



**COMPREHENSIVE ANNUAL FINANCIAL REPORT
AND INDEPENDENT AUDITOR'S REPORTS**

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2010**



CITY OF SAPULPA, OKLAHOMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORTS
FOR THE FISCAL YEAR ENDED
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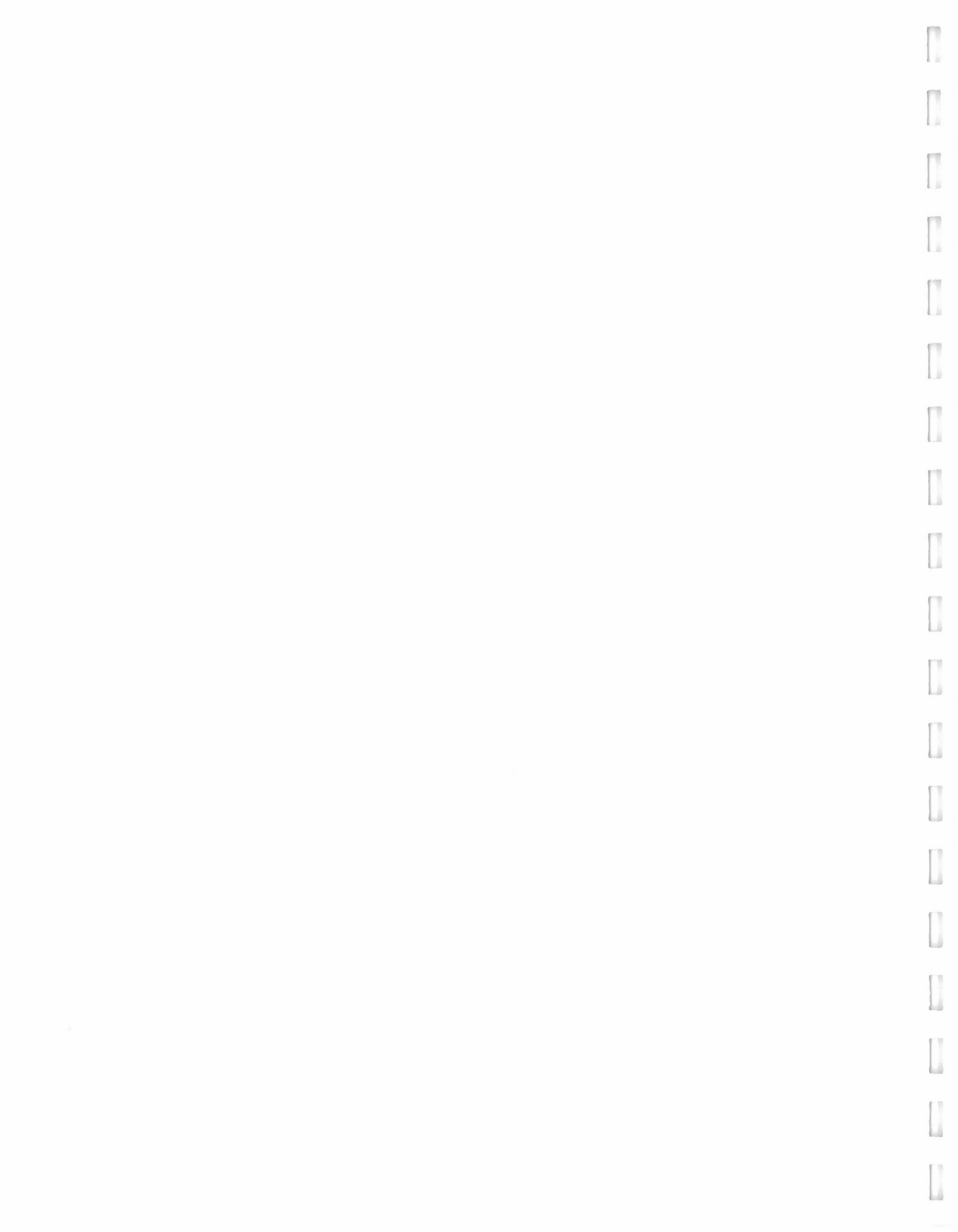
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INTRODUCTION SECTION





425 East Dewey Avenue
P O Box 1130 Sapulpa, OK 74067

April 5, 2011

To the Honorable Mayor Doug Haight, City Councilors, and Citizens:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Sapulpa for the fiscal year ended June 30, 2010. The report was prepared by the Finance Department of the City of Sapulpa to present the financial position of the City and the results of the City's financial operations in accordance with generally accepted accounting principles. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material respects, and all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included. The Management's Discussion and Analysis provide additional narrative and detailed analysis of the City's financial affairs, and we encourage readers to consider that information in conjunction with the information presented here.

To facilitate the understanding of the City's financial affairs, the CAFR is divided into the following sections:

- **Introductory Section** – Includes a table of contents, a letter of transmittal, the City's organizational chart, and a list of City Officials.
- **Financial Section** – Consists of the independent auditor's report, management's discussion and analysis, the basic financial statements, required supplementary information, and other supplementary information.
- **Statistical Section** – Presents unaudited financial, economic and demographic data and other information relative to the community.

Governmental Structure

The City of Sapulpa, the County seat of Creek County, Oklahoma, is located in the extreme northeast corner of the County, only twelve miles from the City of Tulsa, Oklahoma. The City lies astride Interstate Highway 44 (Turner Turnpike) connecting the cities of Tulsa and Oklahoma City. First incorporated prior to Oklahoma statehood, its first City Charter was adopted in 1910, with major revisions thereto in 1922, 1970, and 2002. Currently operating under a Municipal Charter form of Government pursuant to Oklahoma Statutes 1991, Sect. 13-101, et seq., the city is governed by a Board of Councilors consisting of ten councilors, two council members from each of five wards. The mayor is chosen from among the council itself. The City Council also serves as trustees of the Sapulpa Municipal Authority. The Mayor and Council appoint a City Manager, a City Attorney, and the City Treasurer. The responsibility for the day-to-day operations of the City rests with the City Manager.

Economic Conditions and Outlook

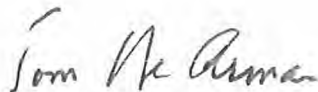
The effects of the national recession continued to be felt locally resulting in further decline of revenues for fiscal year 2010. The primary measure of local economic activity is sales tax revenue, which declined more than 6% from the prior fiscal year. The loss of jobs in the metropolitan area, coupled with more conservative spending habits on the part of many people serves to decrease sales and thus sales tax. By the end of fiscal 2010 the decline in sales tax had begun to slow and stabilize but sales tax receipts were still well below previous years. City officials are cautiously optimistic, but anticipate a slow recovery which resulted in sizeable budget cuts for the upcoming FY11 budget year.

Acknowledgments

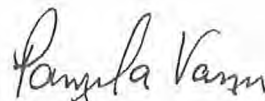
The preparation of this report is a combined effort of the staff of the Finance Department with the professional assistance of our consultants, Crawford & Associates, P.C., Certified Public Accounts, and our independent auditors, Arledge & Associates, P.C., Certified Public Accounts. We would like to express our appreciation to all individuals who assisted in the preparation of this report.

We would also like to thank the Mayor and the members of the City Council for their leadership, encouragement and support in our effort to provide the citizens with quality services, management and financial reporting.

Respectfully submitted,



Tom DeArman
City Manager



Pamela Vann
Finance Director

CITY OF SAPULPA
LIST OF CITY OFFICIALS
FOR THE FISCAL YEAR
JULY 1, 2009 – JUNE 30, 2010

DOUG HAUGHT, MAYOR
REG GREEN, VICE-MAYOR

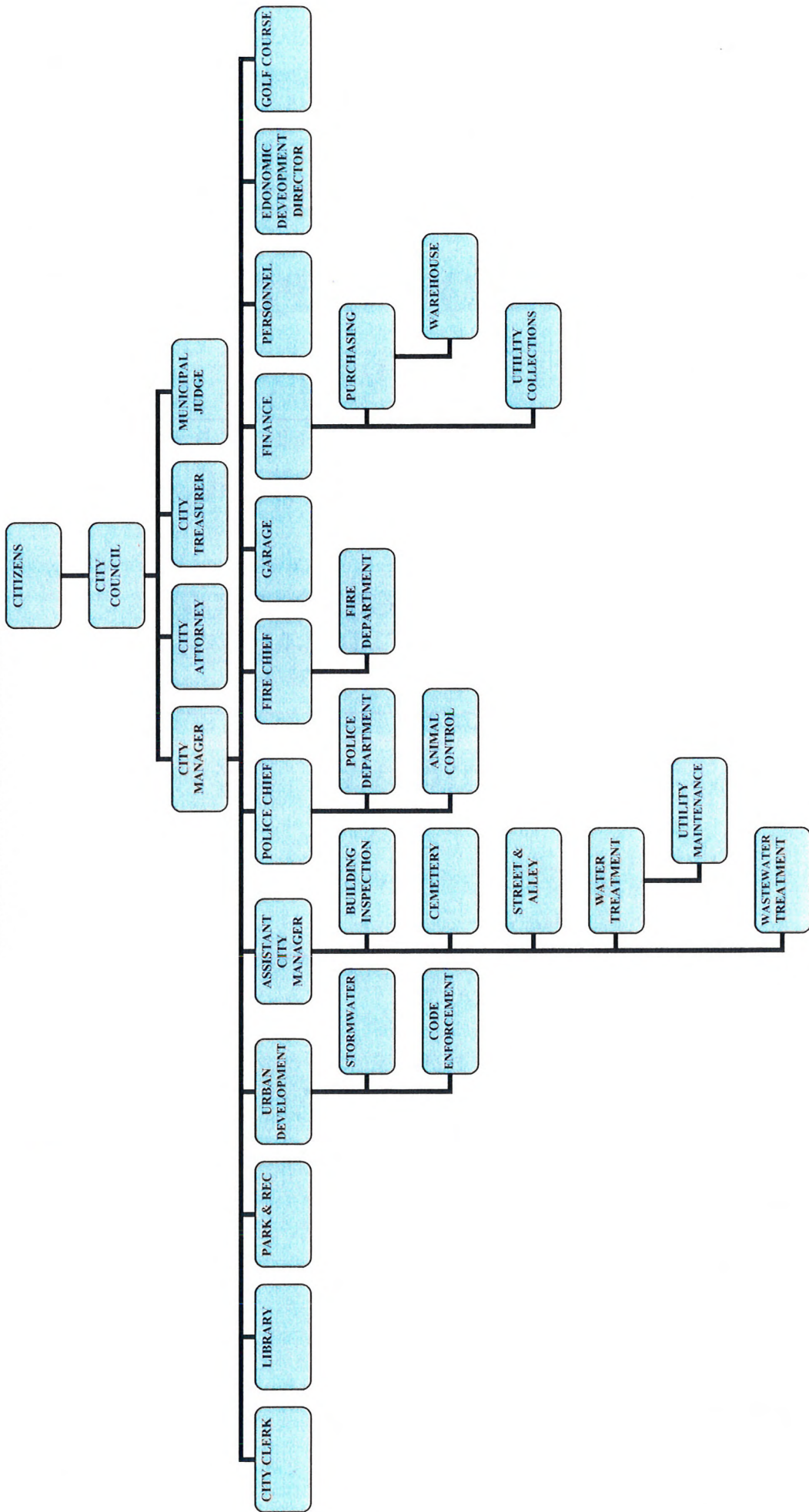
COUNCIL:

LOUIS MARTIN, JR.
THERESA JONES
CHARLES STEPHENS
JOHN ANDERSON

MARTY CUMMINS
CARLOS HERNANDEZ
ALAN H. JONES
JOHN EAST

Tom M. DeArman, City Manager
David Widdoes, City Attorney
David E. Gilliland, Assistant City Manager
Shirley Burzio, City Clerk
Pamela Vann, Finance Director

CITY OF SAPULPA ORGANIZATIONAL CHART





FINANCIAL SECTION





INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
City of Sapulpa, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sapulpa, Oklahoma, (the "City") as of and for the year ended June 30, 2010, 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. 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, each major fund, and the aggregate remaining fund information of the City as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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, budgetary comparison schedule, and schedule of funding progress, 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 regarding 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 introductory section, other supplementary information, and statistical section, as listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary 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 taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Carleton & Associates, P.C.

Edmond, Oklahoma
March 15, 2011

Our discussion and analysis of the City of Sapulpa's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2010, the City's total net assets decreased by \$52,156 from the prior year.
- During the year, the City's expenses for governmental activities were \$17,444,973 and were funded by program revenues of \$4,133,305 and further funded with taxes, other general revenues and transfers that totaled \$14,437,892.
- In the City's business-type activities, such as utilities and golf course, total expenses exceeded program revenues by \$3,050,421, funded with general revenues and transfers of \$1,872,041.
- At June 30, 2010, the General Fund reported an unreserved, undesignated fund balance of \$1,432,329.
- For budgetary reporting purposes, the General Fund reported revenues less than estimates by \$130,448 or 0.7%, while expenditures were less than final appropriations by \$466,658 or 2.4%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Sapulpa (the "City") and its component units using the integrated approach as prescribed by GASB Statement No. 34. Included in this report are government-wide statements for each of two categories of activities – governmental and business-type. The government-wide financial statements present the complete financial picture of the City from the economic resources measurement 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.

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 two 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, stormwater and golf course activities are reported 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.

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 spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic 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.

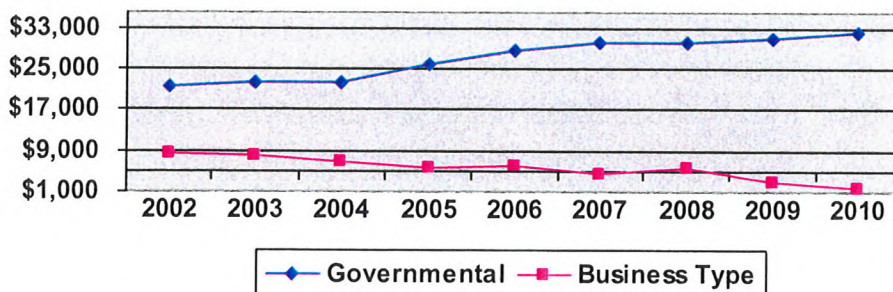
A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

The City's combined net assets decreased from \$33,944,649 to \$33,892,493 between fiscal years 2009 and 2010. Looking at the net assets of governmental and business-type activities separately, governmental activities increased \$1,126,224 while business-type activities decreased \$1,178,380. A comparative, condensed presentation of net assets follows (reported in thousands).

	<u>Governmental Activities</u>		<u>Business-Type Activities</u> (Restated)		<u>Total</u> (Restated)	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and other assets	\$13,829	\$7,506	\$10,883	\$10,845	\$24,712	\$18,351
Capital assets, net	<u>38,183</u>	<u>37,167</u>	<u>58,378</u>	<u>59,237</u>	<u>96,561</u>	<u>96,404</u>
Total assets	<u>52,012</u>	<u>44,673</u>	<u>69,261</u>	<u>70,082</u>	<u>121,273</u>	<u>114,755</u>
Long-term debt outstanding	19,222	13,058	65,362	64,922	84,584	77,980
Other liabilities	<u>682</u>	<u>634</u>	<u>2,114</u>	<u>2,197</u>	<u>2,796</u>	<u>2,831</u>
Total liabilities	<u>19,904</u>	<u>13,692</u>	<u>67,476</u>	<u>67,119</u>	<u>87,380</u>	<u>80,811</u>
Net assets						
Invested in capital assets, net of related debt	22,186	27,328	(6,587)	(5,245)	15,599	22,083
Restricted	10,079	3,446	2,298	2,186	12,377	5,632
Unrestricted	<u>(157)</u>	<u>207</u>	<u>6,074</u>	<u>6,022</u>	<u>5,917</u>	<u>6,229</u>
Total net assets	<u>\$32,108</u>	<u>\$30,981</u>	<u>\$1,785</u>	<u>\$2,963</u>	<u>\$33,893</u>	<u>\$33,944</u>

**Net Assets
(in 000's)**



For the year ended June 30, 2010, the City had a decrease in overall net assets.

Changes in Net Assets

For the year ended June 30, 2010, the change in net assets of the primary government was the result of the following (amounts are reported in thousands):

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Expenses						
Administration	\$ 1,068	\$ 1,074	\$ -	\$ -	\$ 1,068	\$ 1,074
General government	1,167	1,348	-	-	1,167	1,348
Legal and judicial	282	301	-	-	282	301
Public safety	10,313	10,588	-	-	10,313	10,588
Urban development	454	419	-	-	454	419
Streets	2,430	2,356	-	-	2,430	2,356
Culture and recreation	1,282	1,156	-	-	1,282	1,156
Interest on long-term debt	449	518	-	-	449	518
Water	-	-	3,781	4,464	3,781	4,464
Wastewater	-	-	6,437	6,364	6,437	6,364
Sanitation	-	-	1,291	1,477	1,291	1,477
Stormwater	-	-	581	75	581	75
Golf	-	-	710	689	710	689
Interest charges - governmental activities	-	-	280	199	280	199
Total expenses	<u>17,445</u>	<u>17,760</u>	<u>13,080</u>	<u>13,268</u>	<u>30,525</u>	<u>31,028</u>
Program revenues						
Charges for services	1,883	1,810	10,030	9,210	11,913	11,020
Operating grants and contributions	1,496	1,516	-	1	1,496	1,517
Capital grants and contributions	754	321	-	-	754	321
Total program revenues	<u>4,133</u>	<u>3,647</u>	<u>10,030</u>	<u>9,211</u>	<u>14,163</u>	<u>12,858</u>
Net revenues (expenses)	(13,312)	(14,113)	(3,050)	(4,057)	(16,362)	(18,170)
General revenues						
Taxes:						
Sales and use taxes	11,286	12,068	-	-	11,286	12,068
Property taxes	1,444	1,410	-	-	1,444	1,410
Franchise and public service taxes	505	506	-	-	505	506
Payment in lieu of tax	440	533	-	-	440	533
Hotel/motel tax	186	227	-	-	186	227
E-911 taxes	217	237	-	-	217	237
to specific programs	253	257	-	-	253	257
Interest income	76	91	55	61	131	152
Miscellaneous	1,705	325	143	209	1,848	534
Transfers - Internal activity	(1,674)	(1,060)	1,674	1,060	-	-
Total general revenues and transfers	<u>14,438</u>	<u>14,594</u>	<u>1,872</u>	<u>1,330</u>	<u>16,310</u>	<u>15,924</u>
Change in Net Assets	<u>\$1,126</u>	<u>\$481</u>	<u>(\$1,178)</u>	<u>(\$2,727)</u>	<u>(\$52)</u>	<u>(\$2,246)</u>

The City's governmental activities' increase in net assets of \$1,126,224 represents a 3.6% positive change from the prior year. The business-type activities' decrease in net assets of \$1,178,380 represents a 39.8% negative change. The results indicate the City's financial condition, as a whole, stayed relatively stable from the prior year. Although 2010 expenses decreased slightly, revenues were still slightly less than expenses resulting in a total decrease in net assets.

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 than 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, 2010, total expenses for governmental activities amounted to \$17,444,973. Of these total expenses, taxpayers and other general revenues funded \$14,437,892, while program revenues funded \$2,250,329 in the form of grants and other contributions and \$1,882,976 in the form of charges for services.

Net Revenue (Expense) of Governmental Activities

	Total Expense of Services		Net Revenue (Expense) of Services	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Administration	\$1,068,277	\$1,073,542	(\$1,068,277)	(\$1,073,542)
General government	1,167,575	1,347,723	(634,043)	(939,938)
Legal and judicial	281,752	301,454	(281,752)	(301,454)
Public safety	10,312,829	10,587,857	(7,806,041)	(7,964,450)
Urban development	453,837	419,161	(447,447)	(419,161)
Streets	2,429,735	2,355,922	(1,627,659)	(1,896,982)
Culture and recreation	1,281,735	1,155,838	(997,216)	(999,180)
Interest on long-term debt	449,233	518,346	(449,233)	(518,346)
Total	<u>\$17,444,973</u>	<u>\$17,759,843</u>	<u>(\$13,311,668)</u>	<u>(\$14,113,053)</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 expenses of \$3,050,421 for the year ended June 30, 2010.

- All individual activities reported net expenses for the year ended June 30, 2010, except for water, sanitation, and stormwater which reported net revenues of \$438,282, \$49,869, and \$205,435, respectively.

Net Revenue (Expense) of Business-Type Activities

	<u>Total Expense of Services</u>		<u>Net Revenue (Expense) of Services</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	Water	\$3,781,367	\$4,463,707	\$438,282
Wastewater	6,437,587	6,363,922	(3,171,353)	(3,338,298)
Sanitation	1,290,756	1,476,846	49,869	(192,146)
Stormwater	581,406	75,226	205,435	480,092
Golf	709,765	688,775	(293,107)	(170,392)
Interest charges - gov't activities	279,547	198,884	(279,547)	(198,884)
Total	<u>\$13,080,428</u>	<u>\$13,267,360</u>	<u>(\$3,050,421)</u>	<u>(\$4,057,204)</u>

The \$3,171,353 net expense of the wastewater activities is funded with dedicated sales taxes, which amounted to \$2,987,882 in 2010.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2010 fiscal year, the governmental funds reported a combined fund balance of \$12,097,252 or a 105.5% increase from the prior year due to a \$6.8 million G.O. Bond issuance. The enterprise funds reported combined net assets of \$1,006,566 or a 58.4% decrease from 2009.

Fund Balance/Net Assets

Governmental Funds		Proprietary Funds	
Reserved for risk management and other purposes	\$ 314,540	Invested in capital assets, net of related debt	\$ (6,587,407)
Unreserved	<u>11,782,712</u>	Restricted for debt service	2,297,782
		Unrestricted	<u>5,296,191</u>
Total Fund Balance	<u>\$ 12,097,252</u>	Total Net Assets	<u>\$ 1,006,566</u>

Other fund highlights include:

- For the year ended June 30, 2010, the General Fund's total fund balance decreased by \$589,026 or 26.5%, while the unreserved, undesignated fund balance decreased by \$582,981 or 28.9%.
- The Sapulpa Municipal Authority enterprise fund reported a decrease in net assets, after transfers, of \$1,313,068 which was due primarily to a significant increase in interest expenses. The Sapulpa Municipal Authority Golf Course enterprise fund reported a decrease in net assets, after transfers, of \$102,574 for the year ended June 30, 2010.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the General Fund budget various times. The revised budget included an increase in overall revenue projections of less than 0.1% or \$17,370 and an increase in appropriations of 0.3% or \$58,981.

For budgetary reporting purposes, the General Fund reported revenues less than estimates by \$130,448 or 0.7%, while expenditures were less than the final appropriations by \$466,658 or 2.4%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2010, the City had \$96,559,962 invested in capital assets, net of depreciation, including police and fire equipment, buildings, park facilities, water lines and sewer lines. (See table below). This represents a net increase of \$155,110 or 0.2% over last year.

	Primary Government Capital Assets (Net of accumulated depreciation)					
	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land	\$4,335,305	\$2,022,520	\$52,001	\$52,001	\$4,387,306	\$2,074,521
Buildings	7,582,521	7,300,127	2,940,903	3,019,136	10,523,424	10,319,263
Imp. other than buildings	1,310,500	1,252,188	738,138	765,291	2,048,638	2,017,479
Equipment	4,417,268	4,796,446	1,660,423	1,463,943	6,077,691	6,260,389
Intangible water rights	-	-	4,915,486	4,915,486	4,915,486	4,915,486
Utility property	-	-	45,865,686	46,890,058	45,865,686	46,890,058
Infrastructure	17,752,205	17,854,985	141,265	144,711	17,893,470	17,999,696
Construction in progress	<u>2,785,011</u>	<u>3,941,191</u>	<u>2,063,250</u>	<u>1,986,769</u>	<u>4,848,261</u>	<u>5,927,960</u>
Totals	<u>\$38,182,810</u>	<u>\$37,167,457</u>	<u>\$58,377,152</u>	<u>\$59,237,395</u>	<u>\$96,559,962</u>	<u>\$96,404,852</u>

This year's more significant capital asset additions included:

- \$30,545 – Chevy Tahoe
- \$130,000 – Land Purchase
- \$188,539 – Wickman Complex Lift Station
- \$139,263 – Freightliner Truck
- \$293,665 – Wickman Sports Complex Restroom/Concession Building
- \$172,211 – Hollier Park Improvements
- \$85,990 – Backhoe Loader
- \$83,000 – Sewer Inspection System

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

Long- Term Debt

At year-end, the City had \$92,240,544 in long-term debt outstanding which represents a \$5,324,060 or 6.1% increase from the prior year resulting from the issue of \$6,800,000 in general obligation bonds and also making required debt service payments. The City's changes in long-term debt by type of debt are as follows:

Primary Government Long-Term Debt							Total Percentage Change
Governmental Activities		Business-Type Activities		Total			
2010	2009	2010	2009	2010	2009	2009-2010	
Accrued absences	\$1,795,015	\$1,941,621	\$117,202	\$111,653	\$1,912,217	\$2,053,274	-6.9%
Revenue bonds	-	-	68,984,806	69,442,821	68,984,806	69,442,821	-0.7%
Due to depositors	-	-	243,275	245,824	243,275	245,824	-1.0%
Water contract obligations	-	-	3,186,929	3,441,050	3,186,929	3,441,050	-7.4%
Notes payable	-	-	511,863	616,859	511,863	616,859	-17.0%
General obligation bonds	15,565,000	9,425,000	-	-	15,565,000	9,425,000	65.1%
Judgments payable	210,266	541,890	-	-	210,266	541,890	-61.2%
Estimated claims payable	713,050	481,717	-	-	713,050	481,717	48.0%
OPEB liability	506,452	253,226	-	-	506,452	253,226	100.0%
Capital leases	406,686	414,823	-	-	406,686	414,823	-2.0%
Totals	<u>\$19,196,469</u>	<u>\$13,058,277</u>	<u>\$73,044,075</u>	<u>\$73,858,207</u>	<u>\$92,240,544</u>	<u>\$86,916,484</u>	6.1%

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic factors play a key role in developing the City's Budget. Total sales tax collections had a decrease of \$727,594, or 6.3%, from fiscal year 2008-2009 (\$11,592,621) to fiscal year 2009-2010 (\$10,865,027). Due to the economic downturn, total revenues for fiscal 2011, excluding transfers in, were projected 2.1% lower than fiscal year 2009-2010 actual. Sales tax, which is the major revenue for the General Fund, had a projected decrease of 4.84% for fiscal year 2010-2011(\$10,338,932) from 2009-2010 (\$10,865,027).

