

**CITY OF OWASSO,  
OKLAHOMA**

**June 30, 2012**

CITY OF OWASSO, OKLAHOMA

June 30, 2012

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**CITY OF OWASSO, OKLAHOMA**

**LIST OF PRINCIPAL OFFICIALS**

**June 30, 2012**

**City Council**

Doug Bonebrake, Mayor

Dr. Chris Kelley, Vice Mayor

Jeri Moberly

Charlie Brown

Patrick Ross

**City Manager**

Rodney Ray

**Administrative Services Director/City Clerk/Treasurer**

Sherry Bishop

**Assistant City Manager**

Warren Lehr

# BASIC FINANCIAL STATEMENTS

## Independent Auditors' Report

Honorable Mayor and City Council  
City of Owasso  
Owasso, Oklahoma

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 (the "City") as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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.

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.

Cole & Reed P.C.

Oklahoma City, Oklahoma  
December 7, 2012

**City of Owasso, Oklahoma**  
**Management's Discussion and Analysis**  
**June 30, 2012**

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, 2012. 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, 2012, the City's total net assets increased by \$7,540,464 or 6.55% from the prior year.
- During the year, the City's expenses for governmental activities were \$22,121,600 and were funded by program revenues of \$7,358,134 and further funded with taxes and other general revenues (net of transfers) that totaled \$15,666,851.
- In the City's business-type activities, such as utilities and golf course, total program revenues exceeded expenses by \$1,100,674.
- At June 30, 2012, the General Fund reported a total fund balance of \$3,711,784, which is a decrease of 5.90% from the prior year.
- For budgetary reporting purposes, the General Fund reported total resources in excess of estimates of \$4,340,963, or 13%, while actual expenditures were less than the final charges to appropriations by \$1,479,397 or 4%.

**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 governmental-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.)

**REPORTING THE CITY AS A WHOLE**

**The Statement of Net Assets 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 Assets 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.

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



**City of Owasso, Oklahoma**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2012**

**REPORTING THE CITY AS A WHOLE (Continued)**

**The Statement of Net Assets and the Statement of Activities (Continued)**

These two government-wide statements report the City's net assets and changes in them from the prior year. You can think of the City's net assets-the difference between assets and liabilities-as one way to measure the City's financial condition, or position. Over time, increases or decreases in the City's net assets 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 Assets 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, 2012**

**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 Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets. 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 assets and a statement of changes in fiduciary net assets. 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, 2012**

**A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

**NET ASSETS**

The City's combined net assets increased from \$115,033,822 to \$122,574,286 between fiscal years 2011 and 2012. Looking at the net assets of governmental and business-type activities separately, governmental activities increased \$903,385 while business-type activities increased \$6,637,079. A comparative, condensed presentation of net assets follows (*reported in thousands*).

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>Total Percentage Change</u>
	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011-2012</u>
Current and other assets	\$ 12,129	\$ 12,807	\$ 8,036	\$ 7,179	\$ 20,165	\$ 19,986	-0.9%
Capital assets, net	79,836	81,026	66,339	67,971	146,175	148,997	1.9%
Total assets	91,965	93,833	74,375	75,150	166,340	168,983	1.6%
Long-term debt outstanding	1,887	2,359	46,028	40,740	47,915	43,099	-10.1%
Other liabilities	1,232	1,724	2,159	1,585	3,391	3,309	-2.4%
Total liabilities	3,119	4,083	48,187	42,325	51,306	46,408	-9.5%
<b>Net Assets</b>							
Invested in capital assets, net of related debt	79,836	81,026	21,843	28,771	101,679	109,797	8.0%
Restricted	3,891	3,509	2,453	2,364	6,344	5,873	-7.4%
Unrestricted	5,119	5,215	1,892	1,690	7,011	6,905	-1.5%
Total net assets	<u>\$ 88,846</u>	<u>\$ 89,750</u>	<u>\$ 26,188</u>	<u>\$ 32,825</u>	<u>\$ 115,034</u>	<u>\$ 122,575</u>	<u>6.6%</u>

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

**City of Owasso, Oklahoma**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2012**

**CHANGES IN NET ASSETS**

For the year ended June 30, 2012, the change in net assets of the primary government was the result of the following (*amounts are reported in thousands*):

	Governmental		Business-Type		Total		Total
	Activities		Activities				Percentage
	2011	2012	2011	2012	2011	2012	2011-2012
<b>EXPENSES</b>							
General government	\$ 3,845	\$ 4,286	\$ -	\$ -	\$ 3,845	\$ 4,286	11.5%
Public safety	12,207	13,078	-	-	12,207	13,078	7.1%
Highways and streets	2,633	2,891	-	-	2,633	2,891	9.8%
Culture and recreation	798	918	-	-	798	918	15.0%
Economic development	236	247	-	-	236	247	4.7%
Stormwater	792	701	-	-	792	701	-11.5%
Water	-	-	5,277	6,217	5,277	6,217	17.8%
Sewer	-	-	3,186	3,240	3,186	3,240	1.7%
Sanitation	-	-	1,360	1,375	1,360	1,375	1.1%
Recycle center	-	-	292	354	292	354	21.2%
Golf	-	-	1,180	1,163	1,180	1,163	-1.4%
<b>TOTAL EXPENSES</b>	<u>20,511</u>	<u>22,121</u>	<u>11,295</u>	<u>12,349</u>	<u>31,806</u>	<u>34,470</u>	<u>8.4%</u>
<b>PROGRAM REVENUES</b>							
Charges for services	3,563	3,869	10,229	10,906	13,792	14,775	7.1%
Operating grants and contributions	1,228	1,794	-	-	1,228	1,794	46.1%
Capital grants and contributions	1,839	1,695	631	2,543	2,470	4,238	71.6%
Total program revenues	<u>6,630</u>	<u>7,358</u>	<u>10,860</u>	<u>13,449</u>	<u>17,490</u>	<u>20,807</u>	<u>19.0%</u>
<b>NET REVENUES (EXPENSES)</b>	<u>(13,881)</u>	<u>(14,763)</u>	<u>(435)</u>	<u>1,100</u>	<u>(14,316)</u>	<u>(13,663)</u>	<u>-4.6%</u>
<b>General revenues</b>							
Sales taxes	17,603	18,471	-	-	17,603	18,471	4.9%
Use taxes	530	549	-	-	530	549	3.6%
Franchise and public service taxes	1,024	1,129	-	-	1,024	1,129	10.3%
Cigarette/tobacco tax	255	266	-	-	255	266	4.3%
Hotel taxes	267	294	-	-	267	294	10.1%
Alcoholic beverage tax	32	46	-	-	32	46	43.8%
E-911 taxes	195	205	-	-	195	205	5.1%
Investment income	74	48	31	24	105	72	-31.4%
Miscellaneous	251	172	-	-	251	172	-31.5%
Transfers	<u>(5,155)</u>	<u>(5,513)</u>	<u>5,155</u>	<u>5,513</u>	<u>-</u>	<u>-</u>	<u>0.0%</u>
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>	<u>15,076</u>	<u>15,667</u>	<u>5,186</u>	<u>5,537</u>	<u>20,262</u>	<u>21,204</u>	<u>4.6%</u>
<b>CHANGE IN NET ASSETS</b>	<u>\$ 1,195</u>	<u>\$ 904</u>	<u>\$ 4,751</u>	<u>\$ 6,637</u>	<u>\$ 5,946</u>	<u>\$ 7,541</u>	<u>26.8%</u>

The 2012 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.

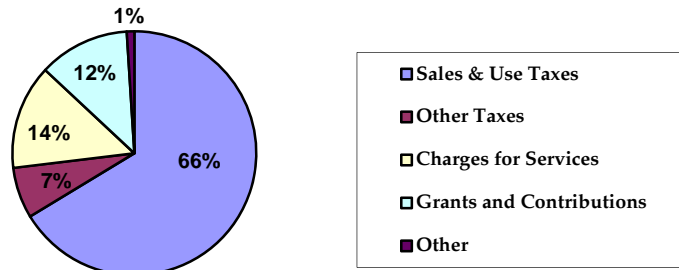
**City of Owasso, Oklahoma  
Management's Discussion and Analysis (Continued)  
June 30, 2012**

**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, Expenses, 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.

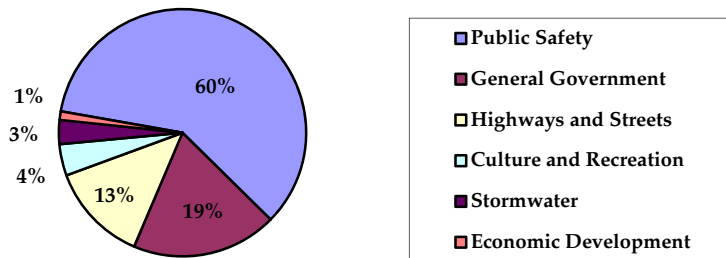
For the year ended June 30, 2012, the City's governmental activities were funded as follows:

**Governmental Activities Sources**



Uses of governmental activities in 2012 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, 2012**

**GOVERNMENTAL ACTIVITIES (Continued)**

For the year ended June 30, 2012, expenses for governmental activities totaled \$22,121,600. Of these total expenses, taxpayers and other general revenues funded \$21,179,514, transfers from business-type activities used (\$5,512,663), and revenues that directly benefited from the program funded \$3,488,731 from grants and other contributions and \$3,869,403 from charges for services.

	Total Expense of Services	Net Revenue (Expense) of Services
General government	\$ 4,286,170	\$ (3,851,044)
Public safety	13,078,359	(9,035,988)
Highways and streets	2,891,389	(740,855)
Culture and recreation	918,145	(819,421)
Economic development	246,691	(238,776)
Stormwater	700,846	(77,382)
TOTAL	<u>\$ 22,121,600</u>	<u>\$ (14,763,466)</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 \$1,100,674 for the year ended June 30, 2012.

Net Revenue (Expense) of Business-Type Activities for the year ended June 30, 2012 was as follows:

	Total Expense of Services	Net Revenue (Expense) of Services
Water	\$ 6,216,885	\$ 1,642,857
Wastewater	3,240,336	(74,359)
Sanitation	1,375,041	338,143
Recycle center	354,478	(299,180)
Golf course	1,162,558	(506,787)
TOTAL	<u>\$ 12,349,298</u>	<u>\$ 1,100,674</u>

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

**City of Owasso, Oklahoma**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2012**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2012, the City had \$148,996,441 invested in capital assets, net of depreciation. (See table below). This represents a net increase of \$2,820,866 or 1.93% over last year.

