
2012	\$ 281,771	17%	\$ 428,694
2013	\$ 148,108	14%	\$ 556,547

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

4.B--Other Post-Employment Benefits--Continued

E. Funded Status and Funding Progress:

The funded status of the plan as of the date of the most recent actuarial valuation was as follows:

	<u>June 30, 2013</u>
Actuarial accrued liability (AAL)	\$ 1,292,726
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,292,726</u>
Funded ratio (actuarial value of plan assets / AAL)	0.0%
Covered payroll (active plan members)	\$ 11,108,421
UAAL as a percentage of covered payroll	11.6%

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

4.C--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
General Liability: - Torts - Errors and omissions - Police liability - Vehicle	Self-insured effective November 2003.	Entire risk of loss retained in self-insurance fund.
Physical Property: - Theft - Damage to assets - Natural disasters	Property is fully insured by commercial carrier.	\$25,000 deductible
Workers' Compensation: - Employee injuries	Self-insured within limits of Oklahoma workers' compensation laws.	Specific retention of \$750,000 per accident or disease with employer liability of \$1,000,000 per accident or disease.
Health: - Medical - Dental - Vision	Self-insured effective July 2004	Stop loss of \$100,000 per employee per plan year. Third party administrator is AETNA.

Claims Liability Analysis: The claims liabilities related to the above noted risks of loss that are retained are determined in accordance with the requirements of Statement of Financial Accounting Standards No. 5, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated.

For the risk management internal service self-insurance funds, changes in the claims liability for the City from July 1, 2011 to June 30, 2013 are as follows:

	Workers' Compensations	General Liability / Property	Healthcare	Total Internal Service
Claims liability and related payables, June 30, 2011	686,000	-	\$ 257,100	\$ 943,100
Claims incurred and changes in estimates	523,545	68,351	2,851,646	3,443,542
Claims paid	(324,545)	(68,351)	(2,821,346)	(3,214,242)
Claims liability and related payables, June 30, 2012	885,000	-	287,400	1,172,400
Claims incurred and changes in estimates	628,365	42,377	3,255,229	3,925,971
Claims paid	(394,365)	(42,377)	(3,274,129)	(3,710,871)
Claims liability and related payables, June 30, 2013	\$ 1,119,000	\$ -	\$ 268,500	\$ 1,387,500
Assets available to pay claims at June 30, 2013	\$ 535,558	\$ 3,635	\$ 551,692	\$ 1,090,885

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

4.C--Risk Management--Continued

The City has elected to retain significant retained earnings in the internal service self-insurance funds as a reserve for catastrophes.

The City maintains a stop-loss policy for plans to limit risk associated with the self-insured plans. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have exceeded insurance coverage for the current year or prior year.

4.D--Commitments and Contingencies

Commitments: The City has various construction contracts at year-end. A substantial amount of these commitments are being financed through the proceeds of revenue notes payable and other notes payable. At June 30, 2013, the City had several significant outstanding commitments on contract in excess of \$1,000,000. The total contract amounts were approximately \$11.5 million, and the remaining balance on those contracts totaled approximately \$4.7 million.

Contingencies:

Grant Program Involvement: In the normal course of operations, the City participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability of reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Litigation: The City is a party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City "Sinking Fund" for the payment of any court assessed judgment rendered against the City. This statutory taxing ability is not available to the City's public trusts (Authorities). As of June 30, 2013, the City has established a sinking fund for judgments against it in the amount of approximately \$218,416.

While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

4.E--Subsequent Events

In November 2013, the City Council approved OPWA's issuance of a \$2,915,000 Utility System and Sales Tax Revenue Note to refund the 2006 OWRB Drinking Water SRF Promissory Note. The note bears interest at a rate of 1.6% and matures on October 1, 2018.

In December 2013, the City Council approved OPWA's issuance of a \$3,425,000 Clean Water State Revolving Fund Promissory Note to OWRB to be used for the Ranch Creek Sewer Interceptor Project. The note bears interest at a rate of 2.28% and matures on March 15, 2026.

NOTE 5--FUTURE ACCOUNTING PRONOUNCEMENTS

The GASB has issued several new accounting pronouncements, which will be effective to the City in subsequent years. A description of the new accounting pronouncements, the fiscal year in which they are effective, and the City's consideration of the impact of these pronouncements are described below:

Fiscal Year Ended June 30, 2014

- *Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees.*

GASB No. 70 requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The government is required to report the guaranteed obligation until it is legally released as an obligor, and when it is legally released, it should recognize revenue as a result of this release. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for certain disclosure requirements which may be applied prospectively, the provisions of this Statement are required to be applied retroactively. The City has not yet evaluated the effects that GASB No. 70 will have on its financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

NOTE 5--FUTURE ACCOUNTING PRONOUNCEMENTS--Continued

Fiscal Year Ended June 30, 2015

- *Statement No. 68, Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27.*

GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification. GASB No. 68 was issued in June 2012, and the City has not yet determined the impact that implementation of GASB No. 68 will have on its net position. Although the City has not quantified the effects of statement No. 68, the City believes that it could have a significant impact on its net position.