The Sapulpa Municipal Authority (SMA) charges for service, which includes water, sewer, and refuse revenues, shows overall only a .2% decrease for fiscal year 2010-2011 (\$8,812,357) from 2009-2010 actual (\$8,826,508). There were no rate increases for water or sewer and a 3% increase in the refuse revenue. The increase in refuse is passed through from our contracted refuse service.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to 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 425 E. Dewey, P. O. Box 1130, Sapulpa, Oklahoma 74067-1130 or by phone at (918) 248-5911.

City of Sapulpa
Statement of Net Assets
June 30, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 8,174,238	\$ 3,593,334	\$ 11,767,572
Investments	2,021,525	2,292,797	4,314,322
Deposits with insurance pool	169,775	-	169,775
Deposits with fiscal agent	188	-	188
Internal balances	(338,919)	338,919	-
Interest receivable	5,837	117	5,954
Accounts receivable, net of allowance	-	868,573	868,573
Franchise tax receivable	11,579	-	11,579
Court fine receivable, net of allowance	835,684	-	835,684
Due from other governments	1,652,933	377,294	2,030,227
Deferred inflows	-	176,808	176,808
Other receivables	871,203	283,037	1,154,240
Inventory	52,809	92,646	145,455
Capital assets:			
Land and construction in progress	7,120,316	7,030,737	14,151,053
Other capital assets, net of depreciation	31,062,494	51,346,415	82,408,909
Unamortized bond issuance costs	372,144	2,859,682	3,231,826
Total assets	<u>\$ 52,011,806</u>	<u>\$ 69,260,359</u>	<u>\$ 121,272,165</u>
LIABILITIES			
Accounts payable	\$ 405,460	\$ 417,967	\$ 823,427
Accrued payroll liabilities	165,427	101,607	267,034
Accrued interest payable	59,406	1,591,586	1,650,992
Due to other governments	9,049	-	9,049
Due to bondholders	38,595	-	38,595
Escrow liabilities	2,816	-	2,816
Unearned revenue	1,983	2,721	4,704
Long-term liabilities:			
Due within one year	1,876,737	1,000,406	2,877,143
Due in more than one year	17,344,767	64,361,145	81,705,912
Total liabilities	<u>19,904,240</u>	<u>67,475,432</u>	<u>87,379,672</u>
NET ASSETS			
Invested in capital assets, net of related debt	22,186,089	(6,587,407)	15,598,682
Restricted for:			
Capital projects	6,950,188	-	6,950,188
Debt service	839,094	2,297,782	3,136,876
Streets	1,183,441	-	1,183,441
Culture and recreation	346,249	-	346,249
Public safety	534,782	-	534,782
Grant projects	88,318	-	88,318
General government	126,725	-	126,725
Urban development	10,018	-	10,018
Unrestricted	(157,338)	6,074,552	5,917,214
Total net assets	<u>\$ 32,107,566</u>	<u>\$ 1,784,927</u>	<u>\$ 33,892,493</u>

See accompanying notes to the basic financial statements

City of Sapulpa
Statement of Activities
For the Year Ended June 30, 2010

Functions/Programs Primary government	Program Revenue			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
Administration	\$ 1,068,277	\$ -	\$ -	\$ -	\$ (1,068,277)	\$ -	\$ (1,068,277)
General government	1,167,575	309,656	223,876	-	(634,043)	-	(634,043)
Legal and judicial	281,752	-	-	-	(281,752)	-	(281,752)
Public safety	10,312,829	1,449,726	1,057,062	-	(7,806,041)	-	(7,806,041)
Urban development	453,837	-	6,390	-	(447,447)	-	(447,447)
Streets	2,429,735	1,880	176,984	623,212	(1,627,659)	-	(1,627,659)
Culture and recreation	1,281,735	121,714	32,142	130,663	(997,216)	-	(997,216)
Interest on long-term debt	449,233	-	-	-	(449,233)	-	(449,233)
Total governmental activities	17,444,973	1,882,976	1,496,454	753,875	(13,311,668)	-	(13,311,668)
Business-type activities							
Water	3,781,367	4,219,649	-	-	-	438,282	438,282
Wastewater	6,437,587	3,266,234	-	-	-	(3,171,353)	(3,171,353)
Sanitation	1,290,756	1,340,625	-	-	-	49,869	49,869
Stormwater	581,406	786,841	-	-	-	205,435	205,435
Golf operations	709,765	416,658	-	-	-	(293,107)	(293,107)
Interest charges	279,547	-	-	-	-	(279,547)	(279,547)
Total business-type activities	13,080,428	10,030,007	-	-	-	(3,050,421)	(3,050,421)
Total primary government	\$ 30,525,401	\$ 11,912,983	\$ 1,496,454	\$ 753,875	(13,311,668)	(3,050,421)	(16,362,089)
General revenues:							
Taxes:							
Sales and use taxes					11,285,695	-	11,285,695
Property taxes					1,443,683	-	1,443,683
Franchise and public service taxes					505,361	-	505,361
Payment in lieu of tax					439,767	-	439,767
Hotel/motel taxes					185,685	-	185,685
E-911 taxes					217,442	-	217,442
Intergovernmental revenue not restricted to specific programs					252,939	-	252,939
Investment income					76,078	54,785	130,863
Miscellaneous					1,705,317	143,181	1,848,498
Transfers - Internal activity					(1,674,075)	1,674,075	-
Total general revenues and transfers					14,437,892	1,872,041	16,309,933
Change in net assets					1,126,224	(1,178,380)	(52,156)
Net assets - beginning, restated (see note 3.1.)					30,981,342	2,963,307	33,944,649
Net assets - ending					\$ 32,107,566	\$ 1,784,927	\$ 33,892,493

See accompanying notes to the basic financial statements

**City of Sapulpa
Balance Sheet
Governmental Funds
June 30, 2010**

	General Fund	G.O. Bond Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 214,574	\$ 6,227,208	\$ 1,854,965	\$ 8,296,747
Investments	421,313	-	1,627,517	2,048,830
Deposits with insurance pool	169,775	-	-	169,775
Deposits with fiscal agent	-	-	188	188
Accrued interest receivable	-	-	5,837	5,837
Due from other funds	7,811	-	-	7,811
Due from other governments	689,473	-	1,340,754	2,030,227
Franchise tax receivable	11,579	-	-	11,579
Court fine receivable, net	772,403	-	63,281	835,684
Other receivables	196,385	-	495,813	692,198
Inventory	30,113	-	89,215	119,328
Total assets	<u>\$ 2,513,426</u>	<u>\$ 6,227,208</u>	<u>\$ 5,477,570</u>	<u>\$ 14,218,204</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 62,833	\$ -	\$ 368,081	\$ 430,914
Accrued payroll liabilities	87,554	-	94,416	181,970
Due to other funds	-	-	346,730	346,730
Due to other governments	8,376	-	673	9,049
Refundable court bonds	38,595	-	-	38,595
Deferred revenue	683,851	-	429,843	1,113,694
Total liabilities	<u>881,209</u>	<u>-</u>	<u>1,239,743</u>	<u>2,120,952</u>
Fund balances:				
Reserved for:				
Endowment	-	-	25,437	25,437
Risk management	169,775	-	-	169,775
Inventory	30,113	-	89,215	119,328
Unreserved:				
General fund	1,432,329	-	-	1,432,329
Special revenue funds	-	-	3,523,563	3,523,563
Debt service funds	-	-	599,612	599,612
Capital project fund	-	6,227,208	-	6,227,208
Total fund balances	<u>1,632,217</u>	<u>6,227,208</u>	<u>4,237,827</u>	<u>12,097,252</u>
Total liabilities and fund balances	<u>\$ 2,513,426</u>	<u>\$ 6,227,208</u>	<u>\$ 5,477,570</u>	<u>\$ 14,218,204</u>

See accompanying notes to the basic financial statements.

City of Sapulpa
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2010

Fund Balance - Net Asset Reconciliation: \$ 12,097,252

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$18,661,497 38,182,810

Certain long-term assets are not reported in the funds on the modified accrual basis of accounting; however, at the government-wide financial statements are reported due to the accrual basis of accounting:
 Unamortized bond issuance costs 372,144

Internal service funds are used by management to charge costs of certain activities that benefit multiple funds, such as self-insurance costs, to individual funds. The assets and liabilities of these internal service funds are reported in the governmental activities of the Statement of Net Assets:
 Internal service funds' net assets (310,130)

Certain special revenue funds are used by management to perform business-type activities. The assets and liabilities of these special revenue funds are included in business-type activities in the Statement of Net Assets:

Water & Sewer Sales Tax Fund	(295,915)
Water Resources Fund	(207,472)
Sewer Plant Sales Tax Fund	(274,974)
	(778,361)

Certain long-term liabilities are not due and payable from current financial resources and therefore are not reported in the funds:

Deferred revenue	1,111,711
Accrued interest payable	(59,406)
Capital lease obligation	(406,686)
Judgments payable	(210,266)
General obligation bond	(15,565,000)
Unamortized premium on general obligation bonds	(25,035)
OPEB liability	(506,452)
Accrued compensated absences	(1,795,015)
	(17,456,149)

Net Assets of Governmental Activities in the Statement of Net Assets \$ 32,107,566

See accompanying notes to the basic financial statements.

City of Sapulpa
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	General Fund	G.O. Bond Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 6,261,228	\$ -	\$ 7,605,133	\$ 13,866,361
Intergovernmental	1,091,603	-	747,693	1,839,296
Charges for services	430,530	-	381,938	812,468
Fines and forfeitures	945,482	-	40,593	986,075
Licenses and permits	126,643	-	25,755	152,398
Investment income	29,174	4,136	48,561	81,871
Miscellaneous	190,623	-	1,635,356	1,825,979
Total revenues	<u>9,075,283</u>	<u>4,136</u>	<u>10,485,029</u>	<u>19,564,448</u>
EXPENDITURES				
Current:				
Administration	1,026,696	-	-	1,026,696
General government	785,070	-	313,241	1,098,311
Legal and judicial	252,601	-	-	252,601
Public safety	9,129,820	-	186,655	9,316,475
Urban development	236,650	-	205,259	441,909
Streets	-	-	1,213,348	1,213,348
Culture and recreation	-	-	1,017,099	1,017,099
Water	-	-	670,992	670,992
Wastewater	-	-	257,700	257,700
Capital Outlay	44,042	-	3,106,203	3,150,245
Debt Service:				
Principal	-	-	1,160,665	1,160,665
Interest	-	-	543,216	543,216
Total expenditures	<u>11,474,879</u>	<u>-</u>	<u>8,674,378</u>	<u>20,149,257</u>
Excess (deficiency) of revenues over expenditures	<u>(2,399,596)</u>	<u>4,136</u>	<u>1,810,651</u>	<u>(584,809)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	4,024,379	-	2,095,307	6,119,686
Transfers out	(2,213,809)	(365,199)	(3,459,537)	(6,038,545)
Proceeds from long-term debt	-	6,800,000	135,000	6,935,000
Bond premium	-	(246,740)	-	(246,740)
Bond issue costs	-	25,035	-	25,035
Total other financing sources and uses	<u>1,810,570</u>	<u>6,213,096</u>	<u>(1,229,230)</u>	<u>6,794,436</u>
Net change in fund balances	(589,026)	6,217,232	581,421	6,209,627
Fund balances - beginning	2,221,243	9,976	3,656,406	5,887,625
Fund balances - ending	<u>\$ 1,632,217</u>	<u>\$ 6,227,208</u>	<u>\$ 4,237,827</u>	<u>\$ 12,097,252</u>

See accompanying notes to the basic financial statements.

City of Sapulpa
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
 Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2010**

Changes in Fund Balance - Changes in Net Asset Reconciliation: \$ 6,209,627

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

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

Capital asset purchases capitalized	3,109,754
Construction in progress expensed	(253,939)
Book value of disposed capital assets	(10,358)
Capital assets transferred to business-type activities	(284,301)
Depreciation expense	(1,545,804)
	1,015,352

Governmental funds report bond issuance costs as expenditures while governmental activities report amortization expense to allocate those expenditures over the term of the bonds:

Amortization expense	(10,076)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Deferred revenue	102,381
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Certain special revenue funds are used by management to perform business-type activities. The net change in fund balances of these special revenue funds are included in business-type activities in the Statement of Net Assets:

Water & Sewer Sales Tax Fund	(102,054)
Water Resources Fund	121,063
Sewer Plant Sales Tax Fund	(256,271)
	(237,262)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:

Principal payment on capital lease obligation	143,137
Principal payment on judgments payable	461,624
Principal payment on G.O. bonds payable	660,000
G.O. Bond issue costs paid	246,740
G.O. Bond premium received	(25,035)
Proceeds from G.O. bonds payable	(6,800,000)
Proceeds from capital lease obligation	(135,000)
Increase in judgments payable	(130,000)
	(5,578,534)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Change in accrued interest payable	(11,007)
Change in OPEB liability	(253,226)
Change in accrued compensated absences	146,606
	(117,627)

Internal service fund activity is reported as a proprietary fund in the fund financial statements, but certain net revenues are reported in governmental activities on the Statement of Activities:

Change in net assets for internal service funds	(257,637)
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Change in net assets of governmental activities	\$ 1,126,224
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See accompanying notes to the basic financial statements.

**City of Sapulpa
Statement of Net Assets
Proprietary Funds
June 30, 2010**

Enterprise Funds

	<u>SMA Utility Fund</u>	<u>Golf Course Fund</u>	<u>Total</u>	<u>Internal Service Fund</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 502,123	\$ -	\$ 502,123	\$ 223,915
Restricted cash and cash equivalents	2,097,057	-	2,097,057	-
Investments	743,676	-	743,676	-
Interest receivable	117	-	117	-
Accounts receivable, net	865,482	3,091	868,573	-
Other receivables	283,037	-	283,037	179,005
Due from other funds	421,116	-	421,116	-
Deferred inflows	176,808	-	176,808	-
Inventory	-	26,127	26,127	-
Total current assets	<u>5,089,416</u>	<u>29,218</u>	<u>5,118,634</u>	<u>402,920</u>
Non-current assets:				
Restricted cash and cash equivalents	647,730	-	647,730	-
Restricted investments	1,387,956	-	1,387,956	-
Derivative instrument	133,860	-	133,860	-
Capital assets:				
Land and other non-depreciable assets	7,010,077	20,660	7,030,737	-
Other capital assets, net of depreciation	50,388,501	957,914	51,346,415	-
Unamortized debt issuance costs	2,859,682	-	2,859,682	-
Total non-current assets	<u>62,427,806</u>	<u>978,574</u>	<u>63,406,380</u>	<u>-</u>
Total assets	<u>67,517,222</u>	<u>1,007,792</u>	<u>68,525,014</u>	<u>402,920</u>
LIABILITIES				
Current liabilities:				
Accounts payable	383,862	10,294	394,156	-
Accrued payroll liabilities	69,820	16,417	86,237	-
Due to other funds	78,259	3,938	82,197	-
Accrued interest payable	1,591,586	-	1,591,586	-
Deferred revenue	-	2,721	2,721	-
Estimated liability for claims	-	-	-	713,050
Current portion of:				
Due to depositors	48,675	-	48,675	-
Notes payable	84,919	35,300	120,219	-
Water contract obligations	264,792	-	264,792	-
Revenue bonds payable	555,000	-	555,000	-
Accrued compensated absences	16,219	1,817	18,036	-
Total current liabilities	<u>3,093,132</u>	<u>70,487</u>	<u>3,163,619</u>	<u>713,050</u>
Non-current liabilities:				
Due to depositors	194,600	-	194,600	-
Notes payable	317,282	74,362	391,644	-
Water contract obligations	2,922,137	-	2,922,137	-
Revenue bonds payable, net	60,747,282	-	60,747,282	-
Accrued compensated absences	82,811	16,355	99,166	-
Total non-current liabilities	<u>64,264,112</u>	<u>90,717</u>	<u>64,354,829</u>	<u>-</u>
Total liabilities	<u>67,357,244</u>	<u>161,204</u>	<u>67,518,448</u>	<u>713,050</u>
NET ASSETS				
Invested in capital assets, net of related debt	(7,456,319)	868,912	(6,587,407)	-
Restricted for debt service	2,297,782	-	2,297,782	-
Unrestricted	<u>5,318,515</u>	<u>(22,324)</u>	<u>5,296,191</u>	<u>(310,130)</u>
Total net assets	<u>\$ 159,978</u>	<u>\$ 846,588</u>	<u>1,006,566</u>	<u>\$ (310,130)</u>

Amounts reported for business-type activities in the Statement of Net Assets are different because:

Certain special revenue funds are used by management to perform business-type activities. The assets and liabilities of certain special revenue funds are included in the business-type activities in the Statement of Net Assets.

778,361

Net assets of business-type activities

\$ 1,784,927

See accompanying notes to the basic financial statements.

City of Sapulpa
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2010

	Enterprise Funds			Internal Service Fund
	SMA Utility Fund	Golf Course Fund	Total	
REVENUES				
Water charges	\$ 3,923,627	\$ -	\$ 3,923,627	\$ -
Sewer charges	3,191,524	-	3,191,524	-
Sanitation	1,247,572	-	1,247,572	-
Water taps	35,050	-	35,050	-
Sewer taps	74,710	-	74,710	-
Late charges	178,222	-	178,222	-
Recycling center	17,725	-	17,725	-
Trucked water	75,328	-	75,328	-
Stormwater	786,841	-	786,841	-
Golf course	-	409,169	409,169	-
Self insurance charges	-	-	-	3,338,860
Miscellaneous	82,730	3,424	86,154	-
Total operating revenues	9,613,329	412,593	10,025,922	3,338,860
OPERATING EXPENSES				
General government	164,819	-	164,819	-
Administration	150,780	-	150,780	-
Utility collections	300,746	-	300,746	-
Water treatment plant	1,306,714	-	1,306,714	-
Industrial pretreatment	72,386	-	72,386	-
Wastewater treatment plant	1,014,530	-	1,014,530	-
Stormwater management	552,055	-	552,055	-
Sanitation	1,162,124	-	1,162,124	-
Golf course operations	-	579,977	579,977	-
Amortization expense	264,414	-	264,414	-
Depreciation expense	1,713,010	125,215	1,838,225	-
Claims expense	-	-	-	3,598,672
Total operating expenses	6,701,578	705,192	7,406,770	3,598,672
Operating income (loss)	2,911,751	(292,599)	2,619,152	(259,812)
NON-OPERATING REVENUES (EXPENSES)				
Investment income	48,292	14	48,306	2,175
Miscellaneous	140,557	-	140,557	-
Gain/loss on disposal of assets	(3,657)	(5,416)	(9,073)	-
Interest expense and fiscal charges	(4,934,387)	(4,573)	(4,938,960)	-
Total non-operating revenue (expenses)	(4,749,195)	(9,975)	(4,759,170)	2,175
Income (loss) before contributions and transfers	(1,837,444)	(302,574)	(2,140,018)	(257,637)
Capital contributions	819,037	-	819,037	-
Transfers in	5,295,963	200,000	5,495,963	-
Transfers out	(5,590,624)	-	(5,590,624)	-
Change in net assets	(1,313,068)	(102,574)	(1,415,642)	(257,637)
Total net assets - beginning, restated (see Note 3.1.)	1,473,046	949,162	2,422,208	(52,493)
Total net assets - ending	\$ 159,978	\$ 846,588	\$ 1,006,566	\$ (310,130)
Change in net assets			\$ (1,415,642)	

Amounts reported for business-type activities in the Statement of Activities are different because:

Certain special revenue funds are used by management to perform business-type activities. The activities of these special revenue funds are included in the business-type activities in the Statement of Activities.

Water & Sewer Sales Tax Fund	102,054
Water Resources Fund	(121,063)
Sewer Plant Sales Tax Fund	256,271
	237,262
Change in net assets of the business-type activities	\$ (1,178,380)

See accompanying notes to the basic financial statements.

City of Sapulpa
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2010

	SMA Utility Fund	Golf Course Fund	Total Enterprise Funds	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 9,680,867	\$ 415,887	\$ 10,096,754	\$ -
Payments to suppliers	(2,190,089)	(187,951)	(2,378,040)	(3,367,339)
Payments to employees	(2,498,949)	(396,489)	(2,895,438)	-
Receipts of customer meter deposits	82,062	-	82,062	-
Refunds of customer meter deposits	(84,611)	-	(84,611)	-
Interfund receipts/payments	(100,300)	3,938	(96,362)	-
Other income	-	-	-	3,159,909
Net cash provided by (used in) operating activities	<u>4,888,980</u>	<u>(164,615)</u>	<u>4,724,365</u>	<u>(207,430)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	5,295,963	200,000	5,495,963	-
Transfers to other funds	(5,590,624)	-	(5,590,624)	-
Net cash provided by (used in) noncapital financing activities	<u>(294,661)</u>	<u>200,000</u>	<u>(94,661)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(167,319)	(4,764)	(172,083)	-
Proceeds from sale of capital assets	-	4,065	4,065	-
Principal paid on capital debt	(854,679)	(34,438)	(889,117)	-
Interest and fiscal agent fees paid on capital debt	(3,724,018)	(4,573)	(3,728,591)	-
Net cash provided by (used in) capital and related financing activities	<u>(4,746,016)</u>	<u>(39,710)</u>	<u>(4,785,726)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(560,993)	-	(560,993)	-
Interest and dividends	151,971	14	151,985	2,175
Net cash provided by (used in) investing activities	<u>(409,022)</u>	<u>14</u>	<u>(409,008)</u>	<u>2,175</u>
Net increase (decrease) in cash and cash equivalents	(560,719)	(4,311)	(565,030)	(205,255)
Balances - beginning of year	3,807,629	4,311	3,811,940	429,170
Balances - end of year	<u>\$ 3,246,910</u>	<u>\$ -</u>	<u>\$ 3,246,910</u>	<u>\$ 223,915</u>
Reconciliation to Statement of Net Assets:				
Cash and cash equivalents	\$ 502,123	\$ -	\$ 502,123	\$ 223,915
Restricted cash and cash equivalents - current	2,097,057	-	2,097,057	-
Restricted cash and cash equivalents - noncurrent	647,730	-	647,730	-
Total cash and cash equivalents, end of year	<u>\$ 3,246,910</u>	<u>\$ -</u>	<u>\$ 3,246,910</u>	<u>\$ 223,915</u>

(Continued)

See accompanying notes to the financial statements.

City of Sapulpa
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2010

	SMA Utility Fund	Golf Course Fund	Total Enterprise Funds	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided				
by operating activities:				
Operating income (loss)	2,911,751	(292,599)	2,619,152	(259,812)
Adjustments to reconcile operating income to net cash provided				
(used) by operating activities:				
Depreciation expense	1,713,010	125,215	1,838,225	-
Amortization expense	264,414	-	264,414	-
Miscellaneous income	140,557	-	140,557	-
Change in assets and liabilities:				
Due from other funds	(124,090)	-	(124,090)	-
Due from other governments	7,820	2,070	9,890	-
Accounts receivable	4,390	1,081	5,471	(178,951)
Other receivables	(85,229)	-	(85,229)	-
Inventory	-	(4,757)	(4,757)	-
Accounts payable	16,900	(116)	16,784	-
Accrued payroll payable	13,897	(820)	13,077	-
Due to other funds	23,790	3,938	27,728	-
Deferred revenue	-	143	143	-
Claims liability	-	-	-	231,333
Deposits subject to refund	(2,549)	-	(2,549)	-
Accrued compensated absences	4,319	1,230	5,549	-
	<u>4,888,980</u>	<u>(164,615)</u>	<u>4,724,365</u>	<u>(207,430)</u>
Net cash provided by (used in) operating activities				
Noncash activities:				
Contributed capital assets	\$ 819,037	\$ -	\$ 819,037	\$ -
Fair value of hedging derivative	133,860	-	133,860	-
Total noncash activities	<u>\$ 952,897</u>	<u>\$ -</u>	<u>\$ 952,897</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

CITY OF SAPULPA, OKLAHOMA

NOTES TO BASIC FINANCIAL STATEMENTS

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City's accounting and financial reporting policies conform to accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. 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 subsections of this Note.