<b>City of Owasso Capital Assets</b>						
<b>(Net of Accumulated depreciation)</b>						
	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
Land	\$ 7,562,909	\$ 7,562,909	\$ 322,519	\$ 322,519	\$ 7,885,428	\$ 7,885,428
Buildings	7,720,816	7,686,558	1,541,431	1,492,617	9,262,247	9,179,175
Improvements	4,423,174	4,870,068	1,981,448	1,933,638	6,404,622	6,803,706
Utilities	157,979	-	46,108,527	50,585,010	46,266,506	50,585,010
Machinery & Equipment	3,781,795	3,721,542	1,615,273	1,483,704	5,397,068	5,205,246
Infrastructure	52,343,507	50,461,304	-	-	52,343,507	50,461,304
Construction in Progress	3,846,254	6,723,145	14,769,943	12,153,427	18,616,197	18,876,572
Totals	<u>\$ 79,836,434</u>	<u>\$ 81,025,526</u>	<u>\$ 66,339,141</u>	<u>\$ 67,970,915</u>	<u>\$ 146,175,575</u>	<u>\$ 148,996,441</u>

This year's more significant capital asset additions included:

- Wastewater Treatment Plant Expansion
- Various sewer system and stormwater improvements
- Various street improvements

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, 2012**

**CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)**

**Long-Term Debt**

At year-end, the City had \$43,098,473 in long-term debt outstanding which represents a \$4,816,266 (10.1%) 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		
	2011	2012	2011	2012	2011	2012	
Accrued absences	\$ 788,285	\$ 796,394	\$ 53,947	\$ 61,057	\$ 842,232	\$ 857,451	1.81%
Net OPEB obligation	155,211	347,590	39,685	81,104	194,896	428,694	119.96%
Claims liability	943,100	1,172,400	-	-	943,100	1,172,400	24.31%
Capital lease payable	-	42,383	-	-	-	-	100.00%
Deposits subject to refund	-	-	454,489	496,941	454,489	496,941	9.34%
Notes payable, net	-	-	25,781,700	25,265,610	25,781,700	25,265,610	-2.00%
Revenue notes payable	-	-	19,698,322	14,834,994	19,698,322	14,834,994	-24.69%
TOTALS	<u>\$ 1,886,596</u>	<u>\$ 2,358,767</u>	<u>\$46,028,143</u>	<u>\$40,739,706</u>	<u>\$47,914,739</u>	<u>\$43,098,473</u>	<u>-10.05%</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, 2012**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Owasso's economic outlook based on sales tax revenue received in 2012 recognized a moderate increase of 4.9% from that of the previous fiscal year 2010-2011. The negative national economic condition has not resulted in as significant effect on the City of Owasso as many other cities across the state and nation have experienced.

Sales tax collections for FY2012 totaled \$18,470,423 compared to \$17,602,952 in FY2011. The total increase in sales tax collections was \$867,471 in fiscal year comparisons. Sales tax collections for fiscal year 2012 remain strong. As of the November 2012 sales tax reporting, the city has realized a \$120,459 or 2.3% increase over the same periods in FY2012.

From July 2011 through June 2012, there were 206 new single family residential permits with a total construction value of \$33,159,439 and 9 commercial permits issued with a total construction value of \$13,001,616. The number of residential permits issued this past fiscal year is greater as compared with the previous year resulting in a 54% increase in construction value.

The outlook for fiscal year 2013 is on pace for an increase in residential single family permits from 2012. However, 2013 commercial permits are trending in a manner consistent with those of the previous year. Owasso can expect a slight surge in sales tax collections in 2013 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 and health care facilities. Retail, restaurants, and hospitality have experienced an increase this past year with the recovering economy.

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 fiscal year budget partially due to a rate increase from the City of Tulsa which provides water to the City of Owasso.

The budget for fiscal year 2012-2013 was adopted by the City of Owasso City Council on June 21, 2012 and went into effect on July 1, 2012. No cost of living increases were authorized and 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, 2012**

**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 ASSETS  
CITY OF OWASSO, OKLAHOMA  
June 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development Authority
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,440,253	\$ 5,232,591	\$ 11,672,844	\$ 9,046
Investments	900,214	337,339	1,237,553	-
Interest receivable	-	38,923	38,923	-
Accounts receivable, net of allowance	507,412	937,792	1,445,204	-
Court fine receivable, net of allowance	50,869	-	50,869	-
Other receivables	459,087	1,200	460,287	-
Internal balances	1,758,140	(1,758,140)	-	-
Due from other governments	2,651,791	222,672	2,874,463	-
Prepaid items	39,593	-	39,593	-
Inventory	-	75,464	75,464	-
Lease receivable	-	1,190,000	1,190,000	-
Unamortized bond issuance costs	-	900,874	900,874	-
Capital assets:				-
Land and construction in progress	14,286,054	12,475,946	26,762,000	-
Other capital assets, net of depreciation	66,739,472	55,494,969	122,234,441	-
<b>TOTAL ASSETS</b>	<b>93,832,885</b>	<b>75,149,630</b>	<b>168,982,515</b>	<b>9,046</b>
<b>LIABILITIES</b>				
Accounts payable	787,227	366,831	1,154,058	-
Accrued payroll liabilities	593,830	117,223	711,053	-
Accrued interest payable	-	390,832	390,832	-
Retainage payable	26,486	128,338	154,824	-
Due to other governments	6,116	-	6,116	-
Due to bondholders	17,486	-	17,486	-
Deferred revenue	113,000	-	113,000	-
Other liabilities	180,320	582,067	762,387	-
Long-term liabilities:				-
Due within one year	1,097,157	4,920,970	6,018,127	-
Due in more than one year	1,261,610	35,818,736	37,080,346	-
<b>TOTAL LIABILITIES</b>	<b>4,083,232</b>	<b>42,324,997</b>	<b>46,408,229</b>	<b>-</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	81,025,526	28,771,185	109,796,711	-
Restricted for:				-
Debt service	-	2,363,559	2,363,559	-
Culture and recreation	641,243	-	641,243	-
Public safety	244,392	-	244,392	-
Capital projects	2,615,551	-	2,615,551	-
Other purposes	7,757	-	7,757	-
Unrestricted	5,215,184	1,689,889	6,905,073	9,046
<b>TOTAL NET ASSETS</b>	<b>\$ 89,749,653</b>	<b>\$ 32,824,633</b>	<b>\$ 122,574,286</b>	<b>\$ 9,046</b>

See accompanying notes to the basic financial statements.

STATEMENT OF ACTIVITIES

CITY OF OWASSO, OKLAHOMA

For the fiscal year ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
		Charges for Services	Operating	Capital	Primary Government			Economic
			Grant and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Development Authority
<b>Primary Government:</b>								
Governmental activities:								
General government	\$ 4,286,170	\$ 435,126	\$ -	\$ -	\$ (3,851,044)	\$ -	\$ (3,851,044)	\$ -
Public safety	13,078,359	2,572,471	1,469,900	-	(9,035,988)	-	(9,035,988)	-
Highways and streets	2,891,389	131,703	323,895	1,694,936	(740,855)	-	(740,855)	-
Culture and recreation	918,145	98,724	-	-	(819,421)	-	(819,421)	-
Economic development	246,691	7,915	-	-	(238,776)	-	(238,776)	-
Stormwater	700,846	623,464	-	-	(77,382)	-	(77,382)	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>22,121,600</b>	<b>3,869,403</b>	<b>1,793,795</b>	<b>1,694,936</b>	<b>(14,763,466)</b>	<b>-</b>	<b>(14,763,466)</b>	<b>-</b>
Business-type activities:								
Water	6,216,885	5,316,273	-	2,543,469	-	1,642,857	1,642,857	-
Wastewater	3,240,336	3,165,977	-	-	-	(74,359)	(74,359)	-
Sanitation	1,375,041	1,713,184	-	-	-	338,143	338,143	-
Recycle center	354,478	55,298	-	-	-	(299,180)	(299,180)	-
Golf	1,162,558	655,771	-	-	-	(506,787)	(506,787)	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>12,349,298</b>	<b>10,906,503</b>	<b>-</b>	<b>2,543,469</b>	<b>-</b>	<b>1,100,674</b>	<b>1,100,674</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 34,470,898</b>	<b>\$ 14,775,906</b>	<b>\$ 1,793,795</b>	<b>\$ 4,238,405</b>	<b>(14,763,466)</b>	<b>1,100,674</b>	<b>(13,662,792)</b>	<b>-</b>
<b>Component Unit:</b>								
Economic Development	\$ -	\$ -	\$ -	\$ -	-	-	-	-
General Revenues:								
Taxes:								
Sales taxes					18,470,437	-	18,470,437	-
Use taxes					548,790	-	548,790	-
Franchise and public service taxes					1,128,691	-	1,128,691	-
Cigarette/tobacco tax					265,501	-	265,501	-
Hotel taxes					293,725	-	293,725	-
Alcoholic beverage tax					45,894	-	45,894	-
E-911 taxes					205,496	-	205,496	-
Investment income					47,567	23,742	71,309	8
Miscellaneous					173,413	-	173,413	-
Transfers-Internal activity					(5,512,663)	5,512,663	-	-
Total general revenues and transfers					15,666,851	5,536,405	21,203,256	8
Change in net assets					903,385	6,637,079	7,540,464	8
Net assets-beginning of year					88,846,268	26,187,554	115,033,822	9,038
Net assets-end of year					\$ 89,749,653	\$ 32,824,633	\$ 122,574,286	\$ 9,046

See accompanying notes to the basic financial statements.

BALANCE SHEET--GOVERNMENTAL FUNDS

CITY OF OWASSO, OKLAHOMA

June 30, 2012

	General	Other Governmental Funds	Total Governmental Funds
	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 49,708	\$ 5,740,158	\$ 5,789,866
Investments	276,232	518,283	794,515
Receivables:			
Account receivable, net of allowance	-	507,412	507,412
Due from other funds	2,721,440	-	2,721,440
Due from other governments	2,526,316	125,475	2,651,791
Court fines receivable, net of allowance	50,869	-	50,869
Other receivables	<u>169,009</u>	<u>280</u>	<u>169,289</u>
TOTAL ASSETS	<u>\$ 5,793,574</u>	<u>\$ 6,891,608</u>	<u>\$ 12,685,182</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 336,350	\$ 253,240	\$ 589,590
Accrued payroll liabilities	540,141	45,728	585,869
Due to other funds	908,973	85,310	994,283
Due to other governments	6,116	-	6,116
Due to bondholders	17,486	-	17,486
Retainage payable	-	26,486	26,486
Deferred revenue	147,044	179,255	326,299
Other liabilities	<u>125,680</u>	<u>-</u>	<u>125,680</u>
TOTAL LIABILITIES	2,081,790	590,019	2,671,809
<b>FUND BALANCE</b>			
Restricted for:			
Culture and recreation	-	641,243	641,243
Public safety	-	244,392	244,392
Capital projects	-	2,615,551	2,615,551
Other	-	7,757	7,757
Committed:			
Public safety	-	427,301	427,301
Culture and recreation	-	269,735	269,735
Stormwater management	-	1,220,523	1,220,523
Capital projects	-	875,087	875,087
Assigned:			
Homeowners' Association	105	-	105
FY13 expenditures	128,520	-	128,520
Unassigned	<u>3,583,159</u>	<u>-</u>	<u>3,583,159</u>
TOTAL FUND BALANCES	<u>3,711,784</u>	<u>6,301,589</u>	<u>10,013,373</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 5,793,574</u>	<u>\$ 6,891,608</u>	<u>\$ 12,685,182</u>

(Continued)

See accompanying notes to the basic financial statements.