- *Statement No. 69, Government Combinations and Disposals of Government Operations.*

GASB No. 69 was issued in January 2013 and establishes accounting and financial reporting standards related to government combinations and disposals of government operations. Government combinations can include a variety of transactions, including mergers, acquisitions, and transfers of operations. A disposal of a government's operations results in the removal of specific activities of a government. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged. The City has not yet evaluated the effects that GASB No. 69 will have on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PENSION PLAN FUNDING PROGRESS

CITY OF OWASSO, OKLAHOMA

June 30, 2013

OMRF Agent Multiple Employer Defined Benefit Pension Plan- Schedule of Funding Progress

Required Supplementary Information- Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>(1) Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL</u>	<u>Funded Ratio</u>	<u>(2) Covered Payroll</u>	<u>Unfunded AAL as a Percentage of Covered Payroll</u>
1/1/2002	3,558,663	3,731,560	172,897	95.4%	3,420,346	5.1%
1/1/2003	3,574,131	3,961,096	386,965	90.2%	3,014,261	12.8%
1/1/2004	4,011,597	4,625,225	613,628	86.7%	3,239,801	18.9%
1/1/2005	4,573,934	5,050,783	476,849	90.6%	3,424,432	13.9%
1/1/2006	5,156,217	5,625,109	468,892	91.7%	3,929,968	11.9%
1/1/2007	5,998,573	6,328,244	329,671	94.8%	4,309,308	7.7%
1/1/2008	6,809,993	7,087,779	277,786	96.1%	4,462,389	6.2%
1/1/2009	6,931,144	7,862,597	931,453	88.2%	5,212,213	17.9%
1/1/2010	7,607,668	8,796,026	1,188,358	86.5%	5,229,822	22.7%
1/1/2011	8,449,766	9,539,179	1,089,413	88.6%	5,033,749	21.6%
1/1/2012	9,166,922	10,403,820	1,236,898	88.1%	5,235,723	23.6%
1/1/2013	10,022,110	10,956,894	934,784	91.5%	5,060,133	18.5%

(1) Actuarial accrued liability determined under the entry age normal cost method.

(2) Covered Payroll is the total annualized rate of pay as of the valuation date based on actual pay for the preceding year and not the actual covered payroll during the fiscal year.

See independent auditors' report as it relates to required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF OTHER POST-EMPLOYMENT BENEFIT OBLIGATION PROGRESS

CITY OF OWASSO, OKLAHOMA

June 30, 2013

Other Post-Employment Benefit Obligation

Required Supplementary Information- Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>(1) Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL</u>	<u>Funded Ratio</u>	<u>(2) Covered Payroll</u>	<u>Unfunded AAL as a Percentage of Covered Payroll</u>
7/1/2008	\$ -	\$ 170,096	\$ 170,096	0.0%	\$ 8,000,000	2.1%
7/1/2010	\$ -	\$ 1,286,240	\$ 1,286,240	0.0%	\$ 8,870,000	14.5%
7/1/2012	\$ -	\$ 1,292,726	\$ 1,292,726	0.0%	\$ 11,108,421	11.6%

- (1) Actuarial accrued liability determined under the projected unit credit cost method.
- (2) Covered Payroll is the total annualized rate of pay as of the valuation date based on actual pay for the preceding year and not the actual covered payroll during the fiscal year.
- (3) GASB Statement No. 45 was not implemented until the fiscal year ended June 30, 2009. Therefore, only three years of trend information is presented.
- (4) As permitted by GASB Statement No. 45, the City obtains an actuarial valuation every two (2) years.

See independent auditors' report as it relates to required supplementary information.