1.A. FINANCIAL REPORTING ENTITY

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

Primary Government:	City of Sapulpa
Component Unit:	Sapulpa Municipal 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 of which the City is fiscally accountable.

The component unit listed above is a Public Trust established pursuant to Title 60 of Oklahoma State law. A Public Trust (Authority) has no taxing power. The Authority is generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. The Authority generally retains 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 Authority to the Trustees on a long-term basis. The City, as beneficiary of the Public Trust, receives title to any residual assets when a Public Trust is dissolved.

BLENDING COMPONENT UNITS

A blended component unit is a separate legal entity that meets 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 unit that is blended into the primary government's fund categories is presented below.

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>	<u>Included Funds</u>
Sapulpa Municipal Authority	Created February 19, 1968, to finance, develop and operate the water, wastewater, solid waste and golf activities of the City. Current City Council serves as the entire governing body (Trustees). Debt issued by the Authority requires 2/3rds approval of the City Council.	SMA Utility and SMA Golf Course Enterprise Funds

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 including component units. They include all financial activities of the reporting entity. Eliminations have been made to minimize the double reporting of transactions involving internal activities. Individual funds are not displayed in these statements. Instead, the statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

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 the individual governmental fund 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 for which management has determined is of such significance to be reported as a major fund.

All remaining governmental and enterprise funds not meeting the above criteria are aggregated and reported as nonmajor funds. The funds of the financial reporting entity are described below:

GOVERNMENTAL FUNDS

General Fund (Major Fund)

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

Special Revenue Funds (Nonmajor Funds)

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the City. The reporting entity includes the following special revenue funds:

CITY OF SAPULPA, OKLAHOMA
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2010

<u>Fund</u>	<u>Description</u>
Cemetery Maintenance Fund	Accounts for revenues received from sales tax (2.5% of the second and third penny), lot sales and charges for interment to be used for maintenance and operations of the cemetery. Additional monies are transferred into this fund for right-of-way mowing operations.
Street & Alley Fund	Accounts for revenues received from gasoline excise tax, motor vehicle tax and expenditures made for street maintenance and operations.
Hunting & Fishing Fund	Accounts for revenues from hunting and fishing fees and other sources and expenditures made therefrom.
Library Fund	Accounts for revenues received from sales tax (2.5% of the second and third penny), grants, fines and other sources for library maintenance and operations.
Parks & Recreation Fund	Accounts for revenues received from sales tax (5% of the second and third penny) and from other sources to be used for parks and leisure services.
Swimming Pool Fund	Accounts for revenues received from donations for swimming pool expenditures.
Restricted Construction Park & Recreation Fund	Accounts for revenue received and expenditures made exclusively for the acquisition of new park lands and/or capital and maintenance improvements of such new parks.
Park Development Fund	Accounts for revenue received from the Hotel/Motel Tax fund and expenditures for the acquisition of new park lands and/or making capital improvements to parks.
Fire Cash Fund	Accounts for revenue received from sales tax (2.5% of the second and third penny) and for expenditures for capital improvements.
Police Cash Fund	Accounts for revenue received from sales tax (2.5% of the second and third penny) and for expenditures for capital improvements.
Federal SAF Fund	Accounts for monies received from federal drug seizures. All monies and property received must be used for law enforcement purposes only.
Cemetery Care Fund	Accounts for revenues received from 12.5% of cemetery lot sales and interments. Per state statute, the principal can only be used for the purchase of land and for making permanent capital improvements. The interest can be used for improving, caring for and embellishing lots, walks, drives, parks and other improvements in such cemeteries and maintenance of office and care of records.
Major Thoroughfare Fund	Accounts for revenue received from sales tax (5% of the second and third penny) and expenditures for major thoroughfares.
Capital Improvement Fund	Accounts for revenues received from sales tax (10% of the second and third penny) and other sources and expenditures for capital improvements in an amount of \$4,500 or greater in value with an estimated life of three years or more.

CITY OF SAPULPA, OKLAHOMA
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2010

Water & Sewer Sales Tax Fund	Accounts for revenues received from sales tax (10% of the second and third penny) and expenditures made for maintenance, operations and capital outlay.
Spay & Neuter Fund	Accounts for monies received from pet adoptions and expenditures related to vaccinations, spaying and neutering fees.
Water Resources Fund	Accounts for revenues received from sales tax (20% of the second and third penny) and expenditures made for water systems capital improvements.
E911 Fund	Accounts for revenues received from tariff rates on base line telephone charges and expenditures for operations and maintenance of the E-911 system.
Juvenile Justice Fund	Accounts for revenues received and expenditures related to the municipal juvenile court and/or any juvenile programs.
Hotel/Motel Tax Fund	Accounts for revenues received from Hotel/Motel Tax and expenditures for operations of the Sapulpa Economic Development Department, promoting tourism, and park capital improvements.
Grants & Aid Fund	Accounts for revenue received and expenditures made for all grant projects, except for library grants and aid.
Street Improvement Sales Tax	Accounts for revenues received from 1/2 cent dedicated sales tax, transfers made to the sinking fund for debt service payments, and expenditures made for capital outlay.
Sewer Plant Sales Tax	Accounts for revenues received from 1/2 cent dedicated sales tax, transfers made to the trustee bank for debt service payments, and expenditures made for capital outlay.

Debt Service Fund (Nonmajor Fund)

The Debt Service Fund is used to account for ad-valorem taxes levied by the City for use in retiring court-assessed judgments and general obligation bonds and their related interest expense. In State Statutes this fund is referred to as the Sinking Fund.

Capital Project Fund (Major Fund)

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

<u>Fund</u>	<u>Description</u>
GO Bond Construction Fund	Accounts for the financing and construction of specified capital improvements.

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. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise funds and internal service fund:

Enterprise Funds (Major Funds)

<u>Fund</u>	<u>Description</u>
Sapulpa Municipal Authority Utility	Accounts for revenues of the public trust from providing water, wastewater and sanitation services to the public.
Included accounts of the SMA: Sewer System Development & Extension Fee Fund	Accounts for revenues received from sewer system development and extension fees associated with the sewer expansion program, related expenses, and to account for funds being placed in escrow which are received from developers.
Stormwater Management Fund	Accounts for revenues received from stormwater management fees and expenditures made for stormwater maintenance and operations.
SMA Golf Course	Accounts for revenues received from fees and operational expenses associated with the golf course.

Internal Service Fund

Insurance Fund	Accounts for revenues and expenses of insurance costs for employees with the City, including police and fire retirees.
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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

Government-wide and Proprietary Fund Financial Statements

In the government-wide Statement of Net Assets and the Statement of Activities, and the proprietary fund statements the “*economic resources*” measurement focus is applied. 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. Fund equity is classified as net assets.

Governmental Fund Financial Statements

In the governmental fund financial statements, a “*current financial resources*” measurement focus is applied. Under this 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.

Basis of Accounting

Government-wide and Proprietary Fund Financial Statements

In the government-wide Statement of Net Assets and Statement of Activities, and the proprietary fund financial statements the accrual basis of accounting is applied. 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.

Governmental Fund Financial Statements

In the governmental fund financial statements, the modified accrual basis of accounting is applied. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City has defined “available” as collected within 60 days after year end. Sales and use taxes, franchise taxes, hotel/motel 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 financial sources.

1.D. ASSETS, LIABILITIES AND EQUITY

Cash and Cash Equivalents

Cash and cash equivalents include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less. Investments in open-ended mutual funds held in the trustee accounts are considered cash equivalents.

Investments

Investments consist of certificates of deposit whose original maturity term exceeds three months, certain U.S. Government securities and an interest rate cap investment. Investments that do not have an established market are reported at estimated fair value as estimated by a broker/dealer. The U.S. Government securities are reported at fair value. All non-negotiable certificates of deposit whose original maturity term exceeds three months are carried at cost.

Receivables

Material receivables in governmental funds and governmental activities include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Revenue from non-exchange transactions collectible but not available are deferred in accordance with GASB 33 at the fund level.

Proprietary funds and business-type activities material receivables consist of all revenues earned at year-end and not yet received. Billed and unbilled utility accounts receivable comprise the majority of these receivables. They are reported net of allowances for uncollectible accounts.

Inventories

Inventory recorded in governmental funds and governmental activities is valued at average cost and consists of material and supplies used for vehicle maintenance and office and janitorial activities. The cost is allocated to the various user departments based upon their consumption. The consumption method of accounting treatment is utilized by the City's governmental funds.

Special reporting treatments are applied to governmental fund inventories to indicate that they do not represent available spendable resources even though they are a component of net current assets. Such amounts are generally offset by fund balance reserve accounts.

Proprietary fund and business-type activities inventories are recorded on an average cost basis. Inventory of the enterprise funds consists of materials and supplies used for golf.

Capital Assets and Depreciation

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 and Proprietary Funds

In the government-wide financial statements and proprietary funds, 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 asset or materially 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 follows:

Buildings	25 - 50 years
Other Improvements	5 - 50 years
Infrastructure	25-100 years
Machinery and Equipment	3 - 20 years
Utility System	25 - 50 years

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

Restricted Assets

Restricted assets include current and noncurrent assets of enterprise funds and business-type activities that are legally restricted as to their use. The primary restricted assets are related to trustee accounts restricted for debt service, an interest rate cap investment and deposits held for refund.

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.

All long-term debt to be repaid from governmental activities, business-type activities and proprietary funds are reported as liabilities as incurred. The long-term debt presently is primarily comprised of general obligation bonds, capital lease obligations payable, judgments payable, water contract obligations, revenue bonds payable and accrued compensated absences. This long-term debt is reported net of unamortized discounts, gains and losses from refunding.

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 payments of principal and interest are reported as expenditures.

Compensated Absences

The City's policies regarding vacation, sick and compensatory time permit employees to accumulate varying amounts as determined by management and contracts with employee groups.

Compensated absences are reported as accrued in the government-wide and proprietary financial statements. Governmental funds report only the matured compensated absences payable to currently terminating employees.

Equity Classification

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 bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- 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.

Governmental Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. The reservations include (1) fund balances not available for appropriation, such as reserves for risk management and reserves for inventory and (2) fund balances legally restricted to specific purposes.

1.E. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

In the process of aggregating the financial information for the government-wide financial statements, 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 are not eliminated in the statement of activities.

Fund Financial Statements:

Interfund activity, if any, within and among the governmental and proprietary fund 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 presently levies a four cent sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. One cent of the sales tax received is to be recorded as sales tax revenue within the General Fund, one-half cent in the Street Improvement Sales Tax Fund, one-half cent in the Series 1998 Capital Improvement Sales Tax Fund and the remaining two cents distributed to various funds based on various percentages. These percentages, initially set by ordinance, have been further restricted by management and governing body approval as follows:

General Fund	40.00%
Cemetery Maintenance Fund	2.50%

CITY OF SAPULPA, OKLAHOMA
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Library Fund	2.50%
Parks & Recreation Fund	5.00%
Fire Cash Fund	2.50%
Police Cash Fund	2.50%
Major Thoroughfare Fund	5.00%
Capital Improvement Fund	10.00%
Water & Sewer Sales Tax Fund	10.00%
Water Resources Fund	<u>20.00%</u>
Total	<u>100.00%</u>

In accordance with the 2002, 2003 and 2009 sales tax agreements of their respective bond indentures, sales tax has been pledged for the payment of principal and interest on the indebtedness. The 2002, 2003 and 2009 revenue bond indentures state that 40% of two cents of the sales tax levied and assessed pursuant to the City's ordinances is pledged for the payment of those debt issues. In addition, ½ of one cent recorded in the Street Improvement Sales Tax Fund has been pledged for payment on the 2004 Capital Improvement Revenue Bonds.

Sales tax resulting from sales occurring prior to year-end and received by the City after year end have been accrued and are 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 a property tax, in addition to dedicated sales tax, to fund the annual debt service requirements of the following general obligation bonds:

General Obligation Bonds

- 2003 General Obligation Bonds
- 2004 General Obligation Bonds
- 2005 General Obligation Bonds
- 2006 General Obligation Bonds
- 2010 General Obligation Bonds

The property tax levy, as determined by the City's debt service needs, is submitted to the County Excise Board for approval. County assessors, elected officials, determine the taxable value of real estate and personal property in the County. A State Board of Equalization hears complaints on real estate values with the power to equalize assessments. Under present State law, the ratio of assessed value to true value cannot be less than 11 percent or more than 13 ½ percent.

Property taxes levied by the City are billed and collected by the County Treasurer's office and remitted to the City in the month following collection. Property taxes are levied normally in October and are due in equal installments on December 31 and March 31. Property taxes unpaid for the fiscal year are attached by an enforceable lien on property in the following October.

For the year ended June 30, 2010, the City's net assessed valuation of taxable property was \$112,495,931. The taxes levied by the City per \$1,000 of net assessed valuation for the year ended June 30, 2010, was \$12.80.

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.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the City and its component unit 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 INVESTMENT 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. For the year ended June 30, 2010, the City's uninsured deposits were fully collateralized.

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.

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.

2.B. DEBT RESTRICTIONS AND COVENANTS

General Obligation Debt

Article 10, Sections 26 and 27 of the Oklahoma Constitution limits the amount of certain outstanding general obligation bonded debt of the municipality for non-utility or non-street purposes to no more than 10% of net assessed valuation. For the year ended June 30, 2010, the City complied with this restriction.

Other 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.

Revenue Bond Debt

The bond indentures relating to the revenue bond issues of the Sapulpa Municipal Authority contain a number of restrictions or covenants that are financial related. These include covenants such as a required flow of funds through special accounts, debt service coverage requirements and required reserve account balances.

The following schedule presents a brief summary of the most significant requirements and the Authority's level of compliance, thereon, as of June 30, 2010:

<u>Requirement</u>	<u>Level of Compliance</u>
a. Flow of Funds	
1. 2003 Refunding Revenue Bonds:	
- Revenue Fund	The Authority maintained all required accounts and made the required payments into such accounts.
- Construction Fund	
- Bond Fund	
- Bond Reserve Fund	
2. 2002 Revenue Bonds:	
- Revenue Account	The Authority maintained all required accounts and made the required payments into such accounts.
- Construction Fund	
- Bond Account	
- Sinking Fund	
3. 2004 Capital Improvement Revenue Bonds:	
- Revenue Account	The Authority maintained all required accounts and made the required payments into such accounts.
- Construction Fund	
- Bond Account	
- Bond Reserve Fund	
4. 2006 Utility System Revenue Bonds:	
- Revenue Account	The Authority maintained all required accounts and made the required payments into such accounts.
- Construction Fund	
- Bond Account	
- Bond Reserve Fund	

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5. 2006 Capital Improvement Revenue Bonds:

- Revenue Account
- Construction Fund
- Bond Account
- Bond Reserve Fund

The Authority maintained all required accounts and made the required payments into such accounts.

6. 2009 Refunding Revenue Bonds:

- Revenue Account
- Construction Fund
- Bond Account
- Bond Reserve Fund

The Authority maintained all required accounts and made the required payments into such accounts.

b. Revenue Bond Coverage:

Net operating revenue plus transferred sales tax must equal 1.25 times average annual debt service on the 2002 and 2006 Utility Bonds.

Net revenues available amounted to \$8,230,122. The average annual debt service on the bonds amounted to \$2,867,928. Actual coverage was 2.87 times.

Net operating revenue (excluding sales tax) must equal 1.00 times average annual debt service on the 2002 Revenue Bonds.

Net revenues excluding sales tax amounted to \$4,937,467. The average annual debt service was \$2,867,928. Actual coverage was 1.72 times.

Net operating revenue plus transferred sales tax must equal 1.20 times annual debt service on the 2003 Revenue Bonds.

Net revenues available amounted to \$8,230,122. The annual debt service was \$3,292,376. Actual coverage was 2.50 times.

Net operating revenue plus transferred sales tax must equal 1.25 times annual debt service on the 2009 Revenue Bonds.

Net revenues available amounted to \$8,230,122. The annual debt service was \$3,292,376. Actual coverage was 2.50 times.

c. Reserve Account Requirements:

2002 Revenue Bonds:

Reserve account balance to be \$2,326,967.

The Authority purchased financial security assurance municipal bond debt service reserve insurance policy with a \$2,326,967 fair value.

2003 Revenue Bonds:

Reserve account balance to be \$2,714,875.

The Authority purchased financial security assurance municipal bond debt service reserve insurance policy with a \$2,714,875 fair value.

2004 Capital Improvement Revenue Bonds:

Reserve account balance to be \$497,000.

The balance at June 30, 2010 was \$497,000.

2006 Revenue Bonds:

Reserve account balance to be \$58,870.

The balance at June 30, 2010 was \$58,230.

2006 Capital Improvement Revenue Bonds:

Reserve account balance to be \$92,500.

The balance at June 30, 2010 was \$92,500.

2009 Refunding Revenue Bonds:

Reserve account balance to be \$1,211,135.

The balance at June 30, 2010 was \$1,230,956.

2.C. FUND EQUITY / NET ASSET RESTRICTIONS

Restricted Net Assets

Restricted net assets at the government-wide financial statements are required to restrict funds in accordance with various laws and regulations, specifically those laws and regulations dealing with debt service and the use of restricted revenues. See Note 3. I. for details of restricted net assets.

2.D. BUDGETARY COMPLIANCE

The City prepares its annual operating budget under the provisions of the Municipal Budget Act (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.

The legal level of control at which expenditures may not legally exceed appropriations is the department level within a fund.

All fund decreases of appropriation and supplemental appropriations require City Council approval. The City Manager may transfer appropriations between departments within a fund 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 Sapulpa Municipal Authority, accounted for as a blended enterprise fund in this report, is 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; and, therefore, no budget and actual financial presentation for the SMA fund is included in this report.

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 of Sapulpa, including its blended component units held the following deposits and investments at June 30, 2010:

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	<u>Carrying</u> <u>Value</u>		
Deposits:			
Demand deposits:	<u>\$9,109,159</u>		
	<u>Fair</u>	<u>Credit</u>	<u>Maturity</u>
	<u>Value</u>	<u>Rating</u>	<u>Date</u>
Investments:			
Money market funds - Federated Treasury Obligations Fund	\$ 2,658,412	AAA/m	N/A
FHLB Note	1,230,956	N/A	4/26/2013
Certificate of deposit = CDARS	1,220,511	N/A	8/19/2010
Certificate of deposit	145,000	N/A	10/13/2011
Certificate of deposit	715,238	N/A	9/15/2010
Certificate of deposit	613,484	N/A	12/28/2010
Certificate of deposit	100,000	N/A	3/8/2011
Certificate of deposit	50,000	N/A	8/21/2010
Certificate of deposit	70,274	N/A	12/9/2010
U.S. Treasury HH Savings Bonds	35,000	N/A	7/1/2022
Interest Rate Cap Investment	133,860	AA	N/A
Total investments	<u>\$ 6,972,735</u>		
Total deposits and investments	<u>\$ 16,081,894</u>		
 Reconciliation to Statement of Net Assets:			
Cash and cash equivalents	\$ 11,767,572		
Investments	4,314,322		
	<u>\$ 16,081,894</u>		

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.

At June 30, 2010, the City was not exposed to custodial credit risk as defined above.

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.

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The fair value of the City's interest rate cap agreements are fully exposed to credit risk. The interest rate cap agreement requires the counterparty to notify the trustee, SMA, and the bond insurer if any of the long-term unsecured outstanding debt of the guarantor falls below A- by S&P and below A3 by Moody's or is unrated by either rating agency. Upon such notice, the trustee or SMA may (1) direct the counterparty to either assign the agreements to an acceptable transferee, (2) provide a guaranty issued by an acceptable guarantor, or (3) terminate the agreements without penalty.

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.

As noted in the schedule of deposits and investments above, at June 30, 2010, the investments held by the City mature at various times.

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, 2010, the City had no concentration of credit risk as defined above.

Hedging Derivative – Interest Rate Cap Swap Transaction:

The City implemented GASB 53: "Accounting and Financial Reporting for Derivative Instruments" in the current fiscal year.

The City has entered into a four and a half year interest rate cap swap agreement as a cash flow hedge for \$12,000,000 of its variable rate 2009A Refunding Series Capital Improvement Revenue Bonds. The City owes interest on the revenue bonds at a variable rate of LIBOR plus 275 basis points not to exceed 14%. The counterparty to the swap agreement owes the City interest if the LIBOR rate exceeds 2.25%. The counterparty has not made any payments to the City since the LIBOR rate has not yet exceeded 2.25%. The objective of the hedge is to cap the interest rate paid at 2.25% plus 275 basis points (5%). The City has achieved that objective and is reporting the derivative under hedge accounting standards. The notional amount of the hedging derivative is \$12,000,000.

The expected future net cash flows of the hedging derivative are as follows:

Year Ending June 30,	Assumed Interest Rate	Hedging Derivative Cash Flow
2011	< 5%	\$ -
2012	< 5%	-
2013	5.215%	25,800
2014	5.512%	61,440
Total		\$ 87,240

The City paid \$466,000 to the counterparty at inception. This up-front payment is being amortized as a component of interest expense over the life of the agreement using the straight-line method. The amount amortized as interest expense in fiscal year 2010 was \$103,566.

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Associated Debt	Effective Date	Termination Date	Interest Cap Rate	Change in Fair Value	Fair Value at 6-30-10	Counter-party	Credit Rating
2009 Refunding Series Capital Improvement Rev Bonds:							
Interest Rate Cap	1/6/2009	7/1/2013	2.25%	(398,661)	\$ 133,860	Bank of NY	AA

Fair market value was determined using actual six month LIBOR rates from Bloomberg and longer-term LIBOR rates using the US Swaps Curve. The LIBOR actual rates were used to derive historical volatiles. The US Swaps Curve was used to derive forward rates. The Black-76 modified Black-Scholes model was used to price the interest-rate option.

3. B. RESTRICTED ASSETS

The amounts reported as restricted assets on the Proprietary Funds Statement of Net Assets are comprised of cash and investments held by the trustee bank on behalf of the public trust (Authority) related to its required revenue bond accounts as described in Note 2.B amounts due to depositors related to utility deposits, and an interest rate cap investment.

The restricted assets as of June 30, 2010 were as follows:

Type of Restricted Assets	Current Cash and cash equivalents	Noncurrent Cash and cash equivalents	Noncurrent Investments	Total
Due to Depositors	\$86,375	-	\$157,000	\$243,375
Trustee Accounts:				
2002A Sinking Fund	5,911	-	-	5,911
2002A Bond Fund	630,007	-	-	630,007
2002B Sinking Fund	552	-	-	552
2003 Bond Fund	35	-	-	35
2003 Revenue Fund	559,824	-	-	559,824
2004 Bond Fund	409,323	-	-	409,323
2004 Reserve Fund	-	\$497,000	-	497,000
2006 Bond Fund - Cap. Impr.	2	-	-	2
2006 Reserve Fund - Cap. Impr.	-	92,500	-	92,500
2006 Bond Fund - Utility	9,875	-	-	9,875
2006 Revenue Fund - Utility	18,868	-	-	18,868
2006 Reserve Fund - Utility	-	58,230	-	58,230
2009 Revenue Fund	376,052	-	-	376,052
2009 Bond Fund	233	-	-	233
2009 Reserve Fund	-	-	1,230,956	1,230,956
Total Restricted Assets	<u>\$2,097,057</u>	<u>\$647,730</u>	<u>\$1,387,956</u>	<u>\$4,132,743</u>

3. C. ACCOUNTS RECEIVABLE AND COURT FINES RECEIVABLE

Accounts receivable of the business-type activities consists of customer utilities services provided, both billed and unbilled, and golf services due at year end, reported net of allowance for uncollectible amounts.