BALANCE SHEET--GOVERNMENTAL FUNDS

CITY OF OWASSO, OKLAHOMA

June 30, 2012

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

Total fund balances- governmental funds	\$ 10,013,373
Amounts reported for governmental activities in the Statement of Net Assets 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 \$39,163,570, and net of capital assets of Internal Service Funds of \$185,727	80,839,799
Certain assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:	
Accounts receivable	213,299
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 Assets.	
Net assets of the Internal Service Fund	(136,942)
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Accrued compensated absences	(789,903)
Net OPEB obligation	(347,590)
Other long term liability	<u>(42,383)</u>
Net assets of governmental activities	<u>\$ 89,749,653</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, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
REVENUES			
Taxes	\$ 20,147,915	\$ -	\$ 20,147,915
Intergovernmental	2,731,441	624,466	3,355,907
Charges for services	506,134	2,351,261	2,857,395
Fines and forfeitures	730,253	3,285	733,538
Licenses and permits	182,739	67,600	250,339
Investment income	18,072	22,981	41,053
Miscellaneous	171,992	1,419	173,411
	<u>24,488,546</u>	<u>3,071,012</u>	<u>27,559,558</u>
TOTAL REVENUES			
EXPENDITURES			
Current:			
General government	4,212,119	-	4,212,119
Public safety	11,001,908	1,283,934	12,285,842
Highway and streets	652,611	-	652,611
Culture and recreation	628,522	-	628,522
Economic development	106,812	138,291	245,103
Stormwater	315,620	86,796	402,416
Capital outlay	1,157,349	2,790,241	3,947,590
Debt service - principal	-	23,118	23,118
	<u>18,074,941</u>	<u>4,322,380</u>	<u>22,374,203</u>
TOTAL EXPENDITURES			
Excess (deficiency) of revenues over expenditures	6,413,605	(1,251,368)	5,185,355
OTHER FINANCING SOURCES (USES)			
Debt issuance	-	65,501	65,501
Transfers in	11,825,190	1,594,355	13,419,545
Transfers out	(18,471,523)	(460,685)	(18,932,208)
	<u>(6,646,333)</u>	<u>1,199,171</u>	<u>(5,447,162)</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	(232,728)	(52,197)	(284,925)
FUND BALANCE - BEGINNING OF YEAR	<u>3,944,512</u>	<u>6,353,786</u>	<u>10,298,298</u>
FUND BALANCE - END OF YEAR	<u>\$ 3,711,784</u>	<u>\$ 6,301,589</u>	<u>\$ 10,013,373</u>

(Continued)

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, 2012

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 \$ (284,925)

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	3,947,590
Depreciation expense	(3,615,070)
Loss on disposal of capital assets	<u>(77,584)</u>
	<u>254,936</u>

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

Contributed assets	943,440
Deferred revenue	<u>28,132</u>
	<u>971,572</u>

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	(7,301)
Net other post-employment benefit obligation (asset)	(192,379)
Other long term liability	<u>(42,383)</u>
	<u>(242,063)</u>

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 Assets.

Change in net assets of the internal service fund	<u>203,865</u>
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Change in net assets of governmental activities \$ 903,385

See accompanying notes to the basic financial statements.



STATEMENT OF NET ASSETS--PROPRIETARY FUNDS

CITY OF OWASSO, OKLAHOMA

June 30, 2012

	Enterprise Funds			Internal Service Funds
	Owasso Public Works Authority	Owasso Public Golf Authority	Total	
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 2,015,644	\$ 4,538	\$ 2,020,182	\$ 650,387
Investments	337,339	-	337,339	105,699
Restricted cash and cash equivalents	2,189,870	-	2,189,870	-
Accounts receivable, net of allowance	937,792	-	937,792	-
Other receivables	-	1,200	1,200	289,798
Due from other funds	1,725,903	-	1,725,903	30,983
Due from other governments	222,672	-	222,672	-
Prepaid items	-	-	-	39,593
Inventory	-	75,464	75,464	-
<b>TOTAL CURRENT ASSETS</b>	<b>7,429,220</b>	<b>81,202</b>	<b>7,510,422</b>	<b>1,116,460</b>
<b>NONCURRENT ASSETS</b>				
Restricted Assets:				
Cash and cash equivalents	1,022,539	-	1,022,539	-
Interest receivable	38,923	-	38,923	-
Lease purchase receivable from other governments	1,190,000	-	1,190,000	-
Land and construction in progress	12,475,946	-	12,475,946	-
Other depreciable capital assets, net	54,940,382	554,587	55,494,969	185,727
Unamortized debt issuance costs	900,874	-	900,874	-
<b>TOTAL NONCURRENT ASSETS</b>	<b>70,568,664</b>	<b>554,587</b>	<b>71,123,251</b>	<b>185,727</b>
<b>TOTAL ASSETS</b>	<b>\$ 77,997,884</b>	<b>\$ 635,789</b>	<b>\$ 78,633,673</b>	<b>\$ 1,302,187</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 322,383	\$ 44,448	\$ 366,831	\$ 197,637
Accrued payroll liabilities	86,316	30,907	117,223	7,961
Interest payable	390,832	-	390,832	-
Contracts and retainage payable	128,338	-	128,338	-
Due to other funds	13,897	3,470,146	3,484,043	-
Other liabilities	546,123	35,944	582,067	54,640
Current portion of noncurrent liabilities:				
Deposits subject to refund	113,013	-	113,013	-
Notes payable	992,788	-	992,788	-
Revenue note payable	3,760,000	-	3,760,000	-
Net OPEB obligation	20,753	4,151	24,904	-
Incurred but not reported claims	-	-	-	574,476
Accrued compensated absences	23,911	6,354	30,265	3,217
<b>TOTAL CURRENT LIABILITIES</b>	<b>6,398,354</b>	<b>3,591,950</b>	<b>9,990,304</b>	<b>837,931</b>
<b>NONCURRENT LIABILITIES</b>				
Deposits subject to refund	383,928	-	383,928	-
Notes payable, net	24,272,822	-	24,272,822	-
Revenue note payable	11,074,994	-	11,074,994	-
Net OPEB obligation	46,834	9,366	56,200	-
Incurred but not reported claims	-	-	-	597,924
Accrued compensated absence	24,328	6,464	30,792	3,274
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>35,802,906</b>	<b>15,830</b>	<b>35,818,736</b>	<b>601,198</b>
<b>TOTAL LIABILITIES</b>	<b>42,201,260</b>	<b>3,607,780</b>	<b>45,809,040</b>	<b>1,439,129</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	28,216,598	554,587	28,771,185	185,727
Restricted for:				
Debt service	2,363,559	-	2,363,559	-
Unrestricted	5,216,467	(3,526,578)	1,689,889	(322,669)
<b>TOTAL NET ASSETS</b>	<b>\$ 35,796,624</b>	<b>\$ (2,971,991)</b>	<b>\$ 32,824,633</b>	<b>\$ (136,942)</b>

See accompanying notes to the basic financial statements.

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS--PROPRIETARY FUNDS

## CITY OF OWASSO, OKLAHOMA

For the fiscal year ended June 30, 2012

	Enterprise Funds			Internal Service Funds
	Owasso Public Works Authority	Owasso Public Golf Authority	Total	
<b>OPERATING REVENUES</b>				
Charges for services:				
Water	\$ 4,927,414	\$ -	\$ 4,927,414	\$ -
Wastewater	3,165,977	-	3,165,977	-
Sanitation	1,713,184	-	1,713,184	-
Penalties/late charges	247,745	-	247,745	-
Golf	-	654,705	654,705	-
Recycle	55,298	-	55,298	-
Internal service charges for services	-	-	-	4,529,335
Other	141,114	1,066	142,180	211,255
<b>TOTAL OPERATING REVENUES</b>	<b>10,250,732</b>	<b>655,771</b>	<b>10,906,503</b>	<b>4,740,590</b>
<b>OPERATING EXPENSES</b>				
Utility billing	338,615	-	338,615	-
Administration	749,577	-	749,577	676,298
Water	4,021,682	-	4,021,682	-
Wastewater treatment plant	945,913	-	945,913	-
Wastewater collection	538,519	-	538,519	-
Refuse collections	846,983	-	846,983	-
Recycle center	247,599	-	247,599	-
Golf	-	1,083,261	1,083,261	-
Claims expense	-	-	-	3,498,182
City garage	-	-	-	359,474
Depreciation	1,392,564	79,297	1,471,861	9,284
Other	862,436	-	862,436	-
<b>TOTAL OPERATING EXPENSES</b>	<b>9,943,888</b>	<b>1,162,558</b>	<b>11,106,446</b>	<b>4,543,238</b>
<b>OPERATING INCOME (LOSS)</b>	<b>306,844</b>	<b>(506,787)</b>	<b>(199,943)</b>	<b>197,352</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	23,742	-	23,742	6,513
Interest expense and amortization of bond issue costs	(1,242,852)	-	(1,242,852)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(1,219,110)</b>	<b>-</b>	<b>(1,219,110)</b>	<b>6,513</b>
Net income (loss) before contributions and transfers	(912,266)	(506,787)	(1,419,053)	203,865
Capital contributions	2,543,469	-	2,543,469	-
Transfers in- pledged as security for debt	18,470,423	-	18,470,423	-
Transfers in- unpledged	1,024,227	-	1,024,227	-
Transfers out	(13,981,987)	-	(13,981,987)	-
<b>CHANGE IN NET ASSETS</b>	<b>7,143,866</b>	<b>(506,787)</b>	<b>6,637,079</b>	<b>203,865</b>
<b>TOTAL NET ASSETS (DEFICIT) - BEGINNING</b>	<b>28,652,758</b>	<b>(2,465,204)</b>	<b>26,187,554</b>	<b>(340,807)</b>
<b>TOTAL NET ASSETS (DEFICIT) - ENDING</b>	<b>\$ 35,796,624</b>	<b>\$ (2,971,991)</b>	<b>\$ 32,824,633</b>	<b>\$ (136,942)</b>

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, 2012

	Enterprise Funds			Internal Service Funds
	Owasso Public Works Authority	Owasso Public Golf Authority	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 9,946,714	\$ 654,705	\$ 10,601,419	\$ 4,529,335
Payments to suppliers	(4,964,548)	(388,562)	(5,353,110)	(3,945,908)
Payments to employees	(2,160,780)	(703,971)	(2,864,751)	(243,316)
Receipts of customer meter deposits	155,465	-	155,465	-
Customer meter deposits refunded or applied	(113,013)	-	(113,013)	-
Other receipts (payments)	(891,549)	457,252	(434,297)	204,553
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,972,289	19,424	1,991,713	544,664
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers from other funds	19,494,650	-	19,494,650	-
Transfers to other funds	(13,981,987)	-	(13,981,987)	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	5,512,663	-	5,512,663	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from the issuance of debt	3,835,469	-	3,835,469	-
Purchases of capital assets	(3,462,884)	(19,930)	(3,482,814)	-
Capital contributions	79,200	-	79,200	-
Principal paid on capital debt	(7,322,707)	-	(7,322,707)	-
Debt issuance costs paid	(110,767)	-	(110,767)	-
Interest paid on capital debt	(1,080,028)	-	(1,080,028)	-
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(8,061,717)	(19,930)	(8,081,647)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sale of investments	94,587	-	94,587	-
Purchases of investments	-	-	-	(17,057)
Repayment of lease purchase receivable	145,000	-	145,000	-
Investment income received	28,485	-	28,485	6,513
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	268,072	-	268,072	(10,544)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(308,693)	(506)	(309,199)	534,120
BALANCES - BEGINNING OF YEAR	5,536,746	5,044	5,541,790	116,267
BALANCES - END OF YEAR	\$ 5,228,053	\$ 4,538	\$ 5,232,591	\$ 650,387

(Continued)

STATEMENT OF CASH FLOWS--PROPRIETARY FUNDS

CITY OF OWASSO, OKLAHOMA

For the fiscal year ended June 30, 2012

	Enterprise Funds			Internal Service Funds
	Owasso Public Works Authority	Owasso Public Golf Authority	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 306,844	\$ (506,787)	\$ (199,943)	\$ 197,352
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	1,392,564	79,297	1,471,861	9,284
Change in assets and liabilities				
Accounts receivables, net	(107,606)	-	(107,606)	-
Other receivables	-	-	-	4,105
Inventory	-	(8,647)	(8,647)	-
Due from other funds	(231,825)	-	(231,825)	(6,702)
Net OPEB asset/obligation	36,721	4,698	41,419	-
Accounts payable	23,605	(17,817)	5,788	56,133
Accrued payroll liabilities	7,051	(407)	6,644	(256)
Estimated liability for claims	-	-	-	229,300
Customer meter deposits payable	42,452	-	42,452	-
Due to other funds	6,300	456,186	462,486	-
Other liabilities	492,775	9,199	501,974	54,640
Accrued compensated absences	3,408	3,702	7,110	808
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,972,289</u>	<u>\$ 19,424</u>	<u>\$ 1,991,713</u>	<u>\$ 544,664</u>
NONCASH ACTIVITIES				
Contributed capital assets	<u>\$ 2,464,269</u>	<u>\$ -</u>	<u>\$ 2,464,269</u>	<u>\$ -</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS				
Cash and cash equivalents - current	\$ 2,015,644	\$ 4,538	\$ 2,020,182	\$ 650,387
Cash and cash equivalents - restricted current	2,189,870	-	2,189,870	-
Cash and cash equivalents - restricted noncurrent	<u>1,022,539</u>	<u>-</u>	<u>1,022,539</u>	<u>-</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 5,228,053</u>	<u>\$ 4,538</u>	<u>\$ 5,232,591</u>	<u>\$ 650,387</u> (Concluded)

See accompanying notes to the basic financial statements.

## NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF OWASSO, OKLAHOMA

June 30, 2012

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NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF OWASSO, OKLAHOMA

June 30, 2012

**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). In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For business-type activities and enterprise funds, GASB Statement Nos. 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. 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 Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity* and includes all component units for which the City is fiscally 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.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2012

*1. A--Financial Reporting Entity--Continued*

Blended Component Units: Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate fund category to comprise the primary government presentation.

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. Any issuances of debt would require a two-thirds 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. Any issuances of debt would require a two-thirds approval of the City Council.	OPGA Enterprise Fund

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2012

***1. A--Financial Reporting Entity--Continued***

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 whose governing body is not substantially the same as the City Council or is an entity established to provide services primarily to the primary government. 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.

***1.B--Basis of Presentation***

Government-Wide Financial Statements: The statement of net assets 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.



NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2012

***1.B--Basis of Presentation--Continued***

Fund Financial Statements: Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into 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.

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. Fifteen percent (15%) of all revenue is required to be transferred to the ambulance capital improvement fund. Allocated revenue is 85% of receipts for ambulance billings and 50% of receipts for ambulance subscriptions.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2012

*1.B--Basis of Presentation--Continued*

Special Revenue Funds--Continued:

<u>Funds</u>	<u>Brief Description</u>
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, 2012

***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 ten percent (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, 2012

*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.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2012

*1.B--Basis of Presentation--Continued*

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.

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

<u>Major Funds</u>	<u>Non-Major Funds</u>
General Fund	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
Enterprise Funds: Owasso Public Works Authority Owasso Public Golf Authority	Capital Project Funds: Capital Improvement Fund Ambulance Capital Fund Public Safety Capital Fund Capital Projects Grants Fund
	Internal Service Funds: City Garage Fund General Liability / Property Self-Insurance Fund Workers' Comp Self-Insurance Fund Health Care Self-Insurance Fund

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2012

*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 assets 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.

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 assets (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 assets.

Basis of Accounting: In the government-wide statement of net assets 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.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2012

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

Basis of Accounting--Continued: 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.

***1.D--Assets, Liabilities and Net Assets***

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 non-negotiable certificates of deposit whose original maturity term exceeds three months and investments in revenue anticipation notes. The non-negotiable certificates of deposit are carried at cost and investments in revenue anticipation notes 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 deferred in accordance with GASB 33 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.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2012

***1.D--Assets, Liabilities and Net Assets--Continued***

Receivables--Continued: 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.

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

Buildings	20-100 years
Other improvements	20-100 years
Infrastructure	50-100 years
Equipment and vehicles	5-10 years



NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2012

***1.D--Assets, Liabilities and Net Assets--Continued***

Capital Asset--Continued:

*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.

Deferred Revenue: Revenue received prior to being earned is recorded as deferred revenue. Currently the City's deferred revenue consists of a portion of ambulance receivable, court receivable and grant receivable not collectible within 60 days, 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.

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, discounts, and amounts deferred from refundings.

*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.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2012

*1.D--Assets, Liabilities and Net Assets--Continued*

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.

Equity Classifications:

*Government-Wide and Proprietary Fund Financial Statements*

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

- a) Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bond, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted net assets - Consists of net assets with constraints placed on 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 assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

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

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2012

*1.D--Assets, Liabilities and Net Assets--Continued*

Equity Classifications--Continued:

*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.

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.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2012

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

In the process of aggregating the financial information for the government-wide statement of net assets 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 assets, 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, 2012

***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 levies no property tax.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2012

**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, 2012

**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, 2012.

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 limitation, 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, 2012

***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, 2012, 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, 2012, 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, 2012.

<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, 2012 is \$38,000
2. 2001B OWRB Note Payable: Balance to be \$125,500	Balance in account at June 30, 2012 is \$125,500
3. 2001C OWRB Note Payable: Balance to be \$68,000	Balance in account at June 30, 2012 is \$68,000
4. 2004 OWRB Note Payable: Balance to be \$235,000	Balance in account at June 30, 2012 is \$235,000
5. 2006 OWRB Note Payable: Balance to be \$386,500	Balance in account at June 30, 2012 is \$386,500
6. 2010 OWRB Note Payable: Balance to be \$65,500	Balance in account at June 30, 2012 is \$65,500
7. 2012A OWRB Note Payable Balance to be \$100,500	Balance in account at June 30, 2012 is \$104,039



NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2012

***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 \$15,346,646. The maximum annual debt service on the bonds and any subordinate debt amounted to \$4,606,148. Actual coverage was 333%. |
| 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, 2009A, 2009B, 2009C, 2010, 2011, and 2012A OWRB Notes, 2006 and 2007 Sales Tax Revenue Note. | Net revenues available, including sales tax transferred, amounted to \$14,918,090. The maximum annual debt service on the bonds and any subordinate debt amounted to \$4,606,148. Actual coverage was 324%. |

***2.C--Fund Equity/Net Asset 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, 2012, the City incurred no deficit fund balances.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2012

**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, 2012:

	<u>Carrying Value</u>		
<b>Deposits</b>			
Demand deposits	\$ 8,575,625		
BNY Mellon Cash Reserve	<u>2,326,235</u>		
<b>Total Deposits</b>	<u>10,901,860</u>		
	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Maturity Date</u>
<b>Investments</b>			
Money Market Mutual Funds			
Federated Government Obligations Fund	786,018	AAAm	N/A
Revenue Anticipation Note (1)	<u>1,222,519</u>	N/A	9/1/2017
<b>Total Investments</b>	<u>2,008,537</u>		
<b>Total Deposits and Investments</b>	<u>\$ 12,910,397</u>		
<b>Reconciliation to Statement of Net Assets</b>			
Cash and cash equivalents	\$ 11,672,844		
Investments	<u>1,237,553</u>		
	<u>\$ 12,910,397</u>		

(1) This obligations 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, 2012

***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 \$10,802,032 at June 30, 2012. The difference between the carrying amount of deposits and the bank balance is due to outstanding checks. As of June 30, 2012, the City was exposed to custodial credit risk in the amount of \$2,283,989 due to uninsured and uncollateralized deposits. All such deposits were held by OPWA.

*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, 2012, 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, 2012

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

As noted in the schedule of deposits and investments above, June 30, 2012, 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, 2012, the City had no concentration of credit risk as defined above.

*Component Units:*

Total bank deposits of \$9,046 of the discretely presented component unit were insured with Federal Deposit Insurance Corporation Insurance. Total carrying value of the deposits was \$9,046.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2012

**3.B--Accounts Receivable**

Accounts receivable outstanding at June 30, 2012 consists of the following:

	<u>Governmental Activities</u>			
	Utility Billing	Fire and Emergency Service Billings	Hotel Taxes Due	Total
Accounts Receivable	\$ 73,941	\$ 484,022	\$ 26,164	\$ 584,127
Allowance for Uncollectible Accounts	-	(76,715)	-	(76,715)
Accounts receivables, net	<u>\$ 73,941</u>	<u>\$ 407,307</u>	<u>\$ 26,164</u>	<u>\$ 507,412</u>
	<u>Business-Type Activities</u>			
	Utility Billing	Golf Billing	Total	
Accounts Receivable	\$ 1,368,779	\$ -	\$ 1,368,779	
Allowance for Uncollectible Accounts	(430,987)	-	(430,987)	
Accounts receivables, net	<u>\$ 937,792</u>	<u>\$ -</u>	<u>\$ 937,792</u>	

**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 1/12<sup>th</sup> 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, 2012

**3.D--Restricted Assets--Continued**

The restricted assets as of June 30, 2012 were as follows:

Restricted Cash and Cash Equivalents	Current	Noncurrent	Accrued Interest
1999B Promissory Note Accounts:			
Debt Service Account	\$ 31,151	\$ -	\$ -
Reserve Account	-	38,000	-
2001B Promissory Note Accounts:			
Debt Service Account	102,718	-	-
Reserve Account	-	125,500	-
2001C Promissory Note Accounts:			
Debt Service Account	55,657	-	-
Reserve Account	-	68,000	-
2004 Promissory Note Accounts:			
Debt Service Account	192,720	-	-
Reserve Account	-	235,000	-
2005 Revenue Note Trustee Accounts:			
Debt Service Account	136,536	-	-
2006 Promissory Note Account			
Debt Service Account	418,566	-	-
2006 Revenue Note Trustee Accounts			
Reserve Fund	-	386,500	-
2007 Revenue Note Trustee Accounts			
Debt Service Account	553,126	-	-
2008 Revenue Note Trustee Accounts			
Debt Service Account	44,942	-	-
2009 Revenue Note Account:			
Debt Service Account	70,084	-	-
2010 Promissory Note			
Debt Service Account	53,797	-	-
Reserve Account	-	65,500	-
2012A Promissory Note Accounts:			
Debt Service Account	33,632	-	-
Reserve Account	-	104,039	-
Accrued interest receivable (all accounts)	-	-	38,923
Deposits held for refund	496,941	-	-
TOTAL RESTRICTED ASSETS	\$ 2,189,870	\$ 1,022,539	\$ 38,923