BUDGETARY COMPARISON SCHEDULE -- GENERAL FUND

CITY OF OWASSO, OKLAHOMA

For the fiscal year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Beginning Budgetary Fund Balance	\$ 1,613,766	\$ 1,613,766	\$ 1,865,947	\$ 252,181
Resources (Inflows):				
Add: Budget C/O	-	-	-	-
	1,613,766	1,613,766	1,865,947	252,181
TAXES				
Sales Tax	19,125,000	19,125,000	19,168,431	43,431
Use Tax	620,000	620,000	626,431	6,431
Franchise Tax	1,092,000	1,092,000	1,035,704	(56,296)
TOTAL TAXES	20,837,000	20,837,000	20,830,566	(6,434)
INTERGOVERNMENTAL				
Alcoholic beverage tax	46,000	46,000	49,551	3,551
Commercial vehicle	194,000	194,000	210,378	16,378
Gas excise tax	54,000	54,000	54,953	953
Cigarette/tobacco tax	275,000	275,000	248,164	(26,836)
Grant revenue	582,160	1,461,322	839,784	(621,538)
TOTAL INTERGOVERNMENTAL	1,151,160	2,030,322	1,402,830	(627,492)
CHARGES FOR SERVICES				
Surcharge for economic development	8,000	8,000	8,610	610
Surcharge for streets	132,000	132,000	134,355	2,355
Rents, fees, and other charges	208,300	208,300	213,193	4,893
OPWA Administrative Overhead	150,000	150,000	150,000	-
TOTAL CHARGES FOR SERVICES	498,300	498,300	506,158	7,858
FINES AND FORFEITURES	820,300	834,472	627,204	(207,268)
BUILDINGS AND OTHER LICENSES AND PERMITS	219,100	219,100	239,519	20,419
INVESTMENT INCOME	20,000	20,000	17,936	(2,064)
MISCELLANEOUS				
Reimbursements, rebate, and restitution	30,200	30,200	50,100	19,900
Contributions and donations	4,000	34,725	31,262	(3,463)
Miscellaneous	35,200	35,200	64,172	28,972
TOTAL MISCELLANEOUS	69,400	100,125	145,534	45,409
OTHER FINANCING SOURCES				
Transfers from other funds	12,336,000	12,396,000	12,376,218	(19,782)
TOTAL OTHER FINANCING SOURCES	12,336,000	12,396,000	12,376,218	(19,782)
Total Resources (inflows)	35,951,260	36,935,319	36,145,965	(789,354)
Amount available for appropriation	\$ 37,565,026	\$ 38,549,085	\$ 38,011,912	\$ (537,173)

(Continued)

BUDGETARY COMPARISON SCHEDULE -- GENERAL FUND--Continued

CITY OF OWASSO, OKLAHOMA

For the fiscal year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Charges to Appropriations (Outflows):				
GENERAL GOVERNMENT				
CITY MANAGER				
Personal services	\$ 765,552	\$ 852,769	\$ 852,769	\$ -
Materials and supplies	3,500	3,298	3,297	1
Other services and charges	20,500	28,469	28,413	56
Capital outlay	2,000	2,000	937	1,063
TOTAL CITY MANAGER	791,552	886,536	885,416	1,120
FINANCE				
Personal services	506,976	402,476	378,034	24,442
Materials and supplies	3,425	3,425	2,483	942
Other services and charges	58,945	133,372	124,354	9,018
Capital outlay	-	8,573	4,527	4,046
TOTAL FINANCE	569,346	547,846	509,398	38,448
COMMUNITY DEVELOPMENT				
Personal services	421,590	443,478	443,478	-
Materials and supplies	9,400	8,550	8,540	10
Other services and charges	33,040	31,202	30,996	206
Capital outlay	11,500	13,300	13,188	112
TOTAL COMMUNITY DEVELOPMENT	475,530	496,530	496,202	328
MUNICIPAL COURT				
Personal services	169,669	171,169	168,452	2,717
Materials and supplies	4,455	4,455	3,729	726
Other services and charges	56,395	56,395	53,902	2,493
Capital outlay	1,800	1,800	1,493	307
TOTAL MUNICIPAL COURT	232,319	233,819	227,576	6,243
ENGINEERING				
Personal services	554,435	624,435	623,175	1,260
Materials and supplies	16,700	16,700	12,683	4,017
Other services and charges	16,350	16,350	7,059	9,291
Capital outlay	15,500	15,500	10,508	4,992
TOTAL ENGINEERING	602,985	672,985	653,425	19,560
INFORMATION TECHNOLOGY				
Personal services	339,007	339,007	337,639	1,368
Materials and supplies	2,100	2,100	1,443	657
Other services and charges	116,388	110,810	110,085	725
Capital outlay	76,590	82,168	72,192	9,976
TOTAL INFORMATION SYSTEMS	534,085	534,085	521,359	12,726

(Continued)