	<u>Utilities</u>	<u>Golf</u>	<u>Total</u>
Accounts receivable	\$1,797,124	\$3,091	\$1,800,215
Allowance for doubtful accounts	<u>(931,642)</u>	<u>-</u>	<u>(931,642)</u>
Accounts receivable, net	<u>\$865,482</u>	<u>\$3,091</u>	<u>\$868,573</u>

Court fines receivable of the governmental activities consisted of the following at June 30, 2010:

Court fines receivable	\$2,381,073
Allowance for doubtful accounts	<u>(1,545,389)</u>
Court fines receivable, net	<u>\$835,684</u>

CITY OF SAPULPA, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
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3. D. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance at June 30, 2009	Additions	Transfers	Disposals	Balance at June 30, 2010
Governmental activities:					
Non-depreciable:					
Land	\$ 2,022,520	\$ 2,312,785	\$ -	\$ -	\$ 4,335,305
Construction-in-progress	3,941,191	2,493,411	(188,539)	(3,461,052)	2,785,011
Total non-depreciable assets at historical cost	<u>5,963,711</u>	<u>4,806,196</u>	<u>(188,539)</u>	<u>(3,461,052)</u>	<u>7,120,316</u>
Depreciable:					
Buildings	9,727,903	487,774	-	-	10,215,677
Other improvements	1,802,530	172,211	-	-	1,974,741
Machinery and equipment	9,882,615	356,986	(131,444)	(107,954)	10,000,203
Infrastructure	27,039,669	493,701	-	-	27,533,370
Total depreciable assets at historical cost	<u>48,452,717</u>	<u>1,510,672</u>	<u>(131,444)</u>	<u>(107,954)</u>	<u>49,723,991</u>
Less accumulated depreciation					
Buildings	(2,427,776)	(205,380)	-	-	(2,633,156)
Other improvements	(550,342)	(96,899)	(17,000)	-	(664,241)
Machinery and equipment	(5,086,169)	(630,044)	35,682	97,596	(5,582,935)
Infrastructure	(9,184,684)	(613,481)	17,000	-	(9,781,165)
Total accumulated depreciation	<u>(17,248,971)</u>	<u>(1,545,804)</u>	<u>35,682</u>	<u>97,596</u>	<u>(18,661,497)</u>
Net depreciable assets	<u>31,203,746</u>	<u>(35,132)</u>	<u>(95,762)</u>	<u>(10,358)</u>	<u>31,062,494</u>
Governmental activities capital assets, net	<u>\$ 37,167,457</u>	<u>\$ 4,771,064</u>	<u>\$ (284,301)</u>	<u>\$ (3,471,410)</u>	<u>\$ 38,182,810</u>
Business-type activities					
Non-depreciable:					
Land	\$ 52,001	\$ -	\$ -	\$ -	\$ 52,001
Water rights contracts	4,915,486	-	-	-	4,915,486
Construction-in-progress	1,986,769	350,483	-	(274,002)	2,063,250
Total non-depreciable assets at historical cost	<u>6,954,256</u>	<u>350,483</u>	<u>-</u>	<u>(274,002)</u>	<u>7,030,737</u>
Depreciable:					
Buildings	3,880,040	-	-	-	3,880,040
Other improvements	1,494,622	38,000	-	-	1,532,622
Utility property	64,605,937	236,002	188,539	-	65,030,478
Machinery and equipment	2,917,802	356,337	131,444	(123,441)	3,282,142
Infrastructure	342,745	-	-	-	342,745
Totals depreciable assets at historical cost	<u>73,241,146</u>	<u>630,339</u>	<u>319,983</u>	<u>(123,441)</u>	<u>74,068,027</u>
Less accumulated depreciation					
Buildings	(860,904)	(78,233)	-	-	(939,137)
Other improvements	(729,331)	(65,153)	-	-	(794,484)
Utility property	(17,715,879)	(1,448,913)	-	-	(19,164,792)
Machinery and equipment	(1,453,859)	(242,480)	(35,682)	110,302	(1,621,719)
Infrastructure	(198,034)	(3,446)	-	-	(201,480)
Total accumulated depreciation	<u>(20,958,007)</u>	<u>(1,838,225)</u>	<u>(35,682)</u>	<u>110,302</u>	<u>(22,721,612)</u>
Net depreciable assets	<u>52,283,139</u>	<u>(1,207,886)</u>	<u>284,301</u>	<u>(13,139)</u>	<u>51,346,415</u>
Business-type activities capital assets, net	<u>\$ 59,237,395</u>	<u>\$ (857,403)</u>	<u>\$ 284,301</u>	<u>\$ (287,141)</u>	<u>\$ 58,377,152</u>

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

Depreciation expense charged to governmental activities:

Administration	\$ 39,222
General government	33,421
Legal and judicial	3,322
Public safety	567,920
Urban development	5,730
Streets	709,690
Culture and recreation	186,499
Total governmental activities depreciation expense	<u>\$ 1,545,804</u>

Depreciation expense charged to business-type activities:

Water	\$ 599,286
Wastewater	1,049,386
Sanitation	34,987
Stormwater	29,351
Golf course	125,215
Total business-type activities depreciation expense	<u>\$ 1,838,225</u>

Note: General government, administration, utility collections and utility maintenance of the business-type activities were allocated to the appropriate functions based upon a percentage of revenues.

3. E. WATER RIGHTS CONTRACT

The Sapulpa Municipal Authority (SMA) entered into three agreements with the United States of America for water storage space in Skiatook Lake. In consideration of the right to utilize the aforesaid storage space in the project for municipal and industrial supply purposes, the SMA agreed to pay costs in the amount of \$4,915,486 (which is the balance of the unamortized water rights reported as capital assets at June 30, 2010), along with maintenance and operations costs on an annual basis. The City incurred an obligation to the federal government for the water rights. The obligations were incurred in March 1993, November 1999, November 2002, and June 2006. The obligations are payable in annual installments of \$30,491, \$33,966, \$143,535 and \$184,184, respectively. The total water right obligation balance at June 30, 2010 is \$3,186,929. See Note 3.F. for further disclosures.

Due to the long-term nature of this agreement, and the infinite economic life of the water rights, the SMA's investment in the water rights contract is not being amortized.

3. F. LONG-TERM DEBT

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

Governmental Activities Long-Term Debt

At June 30, 2010, the governmental activities long-term debt consisted of the following:

General Obligation Bonds:

\$4,100,000 General Obligation Bonds of 2003, due in annual installments of \$215,000, final installment of \$230,000 due June 1, 2023, with interest rates at 2.75% to 4.0%	\$2,810,000
\$5,600,000 General Obligation Bonds of 2004, due in annual installments of \$295,000, final installment due June 1, 2024, with interest rates at 3.50% to 5.00%	4,130,000
\$1,925,000 General Obligation Bonds of 2005, due in annual installments of \$295,000, final installment of \$125,000 due June 1, 2025, with interest rates at 2.80% to 3.90%	1,525,000
\$415,000 General Obligation Bonds of 2006, due in annual installments of \$50,000, final installment due June 1, 2016, with interest rates at 4.00% to 4.20%	300,000
\$6,800,000 General Obligation Bonds of 2010, due in annual installments of \$350,000, final installment due June 1, 2030, with interest rates at 3.75% to 4.25%	<u>6,800,000</u>
Total General Obligation Bonds	<u>\$15,565,000</u>
Current portion	\$660,000
Non-current portion	<u>14,905,000</u>
Total General Obligation Bonds	<u>\$15,565,000</u>

Capital Lease Obligations:

\$72,360 capital lease with American Heritage Bank for backhoe and excavator, payable in quarterly installments of \$4,085, final payment due January 2011 with interest at 4.95%; lease must be renewed annually	\$12,263
\$425,000 capital lease with American Heritage Bank for a Pierce Pumper Truck, payable in monthly installments of \$7,861, final payment due March 2013 with interest at 4.15%; lease must be renewed annually	243,443
\$36,123 capital lease with American Heritage Bank for golf equipment payable in monthly installments of \$837, final payment due February 2012 with interest rate at 5.25%; lease must be renewed annually	15,980
\$135,000 capital lease with First United Bank & Trust for Freightliner truck payable in quarterly installments of \$7,481, final payment due June 1, 2015 with interest rate at 4%; lease must be renewed annually	<u>135,000</u>
Total Capital Lease Obligations	<u>\$406,686</u>

CITY OF SAPULPA, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

Current portion	\$132,252
Non-current portion	<u>274,434</u>
Total Capital Lease Obligations	<u>\$406,686</u>

Accrued Compensated Absences:

Accrued compensated absences reported in the governmental activities are comprised of accrued vacation leave, sick leave and compensatory time.

Current portion	\$ 179,502
Non-current portion	<u>1,615,513</u>
Total Accrued Compensated Absences	<u>\$1,795,015</u>

Estimated Claims Liability:

Estimated claims liability reported in the governmental activities are comprised of accrued payables and liabilities incurred but not reported.

Current portion	<u>\$713,050</u>
Total Estimated Claims Liability	<u>\$713,050</u>

Judgment Payable:

\$40,000 judgment payable (Jackson), payable in annual installments of \$13,333, beginning March 20, 2009, with interest at the statutory rate which was 5.25% for 2010, final payment due March 20, 2011	13,333
\$412,000 judgment payable (Camden Homes), payable in annual installments of \$137,333, beginning July 24, 2008, with interest at the statutory rate which was 5.25% for 2010, final payment due July 24, 2010	137,333
\$68,800 judgment payable (Monks), payable in annual installments of \$22,933, beginning January 10, 2009, with interest at the statutory rate which was 5.25% for 2010, final payment due January 10, 2011	22,933
\$15,000 judgment payable (Peterson), payable in annual installments of \$5,000, beginning December 4, 2009, with interest at the statutory rate which was 5.25% for 2010, final payment due December 4, 2011	10,000
\$40,000 judgment payable (Nix), payable in annual installments of \$13,333, beginning January 10, 2010, with interest at the statutory rate which was 5.25% for 2010 final payment due January 10, 2012	<u>26,667</u>
Total Judgments Payable	<u>\$210,266</u>
Current portion	\$191,933
Non-current portion	<u>18,333</u>
Total Judgments Payable	<u>\$210,266</u>

CITY OF SAPULPA, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

Business-Type Activities Long-Term Debt

At June 30, 2010, the long-term debt payable from enterprise fund resources consisted of the following:

Revenue Bonds Payable:

2003A Refunding Series Capital Improvement Revenue Bonds:

Coupon Bonds – original issue amount of \$16,160,000, dated August 1, 2003, Issued by Sapulpa Municipal Authority, secured by utility revenue and pledged sales tax, interest rates of 5.00%, final maturity on July 1, 2031

Zero Coupon Capital Appreciation Bonds – face amount of \$865,153 dated August 1, 2003, Issued by Sapulpa Municipal Authority, secured by utility revenue and pledged sales tax, principal and all accreted interest matures in equal installments of \$2,350,000 July 1, 2032 and July 1, 2033

Total 2003A Refunding Series Capital Improvement Revenue Bonds \$ 17,444,806

2003B Refunding Series Capital Improvement Revenue Bonds original issue amount of \$14,340,000, dated August 1, 2003, issued by Sapulpa Municipal Authority, secured by utility revenue and pledged sales tax, interest rates from 5.65% to 6.25%, final maturity on July 1, 2023 5,235,000

2002A Tax-Exempt Refunding Series Utility System Revenue Bonds original issue amount of \$24,100,000, dated February 1, 2002, issued by Sapulpa Municipal Authority, secured by utility revenues and pledged sales tax, interest rates from 5.15% to 5.125%, final maturity on January 1, 2032 24,100,000

2004 Series Capital Improvement Revenue Bonds original issue amount of \$4,970,000, dated October 14, 2004, issued by Sapulpa Municipal Authority, secured by pledged sales tax, interest rates from 3.75% to 4.35%, final maturity on October 1, 2014 2,945,000

2006 Tax-Exempt Refunding Series Utility System Revenue Bonds original issue amount of \$700,000, dated May 1, 2006, issued by Sapulpa Municipal Authority, secured by utility revenues and pledged sales tax, interest rates from 5.15% to 5.40%, final maturity on May 1, 2026 620,000

2006 Series Capital Improvement Revenue Bonds original issue amount of \$925,000, dated May 1, 2006, issued by Sapulpa Municipal Authority, secured by year-to-year appropriation of debt service payments made by city, interest rates from 4.50% to 5.00%, final maturity on May 1, 2016 640,000

2009A Refunding Series Capital Improvement Revenue Bonds original issue amount of \$12,000,000, dated January 1, 2009, issued by Sapulpa Municipal Authority, secured by utility revenue and pledged sales tax, variable interest equal to LIBOR plus 275 basis points – not to exceed 14%, final maturity on July 1, 2013 12,000,000

2009B Refunding Series Capital Improvement Revenue Bonds original issue amount of \$6,000,000, dated January 1, 2009, issued by Sapulpa Municipal Authority, secured by utility revenue and pledged sales tax, interest rate of 5.90%, final maturity on July 1, 2013 6,000,000

Total Revenues Bonds Payable 68,984,806

Less: Unamortized Bond Discount -2003 Series (315,335)

Unamortized Bond Discount – 2002 Series (229,864)

Unamortized Bond Discount – 2009 Series (46,440)

CITY OF SAPULPA, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

Unamortized Loss on 2003 Refunding	(2,930,033)
Unamortized Loss on 2002 Refunding	(1,554,561)
Unamortized Loss on 2009 Refunding	(2,607,634)
Add: Unamortized Premium – 2004 Series	<u>1,343</u>
Total Revenue Bonds Payable, Net	<u>\$61,302,282</u>
Current portion	\$ 555,000
Non-current portion, net	<u>60,747,282</u>
Total Revenue Bonds Payable, net	<u>\$61,302,282</u>

Notes Payable:

\$144,100 note payable with American Heritage Bank for 55 golf carts, payable in monthly installments of \$9,753, final payment due June 2013 with interest at 3.9%	\$ 109,662
\$280,163 note payable with American Heritage Bank for sewer cleaner, payable in monthly installments of \$15,501, final payment due July 2014 with interest at 3.9%	241,024
\$200,000 capital lease with American Heritage Bank for the softball complex, payable in monthly installments of \$9,399, final payment due January 2015 with interest at 4.05%	<u>161,177</u>
Total Notes Payable	<u>\$511,863</u>
Current portion	\$120,219
Non-current portion	<u>391,644</u>
Total Notes Payable	<u>\$511,863</u>

Accrued Compensated Absences:

Accrued compensated absences reported in the business-type activities are comprised of accrued vacation leave, sick leave and compensatory time.

Current portion	\$11,720
Non-current portion	<u>105,482</u>
Total Accrued Compensated Absences	<u>\$117,202</u>

Water Contract Obligations:

The City has a number of contractual obligations with the U.S. Army Corps of Engineer for water use rights, with outstanding amounts due as follows:

Obligation payable to the U.S. Army Corps of Engineer, original amount of \$632,924, for use of water facility, payable in 41 annual installments of \$30,491, final maturity in March, 2033.	\$463,018
Obligation payable to the U.S. Army Corps of Engineer, original amount of \$632,924, for use of water facility, payable in 35 annual installments of \$33,966, final maturity in November, 2033.	517,232

CITY OF SAPULPA, OKLAHOMA
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2010

Obligation payable to the U.S. Army Corps of Engineer, original amount of \$1,738,077, for use of water facility, payable in 16 annual installments of \$143,535, final maturity in November, 2017.	966,367
Obligation payable to the U.S. Army Corps of Engineer, original amount of \$1,727,377, for use of water facility, payable in 12 annual installments of \$184,184, final maturity in June, 2017.	<u>1,240,312</u>
Total Water Contract Obligations	<u>\$3,186,929</u>
Current portion	\$ 264,792
Non-current portion	<u>2,922,137</u>
Total Water Contract Obligations	<u>\$3,186,929</u>

Due to Depositors:

Outstanding deposits for utility services, refundable only upon termination of service, amounted to the following:

Current portion	\$ 48,675
Non-current portion	<u>194,600</u>
Total Due to Depositors	<u>\$243,275</u>

Defeased Bonds Outstanding

The City, through its various public trusts, has in substance defeased a number of outstanding bond issues by placing deposits in irrevocable trusts, escrow accounts, for the purchase of U.S. Government Securities to pay principal and interest on the refunded bonds as they are due and payable. For financial reporting purposes, both the defeased bonds outstanding and the escrowed securities have been excluded from the financial statements. At year end, the remaining outstanding defeased debt issues were as follows:

1998 Series Capital Improvement Revenue Bonds – Defeased	\$10,130,000
2000 Series Refunding Capital Improvement Revenue Bonds – Defeased	32,660,000
2002B Series Taxable Refunding Utility System Revenue Bonds – Defeased	3,440,000
2003B Series Refunding Capital Improvement Revenue Bonds – Defeased	<u>9,105,000</u>
Total Defeased Bonds Outstanding	<u>\$ 55,335,000</u>

CITY OF SAPULPA, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2010:

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010	Amounts Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 9,425,000	\$ 6,800,000	\$ 660,000	\$ 15,565,000	\$ 660,000
Capital Lease Obligations	414,823	135,000	143,137	406,686	132,252
Accrued Compensated Absences	1,941,622	993,510	1,140,117	1,795,015	179,502
Judgments Payable	541,890	130,000	461,624	210,266	191,933
Estimated Claims Liability	481,717	3,598,672	3,367,339	713,050	713,050
Other Post-Employment Benefit Liability	253,226	253,226	-	506,452	-
Total Governmental Long-Term Debt	<u>\$ 13,058,278</u>	<u>\$ 11,910,408</u>	<u>\$ 5,772,217</u>	<u>\$ 19,196,469</u>	<u>\$ 1,876,737</u>
Unamortized bond premiums/discounts				25,035	
Net Long-term Debt				<u>19,221,504</u>	
Reconciliation to Government-Wide Statement of Net Assets:					
Due in One Year				\$ 1,876,737	
Due in More than One year				17,344,767	
				<u>\$ 19,221,504</u>	
Business-type Activities:					
Due to Depositors	\$ 245,824	\$ 82,062	\$ 84,611	\$ 243,275	\$ 48,675
Water Contract Obligations	3,441,050	-	254,121	3,186,929	264,792
Revenue Bonds Payable	69,442,821	71,985	530,000	68,984,806	555,000
Notes Payable	616,859	-	104,996	511,863	120,219
Accrued Compensated Absences	111,653	64,870	59,321	117,202	11,720
Total Business-type Debt	<u>\$ 73,858,207</u>	<u>\$ 218,917</u>	<u>\$ 1,033,049</u>	<u>73,044,075</u>	<u>\$ 1,000,406</u>
Unamortized loss on refunding				(7,092,228)	
Unamortized bond premiums/discounts				(590,296)	
Net Long-term Debt				<u>\$ 65,361,551</u>	
Reconciliation to Government-Wide Statement of Net Assets:					
Due in One Year				\$ 1,000,406	
Due in More than One year				64,361,145	
				<u>\$ 65,361,551</u>	

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt, excluding accrued compensated absences, due to depositors, estimated claims liability and OPEB liability as of June 30, 2010 are as follows:

CITY OF SAPULPA, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

Governmental Activities

Year Ending June 30,	General Obligation Bonds		Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2011	\$ 660,000	\$ 625,115	\$ 132,252	\$ 15,604
2012	1,010,000	601,202	121,808	9,140
2013	1,010,000	563,580	95,383	4,195
2014	1,010,000	525,438	28,052	1,872
2015	1,010,000	486,215	29,191	733
2016-2020	4,850,000	1,838,085	-	-
2021-2025	4,115,000	856,105	-	-
2026-2030	1,900,000	249,750	-	-
Total	<u>\$ 15,565,000</u>	<u>\$ 5,745,490</u>	<u>\$ 406,686</u>	<u>\$ 31,544</u>

Year Ending June 30,	Judgments Payable	
	Principal	Interest
2011	\$ 191,933	\$ 19,760
2012	18,333	1,900
Total	<u>\$ 210,266</u>	<u>\$ 21,660</u>

Business-Type Activities

Year Ending June 30,	Revenue Bonds Payable		Water Contract Obligations	
	Principal	Interest	Principal	Interest
2011	\$ 555,000	\$ 3,278,171	\$ 264,792	\$ 127,384
2012	580,000	3,274,789	275,416	116,760
2013	605,000	3,250,091	286,465	105,711
2014	19,395,000	2,815,017	297,958	94,218
2015	2,055,000	2,341,731	309,912	82,264
2016-2020	5,820,000	10,715,179	1,078,631	227,678
2021-2025	10,985,000	8,916,864	205,150	117,135
2026-2030	18,700,000	5,214,364	249,741	72,544
2031-2034	9,870,152	4,525,135	218,864	19,482
Total	68,565,152	\$ 44,331,341	\$ 3,186,929	\$ 963,176
Plus accreted interest	419,654			
	<u>\$ 68,984,806</u>			

Year Ending June 30,	Notes Payable	
	Principal	Interest
2011	\$ 120,219	\$ 18,526
2012	125,024	13,717
2013	130,023	8,719
2014	95,566	4,095
2015	41,031	714
Total	<u>\$ 511,863</u>	<u>\$ 45,771</u>

CITY OF SAPULPA, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

Pledge of Future Revenues

Sales Tax and Utility Net Revenues Pledge - The City has pledged 40% of two cents (or 20%) of future sales tax revenues and net utility revenues to repay the following revenue bonds: \$12,000,000 2009A Refunding Series Capital Improvement Revenue Bonds, \$6,000,000 2009B Refunding Series Capital Improvement Revenue Bonds, \$16,160,000 2003A Refunding Series Capital Improvement Revenue Bonds; \$14,340,000 2003B Series Capital Improvement Revenue Bonds; \$24,100,000 2002A Tax-Exempt Refunding Series Utility System Revenue Bonds; and \$1,625,000 2006 Series Capital Improvement Revenue Bonds. Proceeds from the bonds provided for the purchase or construction of capital assets. The bonds are payable from pledged sales tax revenues and net utility revenues. These bonds are payable through 2033. The total principal and interest payable for the remainder of the life of these bonds is \$112,529,585. Pledged sales taxes received in the current year were \$3,292,655 and net utility revenues were \$4,937,467 for total pledged revenues of \$8,230,122. Debt service payments of \$3,292,376 for the current fiscal year were 40% of total pledged revenues for these bonds.

Sales Tax Revenues Pledge - In addition, the City has pledged another ½ of one cent (or 12.5%) of future sales tax revenues for the payment on the \$4,970,000 2004 Capital Improvement Revenue Bonds. Proceeds from the bonds provided for the purchase or construction of capital assets. The bonds are payable from pledged sales tax revenues. These bonds are payable through 2014. The total principal and interest payable for the remainder of the life of these bonds is \$3,307,089. Pledged sales taxes received in the current year were \$1,367,319. Debt service payments of \$564,590 for the current fiscal year were 41% of the pledged sales taxes received.

3.G. INTERFUND BALANCES AND ACTIVITIES

Interfund receivables and payables at June 30, 2010, were as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Interfund Balance</u>
Grants & Aid Fund	General Fund	\$7,811	OHSO Grant expenditures
Golf	SMA	3,938	Temporary loan of cash
Sewer System Development	SMA	78,259	Temporary loan of cash
Swimming Pool Fund	SMA	187,408	Temporary loan of cash
Major Thoroughfare Fund	SMA	88,418	Temporary loan of cash
Hotel/Motel Tax Fund	SMA	3,093	Temporary loan of cash
G.O. Sinking Fund	SMA	60,000	Payment of judgment
		<u>\$428,927</u>	

	<u>Due From</u>	<u>Due To</u>	<u>Net Balances</u>
	<u>Other Fund</u>	<u>Other Funds</u>	
Reconciliation to Fund			
Financial Statements:			
Governmental Funds	\$7,811	(\$346,730)	(\$338,919)
Enterprise Funds	421,116	(82,197)	338,919
Total Interfund Balances	<u>\$428,927</u>	<u>(\$428,927)</u>	<u>0</u>

CITY OF SAPULPA, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

Interfund transfers for the year ended June 30, 2010 were as follows:

Transfer From	Transfer To	Amount	Nature of Transfer
Capital Improvement Fund	SMA	\$ 187,480	Supplemental for debt service
Cemetery Maintenance Fund	Cemetery Care Fund	9,250	12.5% transfer per state law
E-911 Fund	General Fund	117,930	Operating transfer for dispatcher salaries
G.O. Sinking Fund	General Fund	28,740	Interest Earnings
Street Improvement Sales Tax Fund	SMA	35,482	Supplemental transfer for capital purchase
General Fund	SMA	2,187,709	Pledged sales tax - bond indenture
General Fund	Restricted Construction Park/Rec	11,700	Required revenue transfer
General Fund	Capital Improvement Fund	14,400	Supplemental for capital purchase
Hotel/Motel Tax Fund	Park Development Fund	34,578	Required revenue transfer
Major Thoroughfare Fund	Capital Improvement Fund	36,548	Supplemental for capital purchase
Park and Recreation Fund	Capital Improvement Fund	9,326	Supplemental for capital purchase
Park Development Fund	SMA	26,296	Supplemental for debt service
Police Cash Fund	Capital Improvement Fund	21,160	Supplemental for capital purchase
Water Resources Fund	Capital Improvement Fund	120,413	Supplemental for capital purchase
Street Improvement Sales Tax Fund	Capital Improvement Fund	67,000	Supplemental for capital purchase
G.O. Bond Construction Fund	Capital Improvement Fund	340,164	Supplemental for capital purchase
Sewer System Development and Extension Fee Fund	Capital Improvement Fund	33,750	Supplemental for capital purchase
G.O. Bond Construction Fund	G.O. Sinking Fund	25,035	Premium on bond issue transferred for debt service
Police Cash Fund	Grants and Aid Fund	11,605	Required match on grant funds
Hotel/Motel Tax Fund	Grants and Aid Fund	17,000	Required match on grant funds
SMA	General Fund	1,690,000	Supplemental operating transfer
SMA	General Fund	2,187,709	Return of pledged sales tax
SMA	Street and Alley	410,000	Supplemental operating transfer
SMA	Cemetery Maintenance Fund	105,000	Supplemental operating transfer
SMA	Capital Improvement Fund	4,056	Supplemental for capital purchase
SMA	Major Thoroughfare Fund	70,159	Supplemental for capital purchase
SMA	Library Fund	220,000	Supplemental operating transfer
SMA	Park and Recreation Fund	210,000	Supplemental operating transfer
SMA	SMA Golf Course Fund	200,000	Supplemental operating transfer
SMA	Water & Sewer Sales Tax Fund	275,000	Supplemental operating transfer
Stormwater Management Fund	SMA	122,267	Supplemental operating transfer
SMA	Grants and Aid Fund	49,000	Supplemental operating transfer
Stormwater Management Fund	Capital Improvement Fund	30,163	Supplemental for capital purchase
Street Improvement Sales Tax Fund	SMA	560,783	Transfer for debt service payments
Sewer Plant Sales Tax Fund	SMA	1,104,946	Supplemental for capital purchase
Water Resources Fund	SMA	1,071,000	Supplemental for debt service
		\$ 11,615,649	

Reconciliation to Fund Financial Statements:	Transfers In	Transfers Out	Reconciliation - BTA - Special Revenue Funds	Reconciliation - Sales tax reclass	Capital Asset Activity	Net Transfers/ Internal Activity
Governmental Funds	\$ 6,119,686	\$ (6,038,545)	\$ 2,021,359	\$ (2,987,882)	\$ (788,693)	\$ (1,674,075)
Enterprise Funds	5,495,963	(5,590,624)	(2,021,359)	2,987,882	802,213	1,674,075
Total Transfers	\$ 11,615,649	\$ (11,629,169)	\$ -	\$ -	\$ 13,520	\$ -

3.H. ALLOCATION OF INDIRECT EXPENSES

Certain indirect expenses (expenses benefiting more than one function) have been allocated to specific functions in the Statement of Activities, while other indirect expenses have not been allocated.