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2011

**3.E--Capital Assets**

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

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Disposals/ Reductions</u>	<u>June 30, 2012</u>
<b>Governmental activities</b>				
Non-depreciable				
Land	\$ 7,562,909	\$ -	\$ -	\$ 7,562,909
Construction in-progress	<u>3,846,254</u>	<u>3,730,142</u>	<u>(853,251)</u>	<u>6,723,145</u>
Total non-depreciable assets at historical cost	<u>11,409,163</u>	<u>3,730,142</u>	<u>(853,251)</u>	<u>14,286,054</u>
Depreciable				
Buildings	9,832,030	155,821	-	9,987,851
Improvements	6,317,267	849,926	(117,457)	7,049,736
Machinery and equipment	8,499,591	723,142	(96,604)	9,126,129
Infrastructure	<u>79,612,675</u>	<u>285,250</u>	<u>-</u>	<u>79,897,925</u>
Total depreciable assets at historical cost	<u>104,261,563</u>	<u>2,014,139</u>	<u>(214,061)</u>	<u>106,061,641</u>
Less accumulated depreciation				
Buildings	(2,111,214)	(190,079)	-	(2,301,293)
Improvements	(1,894,093)	(325,510)	39,935	(2,179,668)
Machinery and equipment	(4,717,796)	(783,333)	96,542	(5,404,587)
Infrastructure	<u>(27,111,189)</u>	<u>(2,325,432)</u>	<u>-</u>	<u>(29,436,621)</u>
Total accumulated depreciation	<u>(35,834,292)</u>	<u>(3,624,354)</u>	<u>136,477</u>	<u>(39,322,169)</u>
Net depreciable assets	<u>68,427,271</u>	<u>(1,610,215)</u>	<u>(77,584)</u>	<u>66,739,472</u>
Governmental activities capital assets, net	<u>\$ 79,836,434</u>	<u>\$ 2,119,927</u>	<u>\$ (930,835)</u>	<u>\$ 81,025,526</u>
<b>Business-type activities:</b>				
Non-depreciable				
Land	\$ 322,519	\$ -	\$ -	\$ 322,519
Construction-in-progress	<u>14,769,943</u>	<u>2,348,543</u>	<u>(4,965,059)</u>	<u>12,153,427</u>
Total non-depreciable assets at historical cost	<u>15,092,462</u>	<u>2,348,543</u>	<u>(4,965,059)</u>	<u>12,475,946</u>
Depreciable				
Buildings	2,711,380	-	-	2,711,380
Improvements	3,555,983	10,675	-	3,566,658
Machinery and equipment	3,447,893	147,448	(7,691)	3,587,650
Infrastructure	<u>70,484,857</u>	<u>5,565,730</u>	<u>-</u>	<u>76,050,587</u>
Total depreciable assets at historical cost	<u>80,200,113</u>	<u>5,723,853</u>	<u>(7,691)</u>	<u>85,916,275</u>
Less accumulated depreciation				
Buildings	(1,169,949)	(48,814)	-	(1,218,763)
Improvements	(1,574,535)	(58,485)	-	(1,633,020)
Machinery and equipment	(1,832,620)	(275,315)	3,989	(2,103,946)
Infrastructure	<u>(24,376,330)</u>	<u>(1,089,247)</u>	<u>-</u>	<u>(25,465,577)</u>
Total accumulated depreciation	<u>(28,953,434)</u>	<u>(1,471,861)</u>	<u>3,989</u>	<u>(30,421,306)</u>
Net depreciable assets	<u>51,246,679</u>	<u>4,251,992</u>	<u>(3,702)</u>	<u>55,494,969</u>
Business-type activities capital assets, net	<u>\$ 66,339,141</u>	<u>\$ 6,600,535</u>	<u>\$ (4,968,761)</u>	<u>\$ 67,970,915</u>

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2012

***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	\$ 271,402
Public safety	592,837
Streets and highways	2,161,192
Culture and recreation	289,623
Economic development	1,587
Stormwater	<u>298,429</u>
sub-total	3,615,070

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 9,284

Total Governmental Activities Depreciation Expense \$ 3,624,354

Depreciation expense charged to business-type activities:

Water	\$ 475,593
Refuse	120,213
Wastewater	795,019
Recycle center	1,739
Golf course	<u>79,297</u>

Total Business-Type Activities Depreciation Expense \$ 1,471,861



NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2012

**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 2012, 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	\$ 394,758
Non-current portion	<u>401,636</u>
Total Accrued Compensated Absences	<u>\$ 796,394</u>

Risk Management Claims Liability:

Risk management claims liability related to self-insurance

Current portion	\$ 574,476
Non-current portion	<u>597,924</u>
Total Risk Management Claims Liability	<u>\$ 1,172,400</u>

Other Postemployment Benefits Obligation:

Net obligation for medical insurance benefits for retired employees

Current portion	\$ 106,732
Non-current portion	<u>240,858</u>
Total Other Postemployment Benefits Obligation	<u>\$ 347,590</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	\$ 21,191
Non-current portion	<u>21,192</u>
Total Capital Lease Payable	<u>\$ 42,383</u>

Total Governmental Activities Long-Term Debt:

Current portion	\$ 1,097,157
Non-current portion	<u>1,261,610</u>
Total Governmental Activities Long-Term Debt	<u>\$ 2,358,767</u>

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2012

**3.F--Long Term Debt--Continued**

Business-Type Activities Long-Term Debt:

As of June 30, 2012, 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.	\$ 310,536
1999B OWRB Note Payable, dated June 30, 1999, original amount of \$570,000 with an annual variable interest rate, semiannual installments of principal and interest, final maturity September 1, 2019.	297,900
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.	463,291
2001B OWRB Note Payable, dated June 27, 2001, original amount of \$1,805,000 with an annual variable interest rate, semiannual installments of principal and interest, final maturity September 1, 2019.	984,000
2001C OWRB Note Payable, dated June 27, 2001, original amount of \$1,005,000 with an annual variable interest rate, semiannual installments of principal and interest, final maturity September 1, 2019.	533,100
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.	465,369
2004 OWRB Note Payable, dated May 12, 2004, original amount of \$2,350,000 with an annual variable interest rate, semiannual installments of principal and interest, final maturity September 1, 2015.	905,000
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.	2,960,105
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	1,190,000
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	10,150,655
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	4,112,402
2010 OWRB Note Payable, dated June 16, 2010, original amount of \$655,000 with an annual variable interest rate; annual installments of principal and interest; final maturity October 1, 2019	590,000
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.	1,336,531
2012 Refinance of 2002B OWRB Note Payable, dated March 1, 2012, original amount of \$1,005,000 with an annual variable interest rate, semiannual installments of principal and interest, final maturity September 15, 2016.	<u>1,005,000</u>
Total Notes Payable	25,303,889
Less: Unamortized loss on 2004 refunding	(12,667)
Less: Unamortized loss on 2002B refinancing	(48,965)
Plus: Unamortized premium on refinancing	<u>23,353</u>
Net notes payable	<u>\$ 25,265,610</u>
Current portion	\$ 992,788
Non-current portion	<u>24,272,822</u>
Net notes payable	<u>\$ 25,265,610</u>

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2012

**3.F--Long Term Debt--Continued**

Business-Type Activities Long-Term Debt, Continued:

**Enterprise Funds, Continued**

*Revenue Notes Payable:*

Series 2005 Sales Tax Revenue Note Payable dated October 24, 2005, issued by Owasso Public Works Authority, secured by pledged sales tax revenues, original amount of \$10,000,000 with an annual interest rate of 3.675%, semiannual principal payments varying from \$600,000 to \$805,000, with final maturity on December 1, 2012	805,000
Series 2006 Sales Tax Revenue Note Payable dated November 27, 2006, issued by Owasso Public Works Authority, secured by pledge of sales tax and water 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	2,290,000
Series 2007 Sales Tax Revenue Note Payable dated September 1, 2007, issued by Owasso Public Works Authority, secured by pledge of sales tax and water 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	3,905,000
Series 2008 Sales Tax Revenue Note Payable dated December 1, 2008, issued by Owasso Public Works Authority, secured by pledge of sales tax and water system revenues, 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	6,665,000
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.	<u>1,222,519</u>
Total Revenue Notes Payable	14,887,519
Less: Unamortized loss on 2004 refunding and 1996 revenue bonds defeasance	<u>(52,525)</u>
Net Revenue Notes Payable	<u>\$ 14,834,994</u>
Current portion	3,760,000
Noncurrent portion	<u>11,074,994</u>
Net Revenue Notes Payable	<u>\$ 14,834,994</u>

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2012

**3.F--Long Term Debt--Continued**

Changes in Long-Term Debt:

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

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Amount Due Within One Year
<b>Governmental Activities:</b>					
Net OPEB obligation	\$ 155,211	\$ 231,276	\$ (38,897)	\$ 347,590	\$ 106,732
Accrued compensated absences	788,285	400,094	(391,985)	796,394	394,758
Risk management claims liability	943,100	3,443,542	(3,214,242)	1,172,400	574,476
Capital lease payable	-	65,501	(23,118)	42,383	21,191
Total Governmental Activities	<u>\$ 1,886,596</u>	<u>\$ 4,140,413</u>	<u>\$ (3,668,242)</u>	<u>\$ 2,358,767</u>	<u>\$ 1,097,157</u>
<b>Business-Type Activities:</b>					
Revenue notes payable	\$ 19,698,322	\$ -	\$ (4,863,328)	\$ 14,834,994	\$ 3,760,000
Notes payable	25,781,700	3,830,787	(4,346,877)	25,265,610	992,788
Deposits subject to refund	454,489	155,465	(113,013)	496,941	113,013
Net OPEB obligation	39,685	50,495	(9,076)	81,104	24,904
Accrued compensated absences	53,947	33,851	(26,741)	61,057	30,265
Total Business Type Activities	<u>\$ 46,028,143</u>	<u>\$ 4,070,598</u>	<u>\$ (9,359,035)</u>	<u>\$ 40,739,706</u>	<u>\$ 4,920,970</u>

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2012

**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, 2012 are as follows:

Year Ending June 30,	<b>Business-Type Activities</b>			
	Revenue Note Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2013	\$ 3,760,000	\$ 578,737	\$ 992,788	\$ 287,570
2014	3,080,000	438,266	1,068,490	259,644
2015	2,395,000	306,982	1,099,396	227,432
2016	1,665,000	220,421	1,385,515	187,937
2017	1,730,000	147,226	1,181,852	149,789
2018-2022	2,257,519	87,445	2,868,859	378,873
2023-2027	-	-	1,107,402	98,552
	14,887,519	1,779,077	9,704,302	1,589,797
Construction loans	-	-	15,599,587	-
	<u>\$ 14,887,519</u>	<u>\$ 1,779,077</u>	<u>\$ 25,303,889</u>	<u>\$ 1,589,797</u>
	<b>Governmental Activities</b>			
	Capital Lease Payable			
	Principal	Interest		
2013	\$ 21,191	\$ 1,928		
2014	21,192	1,927		
	<u>\$ 42,383</u>	<u>\$ 3,855</u>		

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2012

***3.F--Long Term Debt--Continued***

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, 2009A, 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 \$32,217,397. Pledged revenue received in the current year totaled \$23,022,640. Debt service payments of \$4,070,646 for the current year were 18% of pledged revenue.

The City has also pledged proceeds from a 1% sales tax to repay the 2004, 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 \$8,606,272. Pledged revenue received in the current year totaled \$6,156,808. Debt service payments of \$3,314,757 for the current year were 54% of pledged revenue.

Refunding of Debt: In March 2012, the Owasso Public Works Authority issued \$1,005,000 of OWRB notes payable to refund the outstanding debt obligation of the OWRB 2002B notes payable, to fund a reserve, and to pay certain expenses related to the issuance of the notes. The primary purpose of the refunding was to refinance at lower interest rates. The refunding resulted in a cash flow savings of \$227,441 and reduced the length of the 2002B notes from fiscal year 2023 to fiscal year 2017.

The refunding resulted in the advance defeasance of the 2002B OWRB notes payable by placing deposits with OWRB to pay the principal and interest on the defeased notes as they are due and payable. For financial reporting purposes, both the defeased notes outstanding and the OWRB deposits have been excluded from the financial statements.

The refunding resulted in an accounting loss of \$89,792. The economic gain was \$184,056.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2012

**3.G--Interfund Balances and Activities**

Interfund receivables and payables at June 30, 2012 consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Nature of Interfund Balance</u>
General Fund	OPGA	\$ 2,637,510	negative share of pooled cash
General Fund	Capital Grants Project Fund	83,333	negative share of pooled cash
General Fund	Debt Service Fund	597	negative share of pooled cash
OPWA	OPGA	832,636	negative share of pooled cash
OPWA	General Fund	893,267	sales tax per debt indentures
City Garage	OPWA	13,897	garage billing for services
City Garage	General Fund	15,706	garage billing for services
City Garage	Ambulance Service Fund	1,380	garage billing for services

Interfund transfers for the year ended June 30, 2012 consist of the following:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Nature of Transfer</u>
General Fund	Cemetery Care Fund	\$ 1,100	12.5% of cemetery lot sales and internments
General Fund	OPWA	18,470,423	Pledged sales tax per debt indentures
Ambulance Service Fund	Fire Capital Improvement Fund	80,443	Budgeted transfer per ordinance
Ambulance Service Fund	Ambulance Capital Fund	144,441	Budgeted transfer per ordinance
OPWA	General Fund	11,525,190	Pledged sales tax per debt indenture
OPWA	Capital Improvement Fund	1,274,700	Capital improvements
OPWA	Stormwater	93,671	Development
OPWA	General Fund	300,000	Administrative functions
Stormwater	OPWA	235,801	Debt Service

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2012

***3.H--Fund Balances and Net Assets***

Committed Fund Balance: Fund balance classifications at June 30, 2012, 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, 2012, include amounts assigned to a Homeowners' Association by the City Manager and amounts assigned through the budgetary process.