BUDGETARY COMPARISON SCHEDULE -- GENERAL FUND--Continued

CITY OF OWASSO, OKLAHOMA

For the fiscal year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Charges to Appropriations (Outflows):				
GENERAL GOVERNMENT				
Personal services	-	-	-	-
Materials and supplies	-	21,733	21,655	78
Other services and charges	18,500	476,457	462,675	13,782
Capital outlay	479,690	-	-	-
TOTAL GENERAL GOVERNMENT	498,190	498,190	484,330	13,860
SUPPORT SERVICES				
Personal services	255,334	255,334	253,815	1,519
Materials and supplies	25,220	29,270	22,911	6,359
Other services and charges	49,680	47,180	38,234	8,946
Capital outlay	22,660	31,060	27,521	3,539
TOTAL SUPPORT SERVICES	352,894	362,844	342,481	20,363
CEMETERY				
Personal services	-	-	-	-
Materials and supplies	5,550	3,490	2,723	767
Other services and charges	3,750	5,610	5,450	160
Capital outlay	8,000	8,200	5,298	2,902
TOTAL CEMETERY	17,300	17,300	13,471	3,829
HUMAN RESOURCES				
Personal services	263,912	258,751	257,103	1,648
Materials and supplies	10,900	11,265	10,181	1,084
Other services and charges	70,850	74,862	71,048	3,814
Capital outlay	1,500	2,284	2,241	43
TOTAL HUMAN RESOURCES	347,162	347,162	340,573	6,589
TOTAL GENERAL GOVERNMENT	\$ 4,421,363	\$ 4,597,297	\$ 4,474,231	\$ 123,066

(Continued)

BUDGETARY COMPARISON SCHEDULE -- GENERAL FUND--Continued

CITY OF OWASSO, OKLAHOMA

For the fiscal year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Charges to Appropriations (Outflows):				
PUBLIC SAFETY				
POLICE SERVICES				
Personal services	\$ 4,380,685	\$ 4,322,440	\$ 4,157,671	\$ 164,769
Materials and supplies	239,700	260,081	258,785	1,296
Other services and charges	182,020	185,016	183,774	1,242
Capital outlay	26,000	92,078	90,190	1,888
TOTAL POLICE SERVICES	4,828,405	4,859,615	4,690,420	169,195
POLICE COMMUNICATIONS				
Personal services	660,245	660,245	647,239	13,006
Materials and supplies	5,000	5,000	4,376	624
Other services and charges	45,950	45,950	40,817	5,133
Capital outlay	6,800	6,800	5,190	1,610
TOTAL POLICE COMMUNICATIONS	717,995	717,995	697,622	20,373
ANIMAL CONTROL				
Personal services	95,581	96,581	94,861	1,720
Materials and supplies	16,000	16,000	14,790	1,210
Other services and charges	24,260	20,600	18,735	1,865
Capital outlay	1,500	5,160	5,131	29
TOTAL ANIMAL CONTROL	137,341	138,341	133,517	4,824
FIRE SERVICES				
Personal services	4,072,866	4,057,041	4,037,336	19,705
Materials and supplies	137,250	154,934	154,389	545
Other services and charges	143,000	136,781	123,750	13,031
Capital outlay	-	-	-	-
TOTAL FIRE SERVICES	4,353,116	4,348,756	4,315,475	33,281
EMERGENCY MANAGEMENT OPERATIONS				
Personal services	112,949	112,949	109,018	3,931
Materials and supplies	1,500	1,500	753	747
Other services and charges	10,630	18,130	17,772	358
Capital outlay	6,000	-	-	-
TOTAL EMERGENCY MANAGEMENT OPERATIONS	131,079	132,579	127,543	5,036
TOTAL PUBLIC SAFETY	\$ 10,167,936	\$ 10,197,286	\$ 9,964,577	\$ 232,709
HIGHWAYS AND STREETS				
STREETS				
Personal services	\$ 339,668	\$ 341,668	\$ 333,399	\$ 8,269
Materials and supplies	135,280	119,790	96,473	23,317
Other services and charges	176,900	164,550	154,630	9,920
Capital outlay	143,800	264,126	56,261	207,865
TOTAL HIGHWAYS AND STREETS	\$ 795,648	\$ 890,134	\$ 640,763	\$ 249,371

(Continued)