Indirect expenses reported in the Statement of Activities under the functions of Administration & General Government have not been allocated for governmental purposes.

Indirect expenses of the proprietary funds, classified in the proprietary funds statement of revenues, expenses and changes in net assets as General Government, Administration and Utility Collections have been allocated on a percentage of total revenues to the business-type activity functions in the Statement of Activities.

CITY OF SAPULPA, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

3.I. FUND BALANCES AND NET ASSETS

Restricted Net Assets

The restricted for debt service net assets of the business-type activities are made up of restricted assets relating to revenue bond trustee accounts. The balance at June 30, 2010, is comprised of the following:

Enterprise Funds:	
2004 Revenue Bond Trust Accounts	\$906,323
2003 Revenue Bond Trust Accounts	559,859
2002A Revenue Bond Trust Accounts	635,918
2002B Revenue Bond Trust Accounts	552
2006 Revenue Bond Trust Accounts	179,475
2009 Revenue Bond Trust Accounts	<u>1,607,241</u>
Reserved per bond indenture	3,889,368
Less: Accrued interest payable	<u>(1,591,586)</u>
Total Reserved for Debt Service	<u><u>\$2,297,782</u></u>

Prior Period Adjustments

	Enterprise Fund SMA	Business-Type Activities
Beginning fund balance/net assets as previously reported	\$ 1,524,824	\$ 3,015,085
Overstatement of purchased derivative	<u>(51,778)</u>	<u>(51,778)</u>
Beginning fund balance/net assets as restated	<u><u>\$ 1,473,046</u></u>	<u><u>\$ 2,963,307</u></u>

NOTE 4. OTHER NOTES

4.A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

The City participates in three employee pension systems as follows:

<u>Name of Plan/System</u>	<u>Type of Plan</u>
Oklahoma Police Pension and Retirement Fund	Cost Sharing Multiple Employer - Defined Benefit Plan
Oklahoma Firefighters Pension and Retirement Fund	Cost Sharing Multiple Employer - Defined Benefit Plan
Oklahoma Municipal Retirement Fund (OMRF)	Agent Multiple Employer - Defined Contribution Plan

Oklahoma Police and Firefighter's Pension and Retirement Systems

The City of Sapulpa, as the employer, participates in two statewide cost-sharing multiple employer defined benefit plans on behalf of the police officers and firefighters. The systems are funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

CITY OF SAPULPA, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

A. Eligibility Factors, Contribution Methods, and Benefit Provisions

	<u>Oklahoma Police Pension and Retirement System</u>	<u>Oklahoma Firefighter's Pension and Retirement System</u>
Obtaining separately issued financial statements	Police Pension and Retirement 1001 N.W. 63 rd St., Suite 605 Oklahoma City, OK 73116-7335	Firefighters Pension & Retirement 4545 N. Lincoln Blvd., Suite 265 Oklahoma City, OK 73105-3414
Eligibility to participate	All full-time officers, employed by a participating municipality, not less than 21 years of age or more than 45 years of age when hired.	All full-time or voluntary firefighters of a participating municipality hired before age 45.
Authority establishing contribution obligations and benefits	State Statute	State Statute
Employee's contribution rate (percent of covered payroll)	8%	8%
City's contribution rate (percent of covered payroll)	13%	13%
State obligation	11.2%	21.9%
Period required to vest	10 years	10 years
Eligibility and benefits for distribution (full-time)	20 years credited service, 2 ½ % of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.	20 years credited service 2 ½ % of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.
Eligibility and benefits for distribution (volunteer)	-	20 years credited service equal to \$5.46 per month per year of service, with a maximum of 30 years considered.
Deferred retirement option	Yes, 20 years credited service with continued service for a maximum of 5 years.	Yes, 20 years credited service with continued service for a maximum of 5 or more years.
Provisions for:		
Cost of living adjustments (normal retirement)	Yes, if vested by 5/83	Yes
Death (duty, non-duty, post retirement)	Yes	Yes

CITY OF SAPULPA, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

Disability (duty, non-duty)	Yes	Yes
Cost of living all	Yes	Yes

B. Required Contributions and Trend Information

City contributions required by State statute:

Fiscal <u>Year</u>	<u>Oklahoma Police Pension and Retirement System</u>		<u>Oklahoma Firefighter's Pension and Retirement System</u>	
	<u>Required Contribution</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2008	\$266,360	100%	\$363,320	100%
2009	\$274,827	100%	\$365,342	100%
2010	\$279,203	100%	\$359,463	100%

The state made on-behalf payments to the Oklahoma Police Pension and Retirement System and the Oklahoma Firefighter's Pension and Retirement System of \$207,275 (or 8.8% of covered payroll) and \$631,389 (21.8% of covered payroll), respectively, for the fiscal year. These are reported as both intergovernmental revenues and public safety expenses in the current year.

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, 2010, the Systems held no related-party investments of the City or of its related entities.

Defined Contribution Plan - Oklahoma Municipal Retirement Fund (OMRF)

The City has also provided a defined contribution plan and trust known as the City of Sapulpa Plan and Trust (the "Plan") 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 Bank One of Oklahoma City. The defined contribution plan is available to all full-time employees except those participating in state fire or police program. Benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate on the employee's employment commencement date, and may make contributions to the plan up to 15% at their option. By City ordinance, the City, as employer, is required to make contributions to the plan, based upon employee contributions under the thrift option, at rates presently varying from 0% - 8% of covered payroll. The City's contributions for each employee (and interest allocated to the employee's account) are vested at a rate of 20% per year of completed service, thus fully vested after five years. City contributions for, and interest forfeited by, employees who leave employment prior to fully vesting shall be added to employer contribution. The authority to establish and amend the provisions of the plan rest with the City Council.

For the year ended June 30, 2010, the following amounts related to the defined contribution plan:

Employee contributions made	\$ 126,773
Employer (City) contributions made	\$ 101,454

Other Post-Employment Benefits

Plan Description: City provides post-retirement benefit options for medical and prescription drug benefits for retired employees and their dependents that elect to make required contributions. The benefits are provided in accordance with State law, police and firefighter's union contracts and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The relationship for these benefits is not formalized in a contract or plan document, only a few sentences in the administrative policy. These benefits are considered for accounting purposes to be provided in accordance with a single employer substantive plan. A substantive plan is one in which the plan terms are understood by the city and plan members. This understanding is based on communications between the employers and plan member and the historical pattern of practice with regard to the sharing of benefit costs. Substantially all of the government's employees may become eligible for those post-retirement benefits if they reach normal retirement age while working for the City. As of June 30, 2010, approximately 13 retired employees are receiving benefits under this plan.

Funding Policy. The contribution requirement of the City is an implicit subsidy. The implicit subsidy is not a direct payment from the employer on behalf of the member but rather stems from retiree contribution levels that are less than the claims cost as retiree ages. Since claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums, these retired members pay a premium based on a pool of members that, on average, are younger and healthier. There is an implicit subsidy from the employee group since the premiums paid by the retirees are lower than they would have been if the retirees were insured separately. The subsidies are valued using the difference between the age-based claims costs and the premium paid by the retiree. The amount required to fund the implicit rate is based on projected pay-as-you-go financing requirements. For fiscal year 2010, the City contributed \$46,057 to the plan. Plan members receiving benefits contributed \$94,392, or approximately 100 percent of the total premiums, through their required contribution of \$506.44 per month for retiree-only coverage and \$1,203.29 for retiree and spouse medical coverage.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the year ended June 30, 2010:

Annual required contribution	\$ 299,283
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	299,283
Contributions made	(46,057)
Increase in net OPEB obligation	253,226
Net OPEB obligation—beginning of year	253,226
Net OPEB obligation—end of year	\$ 506,452

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net unfunded OPEB obligation for 2010 was as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Unfunded OPEB Obligation</u>
6/30/09	\$299,283	15.4%	\$253,226
6/30/10	\$299,283	15.4%	\$506,452

Funded Status and Funding Progress. As of October 30, 2009, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability (AAL) for benefits was \$3,163,205, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,163,205. The covered payroll (annual payroll of active employees covered by the plan) was \$9.5 million, and the ratio of the UAAL to the covered payroll was 33.2 percent. Because the plan is a substantive plan there are no plan assets.

Actuarial valuations of an ongoing plan involve 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 about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 30, 2009, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 2.31 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7 percent initially, reduced by decrements to an ultimate rate of 5 percent in 2014, based upon dependent rates. There were no assets to determine the actuarial value of assets. The UAAL is being amortized over 30 years as level payments. The remaining amortization period at June 30, 2010, was twenty-eight years.

4.B. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and 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:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
a. Torts, errors and omissions; asset loss and natural disasters	Participation in Oklahoma Municipal Assurance Group risk entity pool	(1)
b. Injuries to employees (workers compensation)	Participation in Oklahoma Municipal Assurance Group risk entity pool	(2)
c. Employee health and life	Self-insured with UMR as third party administrators. Claim liability estimate provided by TPA.	Claims up to \$40,000 per individual are self-funded. Specific stop loss reinsurance covers claims in excess of \$40,000 per insured.

The City participates in the Oklahoma Municipal Assurance Group Liability Protection Plan and Worker's Compensation Plan (risk entity pool) as follows.

(1) Liability Protection Plan

The basic insurance agreements cover claims against municipalities for all government functions, utilities, and services covered in the Plan. These include bodily injury, property damage, wrongful acts, personal injury, and related torts under the state tort claims law and federal civil rights laws. All public officials, employees, services, and municipal functions are covered unless they are specifically listed as exclusions in the Plan.

The title to all assets acquired by the Plan are vested in the Group. In the event of termination of the Group, such property shall belong to the then members of the Group in equal shares. Each participating City pays all costs, premiums, or other fees attributable to its respective participation in the Plan, and is responsible for its obligation under any contract entered into with the Plan.

Reserves for claim losses include provisions for reported claims on a case basis and an estimate of claims incurred but not reported limited by aggregate and individual loss levels as specified by the Plan's reinsurance contracts. These credits, if any, represent contingent liabilities of the Plan if the reinsurer was unable to meet its obligations under the reinsurance agreement.

The Plan's insurance agreements are reinsured for excess losses based upon the contract year. The significant components of each reinsurance contract can be obtained from the Plan's annual financial report.

(2) Worker's Compensation Plan

The title to all assets acquired by the Plan are vested in the Plan. In the event of termination of the Plan, such property shall belong to the then members of the Plan in equal shares. Each participating city pays for all costs, premiums, or other fees attributable to its respective participation in the Plan, policy or service established under the agreement establishing the Oklahoma Municipal Assurance Group, and is responsible for its obligations under any contract entered into with the Plan.

Reserves for policy and contract claims provide for reported claims on a case basis and a provision for incurred but not reported claims limited to specific retention levels for each member as outlined in the Plan's reinsurance agreement.

The Plan's worker's compensation coverage is reinsured for losses in excess of respective retention levels. The reinsurance agreement covers losses incurred within the effective period of the agreement. Each Plan member's liability for claims losses is limited to their individual retention levels as outlined in the Plan's reinsurance agreement.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

Claims Liability Analysis

The claims liabilities related to the above noted health and life risks of loss that are retained are determined in accordance with the requirements of Statement of Financial Accounting Standard 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 the loss can be reasonably estimated.

CITY OF SAPULPA, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

For the risk management internal service self-insurance fund, changes in the claims liability for the City from July 1, 2007, to June 30, 2010, are as follows:

	Health & Life
Claims liability, June 30, 2007	\$380,544
Claims incurred	2,391,978
Claims paid	(2,413,460)
Claims liability, June 30, 2008	359,062
Claims incurred	3,237,343
Claims paid	(3,114,688)
Claims liability, June 30, 2009	481,717
Claims incurred	3,598,672
Claims paid	(3,367,339)
Claims liability, June 30, 2010	\$713,050
Assets available to pay claims at June 30, 2010	\$223,969

4.C. COMMITMENTS AND CONTINGENCIES

Commitments:

Construction Commitments

The City had the following construction commitments outstanding at June 30, 2010 with balances left on the contract:

1. Sapulpa Aquatics Center, Contractors - DC Bass and Sons Construction, original contract - \$578,460; change orders - \$81,841; total contract - \$660,301; remaining contract - \$59,888
2. Sapulpa Aquatics Center, Contractors - JP Construction, original contract - \$739,900; change orders \$109,279; total contract - \$849,179; remaining contract - \$50,510
3. Country Wood Way Drainage Improvements, Contractors - Moore's Construction, original contract - \$152,881; change orders - \$4,350; total contract \$157,231; remaining contract - \$122,919
4. Phase 5 Street Rehabilitation, Contractors - Paragon Contractors, LLC, original contract - \$535,188; change orders - \$8,752; total contract - \$543,940; remaining contract - \$50,937
5. Cleveland Avenue Stormwater Sewer Construction Phase II, Contractors - McGuire Brothers Construction, original contract \$129,872; change orders - \$20,767; total contract - \$150,639; remaining contract - \$150,639
6. Johnson & Johannes Sanitary Sewer Interceptor, Contractors - McGuire Brothers Construction, original contract \$1,266,352; remaining contract \$1,266,352

U.S. Army Corps of Engineer – Water Storage Space in Skiatook Lake

The City is under contract with the U.S. Army Corps of Engineer for the right to utilize an undivided 1.52 percent of the usable storage space in the Skiatook Lake Project. This storage space is to be used to impound water for anticipated future demand or need for municipal and industrial water supply. The City is also required to pay annual operations and maintenance (O&M) costs related to this contract. The total O&M costs paid during fiscal year 2009-2010 totaled \$19,405. See Note 3.F. for further debt disclosures.

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 for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time.

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.

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. This statutory taxing ability is not available to the City's public trusts (Authorities).

CITY OF SAPULPA, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)
 GENERAL FUND
 For the fiscal year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$978,082	\$988,406	\$2,433,207	\$1,444,801
Resources (Inflows):				
TAXES:				
Sales tax	11,013,712	11,013,712	10,865,027	(148,685)
Use tax	400,000	400,000	420,668	20,668
Franchise tax	470,000	470,000	506,484	36,484
Payment in lieu of tax	475,000	475,000	444,814	(30,186)
Total Taxes	<u>12,358,712</u>	<u>12,358,712</u>	<u>12,236,993</u>	<u>(121,719)</u>
LICENSES AND PERMITS:				
Building permits	17,500	17,500	18,073	573
Trade permits	23,500	23,500	30,571	7,071
Resident construction park/rec fees	10,200	11,850	11,550	(300)
Occupation/business	45,000	45,000	53,639	8,639
Other permits	19,500	19,500	13,305	(6,195)
Total License and Permits	<u>115,700</u>	<u>117,350</u>	<u>127,138</u>	<u>9,788</u>
INTERGOVERNMENTAL:				
Alcoholic beverage tax	89,000	89,000	99,830	10,830
Cigarette/tobacco tax	160,000	160,000	153,109	(6,891)
Grant revenue	-	-	-	-
Total Intergovernmental	<u>249,000</u>	<u>249,000</u>	<u>252,939</u>	<u>3,939</u>
CHARGES FOR SERVICES:				
Fire run fees	326,000	326,000	255,652	(70,348)
Fire run charges	100,000	100,000	86,119	(13,881)
Inspection fees	60,000	60,000	60,039	39
Special assessments	2,500	2,500	1,880	(620)
Other fees - zoning	10,000	10,000	9,400	(600)
Court collection fees	-	7,000	6,341	(659)
Shelter fees	1,700	1,700	1,955	255
Engineering fees	500	500	2,650	2,150
Weed abatement	15,000	15,000	6,064	(8,936)
Pet adoption	600	600	430	(170)
Total Charges for Services	<u>516,300</u>	<u>523,300</u>	<u>430,530</u>	<u>(92,770)</u>
FINES AND FORFEITURES	<u>925,225</u>	<u>925,225</u>	<u>945,482</u>	<u>20,257</u>
INVESTMENT INCOME	<u>11,700</u>	<u>11,700</u>	<u>29,174</u>	<u>17,474</u>
MISCELLANEOUS:				
Antenna tower rental	49,804	49,804	48,320	(1,484)
Reimbursements	40,000	70,407	101,364	30,957
Sale of capital assets	-	-	5,067	5,067
Donations	4,800	4,800	15,917	11,117
Rental income	-	-	151	151
Miscellaneous	17,500	17,500	19,309	1,809
Total Miscellaneous	<u>112,104</u>	<u>142,511</u>	<u>190,128</u>	<u>47,617</u>
OTHER FINANCING SOURCES:				
Transfers from other funds	4,061,100	4,039,413	4,024,379	(15,034)
Total Other Financing Sources	<u>4,061,100</u>	<u>4,039,413</u>	<u>4,024,379</u>	<u>(15,034)</u>
Total Resources (Inflows)	<u>18,349,841</u>	<u>18,367,211</u>	<u>18,236,763</u>	<u>(130,448)</u>
Amounts available for appropriation	<u>\$19,327,923</u>	<u>\$19,355,617</u>	<u>\$20,669,970</u>	<u>\$1,314,353</u>

(Continued)

CITY OF SAPULPA, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)
 GENERAL FUND
 For the fiscal year ended June 30, 2010

(Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Charges to Appropriations (Outflows):				
ADMINISTRATION:				
City Council:				
Materials and supplies	200	200	21	179
Other services and charges	81,030	81,030	73,289	7,741
Total City Council	<u>81,230</u>	<u>81,230</u>	<u>73,310</u>	<u>7,920</u>
City Manager:				
Personal services	176,160	176,772	176,442	330
Materials and supplies	550	500	471	29
Other services and charges	2,778	1,716	1,318	398
Capital outlay	-	500	500	-
Total City Manager	<u>179,488</u>	<u>179,488</u>	<u>178,731</u>	<u>757</u>
City Clerk:				
Personal services	158,750	159,200	159,069	131
Materials and supplies	3,500	3,720	3,345	375
Other services and charges	5,025	4,355	4,046	309
Capital outlay	-	-	-	-
Total City Clerk	<u>167,275</u>	<u>167,275</u>	<u>166,460</u>	<u>815</u>
Finance:				
Personal services	249,635	249,635	245,600	4,035
Materials and supplies	3,500	3,500	1,550	1,950
Other services and charges	103,365	105,985	100,060	5,925
Capital outlay	-	-	-	-
Total Finance	<u>356,500</u>	<u>359,120</u>	<u>347,210</u>	<u>11,910</u>
Treasurer:				
Personal services	14,004	14,004	13,437	567
Other services and charges	475	475	276	199
Total Treasurer	<u>14,479</u>	<u>14,479</u>	<u>13,713</u>	<u>766</u>
Personnel:				
Personal services	76,108	76,108	72,272	3,836
Materials and supplies	2,295	2,295	418	1,877
Other services and charges	9,452	9,452	2,930	6,522
Total Personnel	<u>87,855</u>	<u>87,855</u>	<u>75,620</u>	<u>12,235</u>
Central Purchasing:				
Personal services	58,930	68,430	67,996	434
Materials and supplies	300	429	390	39
Other services and charges	1,930	1,926	1,916	10
Capital outlay	-	-	-	-
Total Central Purchasing	<u>61,160</u>	<u>70,785</u>	<u>70,302</u>	<u>483</u>
Building Inspector:				
Personal services	101,268	101,268	98,895	2,373
Materials and supplies	3,612	3,612	1,253	2,359
Other services and charges	4,290	4,290	1,702	2,588
Capital outlay	-	-	-	-
Total Building Inspector	<u>109,170</u>	<u>109,170</u>	<u>101,850</u>	<u>7,320</u>
TOTAL ADMINISTRATION	<u>1,057,157</u>	<u>1,069,402</u>	<u>1,027,196</u>	<u>42,206</u>

(Continued)

CITY OF SAPULPA, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)
 GENERAL FUND
 For the fiscal year ended June 30, 2010

(Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
GENERAL GOVERNMENT:				
Warehouse:				
Personal services	76,397	76,397	75,619	778
Materials and supplies	4,825	4,825	1,619	3,206
Other services and charges	13,898	13,898	10,202	3,696
Capital outlay	-	-	-	-
Total Warehouse	95,120	95,120	87,440	7,680
Central Garage:				
Personal services	151,353	152,953	152,447	506
Materials and supplies	4,225	2,625	1,235	1,390
Other services and charges	7,550	7,550	6,670	880
Capital outlay	7,300	7,300	4,826	2,474
Total Central Garage	170,428	170,428	165,178	5,250
General Government:				
Personal services	29,000	29,000	25,031	3,969
Materials and supplies	25,825	24,425	15,817	8,608
Other services and charges	481,050	482,150	451,419	30,731
Capital Outlay	12,750	12,750	7,171	5,579
Total General Government	548,625	548,325	499,438	48,887
Reserve:				
Other services and charges	50,000	45,015	45,011	4
TOTAL GENERAL GOVERNMENT	864,173	858,888	797,067	61,821
LEGAL AND JUDICIAL:				
City Attorney:				
Personal services	168,731	168,731	158,467	10,264
Materials and supplies	2,220	2,220	698	1,522
Other services and charges	39,068	39,068	17,224	21,844
Capital outlay	23,225	23,225	22,927	298
Total City Attorney	233,244	233,244	199,316	33,928
Municipal Court:				
Personal services	41,136	41,136	40,298	838
Materials and supplies	500	700	668	32
Other services and charges	30,750	37,550	35,246	2,304
Total Municipal Court	72,386	79,386	76,212	3,174
TOTAL LEGAL AND JUDICIAL	305,630	312,630	275,528	37,102

(Continued)

CITY OF SAPULPA, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)
 GENERAL FUND
 For the fiscal year ended June 30, 2010

(Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
PUBLIC SAFETY:				
Police:				
Personal services	4,015,702	3,998,325	3,878,389	119,936
Materials and supplies	130,775	121,275	103,890	17,385
Other services and charges	199,556	238,174	226,271	11,903
Capital outlay	4,800	6,034	3,086	2,948
Total Police	<u>4,350,833</u>	<u>4,363,808</u>	<u>4,211,636</u>	<u>152,172</u>
Fire:				
Personal services	3,741,636	3,787,236	3,798,156	(10,920)
Materials and supplies	61,900	43,400	30,221	13,179
Other services and charges	137,336	118,844	91,808	27,036
Capital outlay	-	2,500	-	2,500
Total Fire	<u>3,940,872</u>	<u>3,951,980</u>	<u>3,920,185</u>	<u>31,795</u>
Animal Control:				
Personal services	105,363	106,963	106,778	185
Materials and supplies	9,125	9,825	8,015	1,810
Other services and charges	15,925	13,625	11,460	2,165
Capital outlay	4,089	4,089	-	4,089
Total Animal Control	<u>134,502</u>	<u>134,502</u>	<u>126,253</u>	<u>8,249</u>
Civil Defense:				
Personal services	19,138	19,138	17,461	1,677
Other services and charges	17,581	19,481	18,707	774
Total Civil Defense	<u>36,719</u>	<u>38,619</u>	<u>36,168</u>	<u>2,451</u>
TOTAL PUBLIC SAFETY	<u>8,462,926</u>	<u>8,488,909</u>	<u>8,294,242</u>	<u>194,667</u>
URBAN DEVELOPMENT:				
Personal services	204,684	205,244	199,864	5,380
Materials and supplies	14,023	13,045	7,411	5,634
Other services and charges	48,790	52,046	29,375	22,671
Capital outlay	5,600	5,600	5,532	68
TOTAL URBAN DEVELOPMENT	<u>273,097</u>	<u>275,935</u>	<u>242,182</u>	<u>33,753</u>
OTHER FINANCING USES:				
Transfers to other funds	8,270,483	8,286,683	8,189,574	97,109
Total Other Financing Uses	<u>8,270,483</u>	<u>8,286,683</u>	<u>8,189,574</u>	<u>97,109</u>
Total Charges to Appropriations	<u>19,233,466</u>	<u>19,292,447</u>	<u>18,825,789</u>	<u>466,658</u>
Ending Budgetary Fund Balance	<u>\$94,457</u>	<u>\$63,170</u>	<u>\$1,844,181</u>	<u>\$1,781,011</u>

**CITY OF SAPULPA, OKLAHOMA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
For the fiscal year ended June 30, 2010**

Budget Law

The City has adopted the provisions of the Municipal Budget Act of 1979 (the "Budget Act"). In accordance with the Budget Act, 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. By July 1, the adopted budget is filed with the Office of State Auditor and Inspector.