Restricted Net Assets: Restricted net assets relate to revenue bond and promissory note trustee accounts. Balances at June 30, 2012, are as follows:

Debt service account- 1999B	\$ 31,151
Reserve account- 1999B	38,000
Debt service account- 2001B	102,718
Reserve account- 2001B	125,500
Debt service account- 2001C	55,657
Reserve account- 2001C	68,000
Debt service account- 2004	192,720
Reserve account- 2004	235,000
Revenue note account- 2005	136,536
Debt service account- 2006	418,566
Reserve account- 2006	386,500
Revenue note account-2007	553,126
Revenue note account-2008	44,942
Debt service account- 2009C	70,084
Debt service account- 2010	53,797
Reserve account- 2010	65,500
Debt service account- 2012	33,632
Reserve account- 2012	104,039
Interest receivable	<u>38,923</u>
Subtotal	2,754,391
Less: Amounts payable from restricted assets - accrued interest	<u>(390,832)</u>
Restricted for Debt Service	<u><u>\$2,363,559</u></u>



NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2012

**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 Firefighter's 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 Firefighter's 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 Firefighter's systems are funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The following table provides the eligibility factors, contribution methods and benefit provisions for the Police and Firefighter's pension and retirement systems:

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2012

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

Oklahoma Police and Firefighter's Pension and Retirement Systems--Continued:

	<u>Oklahoma Police Pension and Retirement System</u>	<u>Oklahoma Firefighters' Pension and Retirement System</u>
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 contribution 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 Firefighter's System provides defined retirement benefits based on members' final average compensation, age and terms of service. In addition, the Firefighter's 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, 2012

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

Oklahoma Police and Firefighter's Pension and Retirement Systems--Continued:

For the year ended June 30, 2012, the State of Oklahoma contributed approximately \$249,000 to the Oklahoma Police Pension and Retirement System on behalf of the City. The State of Oklahoma also contributed approximately \$850,000 on behalf of the City to the Oklahoma Firefighter's 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.

*B--Trend Information:*

City contributions required by State statute were as follows:

Fiscal Year	Oklahoma Police Pension and Retirement System		Oklahoma Firefighter's Pension and Retirement System	
	Required Contribution	Percentage Contributed	Required Contribution	Percentage Contributed
2010	311,099	100%	416,010	100%
2011	218,903	100%	294,819	100%
2012	279,800	100%	415,524	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.

*C. Related Party Investments:*

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

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2012

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

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, 2012

**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:**

Provisions	OMRF Plan
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	8.56% 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"> <li>- Normal retirement at age 65 with 5 years of service or age 62 with 30 years of service</li> <li>- Early retirement at age 55 with 5 years of service</li> <li>- Disability retirement upon disability with 5 years of service</li> <li>- Death benefit with 5 years of service</li> </ul>
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.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2012

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

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

B. Annual Pension Costs:

1. Current Year Contribution Information:

For the year ended June 30, 2012, the City's annual pension cost of \$449,348 was equal to actual contributions made by the City.

2. Actuarial Assumptions:

Date of Last Actuarial Valuation	January 1, 2012
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, 2010	\$ 461,060	100%	\$ -
June 30, 2011	\$ 436,293	100%	\$ -
June 30, 2012	\$ 449,348	100%	\$ -

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2012

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

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

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:

	<u>January 1, 2012</u>
Actuarial accrued liability (AAL)	\$ 10,403,820
Actuarial value of plan assets	<u>9,166,922</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,236,898</u>
Funded ratio (actuarial value of plan assets/AAL)	88.1%
Covered payroll (active plan members)	\$ 5,235,723
UAAL as a percentage of covered payroll	23.6%

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, 2012, the following amounts related to the defined contribution plan:

Employee contributions	\$120,647
City contributions	\$60,322

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2012

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

Plan Description:

The City provides medical insurance benefits to eligible retired employees until age 65. As of June 30, 2012, there were 222 active employees receiving health insurance benefits and 10 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.

Funding Policy:

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

Annual OPEB Cost:

The annual OPEB cost and net obligation for 2012 is as follows:

Annual required contribution	\$ 278,532
Interest on net OPEB obligation	(1,556)
Adjustment to annual required contribution	<u>4,795</u>
Annual OPEB cost	281,771
Contribution made	<u>(47,973)</u>
Increase in net OPEB obligation	233,798
Net OPEB obligation at beginning of year	<u>194,896</u>
Net OPEB obligation at end of year	<u><u>\$ 428,694</u></u>

OPEB Obligation included in the financial statements  
as follows:

Governmental Activities	\$ 347,590
Business-Type Activities	<u>81,104</u>
	<u><u>\$ 428,694</u></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 6.0%



NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2012

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

Trend Information:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
2010	\$ 28,260	129%	\$ (38,902)
2011	\$ 281,771	17%	\$ 194,896
2012	\$ 281,771	17%	\$ 428,694

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, 2011</u>
Actuarial accrued liability (AAL)	\$ 1,286,240
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,286,240</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$ 8,870,000
UAAL as a percentage of covered payroll	14.5%

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, 2012

**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 worker's 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 2,004	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.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2012

**4.C--Risk Management--Continued**

For the risk management internal service self-insurance funds, changes in the claims liability for the City from July 1, 2010 to June 30, 2012 are as follows

	Worker's Compensations	General Liability / Property	Healthcare	Total Internal Service
Claims liability and related payables, June 30, 2010	822,000	78,000	\$ 231,400	\$ 1,131,400
Claims incurred and changes in estimates	120,928	(77,256)	3,286,773	3,330,445
Claims paid	(256,928)	(744)	(3,261,073)	(3,518,745)
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	<u>\$ 885,000</u>	<u>\$ -</u>	<u>\$ 287,400</u>	<u>\$ 1,172,400</u>
Assets available to pay claims at June 30, 2012	<u>\$ 708,618</u>	<u>\$ (172,943)</u>	<u>\$ 534,033</u>	<u>\$ 1,069,708</u>

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, 2012, 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 \$6.4 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.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2012

***4.D--Commitments and Contingencies--Continued***

Contingencies:

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, 2012, the City has established a sinking fund for judgments against it in the amount of approximately \$289,798.

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.

**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, 2013*

- 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. Management is still evaluating the effect this Statement will have on the City's financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2012

**NOTE 5--FUTURE ACCOUNTING PRONOUNCEMENTS--Continued**

- 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 and also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Earlier application is encouraged. The City does not believe that the adoption of GASB No. 61 will have a significant impact on its 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 City does not believe that the adoption of GASB No. 62 will have a significant impact on its financial position, activities 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 will require the City to make changes in its financial statement presentation.

*Fiscal Year Ended June 30, 2014*

- Statement No. 65, *Items Previously Reported as Assets and Liabilities.*

GASB 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 not quantified the effects of adoption of GASB No. 65 on its net position.

NOTES TO BASIC FINANCIAL STATEMENTS--Continued

CITY OF OWASSO, OKLAHOMA

June 30, 2012

**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.

REQUIRED SUPPLEMENTARY  
INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PENSION PLAN FUNDING PROGRESS

CITY OF OWASSO, OKLAHOMA

June 30, 2012

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) 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, 2012

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>
6/30/2009	\$ -	\$ 170,096	\$ 170,096	0.0%	\$ 8,000,000	2.1%
6/30/2011	\$ -	\$ 1,286,240	\$ 1,286,240	0.0%	\$ 8,870,000	14.5%

- (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.
- (3) GASB Statement No. 45 was not implemented until the fiscal year ended June 30, 2009. Therefore, only two 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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Beginning Budgetary Fund Balance</b>	\$ 2,543,051	\$ -	\$ 3,519,842	\$ 3,519,842
<b>Resources (Inflows):</b>				
Add: Budget C/O	-	-	-	-
	2,543,051	-	3,519,842	3,519,842
<b>TAXES</b>				
Sales Tax	17,964,000	18,343,008	18,470,423	127,415
Use Tax	580,000	580,000	548,790	(31,210)
Franchise Tax	1,087,900	1,087,900	1,128,702	40,802
<b>TOTAL TAXES</b>	<b>19,631,900</b>	<b>20,010,908</b>	<b>20,147,915</b>	<b>137,007</b>
<b>INTERGOVERNMENTAL</b>				
Alcoholic beverage tax	40,900	40,900	45,894	4,994
Commercial vehicle	132,000	132,000	197,818	65,818
Gas excise tax	73,000	73,000	53,589	(19,411)
Cigarette/tobacco tax	326,400	326,400	265,501	(60,899)
Grant revenue	70,000	436,334	1,069,424	633,090
<b>TOTAL INTERGOVERNMENTAL</b>	<b>642,300</b>	<b>1,008,634</b>	<b>1,632,226</b>	<b>623,592</b>
<b>CHARGES FOR SERVICES</b>				
Surcharge for economic development	7,800	7,800	7,915	115
Surcharge for streets	130,500	130,500	131,703	1,203
Rents, fees and other charges	229,300	229,300	216,516	(12,784)
OPWA Administrative Overhead	150,000	150,000	150,000	-
<b>TOTAL CHARGES FOR SERVICES</b>	<b>517,600</b>	<b>517,600</b>	<b>506,134</b>	<b>(11,466)</b>
<b>FINES AND FORFEITURES</b>	910,300	910,300	730,253	(180,047)
<b>BUILDINGS AND OTHER LICENSES AND PERMITS</b>	201,400	201,400	182,739	(18,661)
<b>INVESTMENT INCOME</b>	29,000	29,000	18,072	(10,928)
<b>MISCELLANEOUS</b>				
Reimbursements, rebate and restitution	35,800	35,800	22,882	(12,918)
Contributions and donations	5,000	6,500	65,544	59,044
Miscellaneous	67,100	71,658	83,566	11,908
<b>TOTAL MISCELLANEOUS</b>	<b>107,900</b>	<b>113,958</b>	<b>171,992</b>	<b>58,034</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers from other funds	11,601,600	11,601,600	11,825,190	223,590
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>11,601,600</b>	<b>11,601,600</b>	<b>11,825,190</b>	<b>223,590</b>
<b>Total Resources (inflows)</b>	<b>33,642,000</b>	<b>34,393,400</b>	<b>35,214,521</b>	<b>821,121</b>
<b>Amount available for appropriation</b>	<b>\$ 36,185,051</b>	<b>\$ 34,393,400</b>	<b>\$ 38,734,363</b>	<b>\$ 4,340,963</b>

(Continued)