BUDGETARY COMPARISON SCHEDULE -- GENERAL FUND--Continued

CITY OF OWASSO, OKLAHOMA

For the fiscal year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Charges to Appropriations (Outflows):				
CULTURE AND RECREATION				
COMMUNITY CENTER				
Personal services	\$ 117,974	\$ 117,974	\$ 107,029	\$ 10,945
Materials and supplies	12,200	12,200	10,901	1,299
Other services and charges	27,320	27,320	23,379	3,941
Capital outlay	3,920	3,920	3,856	64
TOTAL COMMUNITY CENTER	161,414	161,414	145,165	16,249
PARK MAINTENANCE				
Personal services	394,597	368,799	356,974	11,825
Materials and supplies	38,000	52,378	52,029	349
Other services and charges	86,697	67,572	67,333	239
Capital outlay	36,000	70,702	68,056	2,646
TOTAL PARK MAINTENANCE	555,294	559,451	544,392	15,059
HISTORICAL MUSEUM				
Personal services	17,517	17,517	17,105	412
Materials and supplies	650	650	57	593
Other services and charges	7,500	7,500	3,277	4,223
Capital outlay	3,000	3,000	907	2,093
TOTAL HISTORICAL MUSEUM	28,667	28,667	21,346	7,321
TOTAL CULTURE AND RECREATION	\$ 745,375	\$ 749,532	\$ 710,903	\$ 38,629
SEP ARRA CNG GRANT				
Personal services	\$ -	\$ -	\$ -	\$ -
Materials and supplies	-	-	-	-
Other services and charges	-	15,054	5,460	9,594
Capital outlay	-	808,696	289,033	519,663
TOTAL SEP ARRA CNG GRANT	-	823,750	294,493	529,257
ECONOMIC DEVELOPMENT				
Personal services	\$ 97,599	\$ 98,599	\$ 98,244	\$ 355
Materials and supplies	2,310	2,310	1,415	895
Other services and charges	9,335	9,335	5,768	3,567
Capital outlay	-	-	-	-
TOTAL ECONOMIC DEVELOPMENT	109,244	110,244	105,427	4,817
STORMWATER				
Personal services	321,474	206,490	180,072	26,418
Materials and supplies	56,920	56,920	43,869	13,051
Other services and charges	31,545	33,545	25,171	8,374
Capital outlay	55,275	86,225	47,569	38,656
TOTAL STORM WATER	465,214	383,180	296,681	86,499
OTHER FINANCING USES				
Transfers to other funds	19,375,000	19,435,000	19,418,431	16,569
TOTAL OTHER FINANCING USES	19,375,000	19,435,000	19,418,431	16,569
Total Charges to Appropriations	\$ 36,079,780	\$ 37,186,423	\$ 35,905,506	\$ 1,280,917
Ending Budgetary Fund Balance	\$ 1,485,246	\$ 1,362,662	\$ 2,106,406	\$ (1,818,090)

(Continued)

BUDGETARY COMPARISON SCHEDULE -- GENERAL FUND--Continued

CITY OF OWASSO, OKLAHOMA

For the fiscal year ended June 30, 2013

Reconciliation of the General Fund Balance Sheet to the Budgetary
Comparison Schedule - General Fund

Fund balance - general fund	\$ 3,963,572
Receivables not recognized for budgetary basis	(2,009,513)
Interfund sales tax transfer not recognized for budgetary basis	<u>152,347</u>
Fund balance - budgetary basis	<u>\$ 2,106,406</u>
	(Concluded)

See independent auditors' report as it relates to required supplementary information.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE

CITY OF OWASSO, OKLAHOMA

For the fiscal year ended June 30, 2013

Budgetary Accounting: The annual operating budgets are prepared and presented on a budgetary basis of accounting, which differs from the modified accrual basis. Under the budgetary basis, certain revenues are recognized when received rather than when measurable and available.

Per City Ordinance, the City utilizes encumbrance accounting during the year on a limited basis for certain purchase orders and other commitments for the expenditure of funds which are recorded in order to reserve a portion of the applicable appropriation. Encumbrances lapse at year-end; therefore, encumbrances outstanding at year-end are not considered expenditures for budgetary purposes, as the City will provide for supplemental appropriations in the following budget year.

Budget Law: The City prepares its annual operating budget under the provisions of the 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 City Council a proposed operating budget for the fiscal year commencing the following July 1.
- b. Public hearings are conducted to obtain citizen comments. At least one public hearing must be held no later than 15 days prior to July 1.
- c. Subsequent to the public hearings but no later than seven days prior to July 1, the budget is adopted by resolution of the City Council.
- d. The adopted budget is filed with the Office of State Auditor and Inspector within 30 days of the start of the year.

All funds of the City with revenues and expenditures are required to have annual budgets. The legal level of control at which expenditures may not legally exceed appropriations is the department level within a fund.

All supplemental appropriations require City Council approval. The City Manager may transfer appropriations between departments without City Council approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector.

In accordance with Title 60 of the Oklahoma State Statutes, the OPWA, the OPGA, and the OEDA 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 a legal level of control.