Per State law, the legal level of control at which expenditures may not legally exceed appropriations is the department level within a fund. All transfers of appropriation between departments and supplemental appropriations require City Council approval. The City Manager may transfer appropriations between object categories within a department without City Council approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector. No departments exceeded appropriations.

Budgetary Accounting

The annual operating budgets are prepared and presented on the modified accrual basis of accounting.

However, for budgetary purposes, sales tax revenues, both dedicated and undedicated, are recognized first in the General Fund, with appropriated transfers out of the dedicated portions of sales tax to the respective dedicated sales tax funds. This differs from the City's treatment of dedicated sales taxes in the basic financial statements which recognizes sales tax as revenue in the respective dedicated sales tax funds. Also, the State on-behalf payments for the police and firefighter's pension are excluded in the budgetary schedule.

The City utilizes encumbrance accounting under which all purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation. Encumbrances outstanding at year-end are not considered expenditures for budgetary purposes since the City intends to honor the commitments and provide for supplemental appropriations in the following budget year. All appropriations lapse at year end.

CITY OF SAPULPA, OKLAHOMA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
For the fiscal year ended June 30, 2010

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	<u>General Fund</u>
Sources/Inflows of resources	
Actual amounts (budgetary basis) "total resources" from the budgetary comparison schedule	\$18,236,763
Differences – budget to GAAP:	
Sales tax recognized as inflows of budgetary resources but are not revenues for financial reporting purposes.	(5,975,765)
State payments made on-behalf of police and fire pension not considered a budgetary resource	838,664
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds	<u>\$13,099,662</u>
Total Revenues – General Fund	\$9,075,283
Transfers In – General Fund	<u>4,024,379</u>
	<u>\$13,099,662</u>
 Uses/Outflows of appropriations	
Actual amounts (budgetary basis) "total appropriations" from the budgetary comparison schedule	\$18,825,789
Differences – budget to GAAP:	
Transfer of sales tax to various funds recognized as outflows of budgetary resources but are not uses for financial reporting purposes.	(5,975,765)
State payments made on-behalf of police and fire pension not considered a budgetary resource	<u>838,664</u>
Total expenditures and transfers out as reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds	<u>\$13,688,688</u>
Total expenditures – General Fund	\$11,474,879
Transfers out – General Fund	<u>2,213,809</u>
Total expenditures and transfers out – General Fund	<u>\$13,688,688</u>

CITY OF SAPULPA, OKLAHOMA
SCHEDULE OF FUNDING PROGRESS – OTHER POST-EMPLOYMENT BENEFITS
June 30, 2010

OPEB Actuarial Information

The funded status and funding progress of the City's defined benefit OPEB plan for the most recent actuarial valuations is as follows:

	October 30, 2009
Actuarial accrued liability - AAL (a)	\$3,163,205
Actuarial value of plan assets (b)	-
Unfunded actuarial accrued liability – UAAL (funding excess) (a) – (b)	3,163,205
Funded ratio (b)/(a)	0%
Covered payroll (c)	9,523,273
UAAL (funding excess) as a % of covered payroll [UAAL/(c)]	33.2%

Three year trend information is not available.

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City of Sapulpa
Balance Sheet
Non-Major Governmental Funds
June 30, 2010

	Special Revenue Funds								
	Cemetery Maintenance Fund	Street and Alley Fund	Hunting & Fishing Fund	Library Fund	Parks & Recreation Fund	Swimming Pool Fund	Restricted Construction Park/Rec Fund	Park Development Fund	Fire Cash Fund
ASSETS									
Cash and cash equivalents	\$ 74,082	\$ 106,656	\$ 24,170	\$ 109,484	\$ 63,822	\$ 500	\$ 12,847	\$ -	\$ 54,150
Investments	16,611	5,000	-	-	153,635	-	-	-	173,316
Deposits with fiscal agent	-	-	-	-	-	-	-	-	-
Due from other governments	17,150	29,274	-	17,150	34,299	37,775	-	-	17,150
Interest receivable	54	-	-	-	-	-	-	-	-
Court fines receivable, net of allowance	1,950	-	4,343	37,713	-	221,902	-	-	-
Inventory	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 109,847</u>	<u>\$ 140,930</u>	<u>\$ 28,513</u>	<u>\$ 164,347</u>	<u>\$ 251,756</u>	<u>\$ 260,177</u>	<u>\$ 12,847</u>	<u>\$ -</u>	<u>\$ 244,616</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 5,637	\$ 5,592	\$ 575	\$ 44,485	\$ 9,174	\$ 111,807	\$ -	\$ -	\$ 80
Accrued payroll payable	9,325	15,574	-	9,497	19,545	19,065	-	-	-
Due to other funds	-	-	-	-	-	187,408	-	-	-
Due to other governments	-	-	-	-	-	-	-	-	-
Deferred revenue	34	-	-	-	-	37,775	-	-	-
Total liabilities	<u>14,996</u>	<u>21,166</u>	<u>575</u>	<u>53,982</u>	<u>28,719</u>	<u>356,055</u>	<u>-</u>	<u>-</u>	<u>80</u>
Fund balances:									
Reserved for endowment	-	-	-	-	25,437	-	-	-	-
Reserved for inventory	-	-	-	-	-	-	-	-	-
Unreserved	94,851	119,764	27,938	110,365	197,600	(95,878)	12,847	-	244,536
Total fund balances	94,851	119,764	27,938	110,365	223,037	(95,878)	12,847	-	244,536
Total liabilities and fund balances	<u>\$ 109,847</u>	<u>\$ 140,930</u>	<u>\$ 28,513</u>	<u>\$ 164,347</u>	<u>\$ 251,756</u>	<u>\$ 260,177</u>	<u>\$ 12,847</u>	<u>\$ -</u>	<u>\$ 244,616</u>

City of Sapulpa
Balance Sheet
Non-Major Governmental Funds
June 30, 2010

	Special Revenue Funds								
	Police Cash Fund	Federal SAF Fund	Cemetery Care Fund	Major Thoroughfare Fund	Capital Improvement Fund	Water & Sewer Sales Tax Fund	Spay & Neuter Fund	Water Resources Fund	E911 Fund
ASSETS									
Cash and cash equivalents	\$ 54,618	\$ 31,222	\$ 28,913	\$ -	\$ -	\$ 218,302	\$ 204,052	\$ 53,200	\$ 67,745
Investments	31,914	6,337	2,908	-	-	301,079	13,000	-	-
Deposits with fiscal agent	-	-	-	-	-	-	-	-	-
Due from other governments	17,150	-	-	198,175	-	68,599	68,599	137,188	-
Interest receivable	211	-	19	-	-	-	-	-	-
Court fines receivable, net of allowance	-	-	-	-	-	-	-	-	-
Other receivable	-	-	-	40,000	-	-	-	-	-
Inventory	-	-	-	22,696	-	135,000	49,445	17,074	26,742
Total assets	<u>\$ 103,893</u>	<u>\$ 37,559</u>	<u>\$ 31,840</u>	<u>\$ 260,871</u>	<u>\$ 722,980</u>	<u>\$ 335,096</u>	<u>\$ 6,478</u>	<u>\$ 207,472</u>	<u>\$ 94,487</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 12,128	\$ -	\$ -	\$ 28,509	\$ -	\$ 23,993	\$ -	\$ -	\$ 7,759
Accrued payroll payable	-	-	-	-	-	15,188	-	-	542
Due to other funds	-	-	-	88,418	-	-	-	-	-
Due to other governments	-	-	-	-	-	-	-	-	-
Deferred revenue	133	-	-	-	-	-	-	-	-
Total liabilities	<u>12,261</u>	<u>-</u>	<u>-</u>	<u>116,927</u>	<u>-</u>	<u>39,181</u>	<u>-</u>	<u>-</u>	<u>8,301</u>
Fund balances:									
Reserved for endowment	-	-	-	-	-	-	-	-	-
Reserved for inventory	-	-	-	-	-	-	-	17,074	-
Unreserved	91,632	37,559	31,828	121,248	722,980	246,470	6,478	190,398	86,186
Total fund balances	<u>91,632</u>	<u>37,559</u>	<u>31,828</u>	<u>143,944</u>	<u>722,980</u>	<u>295,915</u>	<u>6,478</u>	<u>207,472</u>	<u>86,186</u>
Total liabilities and fund balances	<u>\$ 103,893</u>	<u>\$ 37,559</u>	<u>\$ 31,840</u>	<u>\$ 260,871</u>	<u>\$ 722,980</u>	<u>\$ 335,096</u>	<u>\$ 6,478</u>	<u>\$ 207,472</u>	<u>\$ 94,487</u>

City of Sanulpa
Balance Sheet
Non-Major Governmental Funds
June 30, 2010

	Special Revenue Funds			Debt Service Fund			Total Governmental Funds
	Juvenile Justice Fund	Hotel/Motel Tax Fund	Grants & Aid Fund	Street Improvement Sales Tax Fund	Sewer Plant Sales Tax Fund	G.O. Sinking Fund	
ASSETS							
Cash and cash equivalents	\$ 16,712	\$ -	\$ 60,520	\$ 324,055	\$ 89,172	\$ 254,265	\$ 1,854,965
Investments	-	-	-	526,220	14,305	383,192	1,627,517
Deposits with fiscal agent	-	-	-	-	-	188	188
Due from other governments	-	-	37,734	171,497	171,497	317,507	1,340,754
Interest receivable	-	-	-	2,205	-	3,348	5,837
Court fines receivable, net of allowance	63,281	-	-	-	-	-	63,281
Other receivable	-	28,163	-	-	-	-	495,813
Inventory	-	-	-	-	-	-	89,215
Total assets	\$ 79,993	\$ 28,163	\$ 98,254	\$ 1,023,977	\$ 274,974	\$ 968,500	\$ 5,477,570
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 2,235	\$ 9,738	\$ 2,125	\$ 104,244	\$ -	\$ -	\$ 368,081
Accrued payroll payable	366	5,314	-	-	-	-	94,416
Due to other funds	-	3,093	7,811	-	-	60,000	346,730
Due to other governments	673	-	-	-	-	-	673
Deferred revenue	60,164	-	31,511	1,326	-	298,888	429,843
Total liabilities	63,438	18,145	41,447	105,570	-	368,888	1,239,743
Fund balances:							
Reserved for endowment	-	-	-	-	-	-	25,437
Reserved for inventory	-	-	-	-	-	-	89,215
Unreserved	16,555	10,018	56,807	918,407	274,974	599,612	4,123,175
Total fund balances	16,555	10,018	56,807	918,407	274,974	599,612	4,237,827
Total liabilities and fund balances	\$ 79,993	\$ 28,163	\$ 98,254	\$ 1,023,977	\$ 274,974	\$ 968,500	\$ 5,477,570

City of Sapulpa
Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2010

	Special Revenue Funds							
	Cemetery Maintenance Fund	Street and Alley Fund	Hunting & Fishing Fund	Library Fund	Parks & Recreation Fund	Swimming Pool Fund	Restricted Construction Park/Rec Fund	Park Development Fund
REVENUES								
Taxes	\$ 135,813	\$ -	\$ -	\$ 135,813	\$ 271,626	\$ -	\$ -	\$ -
Intergovernmental	-	176,984	-	25,976	-	-	-	-
Charges for services	74,900	-	11,689	120	-	68,775	-	-
Fines and forfeitures	-	-	-	3,604	-	-	-	-
Licenses and permits	-	-	25,755	-	-	-	-	-
Investment income	868	750	264	817	2,772	-	106	-
Miscellaneous	4,640	-	70	21,797	13,834	1,544,056	-	-
Total revenues	216,221	177,734	37,778	188,127	288,232	1,612,831	106	-
EXPENDITURES								
Current:								
General government	307,598	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Streets	-	566,925	-	-	-	-	-	-
Culture and recreation	-	-	24,217	313,055	522,102	155,130	-	-
Urban development	-	-	-	-	-	-	-	-
Water	-	-	-	-	-	-	-	-
Wastewater	-	-	-	-	-	-	-	-
Capital outlay	3,115	-	21,984	53,262	18,382	1,553,579	7,999	7,846
Debt service:	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Total expenditures	310,713	566,925	46,201	366,317	540,484	1,708,709	7,999	7,846
Excess (deficiency) of revenues over expenditures	(94,492)	(389,191)	(8,423)	(178,190)	(252,252)	(95,878)	(7,893)	(7,846)
OTHER FINANCING SOURCES (USES)								
Transfers in	105,000	410,000	-	220,000	210,000	-	11,700	34,578
Transfers out	(3,250)	-	-	-	(9,326)	-	-	(26,296)
Proceeds from long-term debt	-	-	-	-	-	-	-	-
Bond issue costs	-	-	-	-	-	-	-	-
Bond premium	-	-	-	-	-	-	-	-
Total other financing sources and uses	95,750	410,000	-	220,000	200,674	-	11,700	8,282
Net change in fund balances	1,258	20,809	(8,423)	41,810	(51,578)	(95,878)	3,807	436
Fund balances - beginning	93,593	98,955	36,361	68,555	274,615	(95,878)	9,040	(436)
Fund balances - ending	\$ 94,851	\$ 119,764	\$ 27,938	\$ 110,365	\$ 223,037	\$ (95,878)	\$ 12,847	\$ -

City of Sapulpa
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Non-Major Governmental Funds
 For the Year Ended June 30, 2010

	Special Revenue Funds									
	Fire Cash Fund	Police Cash Fund	Federal SAF Fund	Cemetery Care Fund	Major Thoroughfare Fund	Capital Improvement Fund	Water & Sewer Sales Tax Fund	Spay & Neuter Fund	Water Resources Fund	
REVENUES										
Taxes	\$ 135,813	\$ 135,813	\$ -	\$ -	\$ -	\$ 543,251	\$ 543,251	\$ -	\$ 1,086,503	
Intergovernmental	-	-	-	-	271,626	-	-	-	-	
Charges for services	-	-	-	-	223,876	-	-	-	-	
Fines and forfeitures	-	-	-	-	-	-	-	1,475	-	
Licenses and permits	-	-	-	-	-	-	-	-	-	
Investment income	3,832	1,400	315	257	113	4,023	1,601	54	1,789	
Miscellaneous	-	-	916	3,069	44,330	-	2,644	-	-	
Total revenues	139,645	137,213	1,231	3,326	539,945	547,274	547,496	1,529	1,088,292	
EXPENDITURES										
Current										
General government	-	-	5,073	-	-	-	-	-	570	-
Public safety	-	-	-	-	-	-	-	-	-	-
Streets	-	-	-	-	444,467	5,207	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-	-
Urban development	-	-	-	-	-	-	-	-	-	-
Water	-	-	-	-	-	-	664,602	-	-	-
Wastewater	-	-	-	-	-	257,502	-	-	-	-
Capital outlay	11,138	92,948	5,734	3,069	-	504,135	55,840	-	17,942	-
Debt service:										
Principal	-	-	-	-	90,000	-	-	-	-	-
Interest	94,330	-	-	-	25,638	-	38,543	-	-	-
Total expenditures	105,468	92,948	10,807	3,069	560,105	805,387	720,442	570	17,942	-
Excess (deficiency) of revenues over expenditures	34,177	44,265	(9,576)	257	(20,160)	(258,113)	(172,946)	959	1,070,350	-
OTHER FINANCING SOURCES (USES)										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	9,250	70,159	676,980	275,000	-	-	-
Proceeds from long-term debt	-	(32,765)	-	-	(36,548)	(187,480)	-	-	(1,191,413)	-
Bond issue costs	-	-	-	-	-	135,000	-	-	-	-
Bond premium	-	-	-	-	-	-	-	-	-	-
Total other financing sources and uses	-	(32,765)	-	9,250	33,611	624,500	275,000	-	(1,191,413)	-
Net change in fund balances	34,177	11,500	(9,576)	9,507	13,451	366,387	102,054	959	(121,063)	-
Fund balances - beginning	210,359	80,132	47,135	22,321	130,453	356,593	193,861	5,519	328,535	-
Fund balances - ending	244,536	91,632	37,559	31,828	143,904	722,980	295,915	6,478	207,472	-

City of Sapulpa
Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2010

	Special Revenue Funds						Debt Service Fund		Total-Other Governmental Funds
	E911 Fund	Juvenile Justice Fund	Hotel/Motel Tax Fund	Grants & Aid Fund	Street Improvement Sales Tax Fund	Sewer Plant Sales Tax Fund	G.O. Sinking Fund		
REVENUES									
Taxes	\$ -	\$ -	\$ 185,685	\$ -	\$ 1,368,128	\$ 1,358,128	\$ 1,443,683	\$ 7,605,133	747,693
Intergovernmental	-	-	-	248,693	-	-	-	-	381,938
Charges for services	224,979	-	-	-	72,164	-	-	-	40,593
Fines and forfeitures	-	36,989	-	-	-	-	-	-	25,755
Licenses and permits	-	-	-	-	-	-	-	-	48,561
Investment income	555	107	219	170	14,007	3,089	11,453	1,635,356	-
Miscellaneous	-	-	-	-	-	-	-	-	-
Total revenues	225,534	37,096	185,904	248,863	1,444,299	1,361,217	1,455,136	10,485,029	-
EXPENDITURES									
Current:									
General government	-	-	-	-	-	-	-	-	313,241
Public safety	90,882	28,976	-	66,797	-	-	-	186,685	1,213,348
Streets	-	-	-	-	196,749	-	-	-	1,017,099
Culture and recreation	-	-	-	2,595	-	-	-	-	205,259
Urban development	-	-	174,591	30,668	-	-	-	-	670,992
Water	-	-	-	6,390	-	-	-	-	257,700
Wastewater	-	-	-	198	-	-	-	-	-
Capital outlay	-	-	-	134,513	614,717	-	-	-	3,106,203
Debt service:									
Principal	-	-	-	-	-	-	1,070,665	1,160,665	543,216
Interest	-	-	-	-	-	-	384,705	867,470	8,674,378
Total expenditures	90,882	28,976	174,591	241,161	811,466	-	1,455,370	11,607,529	-
Excess (deficiency) of revenues over expenditures	134,652	8,120	11,313	7,702	632,833	1,361,217	(234)	8,877,500	-
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	47,605	-	-	25,035	2,095,307	-
Transfers out	(117,930)	-	(51,578)	-	(663,265)	(1,104,946)	(28,740)	(3,459,537)	-
Proceeds from long-term debt	-	-	-	-	-	-	-	-	135,000
Bond issue costs	-	-	-	-	-	-	-	-	-
Bond premium	-	-	-	-	-	-	-	-	-
Total other financing sources and uses	(117,930)	-	(51,578)	47,605	(663,265)	(1,104,946)	(3,705)	(1,229,230)	-
Net change in fund balances	16,722	8,120	(40,265)	55,307	(30,432)	256,271	(3,939)	581,421	-
Fund balances - beginning	69,464	8,435	50,283	1,500	948,839	18,703	603,551	3,656,406	-
Fund balances - ending	\$ 86,186	\$ 16,555	\$ 10,018	\$ 56,807	\$ 918,407	\$ 274,974	\$ 599,612	\$ 4,237,827	\$ -

City of Sapulpa
Combining Schedule of Net Assets
SMA Utility Fund Accounts
June 30, 2010

	Enterprise Funds			Total
	SMA Utility Fund	Stormwater Management Fund	Sewer System Development Fund	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 321,050	\$ 181,073	\$ -	\$ 502,123
Restricted cash and cash equivalents	2,097,057	-	-	2,097,057
Investments	743,676	-	-	743,676
Interest receivable	117	-	-	117
Accounts Receivable, net	789,193	76,289	-	865,482
Other receivables	169,324	-	113,713	283,037
Due from other funds	421,116	-	-	421,116
Deferred inflows	176,808	-	-	176,808
Inventory	-	-	-	-
Total current assets	<u>4,718,341</u>	<u>257,362</u>	<u>113,713</u>	<u>5,089,416</u>
Non-current assets:				
Restricted cash and cash equivalents	647,730	-	-	647,730
Restricted investments	1,387,956	-	-	1,387,956
Derivative instrument	133,860	-	-	133,860
Capital Assets:				
Land and other non-depreciable assets	7,010,077	-	-	7,010,077
Other capital assets, net of depreciation	50,388,501	-	-	50,388,501
Unamortized debt issuance costs	2,859,682	-	-	2,859,682
Total non-current assets	<u>62,427,806</u>	<u>-</u>	<u>-</u>	<u>62,427,806</u>
Total assets	<u>67,146,147</u>	<u>257,362</u>	<u>113,713</u>	<u>67,517,222</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	343,448	40,414	-	383,862
Accrued payroll liabilities	61,889	7,931	-	69,820
Due to other funds	-	-	78,259	78,259
Accrued interest payable	1,591,586	-	-	1,591,586
Deferred revenue	-	-	-	-
Current portion of:				
Estimated liability for claims	-	-	-	-
Due to depositors	48,675	-	-	48,675
Notes payable	84,919	-	-	84,919
Capital lease obligation payable	-	-	-	-
Water contract obligations	264,792	-	-	264,792
Revenue bonds payable	555,000	-	-	555,000
Accrued compensated absences	9,903	6,316	-	16,219
Total current liabilities	<u>2,960,212</u>	<u>54,661</u>	<u>78,259</u>	<u>3,093,132</u>
Non-current liabilities:				
Due to depositors	194,600	-	-	194,600
Notes payable	317,282	-	-	317,282
Water contract obligations	2,922,137	-	-	2,922,137
Revenue bonds payable, net	60,747,282	-	-	60,747,282
Accrued compensated absences	82,811	-	-	82,811
Total non-current liabilities	<u>64,264,112</u>	<u>-</u>	<u>-</u>	<u>64,264,112</u>
Total liabilities	<u>67,224,324</u>	<u>54,661</u>	<u>78,259</u>	<u>67,357,244</u>
NET ASSETS				
Invested in capital assets, net of related debt	(7,456,319)	-	-	(7,456,319)
Restricted for debt service	2,297,782	-	-	2,297,782
Unrestricted	5,080,360	202,701	35,454	5,318,515
Total net assets	<u>\$ (78,177)</u>	<u>\$ 202,701</u>	<u>\$ 35,454</u>	<u>\$ 159,978</u>

City of Sapulpa
Combining Schedule of Revenues, Expenses and Changes in Net Assets
SMA Utility Fund Accounts
For the Year Ended June 30, 2010