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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Charges to Appropriations (Outflows):</b>				
GENERAL GOVERNMENT				
CITY MANAGER				
Personal Services	\$ 770,468	\$ 771,317	\$ 765,750	\$ 5,567
Materials and supplies	3,500	6,858	6,858	-
Other services and charges	27,600	25,480	25,480	-
Capital Outlay	1,500	1,952	1,952	-
TOTAL CITY MANAGER	803,068	805,607	800,040	5,567
FINANCE				
Personal Services	509,579	510,356	505,792	4,564
Materials and supplies	3,075	2,670	2,505	165
Other services and charges	49,300	52,728	51,850	878
Capital Outlay	1,800	1,800	1,740	60
TOTAL FINANCE	563,754	567,554	561,887	5,667
COMMUNITY DEVELOPMENT				
Personal Services	433,475	433,475	418,668	14,807
Materials and supplies	10,300	9,050	7,307	1,743
Other services and charges	30,130	29,368	26,898	2,470
Capital Outlay	1,400	3,412	3,367	45
TOTAL COMMUNITY DEVELOPMENT	475,305	475,305	456,240	19,065
MUNICIPAL COURT				
Personal Services	167,329	169,829	167,333	2,496
Materials and supplies	4,380	4,380	4,336	44
Other services and charges	45,125	53,886	53,751	135
Capital Outlay	-	-	-	-
TOTAL MUNICIPAL COURT	216,834	228,095	225,420	2,675
ENGINEERING				
Personal Services	531,768	531,768	523,436	8,332
Materials and supplies	17,510	18,260	16,455	1,805
Other services and charges	16,950	9,535	7,968	1,567
Capital Outlay	14,000	14,000	12,323	1,677
TOTAL ENGINEERING	580,228	573,563	560,182	13,381
INFORMATION TECHNOLOGY				
Personal Services	378,149	369,660	367,194	2,466
Materials and supplies	2,100	3,049	3,048	1
Other services and charges	114,857	111,413	111,411	2
Capital Outlay	42,000	74,957	74,956	1
TOTAL INFORMATION SYSTEMS	537,106	559,079	556,609	2,470

(Continued)

BUDGETARY COMPARISON SCHEDULE -- GENERAL FUND

CITY OF OWASSO, OKLAHOMA

For the fiscal year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Charges to Appropriations (Outflows):</b>				
GENERAL GOVERNMENT				
Personal Services	-	-	-	-
Materials and supplies	18,500	22,650	22,650	-
Other services and charges	444,000	492,915	477,868	15,047
Capital Outlay	-	1,273,185	591,305	681,880
TOTAL GENERAL GOVERNMENT	462,500	1,788,750	1,091,823	696,927
SUPPORT SERVICES				
Personal Services	268,519	268,519	245,268	23,251
Materials and supplies	24,315	25,015	22,965	2,050
Other services and charges	29,449	38,749	34,673	4,076
Capital Outlay	62,600	55,100	17,918	37,182
TOTAL SUPPORT SERVICES	384,883	387,383	320,824	66,559
CEMETERY				
Personal Services	-	-	-	-
Materials and supplies	4,120	4,120	3,748	372
Other services and charges	1,280	1,280	1,152	128
Capital Outlay	2,500	2,500	2,454	46
TOTAL CEMETERY	7,900	7,900	7,354	546
HUMAN RESOURCES				
Personal Services	265,934	265,933	257,020	8,913
Materials and supplies	11,100	10,764	10,758	6
Other services and charges	71,545	71,882	69,986	1,896
Capital Outlay	2,800	2,800	2,142	658
TOTAL HUMAN RESOURCES	351,379	351,379	339,906	11,473
TOTAL GENERAL GOVERNMENT	\$ 4,382,957	\$ 5,744,615	\$ 4,920,285	\$ 824,330

(Continued)

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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Charges to Appropriations (Outflows):</b>				
PUBLIC SAFETY				
POLICE SERVICES				
Personal Services	\$ 4,236,691	\$ 4,205,691	\$ 4,195,780	\$ 9,911
Materials and supplies	237,050	269,664	269,663	1
Other services and charges	155,350	154,059	145,893	8,166
Capital Outlay	11,725	38,376	34,261	4,115
TOTAL POLICE SERVICES	4,640,816	4,667,790	4,645,597	22,193
POLICE COMMUNICATIONS				
Personal Services	752,150	752,150	712,348	39,802
Materials and supplies	4,650	4,650	2,964	1,686
Other services and charges	41,850	41,700	30,076	11,624
Capital Outlay	5,890	7,040	6,823	217
TOTAL POLICE COMMUNICATIONS	804,540	805,540	752,211	53,329
ANIMAL CONTROL				
Personal Services	94,512	96,512	93,639	2,873
Materials and supplies	15,700	16,169	16,168	1
Other services and charges	25,260	22,118	19,058	3,060
Capital Outlay	4,260	4,933	4,933	-
TOTAL ANIMAL CONTROL	139,732	139,732	133,798	5,934
FIRE SERVICES				
Personal Services	3,715,137	4,100,528	3,986,440	114,088
Materials and supplies	112,500	153,505	153,505	-
Other services and charges	137,500	141,218	139,639	1,579
Capital Outlay	4,000	5,338	5,266	72
TOTAL FIRE SERVICES	3,969,137	4,400,589	4,284,850	115,739
EMERGENCY MANAGEMENT OPERATIONS				
Personal Services	114,313	115,321	113,538	1,783
Materials and supplies	2,200	1,190	614	576
Other services and charges	9,110	23,364	23,364	-
Capital Outlay	13,854	8,102	4,320	3,782
TOTAL EMERGENCY MANAGEMENT OPERATIONS	139,477	147,977	141,836	6,141
TOTAL PUBLIC SAFETY	\$ 9,693,702	\$ 10,161,628	\$ 9,958,292	\$ 203,336
HIGHWAYS AND STREETS				
STREETS				
Personal Services	310,611	310,611	268,789	\$ 41,822
Materials and supplies	144,820	145,730	120,677	25,053
Other services and charges	291,830	279,037	263,144	15,893
Capital Outlay	270,200	475,681	363,282	112,399
TOTAL HIGHWAYS AND STREETS	\$ 1,017,461	\$ 1,211,059	\$ 1,015,892	\$ 195,167

(Continued)

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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Charges to Appropriations (Outflows):</b>				
<b>CULTURE AND RECREATION</b>				
COMMUNITY CENTER				
Personal Services	\$ 130,317	129,066	\$ 115,451	\$ 13,615
Materials and supplies	11,200	12,307	11,485	822
Other services and charges	25,050	26,051	26,051	-
Capital Outlay	2,500	1,643	143	1,500
TOTAL COMMUNITY CENTER	169,067	169,067	153,130	15,937
PARK MAINTENANCE				
Personal Services	438,166	438,166	351,944	86,222
Materials and supplies	28,700	34,317	34,317	-
Other services and charges	83,200	78,083	68,462	9,621
Capital Outlay	20,500	24,558	19,705	4,853
TOTAL PARK MAINTENANCE	570,566	575,124	474,428	100,696
HISTORICAL MUSEUM				
Personal Services	18,000	18,000	17,011	989
Materials and supplies	400	400	222	178
Other services and charges	6,000	6,000	3,578	2,422
Capital Outlay	-	-	-	-
TOTAL HISTORICAL MUSEUM	24,400	24,400	20,811	3,589
TOTAL CULTURE AND RECREATION	\$ 764,033	768,591	\$ 648,369	\$ 120,222
ECONOMIC DEVELOPMENT				
Personal Services	\$ 98,395	\$ 98,829	\$ 97,939	\$ 890
Materials and supplies	1,300	1,300	987	313
Other services and charges	14,400	11,679	7,885	3,794
Capital Outlay	-	2,287	2,287	-
TOTAL ECONOMIC DEVELOPMENT	114,095	114,095	109,098	4,997
STORMWATER				
Personal Services	349,280	334,280	252,358	81,922
Materials and supplies	54,665	53,332	36,987	16,345
Other services and charges	24,145	26,273	26,273	-
Capital Outlay	16,250	41,250	8,172	33,078
TOTAL STORM WATER	444,340	455,135	323,790	131,345
OTHER FINANCING USES				
Transfers to other funds	17,965,700	18,471,523	18,471,523	-
TOTAL OTHER FINANCING USES	17,965,700	18,471,523	18,471,523	-
<b>Total Charges to Appropriations</b>	<b>\$ 34,382,288</b>	<b>\$ 36,926,646</b>	<b>\$ 35,447,249</b>	<b>\$ 1,479,397</b>
				(Concluded)

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE

CITY OF OWASO, OKLAHOMA

For the fiscal year ended June 30, 2012

Budgetary Accounting: The annual operating budgets are prepared and presented on the modified accrual basis of accounting. 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. Encumbrance's 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, 2012

		<b>SPECIAL REVENUE FUNDS</b>						
		<b>Ambulance Service Fund</b>	<b>Emergency Siren Fund</b>	<b>Cemetery Care Fund</b>	<b>Park Development Fund</b>	<b>Emergency 911 Fund</b>	<b>Juvenile Court Fund</b>	<b>Hotel Tax Fund</b>
<b>ASSETS</b>								
Cash and cash equivalents		\$ 268,480	\$ 19,475	\$ 7,419	\$ 245,272	\$ 209,914	\$ 10,958	\$ 564,152
Investments		27,095	1,965	749	24,753	21,184	1,105	56,934
Due from other governments		-	-	-	-	12,788	-	-
Accounts receivable, net		353,757	-	-	-	-	-	26,164
Other receivables		-	-	-	-	-	-	-
	<b>TOTAL ASSETS</b>	<u>\$ 649,332</u>	<u>\$ 21,440</u>	<u>\$ 8,168</u>	<u>\$ 270,025</u>	<u>\$ 243,886</u>	<u>\$ 12,063</u>	<u>\$ 647,250</u>
<b>LIABILITIES AND FUND BALANCE</b>								
<b>LIABILITIES</b>								
Accounts payable		\$ 25,882	\$ -	\$ 411	\$ -	\$ 6,874	\$ -	\$ 1,916
Accrued payroll liabilities		36,954	-	-	-	4,683	-	4,091
Due to other funds		1,380	-	-	-	-	-	-
Retainage payable		-	-	-	290	-	-	-
Deferred revenue		179,255	-	-	-	-	-	-
	<b>TOTAL LIABILITIES</b>	<u>243,471</u>	<u>-</u>	<u>411</u>	<u>290</u>	<u>11,557</u>	<u>-</u>	<u>6,007</u>
<b>FUND EQUITY</b>								
Fund Balances:								
Restricted		-	-	7,757	-	232,329	12,063	641,243
Committed		405,861	21,440	-	269,735	-	-	-
	<b>TOTAL FUND BALANCE</b>	<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>
	<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 649,332</u>	<u>\$ 21,440</u>	<u>\$ 8,168</u>	<u>\$ 270,025</u>	<u>\$ 243,886</u>	<u>\$ 12,063</u>	<u>\$ 647,250</u>

(Continued)

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

CITY OF OWASSO, OKLAHOMA

June 30, 2012

	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS					TOTALS
	Stormwater Management Fund	Capital Improvements Fund	Capital Projects Grants Fund	Public Safety Capital Fund	Ambulance Capital Fund	Debt Service Fund	
<b>ASSETS</b>							
Cash and cash equivalents	\$ 1,067,768	\$ 2,596,497	\$ -	\$ 328,684	\$ 421,539	\$ -	\$ 5,740,158
Investments	107,758	201,027	-	33,171	42,542	-	518,283
Due from other governments	-	-	112,370	-	-	317	125,475
Accounts receivable, net	73,941	-	-	43,121	10,429	-	507,412
Other receivables	-	-	-	-	-	280	280
<b>TOTAL ASSETS</b>	<b>\$ 1,249,467</b>	<b>\$ 2,797,524</b>	<b>\$ 112,370</b>	<b>\$ 404,976</b>	<b>\$ 474,510</b>	<b>\$ 597</b>	<b>\$ 6,891,608</b>
<b>LIABILITIES AND FUND BALANCE</b>							
<b>LIABILITIES</b>							
Accounts payable	\$ 28,944	\$ 166,753	\$ 18,061	\$ 4,399	\$ -	\$ -	\$ 253,240
Accrued payroll liabilities	-	-	-	-	-	-	45,728
Due to other funds	-	-	83,333	-	-	597	85,310
Retainage payable	-	15,220	10,976	-	-	-	26,486
Deferred revenue	-	-	-	-	-	-	179,255
<b>TOTAL LIABILITIES</b>	<b>28,944</b>	<b>181,973</b>	<b>112,370</b>	<b>4,399</b>	<b>-</b>	<b>597</b>	<b>590,019</b>
<b>FUND EQUITY</b>							
Fund Balances:							
Restricted	-	2,615,551	-	-	-	-	3,508,943
Committed	1,220,523	-	-	400,577	474,510	-	2,792,646
<b>TOTAL FUND BALANCE</b>	<b>1,220,523</b>	<b>2,615,551</b>	<b>-</b>	<b>400,577</b>	<b>474,510</b>	<b>-</b>	<b>6,301,589</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,249,467</b>	<b>\$ 2,797,524</b>	<b>\$ 112,370</b>	<b>\$ 404,976</b>	<b>\$ 474,510</b>	<b>\$ 597</b>	<b>\$ 6,891,608</b>