OTHER SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

CITY OF OWASSO, OKLAHOMA

June 30, 2013

		SPECIAL REVENUE FUNDS						
		Ambulance Service Fund	Emergency Siren Fund	Cemetery Care Fund	Park Development Fund	Emergency 911 Fund	Juvenile Court Fund	Hotel Tax Fund
ASSETS								
Cash and cash equivalents		\$ 173,566	\$ 12,489	\$ 5,602	\$ 188,904	\$ 236,354	\$ 19,446	\$ 674,578
Investments		14,494	1,042	468	15,776	19,738	1,624	56,334
Due from other governments		-	-	-	-	28,189	-	-
Accounts receivable, net		422,585	-	-	-	-	-	35,288
Other receivables		-	-	-	-	-	-	-
TOTAL ASSETS		<u>\$ 610,645</u>	<u>\$ 13,531</u>	<u>\$ 6,070</u>	<u>\$ 204,680</u>	<u>\$ 284,281</u>	<u>\$ 21,070</u>	<u>\$ 766,200</u>
LIABILITIES								
Accounts payable		\$ 28,460	\$ -	\$ -	\$ -	\$ 7,840	\$ -	\$ 881
Accrued payroll liabilities		40,596	-	-	-	-	-	4,182
Due to other funds		2,227	-	-	-	-	-	-
Retainage payable		-	-	-	-	-	-	-
Deferred revenue		-	-	-	-	-	-	-
TOTAL LIABILITIES		<u>71,283</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,840</u>	<u>-</u>	<u>5,063</u>
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue - charges for services		215,157	-	-	-	-	-	-
FUND EQUITY								
Fund Balances:								
Restricted		-	-	6,070	-	276,441	21,070	761,137
Committed		324,205	13,531	-	204,680	-	-	-
TOTAL FUND BALANCE		<u>324,205</u>	<u>13,531</u>	<u>6,070</u>	<u>204,680</u>	<u>276,441</u>	<u>21,070</u>	<u>761,137</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		<u>\$ 610,645</u>	<u>\$ 13,531</u>	<u>\$ 6,070</u>	<u>\$ 204,680</u>	<u>\$ 284,281</u>	<u>\$ 21,070</u>	<u>\$ 766,200</u>

(Continued)

COMBINING BALANCE SHEET--Continued

NONMAJOR GOVERNMENTAL FUNDS

CITY OF OWASSO, OKLAHOMA

June 30, 2013

	SPECIAL REVENUE FUNDS		CAPITAL PROJECTS FUNDS			TOTALS
	Stormwater Management Fund	Capital Projects Grants Fund	Public Safety Capital Fund	Ambulance Capital Fund	Debt Service Fund	
ASSETS						
Cash and cash equivalents	\$ 1,128,394	\$ -	\$ 240,112	\$ 597,780	\$ 4,772	\$ 3,281,997
Investments	94,232	-	20,051	49,921	399	274,079
Due from other governments	-	382	-	-	742	29,313
Accounts receivable, net	73,533	-	44,010	10,591	-	586,007
Other receivables	-	-	-	-	-	-
TOTAL ASSETS	\$ 1,296,159	\$ 382	\$ 304,173	\$ 658,292	\$ 5,913	\$ 4,171,396
LIABILITIES						
Accounts payable	\$ 16,243	\$ -	\$ 1,728	\$ -	\$ -	\$ 55,152
Accrued payroll liabilities	-	-	-	-	-	44,778
Due to other funds	-	382	-	-	5,913	8,522
Retainage payable	20,360	-	-	-	-	20,360
Deferred revenue	-	-	-	-	-	-
TOTAL LIABILITIES	36,603	382	1,728	-	5,913	128,812
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - charges for services	-	-	-	-	-	215,157
FUND EQUITY						
Fund Balances:						
Restricted	-	-	-	-	-	1,064,718
Committed	1,259,556	-	302,445	658,292	-	2,762,709
TOTAL FUND BALANCE	1,259,556	-	302,445	658,292	-	3,827,427
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,296,159	\$ 382	\$ 304,173	\$ 658,292	\$ 5,913	\$ 4,171,396

(Concluded)

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

NONMAJOR GOVERNMENTAL FUNDS

CITY OF OWASSO, OKLAHOMA

For the fiscal year ended June 30, 2013

		SPECIAL REVENUE FUNDS						
		Ambulance Service Fund	Emergency Siren Fund	Cemetery Care Fund	Park Development Fund	Emergency 911 Fund	Juvenile Court Fund	Hotel Tax Fund
REVENUES								
Intergovernmental		\$ -	\$ -	\$ -	\$ -	\$ 216,733	\$ -	\$ 334,434
Charges for services		1,165,481	-	1,381	-	-	-	-
Fines and forfeitures		-	-	-	-	-	8,937	-
Licenses and permits		-	-	-	79,800	-	-	-
Investment income		1,442	86	35	855	1,079	70	3,095
Miscellaneous		597	1,268	-	-	-	-	-
	TOTAL REVENUES	<u>1,167,520</u>	<u>1,354</u>	<u>1,416</u>	<u>80,655</u>	<u>217,812</u>	<u>9,007</u>	<u>337,529</u>
EXPENDITURES								
Current:								
General government		-	-	-	-	-	-	-
Public safety		1,249,176	9,263	-	-	173,700	-	-
Economic development		-	-	-	-	-	-	217,635
Stormwater		-	-	-	-	-	-	-
Capital outlay		-	-	3,103	145,710	-	-	-
Debt service - principal		-	-	-	-	-	-	-
	TOTAL EXPENDITURES	<u>1,249,176</u>	<u>9,263</u>	<u>3,103</u>	<u>145,710</u>	<u>173,700</u>	<u>-</u>	<u>217,635</u>
Revenues over (under) expenditures		(81,656)	(7,909)	(1,687)	(65,055)	44,112	9,007	119,894
Other Financing Sources (Uses):								
Transfers in		-	-	-	-	-	-	-
Transfers out		-	-	-	-	-	-	-
Revenues and other sources over (under) expenditures and other uses		(81,656)	(7,909)	(1,687)	(65,055)	44,112	9,007	119,894
FUND BALANCE - BEGINNING OF YEAR		<u>405,861</u>	<u>21,440</u>	<u>7,757</u>	<u>269,735</u>	<u>232,329</u>	<u>12,063</u>	<u>641,243</u>
FUND BALANCE - END OF YEAR		<u>\$ 324,205</u>	<u>\$ 13,531</u>	<u>\$ 6,070</u>	<u>\$ 204,680</u>	<u>\$ 276,441</u>	<u>\$ 21,070</u>	<u>\$ 761,137</u>