	Enterprise Funds			Total
	<u>SMA Utility Fund</u>	<u>Stormwater Management Fund</u>	<u>Sewer System Development Fund</u>	
REVENUES				
Water charges	\$ 3,923,627	\$ -	\$ -	\$ 3,923,627
Sewer charges	3,191,524	-	-	3,191,524
Sanitation	1,247,572	-	-	1,247,572
Water taps	35,050	-	-	35,050
Sewer taps	31,000	-	43,710	74,710
Late charges	178,222	-	-	178,222
Recycling center	17,725	-	-	17,725
Trucked Water	75,328	-	-	75,328
Stormwater	-	786,841	-	786,841
Miscellaneous	82,730	-	-	82,730
Total operating revenues	<u>8,782,778</u>	<u>786,841</u>	<u>43,710</u>	<u>9,613,329</u>
OPERATING EXPENSES				
General government	164,819	-	-	164,819
Administration	150,780	-	-	150,780
Utility collections	300,746	-	-	300,746
Water treatment plant	1,306,714	-	-	1,306,714
Industrial pretreatment	72,386	-	-	72,386
Wastewater treatment plant	1,014,530	-	-	1,014,530
Stormwater management	-	552,055	-	552,055
Sanitation	1,162,124	-	-	1,162,124
Amortization expense	264,414	-	-	264,414
Depreciation expense	1,713,010	-	-	1,713,010
Total Operating Expenses	<u>6,149,523</u>	<u>552,055</u>	<u>-</u>	<u>6,701,578</u>
Operating income (loss)	<u>2,633,255</u>	<u>234,786</u>	<u>43,710</u>	<u>2,911,751</u>
NON-OPERATING REVENUES (EXPENSES)				
Pledged as security for revenue bonds:				
Investment income	47,883	409	-	48,292
Unpledged:				
Miscellaneous	125,295	15,262	-	140,557
Gain/loss on disposal of assets	(3,657)	-	-	(3,657)
Interest expense and fiscal charges	(4,927,023)	(7,364)	-	(4,934,387)
Total non-operating revenue (expenses)	<u>(4,757,502)</u>	<u>8,307</u>	<u>-</u>	<u>(4,749,195)</u>
Income (loss) before contributions and transfers	<u>(2,124,247)</u>	<u>243,093</u>	<u>43,710</u>	<u>(1,837,444)</u>
Capital contributions	819,037	-	-	819,037
Transfers in	5,260,481	35,482	-	5,295,963
Transfers out	(5,404,444)	(152,430)	(33,750)	(5,590,624)
Change in net assets	<u>(1,449,173)</u>	<u>126,145</u>	<u>9,960</u>	<u>(1,313,068)</u>
Total net assets - beginning, (restated)	1,370,996	76,556	25,494	1,473,046
Total net assets - ending	<u>\$ (78,177)</u>	<u>\$ 202,701</u>	<u>\$ 35,454</u>	<u>\$ 159,978</u>

CITY OF SAPULPA, OKLAHOMA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the fiscal year ended June 30, 2010

Federal Grantor/Pass through agency Grantor/Program Title	Federal CFDA Number	Grant #	Award Amount	Federal Expenditures
FEDERAL AWARDS:				
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>				
Passed through Oklahoma Department of Emergency Management:				
Disaster Recovery Assistance - Winter Storm	97.036	FEMA-1876-DR-OK	\$ 12,112	\$ 12,112
Disaster Recovery Assistance - Winter Storm	97.036	FEMA-1883-DR-OK	11,255	11,255
Subtotal of CFDA 97.036			23,367	23,367
Hazard Mitigation Planning Project	97.039	FEMA-1712-DR-OK	20,083	6,390
Total U.S. Department of Homeland Security			43,450	29,757
<u>U.S. DEPARTMENT OF THE INTERIOR:</u>				
Passed through Oklahoma Tourism and Recreation Department:				
Land and Water Conservation Fund Project	15.916	40-01166	30,300	28,695
Liberty Park Family Aquatic Facility	15.916	40-01179	73,441	73,273
Liberty Park Family Aquatic Facility - Phase 2	15.916	40-01183	63,270	27,397
Davis Park Restrooms	15.916	40-01178	70,931	1,298
Subtotal of CFDA 15.916			237,942	130,663
Total U.S. Department of the Interior			237,942	130,663
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Passed through Oklahoma Highway Safety Office:				
State and Community Highway Safety	20.600	PT-10-03-38-09	56,000	41,916
State and Community Highway Safety	20.600	PT-09-03-27-08	66,930	31,296
Subtotal of CFDA 20.600			122,930	73,212
Total Department of Transportation			122,930	73,212
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>				
Passed through Tulsa County:				
Community Development Block Grant/State's Program	14.218	B-08-UC400205	148,087	99,273
Total Department of Housing and Urban Development			148,087	99,273
<u>U.S. DEPARTMENT OF JUSTICE:</u>				
Bulletproof Vest Partnership Program	16.607		11,568	11,568
Total Department of Justice			11,568	11,568
TOTAL FEDERAL AWARDS			\$563,977	\$344,473

Notes to Schedule of Expenditures of Federal Awards

Note A - Significant Accounting Policies - The accompanying schedule of expenditures of federal awards is prepared on the basis of accounting consistent with the definition of federal awards expended in paragraph 205 of OMB Circular A-133.

CITY OF SAPULPA, OKLAHOMA
(SAPULPA MUNICIPAL AUTHORITY)
SCHEDULE OF DEBT SERVICE COVERAGE REQUIREMENTS
For the fiscal year ended June 30, 2010

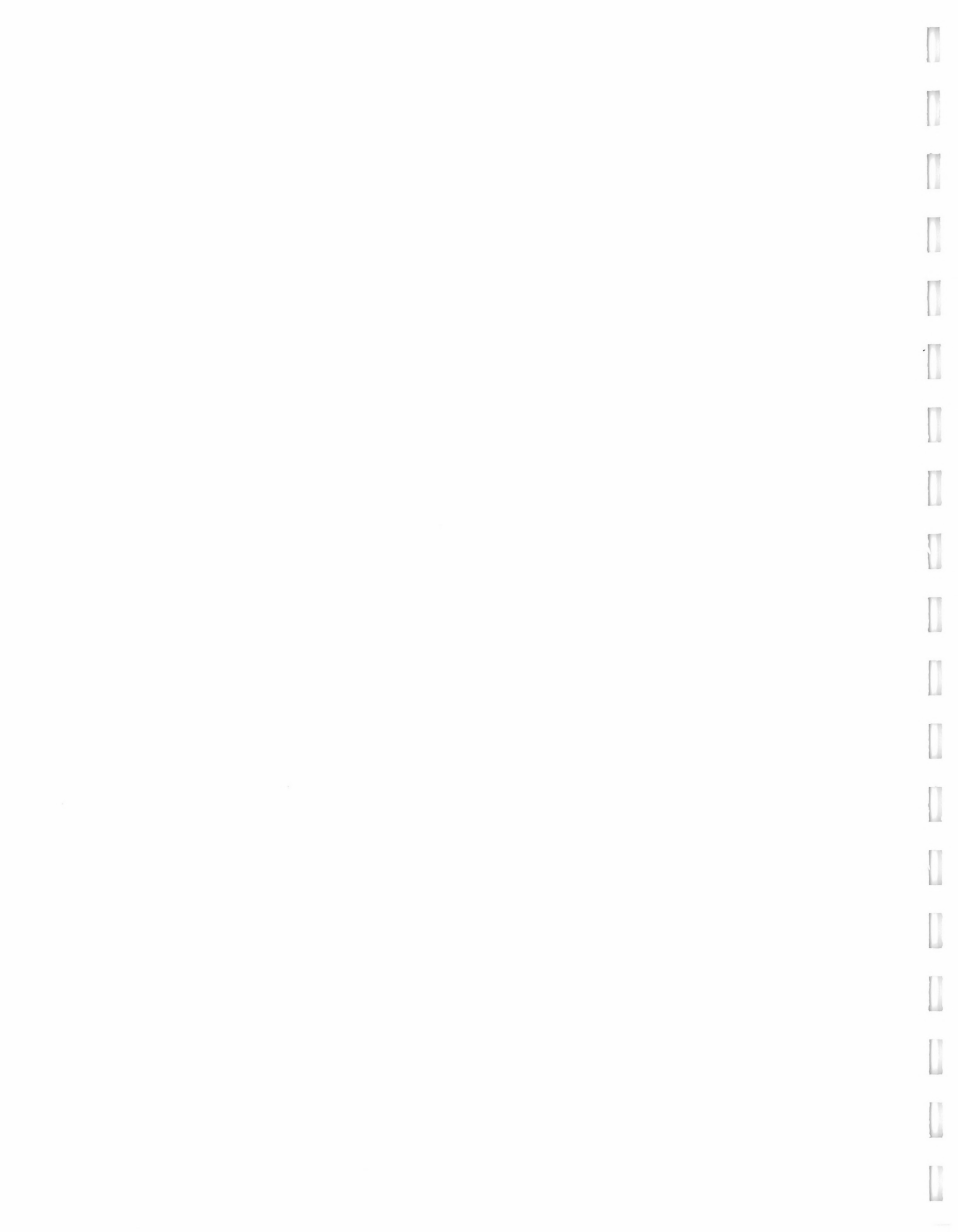
	2002 A and 2006 Revenue Bond Issues <u>Coverage Requirement #1</u>	2002 A Revenue Bond Issue <u>Coverage Requirement #2</u>	2003 A & B Revenue Bonds <u>Coverage Requirement</u>	2009 A & B Revenue Bonds <u>Coverage Requirement</u>
Gross Revenue Available for Debt Service:				
Operating revenues and investment income	\$9,661,621	\$9,661,621	\$9,661,621	\$9,661,621
Sales tax appropriated and transferred	3,292,655	-	3,292,655	3,292,655
Total Gross Revenues Available	12,954,276	9,661,621	12,954,276	12,954,276
Operating Expenses	4,724,154	4,724,154	4,724,154	4,724,154
Net Revenues Available for Debt Service	<u>\$8,230,122</u>	<u>\$4,937,467</u>	<u>\$8,230,122</u>	<u>\$8,230,122</u>
Debt Service Requirements:				
Average annual debt service - Refunding Revenue Bonds 2002 A, 2009 A&B and 2006 Utility System Revenue Bonds	<u>\$2,867,928</u>	<u>\$2,867,928</u>	-	-
Annual debt service - Refunding Revenue Bonds 2002 A, 2003 A&B, 2009 A&B, and 2006 Utility System Revenue Bonds	-	-	<u>\$3,292,376</u>	<u>\$3,292,376</u>
Coverage	<u>2.87</u>	<u>1.72</u>	<u>2.50</u>	<u>2.50</u>
Coverage Requirement	<u>1.25</u>	<u>1.00</u>	<u>1.20</u>	<u>1.25</u>

NOTE 1: Operating revenues consist of all water, wastewater, and sanitation revenues and investment income; operating expenses include all trust operating expenses, exclusive of depreciation, amortization and bad debt expense.

NOTE 2: According to the 2002 A bond indenture, the Authority must meet two coverage requirements:
#1 - Net revenues plus sales tax transferred to the authority must at least equal 1.25 times the average annual debt service.
#2 - Net revenues (excluding sales tax) must at least equal 1.00 times the average annual debt service.



STATISTICAL SECTION



CITY OF SAPULPA, OKLAHOMA
NET ASSETS BY COMPONENT
Last Eight Fiscal Years
TABLE 1

	FISCAL YEAR							
	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities								
Invested in capital assets, net of related debt	\$ 14,569,889	\$ 16,523,526	\$ 22,432,421	\$ 23,264,086	\$ 25,731,696	\$ 25,453,019	\$ 27,327,634	\$ 22,186,089
Restricted	2,760,231	2,162,564	2,869,357	3,182,803	3,378,260	3,651,202	3,445,938	10,078,815
Unrestricted	4,793,925	3,373,913	344,621	2,039,881	989,136	811,160	207,770	(157,338)
Total governmental activities net assets	\$ 22,124,045	\$ 22,060,003	\$ 25,646,399	\$ 28,486,770	\$ 30,099,092	\$ 29,915,381	\$ 30,981,342	\$ 32,107,566
Business-type activities								
Invested in capital assets, net of related debt	\$ 1,979,601	\$ 4,105,860	\$ 1,615,464	\$ 1,965,686	\$ 1,434,206	\$ 1,995,103	\$ (5,282,635)	\$ (6,587,407)
Restricted	4,485,782	994,752	1,428,243	1,923,836	1,883,075	1,219,432	2,186,122	2,297,782
Unrestricted	1,750,692	1,661,202	2,506,311	2,351,403	1,138,151	2,527,446	6,059,820	6,074,552
Total business-type activities net assets	\$ 8,216,075	\$ 6,761,814	\$ 5,550,018	\$ 6,240,925	\$ 4,455,432	\$ 5,741,981	\$ 2,963,307	\$ 1,784,927
Primary government								
Invested in capital assets, net of related debt	\$ 16,549,490	\$ 20,629,386	\$ 24,047,885	\$ 25,229,772	\$ 27,165,902	\$ 27,448,122	\$ 22,044,999	\$ 15,598,682
Restricted	7,246,013	3,157,316	4,297,600	5,106,639	5,261,335	4,870,634	5,632,060	12,376,597
Unrestricted	6,544,617	5,035,115	2,850,932	4,391,284	2,127,287	3,338,606	6,267,590	5,917,214
Total primary government net assets	\$ 30,340,120	\$ 28,821,817	\$ 31,196,417	\$ 34,727,695	\$ 34,554,524	\$ 35,657,362	\$ 33,944,649	\$ 33,892,493

CITY OF SAPULPA, OKLAHOMA
CHANGES IN NET ASSETS
Last Eight Fiscal Years
TABLE 2

	FISCAL YEAR							
	2003	2004	2005	2006	2007	2008	2009	2010
Expenses								
Governmental activities:								
Administration	\$ 935,058	\$ 940,635	\$ 857,024	\$ 922,218	\$ 938,646	\$ 956,165	\$ 1,073,542	\$ 1,068,277
General government	1,282,452	1,464,350	1,814,825	1,521,420	1,767,315	1,356,744	1,347,723	1,167,575
Legal and judicial	320,223	206,910	220,913	240,662	239,239	236,636	301,454	281,752
Public safety	6,243,832	6,713,637	6,851,852	8,022,350	10,179,831	10,742,549	10,587,857	10,312,829
Urban development	331,064	342,323	294,901	316,422	414,096	435,239	419,161	453,837
Streets	1,143,755	1,222,276	1,300,190	1,345,462	1,763,423	2,784,449	2,355,922	2,429,795
Culture and recreation	942,670	805,605	852,758	854,183	951,804	1,166,790	1,155,838	1,281,735
Interest on long-term debt	125,515	220,479	402,809	482,366	468,799	498,907	518,346	449,233
Total governmental activities expenses	\$ 11,324,569	\$ 11,916,215	\$ 12,595,272	\$ 13,705,083	\$ 16,723,353	\$ 18,177,479	\$ 17,759,843	\$ 17,444,973
Business-type activities:								
Water operations	3,278,563	3,300,634	3,150,738	3,251,849	3,685,257	3,925,793	4,463,707	3,781,367
Wastewater operations	4,916,660	5,303,576	5,353,600	5,348,397	5,482,432	5,246,459	6,363,922	6,437,587
Sanitation operations	1,038,786	1,095,914	1,102,646	1,160,526	1,127,731	1,245,713	1,476,846	1,290,756
Stormwater maintenance	-	31,107	34,062	25,551	60,901	333,179	75,226	581,406
Golf course operations	524,942	510,724	555,908	609,716	635,283	657,173	688,775	709,765
Interest charges - governmental activities	-	-	-	198,662	219,826	-	250,662	279,547
Total business-type activities expenses	\$ 9,758,951	\$ 10,241,955	\$ 10,196,954	\$ 10,594,701	\$ 11,211,430	\$ 11,408,317	\$ 13,319,138	\$ 13,080,428
Total primary government expenses	\$ 21,083,520	\$ 22,158,170	\$ 22,792,226	\$ 24,299,784	\$ 27,934,783	\$ 29,585,796	\$ 31,078,981	\$ 30,525,401
Program Revenues								
Governmental activities:								
Charges for services:								
Administration	\$ 236,627	\$ 299,911	\$ 276,738	\$ 296,179	\$ 309,286	\$ 369,695	\$ 347,269	\$ 309,656
General government	-	-	-	-	-	-	-	-
Legal and judicial	-	-	-	-	-	-	-	-
Public safety	1,063,829	693,095	1,205,843	1,138,414	1,404,493	1,432,925	1,396,380	1,449,726
Urban development	-	-	-	-	-	-	-	-
Streets	-	-	-	-	3,580	2,835	2,465	1,880
Culture and recreation	53,056	85,042	72,919	46,471	53,858	61,019	63,598	121,714
Operating grants and contributions	497,548	414,183	347,848	392,791	1,790,870	2,180,366	1,515,802	1,545,268
Capital grants and contributions	321,432	248,938	2,210,257	2,633,830	280,910	390,706	321,276	705,061
Total governmental activities program revenues	\$ 2,172,492	\$ 1,741,169	\$ 4,113,605	\$ 4,507,685	\$ 3,842,997	\$ 4,437,546	\$ 3,646,790	\$ 4,133,305

(Continued)

TABLE 2
(Continued)

	FISCAL YEAR							
	2003	2004	2005	2006	2007	2008	2009	2010
Business-type activities:								
Charges for services:								
Water operations	3,350,199	3,190,050	3,660,800	3,722,888	3,863,474	3,917,170	3,825,477	4,219,649
Wastewater operations	2,631,507	2,784,866	2,829,802	3,074,182	3,089,967	3,263,802	3,025,624	3,266,234
Sanitation operations	993,527	1,050,023	1,048,382	1,069,175	1,160,271	1,208,563	1,284,700	1,340,625
Stormwater operations	-	-	-	-	-	178,996	555,318	786,841
Golf course operations	519,224	433,915	398,248	487,726	474,354	506,902	518,383	416,658
Operating grants and contributions	-	-	-	-	-	-	654	-
Capital grants and contributions	47,114	-	-	-	320,395	1,636,307	-	-
Total business-type activities, program revenues	7,541,571	7,458,854	8,037,232	8,353,971	8,908,461	10,711,740	9,210,156	10,030,007
Total primary government program revenues	\$ 9,714,063	\$ 9,200,023	\$ 12,150,837	\$ 12,861,656	\$ 12,751,458	\$ 15,149,286	\$ 12,856,946	\$ 14,163,312
Net (Expense)/Revenue								
Governmental activities:								
Business-type activities:								
Total primary government net expense	\$ (9,152,077)	\$ (10,175,046)	\$ (8,481,667)	\$ (9,197,398)	\$ (12,880,356)	\$ (13,739,933)	\$ (14,113,053)	\$ (13,311,668)
	(2,217,380)	(2,783,101)	(2,159,722)	(2,240,730)	(2,302,969)	(696,577)	(4,108,982)	(3,050,421)
	\$ (11,369,457)	\$ (12,958,147)	\$ (10,641,389)	\$ (11,438,128)	\$ (15,183,325)	\$ (14,436,510)	\$ (18,222,035)	\$ (16,362,089)
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Taxes:								
Sales and use taxes	6,523,556	6,485,061	7,284,641	11,393,892	11,796,326	12,361,944	12,068,005	11,285,695
Ad valorem property taxes	546,376	669,302	1,439,711	1,222,022	1,203,946	1,396,811	1,409,760	1,443,683
Franchise and public service taxes	373,502	401,248	385,148	427,507	427,956	443,180	506,646	505,361
Payment in lieu of taxes	317,152	334,819	369,507	411,153	420,570	443,526	533,019	439,767
Hotel/motel taxes	-	-	-	-	136,286	250,112	226,929	185,685
E-911 taxes	182,581	174,611	177,281	162,757	170,803	226,004	237,292	217,442
Intergovernmental revenue not restricted to specific programs	73,713	76,338	148,664	248,464	251,636	262,624	257,051	252,939
Investment income	117,838	90,928	254,030	302,650	175,066	170,723	90,972	76,078
Miscellaneous	288,787	340,129	117,740	125,183	163,589	464,382	324,959	1,705,317
Special item - Gain on forgiveness of debt / gain on sale of capital assets	-	38,506	-	133,844	-	-	-	-
Transfers-Internal activity	1,317,312	1,474,343	1,891,341	(2,510,859)	(253,100)	(1,628,329)	(1,060,094)	(1,674,075)
Total governmental activities	9,740,817	10,085,285	12,068,063	11,964,613	14,492,678	14,590,977	14,594,539	14,437,892
Business-type activities:								
Sales and use taxes	2,372,405	2,359,038	2,659,913	-	-	-	-	-
Investment earnings	833,700	356,820	118,795	299,364	367,690	221,558	61,112	54,785
Miscellaneous	100	87,325	60,559	121,414	63,597	133,240	209,102	143,181
Transfers - Internal activity	(1,317,312)	(1,474,343)	(1,891,341)	2,510,859	253,100	1,628,329	1,060,094	1,674,075
Total business-type activities	1,888,893	1,328,840	947,926	2,831,637	684,387	1,983,127	1,330,308	1,872,041
Total primary government	\$ 11,629,710	\$ 11,414,125	\$ 13,015,989	\$ 14,896,250	\$ 15,177,065	\$ 16,374,104	\$ 15,924,847	\$ 16,309,933
Change in Net Assets								
Governmental activities	\$ 588,740	\$ (89,761)	\$ 3,586,396	\$ 2,767,215	\$ 1,612,322	\$ 651,044	\$ 481,486	\$ 1,126,224
Business-type activities	(328,487)	(1,454,261)	(1,211,796)	690,907	(1,618,582)	1,286,550	(2,778,674)	(1,178,380)
Total primary government	\$ 260,253	\$ (1,544,022)	\$ 2,374,600	\$ 3,458,122	\$ (6,260)	\$ 1,937,594	\$ (2,297,188)	\$ (52,156)

CITY OF SAPULPA, OKLAHOMA
 FUND BALANCES - GOVERNMENTAL FUNDS
 Last Eight Fiscal Years
 TABLE 3

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
General Fund								
Reserved	\$ 219,346	\$ 269,406	\$ 1,917,191	\$ 1,982,763	\$ 2,110,218	\$ 303,557	\$ 205,933	\$ 199,888
Unreserved	1,371,299	1,109,727	(456,024)	(299,612)	(517,555)	2,129,650	2,015,310	1,432,329
Total general fund	\$ 1,590,645	\$ 1,379,133	\$ 1,461,167	\$ 1,683,151	\$ 1,592,663	\$ 2,433,207	\$ 2,221,243	\$ 1,632,217
All Other Governmental Funds								
Reserved	\$ 467,530	\$ 327,472	\$ 7,303,814	\$ 1,436,477	\$ 485,980	\$ 30,000	\$ 114,805	\$ 25,437
Unreserved, reported in:								
Special revenue funds	2,579,996	2,172,754	2,327,593	2,094,841	2,909,690	3,379,674	2,938,050	3,612,778
Debt service funds	590,100	508,403	483,037	579,549	638,793	675,822	603,551	599,612
Capital project funds	3,985,572	8,833,164	2,621,072	987,418	226,465	9,809	9,976	6,227,208
Total all other governmental funds	\$ 7,623,198	\$ 11,841,793	\$ 12,735,516	\$ 5,096,285	\$ 4,260,928	\$ 4,095,305	\$ 3,666,382	\$ 10,465,035
GRAND TOTAL	\$ 9,213,843	\$ 13,220,926	\$ 14,196,683	\$ 6,781,436	\$ 5,853,591	\$ 6,528,512	\$ 5,887,625	\$ 12,097,252

Note: For years 2005, 2006, and 2007 reserved fund balance for the General Fund includes accrued compensated absences.