(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, 2012

		<b>SPECIAL REVENUE FUNDS</b>						
		<b>Ambulance Service Fund</b>	<b>Emergency Siren Fund</b>	<b>Cemetery Care Fund</b>	<b>Park Development Fund</b>	<b>Emergency 911 Fund</b>	<b>Juvenile Court Fund</b>	<b>Hotel Tax Fund</b>
<b>REVENUES</b>								
Intergovernmental		\$ -	\$ -	\$ -	\$ -	\$ 205,496	\$ -	\$ 293,725
Charges for services		1,379,307	-	-	-	-	-	-
Fines and forfeitures		-	-	-	-	-	3,285	-
Licenses and permits		-	-	-	67,600	-	-	-
Investment income		2,471	164	67	1,876	1,314	79	4,227
Miscellaneous		1,115	205	99	-	-	-	-
	<b>TOTAL REVENUES</b>	<u>1,382,893</u>	<u>369</u>	<u>166</u>	<u>69,476</u>	<u>206,810</u>	<u>3,364</u>	<u>297,952</u>
<b>EXPENDITURES</b>								
Current:								
General Government		-	-	-	-	-	-	-
Public Safety		1,179,942	-	-	-	103,992	-	-
Economic Development		-	-	-	-	-	-	138,291
Stormwater		-	-	-	-	-	-	-
Capital outlay		-	-	1,638	19,290	-	-	1,431
Debt service - principal		-	-	-	-	-	-	-
	<b>TOTAL EXPENDITURES</b>	<u>1,179,942</u>	<u>-</u>	<u>1,638</u>	<u>19,290</u>	<u>103,992</u>	<u>-</u>	<u>139,722</u>
Revenues over (under) expenditures		202,951	369	(1,472)	50,186	102,818	3,364	158,230
Other Financing Sources (Used):								
Debt issuance		-	-	-	-	-	-	-
Transfers in		-	-	1,100	-	-	-	-
Transfers out		(224,884)	-	-	-	-	-	-
Revenues and other sources over (under) expenditures and other uses		(21,933)	369	(372)	50,186	102,818	3,364	158,230
<b>FUND BALANCE - BEGINNING OF YEAR</b>		<u>427,794</u>	<u>21,071</u>	<u>8,129</u>	<u>219,549</u>	<u>129,511</u>	<u>8,699</u>	<u>483,013</u>
<b>FUND BALANCE - END OF YEAR</b>		<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>

(Continued)

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

NONMAJOR GOVERNMENTAL FUNDS

CITY OF OWASSO, OKLAHOMA

For the fiscal year ended June 30, 2012

	SPECIAL REVENUE FUNDS		CAPITAL PROJECTS FUNDS				TOTALS
	Stormwater Management Fund	Capital Improvement Fund	Capital Projects Grants Fund	Public Safety Capital Fund	Ambulance Capital Fund	Debt Service Fund	
REVENUES:							
Intergovernmental	\$ -	\$ -	\$ 125,245	\$ -	\$ -	\$ -	\$ 624,466
Charges for services	623,464	-	-	287,107	61,383	-	2,351,261
Fines and forfeitures	-	-	-	-	-	-	3,285
Licenses and permits	-	-	-	-	-	-	67,600
Investment income	6,667	108	-	3,243	2,765	-	22,981
Miscellaneous	-	-	-	-	-	-	1,419
TOTAL REVENUES	<u>630,131</u>	<u>108</u>	<u>125,245</u>	<u>290,350</u>	<u>64,148</u>	<u>-</u>	<u>3,071,012</u>
EXPENDITURES:							
Current:							
General Government	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	1,283,934
Economic Development	-	-	-	-	-	-	138,291
Stormwater	86,796	-	-	-	-	-	86,796
Capital outlay	363,957	1,849,776	125,245	415,904	13,000	-	2,790,241
Debt service - principal	-	-	-	23,118	-	-	23,118
TOTAL EXPENDITURES	<u>450,753</u>	<u>1,849,776</u>	<u>125,245</u>	<u>439,022</u>	<u>13,000</u>	<u>-</u>	<u>4,322,380</u>
Revenues over (under) expenditures	179,378	(1,849,668)	-	(148,672)	51,148	-	(1,251,368)
Other Financing Sources (Used):							
Debt issuance	-	-	-	65,501	-	-	65,501
Transfers in	93,671	1,274,700	-	80,443	144,441	-	1,594,355
Transfers out	(235,801)	-	-	-	-	-	(460,685)
Revenues and other sources over (under) expenditures and other uses	37,248	(574,968)	-	(2,728)	195,589	-	(52,197)
FUND BALANCE - BEGINNING OF YEAR	<u>1,183,275</u>	<u>3,190,519</u>	<u>-</u>	<u>403,305</u>	<u>278,921</u>	<u>-</u>	<u>6,353,786</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,220,523</u>	<u>\$ 2,615,551</u>	<u>\$ -</u>	<u>\$ 400,577</u>	<u>\$ 474,510</u>	<u>\$ -</u>	<u>\$ 6,301,589</u>

(Concluded)

SCHEDULE OF DEBT SERVICE COVERAGE REQUIREMENTS

CITY OF OWASSO, OKLAHOMA

For the fiscal year ended June 30, 2012

	2004 OWRB Loan Issue	1999A, 1999B, 2001A, 2001B, 2001C, 2002A, 2006, 2007, 2009A, 2009B 2009C, 2010, 2011 and 2012A OWRB Loan Issues
Gross Revenue Available for Debt Service:		
Charges for services:		
Water charges	\$ 4,927,414	\$ 4,927,414
Wastewater charges	3,165,977	3,165,977
Sanitation	1,713,184	1,713,184
Penalties	247,745	247,745
Golf course	-	654,705
Sales tax pledged and transferred	<u>12,313,615</u>	<u>12,313,615</u>
Total Gross Revenues Available	<u>22,367,935</u>	<u>23,022,640</u>
Operating Expenses:		
Administration	749,577	749,577
Utility billing	338,615	338,615
Water	3,601,682	3,601,682
Wastewater treatment plant and collection	1,484,432	1,484,432
Refuse	846,983	846,983
Golf course operations	<u>-</u>	<u>1,083,261</u>
Total Operating Expenses	<u>7,021,289</u>	<u>8,104,550</u>
Net Revenues Available for Debt Service	<u>\$ 15,346,646</u>	<u>\$ 14,918,090</u>
Total Debt Service Requirements	<u>\$ 4,606,148</u>	<u>\$ 4,606,148</u>
Computed Coverage	<u>333%</u>	<u>324%</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, 2009A, 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 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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 7, 2012. 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.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Cole & Reed P.C.

Oklahoma City, Oklahoma  
December 7, 2012



Independent Auditors' Report on Compliance  
With Requirements That Could Have a Direct and Material Effect on  
Each Major Program and on Internal Control Over Compliance in Accordance  
with OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards

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

Compliance

We have audited the compliance of the City of Owasso, Oklahoma (the "City") with the types of compliance requirements described in the U.S. Office of Management and Budget (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, 2012. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs are the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

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

## Internal Control Over Compliance

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

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

## Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discrete component unit, each major fund and the aggregate remaining fund information of the City as of and for the year ended June 30, 2012, and have issued our report thereon dated December 7, 2012. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*, 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Cole & Reed P.C.

Oklahoma City, Oklahoma  
December 7, 2012

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITY OF OWASSO, OKLAHOMA

For the year ended June 30, 2012

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA	Agency or Pass-through Number	Program or Award Amount	Federal Expenditures	
<b>U.S. DEPARTMENT OF ENERGY</b>					
Passed through Oklahoma Department of Commerce					
CNG Fuel & Vehicle Conversion	81.041	ARRA	DE-EE0000133 award letter	\$ 1,450,000	\$ 626,251
Congestion Mitigation & Air Quality (CMAQ) via INCOG, CNG Truck	20.205		not yet rec'd	41,660	-
Total U.S. Department of Energy			1,491,660	626,251	
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>					
Passed through Oklahoma Department of Commerce					
Community Development Block Grant - Entitlement Program-CBDG 09	14.210		B-09-Owasso	99,106	63
Community Development Block Grant - Entitlement Program-CBDG 10	14.210		B-10-Owasso	106,555	12,812
			B-10 Owasso \$4,255.91 & B-11-Owasso		
Community Development Block Grant - Entitlement Program-CBDG 11	14.210		\$108,114	112,370	101,394
Community Development Block Grant - Entitlement Program-CBDG 12	14.210		In process	113,845	-
Total U.S. Department of Housing and Urban Development			431,876	114,269	
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>					
OK Water Resources Board - 2009A Detention Facility					
	66.458	ARRA	2W-966885-01	1,785,000	252,888
OK Water Resources Board - 2009B Wastewater Treatment Plant	66.458		CS-400002-08	10,795,000	-
OK Water Resources Board - 2009C 76th St. Interceptor	66.458		CS-400002-08	4,510,000	-
OK Water Resources Board - 2011 Santa Fe Lift Station	66.458			3,115,000	107,435
Total U.S. Environmental Protection Agency			20,205,000	360,323	
<b>FEDERAL HIGHWAY 2011 TREE PLANTING PROGRAM</b>					
Passed through Oklahoma Department of Transportation					
Federal Highway 2011 Tree Planting Program			SAFETEALU-11-09	25,000	-
Local Matching portion			SAFETEALU-11-09	9,039	-
				34,039	-
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>					
Passed through Oklahoma Highway Safety Office					
State and Community Highway Safety - FY11	20.600		SE-11-03-08-06	50,000	10,202
State and Community Highway Safety - FY12	20.600		SE-12-03-06-07/CE-12- 03-24-07	66,000	58,901
Total U.S. Department of Transportation				116,000	69,103
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>					
Passed through Bureau of Justice Assistance					
U.S Department of Homeland Security - Fire Department - SAFER Grant	97.083		EMW-2010-FH-00818	875,975	360,981
Total U.S. Department of Homeland Security				875,975	360,981
<b>U.S. DEPARTMENT OF JUSTICE</b>					
Passed through Bureau of Justice Assistance					
Bulletproof Vest Partnership Grant - reimbursed at 50%	16.607		FY2010 BPV LEF Owasso Police Dept	6,399	3,268
Cherokee Nation Grant Funds - 2011				3,384	3,384
Edward Byrne Memorial Justice Assistance Grant (JAG)-software	16.738		2009-DJ-BX-1134	8,908	8,908
Total U.S. Department of Justice				18,691	15,560
Total Schedule of Expenditures of Federal Awards				\$ 23,173,241	\$ 1,546,487

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, 2012

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, 2012

**Section I--Summary of Auditors' Results**

*Financial statements*

Type of auditors' report issued: *Unqualified*

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: *Unqualified*

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>
CNG Fuel & Vehicle Conversion	81.041 ARRA
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, 2012

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

None to report for the June 30, 2012 period.

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

None to report for the June 30, 2012 period.