(Continued)

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE--Continued

NONMAJOR GOVERNMENTAL FUNDS

CITY OF OWASSO, OKLAHOMA

For the fiscal year ended June 30, 2013

	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS				Debt Service Fund	TOTALS
	Stormwater Management Fund	Capital Projects Grants Fund	Public Safety Capital Fund	Ambulance Capital Fund			
REVENUES:							
Intergovernmental	\$ -	\$ 382	\$ -	\$ -	\$ -	\$ -	\$ 551,549
Charges for services	661,825	-	386,205	197,687	-	-	2,412,579
Fines and forfeitures	-	-	-	-	-	-	8,937
Licenses and permits	-	-	-	-	-	-	79,800
Investment income	6,361	-	1,143	2,571	-	-	16,737
Miscellaneous	-	-	-	-	-	-	1,865
TOTAL REVENUES	668,186	382	387,348	200,258	-	-	3,071,467
EXPENDITURES:							
Current:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	1,432,139
Economic development	-	-	-	-	-	-	217,635
Stormwater	106,588	-	-	-	-	-	106,588
Capital outlay	438,022	382	464,905	16,476	-	-	1,068,598
Debt service - principal	-	-	20,575	-	-	-	20,575
TOTAL EXPENDITURES	544,610	382	485,480	16,476	-	-	2,845,535
Revenues over (under) expenditures	123,576	-	(98,132)	183,782	-	-	225,932
Other Financing Sources (Uses):							
Transfers in	153,558	-	-	-	-	-	153,558
Transfers out	(238,101)	-	-	-	-	-	(238,101)
Revenues and other sources over (under) expenditures and other uses	39,033	-	(98,132)	183,782	-	-	141,389
FUND BALANCE - BEGINNING OF YEAR	1,220,523	-	400,577	474,510	-	-	3,686,038
FUND BALANCE - END OF YEAR	\$ 1,259,556	\$ -	\$ 302,445	\$ 658,292	\$ -	\$ -	\$ 3,827,427

(Concluded)

SCHEDULE OF DEBT SERVICE COVERAGE REQUIREMENTS

CITY OF OWASSO, OKLAHOMA

For the fiscal year ended June 30, 2013

	2004 OWRB Loan Issue	1999A, 1999B, 2001A, 2001B, 2001C, 2002A, 2006, 2007, 2009B, 2009C 2010, 2011 and 2012A OWRB Loan Issues
Gross Revenue Available for Debt Service:		
Charges for services:		
Water charges	\$ 5,062,458	\$ 5,062,458
Wastewater charges	3,467,556	3,467,556
Sanitation	1,752,120	1,752,120
Penalties	249,493	249,493
Golf course	-	686,656
Sales tax pledged and transferred	<u>12,880,519</u>	<u>12,880,519</u>
Total Gross Revenues Available	<u>23,412,146</u>	<u>24,098,802</u>
Operating Expenses:		
Administration	712,122	712,122
Utility billing	354,443	354,443
Water	3,577,685	3,577,685
Wastewater treatment plant and collection	1,536,815	1,536,815
Refuse	840,971	840,971
Golf course operations	<u>-</u>	<u>971,453</u>
Total Operating Expenses	<u>7,022,036</u>	<u>7,993,489</u>
Net Revenues Available for Debt Service	<u>\$ 16,390,110</u>	<u>\$ 16,105,313</u>
Total Debt Service Requirements	<u>\$ 4,738,783</u>	<u>\$ 4,738,783</u>
Computed Coverage	<u>346%</u>	<u>340%</u>
Coverage Requirement	<u>125%</u>	<u>125%</u>

Note 1: The above gross revenue and operating expenses only include the activities of the Authorities related to water, wastewater, refuse services, and golf course operations (golf excluded on OWRB note issue coverage - see Note 3 below), excluding depreciation and bad debt expense.

Note 2: The coverage requirements on the OWRB notes are calculated using maximum annual debt service on these notes and any subordinate debt.

Note 3: Golf course revenues of the Owasso Public Golf Authority have been included as "Gross Revenue Available" for Debt Service in the 1999A, 1999B, 2001A, 2001B, 2001C, 2002A, 2006, 2007, 2009B, 2009C, 2010, 2011, and 2012A note issues of the Owasso Public Works Authority.

REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS
AND OMB CIRCULAR A-133

Independent Auditors' 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 Members of City Council
City of Owasso, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Owasso, Oklahoma, (the "City") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 17, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Cole & Reed P.C.

Oklahoma City, Oklahoma
December 17, 2013

Independent Auditors' Report
on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on
Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Honorable Mayor and Members of City Council
City of Owasso, Oklahoma

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 17, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Cole & Reed P.C.

Oklahoma City, Oklahoma
December 17, 2013

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITY OF OWASSO, OKLAHOMA

For the year ended June 30, 2013

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA	Agency or Pass-through Number	Federal Expenditures
U.S. DEPARTMENT OF ENERGY			
Passed through Oklahoma Department of Commerce			
CNG Fuel & Vehicle Conversion	81.041 ARRA	DE-EE0000133	\$ 294,493
Congestion Mitigation & Air Quality (CMAQ) via INCOG	20.205	award letter not yet received	<u>39,348</u>
Total U.S. Department of Energy			333,841
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through Oklahoma Department of Commerce			
Community Development Block Grant - Entitlement Program-CBDG 11	14.210	B-11-Owasso	10,976
Community Development Block Grant - Entitlement Program-CBDG 12	14.218	CDBG B-12-UC-40-0001	<u>382</u>
Total U.S. Department of Housing and Urban Development			11,358
U.S. ENVIRONMENTAL PROTECTION AGENCY			
OK Water Resources Board - 2009A Detention Facility	66.458 ARRA	2W-966885-01	<u>4,936</u>
Total U.S. Environmental Protection Agency			4,936
FEDERAL HIGHWAY 2011 TREE PLANTING PROGRAM			
Passed through Oklahoma Department of Transportation			
Federal Highway 2007 Tree Planting Program		SAFETEALU-07-10	9,270
Federal Highway 2011 Tree Planting Program		SAFETEALU-11-09	<u>16,015</u>
			25,285
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through Oklahoma Highway Safety Office			
State and Community Highway Safety - FY12	20.600	SE-12-03-06-07/CE-12-03- 24-07	5,225
State and Community Highway Safety - FY13	20.600	SE-13-03-06-08; K8-13-03- 25-08; CE-13-03-24-08	<u>38,742</u>
Total U.S. Department of Transportation			43,967
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through Bureau of Justice Assistance			
U.S Department of Homeland Security - Fire Department - SAFER Grant	97.083	EMW-2010-FH-00818	406,839
FEMA-U S Dept of Homeland Security-Assistance to Firefighters Training Grant	97.044	EMW-2012-FO-00543	12,576
FEMA/DHS/OKOHS 2011 Grant Program	97.073	OKOHS#97.073-5400	<u>2,405</u>
Total U.S. Department of Homeland Security			421,820
U.S. DEPARTMENT OF JUSTICE			
Passed through Bureau of Justice Assistance			
Bulletproof Vest Partnership Grant - reimbursed at 50%	16.607	FY2010 BPV	4,203
Bulletproof Vest Partnership Grant - reimbursed at 50%	16.607	FY2012 BPV	<u>2,819</u>
Total U.S. Department of Justice			7,022
Total Schedule of Expenditures of Federal Awards			<u>\$ 848,229</u>

See notes to schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITY OF OWASSO, OKLAHOMA

Year Ended June 30, 2013

NOTE A--BASIS OF ACCOUNTING

The schedule of expenditures of federal awards includes the federal awards activity of City of Owasso, Oklahoma (the "City"), and is presented on the accrual basis of accounting. 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.

NOTE B--SUBRECIPIENTS

The City provided no federal awards to subrecipients.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF OWASSO, OKLAHOMA

June 30, 2013

Section I--Summary of Auditors' Results

Financial statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

yes no

Identification of major programs:

<u>Program</u>	<u>CFDA Number</u>
U.S Department of Homeland Security - Fire Department - SAFER Grant	97.083

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2013

Section II--Findings Required to be Reported in Accordance with *Government Auditing Standards*:

None to report for the June 30, 2013 period.

Section III--Findings Required to be Reported in Accordance with OMB Circular A-133:

None to report for the June 30, 2013 period.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

CITY OF OWASSO, OKLAHOMA

June 30, 2013

No matters were reportable.