CITY OF SAPULPA, OKLAHOMA
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Last Eight Fiscal Years
TABLE 4

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Revenues								
Sales and use taxes	\$ 8,895,961	\$ 8,844,099	\$ 9,044,554	\$ 11,393,892	\$ 11,796,326	\$ 12,361,944	\$ 12,068,005	\$ 11,285,695
Franchise and public service taxes	373,502	401,248	385,148	476,493	437,765	435,211	506,646	506,484
Ad valorem taxes	546,376	665,053	1,312,215	1,393,472	1,393,472	1,351,081	1,443,683	1,443,683
Payment in lieu of tax	317,452	334,819	369,507	411,153	443,526	533,019	444,814	444,814
Hotel/motel taxes	652,450	594,219	2,424,695	1,256,678	2,847,067	2,658,141	2,018,657	1,839,296
Intergovernmental	671,597	794,350	639,135	837,007	682,600	1,007,160	681,175	812,468
Charges for services	730,435	650,181	768,675	764,493	504,235	1,360,620	1,081,859	986,075
Fines and forfeitures	129,229	214,876	165,638	146,929	150,588	185,115	169,721	152,398
Licenses and permits	130,099	99,559	266,501	326,819	201,273	165,102	135,120	81,871
Investment income	357,565	446,884	398,362	345,217	333,743	691,398	414,806	1,825,979
Miscellaneous	12,804,366	13,045,288	16,674,430	17,109,579	18,697,853	20,951,801	19,186,998	19,564,448
Total Revenues								
	\$ 12,804,366	\$ 13,045,288	\$ 16,674,430	\$ 17,109,579	\$ 18,697,853	\$ 20,951,801	\$ 19,186,998	\$ 19,564,448
Expenditures:								
Administration	917,038	930,161	854,642	914,403	927,515	1,047,491	1,064,987	1,026,696
General government	1,336,613	1,343,886	1,417,638	1,433,430	1,680,138	1,459,139	1,155,645	1,098,311
Legal and judicial	310,250	183,958	214,579	220,108	219,300	217,008	265,581	252,601
Public safety	5,759,078	6,149,767	6,682,250	7,697,333	9,506,028	9,900,490	9,410,268	9,316,475
Urban development	319,201	335,067	286,164	302,813	399,383	426,359	408,053	441,909
Streets	854,993	712,209	720,410	912,145	995,751	1,227,894	1,095,206	1,213,348
Culture and recreation	667,536	691,296	664,195	750,076	847,538	869,269	917,770	1,017,099
Water	396,726	371,375	656,493	720,710	643,703	907,507	818,481	670,992
Wastewater	280,906	279,526	262,065	240,733	364,420	137,510	137,510	257,700
Stormwater	1,940,535	2,711,491	4,595,321	11,080,478	3,289,117	2,770,416	3,046,582	3,150,245
Capital Outlay	1,348,475	1,189,903	1,045,723	953,356	1,189,559	1,206,180	1,206,180	1,160,665
Debt service:	1,302,335	206,182	399,256	472,754	474,240	1,179,906	509,827	543,216
Principal	14,261,586	15,104,821	17,798,736	25,698,339	20,536,692	20,082,570	20,036,090	20,149,257
Interest and fiscal charges								
	(1,457,220)	(2,059,533)	(1,124,306)	(8,588,760)	(1,838,839)	869,231	(849,092)	(584,809)
Excess of revenues over (under) expenditures								
	\$ 4,641,919	\$ 5,687,626	\$ 5,077,999	\$ 5,669,317	\$ 6,484,626	\$ 6,720,781	\$ 6,354,987	\$ 6,119,686
Other financing sources(uses) and special item:								
Transfers in	(4,795,890)	(5,305,459)	(4,964,758)	(5,787,969)	(6,242,907)	(7,407,382)	(6,465,333)	(6,038,545)
Transfers out								(246,740)
Debt issuance costs			(56,057)	(14,464)				6,935,000
Debt proceeds	4,100,000	5,680,000	2,042,879	977,688	699,275	492,291	495,800	25,035
Bond premium								
Special item - proceeds from sale of capital assets								
Special item - proceeds from sale of capital assets				147,164				
Special item - proceeds from sale of capital assets				147,164				
Total other financing sources(uses) and special item	3,946,029	6,062,167	2,100,063	1,138,900	910,994	(194,310)	385,454	6,794,436
Net change in fund balances	\$ 2,488,809	\$ 4,002,634	\$ 975,757	\$ (7,449,860)	\$ (927,845)	\$ 674,921	\$ (463,638)	\$ 6,209,627
Debt service as a percentage of noncapital expenditures	12.0%	11.3%	10.9%	9.5%	9.6%	6.8%	10.1%	10.0%

CITY OF SAPULPA, OKLAHOMA
 GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
 Last Eight Fiscal Years
 TABLE 5

Fiscal Year	Ad Valorem Tax	Sales Tax	Use Tax	Franchise Tax	Payment in lieu of Tax	Hotel/Motel Tax	E-911 Tax	Totals
2003	\$ 546,376	\$ 8,626,928	\$ 269,033	\$ 373,502	\$ 317,152	\$ -	\$ 182,581	\$ 10,315,572
2004	669,302	8,578,321	265,779	401,248	334,819	-	174,611	10,424,080
2005	1,439,711	9,672,408	272,145	385,148	369,507	-	177,281	12,316,200
2006	1,222,022	11,062,496	331,396	475,507	411,153	-	162,757	13,665,331
2007	1,203,946	11,285,918	510,408	427,556	420,570	136,286	170,803	14,155,487
2008	1,393,472	11,840,175	521,769	435,211	443,526	250,112	226,004	15,110,269
2009	1,409,760	11,592,621	475,384	506,646	533,019	226,929	237,292	14,981,651
2010	1,443,683	10,865,027	420,668	505,361	439,767	185,685	217,442	14,077,633

CITY OF SAPULPA, OKLAHOMA
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Eight Fiscal Years
TABLE 6

Fiscal Year	Real Property	Personal Property	Public Service Property	Total Assessed Value	Homestead Exemption	Net Assessed Value	Estimated Actual Value
2003	\$ 53,495,980	\$ 7,321,108	\$ 6,486,210	\$ 67,303,298	\$ 4,426,160	\$ 62,877,138	\$ 523,976,150
2004	55,763,609	7,240,852	6,617,547	69,622,008	4,396,166	65,225,842	543,548,683
2005	67,045,944	7,725,210	6,863,336	81,634,490	4,368,156	77,266,334	643,886,117
2006	73,838,504	15,133,875	11,163,226	100,135,605	4,511,613	95,623,992	800,575,660
2007	78,268,289	15,398,212	7,343,203	101,009,704	4,409,554	96,600,150	805,001,250
2008	80,947,358	14,138,460	7,934,105	103,019,923	4,844,233	98,175,690	818,130,750
2009	87,485,841	14,803,042	7,368,288	109,657,171	5,005,711	104,651,460	872,095,500
2010	92,742,957	16,797,588	7,962,450	117,502,995	5,007,064	112,495,931	937,466,092

Source: County Excise Board

Note: Property in the county is reassessed annually. The ratio of assessed value to true value cannot be less than 11 percent nor more than 13 1/2 percent. Tax rates are per \$1,000 of assessed value.

CITY OF SAPULPA, OKLAHOMA
 PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
 (PER \$1,000 OF ASSESSED VALUE)
 Last Eight Fiscal Years
 TABLE 7

Fiscal Year	City Direct Rate (Mills)	(1) Overlapping Rates (Mills)			Total Levy
		Sinking Fund	Sapulpa School District	County	
2003	8.81	66.33	16.10	13.26	104.50
2004	10.19	66.71	16.09	13.26	106.25
2005	18.43	60.70	20.08	13.26	112.47
2006	12.76	62.76	20.08	13.26	108.86
2007	12.45	63.34	20.63	13.26	109.68
2008	14.23	61.52	20.79	13.26	109.80
2009	14.01	63.13	20.70	13.26	111.10
2010	12.80	67.99	22.26	13.26	116.31

Source: County Excise Board

Note: City property tax may only be levied to repay principal and interest on general obligation bonded debt approved by the voters and any court-assessed judgments.

(1) Overlapping rates are those of local and county governments that apply to property owners within the City of Sapulpa

CITY OF SAPULPA, OKLAHOMA
 PRINCIPAL PROPERTY TAXPAYERS
 CURRENT YEAR
 TABLE 8

		2010		
Taxpayer	Type of Business	Rank	Taxable Assessed Value	Percentage of Net Total Assessed Value
Inverness Village	Retirement Community	1	\$ 4,183,950	4.331%
Oklahoma Gas and Electric Co	Utility	2	2,735,905	2.832%
Sulzer Chemtech, Inc.	Chemical Engineering/ Manufacturing	3	2,079,331	2.153%
Wal-mart Real Estate Business	Real Estate	4	1,711,171	1.771%
Oklahoma Natural Gas Oneok	Utility	5	1,525,961	1.580%
AT&T Mobility LLC	Communications	5	1,395,868	1.445%
Cox Communications Inc.	Communications	6	1,063,936	1.101%
WHM Gateway LLC	Real Estate	5	807,952	0.836%
Pinehurst Properties LLC	Real Estate	6	795,191	0.823%
Clark Oil Dist Co	Fuel Distribution	7	640,423	0.663%
Totals			<u>\$ 16,939,688</u>	<u>17.54%</u>

Source: County Assessors Office - Debbie McCaslin

CITY OF SAPULPA, OKLAHOMA
PROPERTY TAX LEVIES AND COLLECTIONS
 Last Eight Fiscal Years
TABLE 9

Fiscal Year	Total Tax Levy	Current Tax Collections	Percentage of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percentage of Total Collected		Net Assessed Value	Mill Levy
						Total Levy	Total Levy		
2003	\$ 553,650	\$ 525,818	95%	\$ 18,623	\$ 544,441	98%	\$ 62,877,138	\$ 8.81	
2004	664,930	631,026	95%	27,343	658,369	99%	65,225,842	10.19	
2005	1,423,797	1,266,303	89%	30,538	1,296,841	91%	77,266,334	18.43	
2006	1,220,638	1,087,105	89%	63,793	1,150,898	94%	95,623,992	12.76	
2007	1,203,023	1,129,858	94%	57,541	1,187,399	99%	96,600,150	12.45	
2008	1,396,811	1,336,780	96%	56,692	1,393,472	99.8%	98,175,690	14.23	
2009	1,465,695	1,350,187	92%	59,573	1,409,760	96.2%	104,651,460	14.01	
2010	1,440,594	1,377,667	96%	66,016	1,443,683	100.2%	112,495,931	12.81	

Estimate of Needs, County Report

CITY OF SAPULPA, OKLAHOMA
SALES TAX RATES OF DIRECT AND OVERLAPPING GOVERNMENTS
 Last Eight Fiscal Years
TABLE 10

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
City	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Creek County	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
State of Oklahoma	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Total	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
City	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Tulsa County	N/A	N/A	1.017%	1.017%	1.017%	1.017%	1.017%	1.017%
State of Oklahoma	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Total	8.50%	8.50%	9.517%	9.517%	9.517%	9.517%	9.517%	9.517%

CITY OF SAPULPA, OKLAHOMA
 TAXABLE SALES BY CATEGORY
 Last Eight Fiscal Years
 TABLE 11

	2003	2004	2005	2006	2007	2008	2009	2010
Agriculture, forestry, and fishing								
Mining	\$ 2,049	\$ 2,280	\$ 2,231	\$ 1,479	\$ 1,196	\$ 1,159	\$ 1,862	\$ 1,737
Construction	2,524	164	170	475	1,116	(3,182)	1,704	167
Manufacturing	42,028	1,100	3,666	3,666	5,255	6,596	29,931	7,388
Transportation	3,084	57,455	104,732	119,121	185,349	216,424	239,727	176,934
Communications and utilities:		4,463	3,542	3,906	6,976	5,047	4,979	6,169
Communications	391,107	397,643	431,115	421,233	449,101	464,174	481,970	474,240
Electric, gas, and sanitary services	674,985	688,058	701,309	889,120	735,494	827,085	879,008	915,850
Wholesale trade	403,154	393,224	614,630	813,920	849,551	933,849	833,248	737,948
Retail trade:								
Building materials, hardware, garden supply and mobile home dealer	273,085	333,144	531,419	500,806	526,830	535,494	591,220	456,872
General merchandise stores	3,073,893	2,945,708	3,166,592	3,417,233	3,317,272	3,349,104	2,927,881	2,770,815
Food stores	1,420,385	1,368,194	1,452,391	1,471,724	1,440,435	1,572,560	1,532,842	1,427,977
Automotive dealers and gasoline service stations	289,803	277,521	422,212	586,521	656,200	592,159	589,097	520,171
Apparel and accessory stores	147,575	147,675	150,139	159,596	186,175	176,195	156,067	149,291
Furniture, home furnishings and equipment stores	279,916	284,711	296,722	345,110	339,593	342,606	360,098	375,155
Eating and drinking places	759,289	863,803	1,066,007	1,224,975	1,286,043	1,453,726	1,519,279	1,451,177
Miscellaneous retail	440,269	445,615	468,757	415,906	560,374	597,043	579,268	542,471
Finance, insurance, and real estate services:	932	2,221	3,669	4,206	2,940	12,635	1,959	9,946
Hotels and motels	24,887	24,513	101,882	136,875	212,488	203,159	191,262	158,052
Personal services	40,095	29,484	59,989	44,136	49,263	39,351	34,165	39,573
Business services	188,979	168,858	178,514	218,310	237,570	239,650	211,350	180,842
Automotive repair services and garages	88,438	92,285	81,547	80,793	81,293	88,530	86,808	97,997
Miscellaneous repair services	5,530	7,397	8,142	18,927	20,907	13,641	6,718	6,281
Motion pictures	43,208	56,553	74,618	71,565	75,000	80,621	83,797	77,814
Other services	69,699	65,822	93,805	103,851	115,695	128,627	281,686	324,263
Nonclassifiable establishments	26,443	12,747	26,393	58,018	49,606	82,754	47,218	47,288
	\$ 8,691,357	\$ 8,670,638	\$ 10,041,876	\$ 11,111,472	\$ 11,391,722	\$ 11,959,006	\$ 11,673,146	\$ 10,956,421

CITY OF SAPULPA, OKLAHOMA
 RATIO FOR OUTSTANDING DEBT BY TYPE
 Last Eight Fiscal Years
 TABLE 12

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Per Capita
	General Obligation Bonds	Notes Payable	Capital Leases Payable	Judgments Payable	Revenue Bonds Payable	Capital Leases Payable	Notes Payable	Water Contract Obligations		
2003	5,850,000	178,870	63,250	34,929	62,285,000	-	-	2,717,550	71,129,599	3,460
2004	10,400,000	112,645	75,798	25,197	60,005,153	103,532	-	2,618,947	73,341,272	3,567
2005	11,585,000	42,493	167,838	215,465	64,905,153	77,326	415,000	4,427,213	81,835,488	3,982
2006	11,320,000	-	576,062	139,066	66,080,153	49,727	-	4,135,965	82,300,973	4,003
2007	10,710,000	-	229,107	605,737	65,530,153	20,984	-	3,920,264	81,016,245	3,882
2008	10,085,000	-	607,712	399,380	65,039,864	-	-	3,685,369	79,817,325	3,817
2009	9,425,000	-	414,823	541,890	69,442,821	-	616,859	3,441,050	83,882,443	3,962
2010	15,565,000	-	406,686	210,266	68,984,806	-	511,863	3,186,929	88,865,550	4,186

CITY OF SAPULPA, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
 Last Eight Fiscal Years
TABLE 13

Fiscal Year	Population (1)	Net Assessed Value	Gross Bonded Debt	Less Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2003	20,560	62,877,138	5,850,000	597,100	5,252,900	8.35%	255
2004	20,560	65,225,842	10,400,000	508,403	9,891,597	15.17%	481
2005	20,550	77,266,334	11,585,000	664,814	10,920,186	14.13%	531
2006	20,560	95,623,992	11,320,000	579,549	10,740,451	11.23%	522
2007	20,871	96,600,150	10,710,000	638,793	10,071,207	10.43%	483
2008	20,908	98,175,690	10,085,000	675,822	9,409,178	9.58%	450
2009	21,173	104,652,521	9,425,000	659,926	8,765,074	8.38%	414
2010	21,230	112,526,167	15,565,000	599,612	14,965,388	13.30%	705

(1) Oklahoma Department of Commerce Projection

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

**CITY OF SAPULPA, OKLAHOMA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
TABLE 14**

<u>Jurisdiction</u>	<u>Net (1) Debt Outstanding</u>	<u>Percentage (2) Applicable to City of Sapulpa</u>	<u>Amount Applicable to City of Sapulpa</u>
Direct - City of Sapulpa	\$ 14,965,388	100.00%	\$14,965,388
Overlapping: Sapulpa School District	8,150,000	63.00%	5,134,500
Creek County	750,000	27.00%	202,500
Vo Tech School District	-		-
Total	<u>\$23,865,388</u>		<u>\$20,302,388</u>

Outstanding bond debt-06-30-10

- (1) Gross general bonded debt outstanding less debt service reserves.
- (2) Determined by ratio of assessed valuation of property subject to taxation in overlapping unit to valuation of property subject to taxation in the City of Sapulpa.

CITY OF SAPULPA, OKLAHOMA
LEGAL DEBT MARGIN INFORMATION
Last Eight Fiscal Years
TABLE 15

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Debt limit	\$ 6,287,714	\$ 6,522,584	\$ 7,726,633	\$ 9,562,399	\$ 9,660,015	\$ 9,817,569	\$ 10,465,146	\$ 112,495,931
Total net debt applicable to limit	<u>935,500</u>	<u>4,435,420</u>	<u>5,975,802</u>	<u>6,180,404</u>	<u>5,848,850</u>	<u>5,503,550</u>	<u>5,123,250</u>	<u>4,742,950</u>
Legal debt margin	\$ 5,352,214	\$ 2,087,164	\$ 1,750,831	\$ 3,381,995	\$ 3,811,165	\$ 4,156,465	\$ 5,341,896	\$ 107,752,981
Total net debt applicable to the limit as a percentage of debt limit	14.88%	68.00%	77.34%	64.63%	60.55%	56.97%	48.96%	4.22%

Legal Debt Margin Calculation for Fiscal Year 2010

Net assessed valuation	\$ 112,495,931
Debt limit (10% of total assessed value)	11,249,593
Debt applicable to limit:	
General obligation bonds	15,565,000
Less: Street or utility bonds outstanding	<u>10,822,050</u>
Total net debt applicable to limit	<u>4,742,950</u>
Legal debt margin	<u>\$ 6,506,643</u>

Note: Article 10, Section 26 of the Constitution of the State of Oklahoma limits municipal debt to 10% of net assessed valuation.
Article 10, Section 27 of the Constitution of the State of Oklahoma limits municipal debt to non-utility or non-street purposes.

CITY OF SAPULPA, OKLAHOMA
 THE SAPULPA MUNICIPAL AUTHORITY
 UTILITY SYSTEMS DIVISION
 PLEDGED REVENUE COVERAGE
 Last Eight Fiscal Years
 TABLE 16

	Eligible Revenues	Eligible Expenses (1)	Net Revenue Available for Debt Service	Average Annual/Annual Debt Service	Revenue Bond Coverage
2003	Series 2002 A & B	\$ 10,540,817	\$ 6,927,603	\$ 2,054,248	3.37
	Series 2002 A & B	7,737,366	4,124,152	2,054,248	2.01
2004	Series 2002 A & B	9,961,369	6,146,003	2,054,248	2.99
	Series 2002 A & B	7,207,942	3,392,576	2,054,248	1.65
	Series 2003 A & B	9,961,369	6,146,003	3,237,314	1.90
2005	Series 2002 A & B	10,623,493	7,033,130	2,054,248	3.42
	Series 2002 A & B	7,734,232	4,143,869	2,054,248	2.02
	Series 2003 A & B	10,623,493	7,033,130	3,261,966	2.16
2006	Series 2002 A & B and Series 2006	11,130,976	7,362,098	2,113,118	3.48
	Series 2002 A & B	7,928,756	4,159,878	2,113,118	1.97
	Series 2003 A & B	11,130,796	3,768,878	3,263,416	2.26
2007	Series 2002 A & B and Series 2006	12,099,590	8,267,177	2,113,118	3.91
	Series 2002 A & B	8,417,095	4,584,682	2,113,118	2.17
	Series 2003 A & B	12,099,590	8,267,177	3,259,591	2.54
2008	Series 2002 A & B and Series 2006	12,181,273	8,247,607	2,113,118	3.90
	Series 2002 A & B	8,369,145	4,435,479	2,113,118	2.10
	Series 2003 A & B	12,181,273	8,247,607	3,259,591	2.53
2009	Series 2002 A and Series 2006	12,506,046	7,200,561	2,867,928	2.51
	Series 2002 A	8,738,680	3,433,195	2,867,928	1.20
	Series 2003 A & B	12,506,046	7,200,561	3,514,089	2.05
	Series 2009 A & B	12,506,046	5,305,485	3,514,089	2.05
2010	Series 2002 A and Series 2006	12,954,276	8,230,122	2,867,928	2.87
	Series 2002 A	9,661,621	4,937,467	2,867,928	1.72
	Series 2003 A & B	12,954,276	8,230,122	3,292,376	2.50
	Series 2009 A & B	12,954,276	4,724,154	3,292,376	2.50

(1) Excludes depreciation and amortization expense.

CITY OF SAPULPA, OKLAHOMA
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Seven Calendar Years
 TABLE 17

Calendar Year	Population (1)	Personal Income (in thousands)	Per Capita Personal Income (2)	Median Age of Population (3)	School Enrollment (4)	Unemployment Rate (5)
2003	20,560	\$ 627,553	\$ 30,523	37.3	5,771	5.5%
2004	20,560	661,004	32,150	37.3	5,768	6.8%
2005	20,550	697,056	33,920	37.3	5,775	5.8%
2006	20,560	792,156	38,529	37.3	5,781	5.5%
2007	20,871	824,905	39,524	37.3	5,550	4.3%
2008	20,908	856,831	40,981	40.7	5,850	4.9%
2009	21,173	835,105	39,442	41.7	5,769	7.5%
2010	20,544	N/A	N/A	39.8	5,765	7.4%

Note: Information was unavailable for the cells with N/A .

Sources:

- (1) Oklahoma Department of Commerce Projection
- (2) Per Capital Personal Income - US Bureau of Economic Analysis for the Tulsa metropolitan area
- (3) U.S. Census Bureau
- (4) Sapulpa School District, Independent School Districts
- (5) www.bls.gov

CITY OF SAPULPA, OKLAHOMA
 PRINCIPAL EMPLOYERS
 CURRENT YEAR
 TABLE 18

		2010	
Employer	Product/Business	Rank	Employees
BIOS Corporation	Health Care and Social Assistance	1	600
Sapulpa Public Schools	Education Services	2	523
John Christner Trucking	Transporter of Goods	3	500
Saint Gobain Containers	Manufacturing/Glass Containers	4	330
T.D. Williamson	Manufacturing/Engineering Equipment	5	350
Walmart Supercenter	Retail	6	265
City of Sapulpa	City Services	7	220
Thermal Engineering	Metal Fabrication	9	175
Creek County	Government Services	10	175
Bennett Steel, Inc.	Commercial/Street Fabrication	11	150
Totals			3,288

CITY OF SAPULPA, OKLAHOMA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
 Last Five Fiscal Years
TABLE 19

<u>Function/Program</u>	<u>Fiscal Year</u>				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Government:					
Management Services	5	5	5	5	5
Finance	5	5	5	5	5
Planning	5	3	3	3	3
Building	-	2	2	2	2
Community Image	-	1	1	1	1
Court	3	3	3	3	3
Treasurer					
Human Resources	1	1	1	1	1
MIS					
Legal	2	1	2	2	2
Cemetery	6	6	6	6	6
Other (FM, VM, Tort, FM, DCC)	6	5	5	5	5
Utility Accounting	7	7	7	7	7
Total General Government	40	39	40	40	40
Public Safety and Judiciary:					
Police					
Officers	50	47	48	48	47
Civilians	11	12	12.5	12.5	12
Animal Welfare	3	3	3	3	3
Fire:					
Firefighters & Officers	44	54	52	52	48
Civilians	1	1	1	1	1
Total Public Safety and Judiciary	109	117	117	117	111
Transportation:					
Streets	11	11	12	12	12
Total Transportation	11	11	12	12	12
Cultural, Parks and Recreation:					
Parks and Recreations	8	8	8	7	7
Library	6	5	6	5	5
Golf Course	5	6	5	5	5
Total Cultural, Parks and Recreation	19	19	19	17	17
Public Works:					
Solid Waste Collection	1	1	1	1	0
Utility Maintenance	17	15	15	15	15
Water Treatment	8	8	8	8	8
Wastewater Treatment	12	12	11	12	12
Industrial Pretreatment/Stormwater Management	1	1	1	1	5
Total Public Works	39	37	36	37	40
Total Full-Time Employees by Function/Program	218	223	224	223	220

CITY OF SAPULPA, OKLAHOMA
 Capital Asset Statistics by Function/Program
 Last Five Fiscal Years
 TABLE 20

<u>Function/Program</u>	<u>Fiscal Year 2006</u>	<u>Fiscal Year 2007</u>	<u>Fiscal Year 2008</u>	<u>Fiscal Year 2009</u>	<u>Fiscal Year 2010</u>
General Government					
Buildings	17	17	17	17	17
Police					
Stations	1	1	1	1	1
Zone Offices	1	1	1	1	1
Patrol units	48	48	42	39	39
Fire					
Stations	4	4	4	4	4
Trucks	12	12	12	12	12
Vehicles	9	9	9	9	9
Refuse Collection					
Collection trucks	-	-	-	-	-
Streets					
Street miles	209	209	209	209	209
Streetlights	1,407	1,407	1,407	1,407	1,407
Traffic signals	20	20	22	22	23
Parks and recreation					
Acreage	480	487	487	487	487
Playgrounds	11	12	12	12	12
Baseball/softball diamonds	10	14	14	14	14
Soccer/football fields	8	15	12	12	12
Community Center	2	1	1	1	1
Pool	-	-	-	-	1
Golf course	1	1	1	1	1
Library					
Buildings	2	2	2	2	2
Public Transportation					
Buses	N/A	N/A	N/A	N/A	N/A
Trolley	N/A	N/A	N/A	N/A	N/A
Cemetery					
Plots	27,764	27,764	28,475	40,850	52,595
Vehicles & Machinery	17	17	17	17	17
Water					
Water mains (miles)	94	94	94	94	94
Fire hydrants	715	802	810	820	820
Storage capacity (thousands of gallons)	6,250	6,250	6,250	6,250	6,250
Wastewater					
Sanitary sewers (miles)	66	99	106	106	106
Storm sewers (feet)	51,105	51,105	105,600	159,679	159,679
Daily Treatment Capacity	7,000	7,000	7,000	7,000	7,000

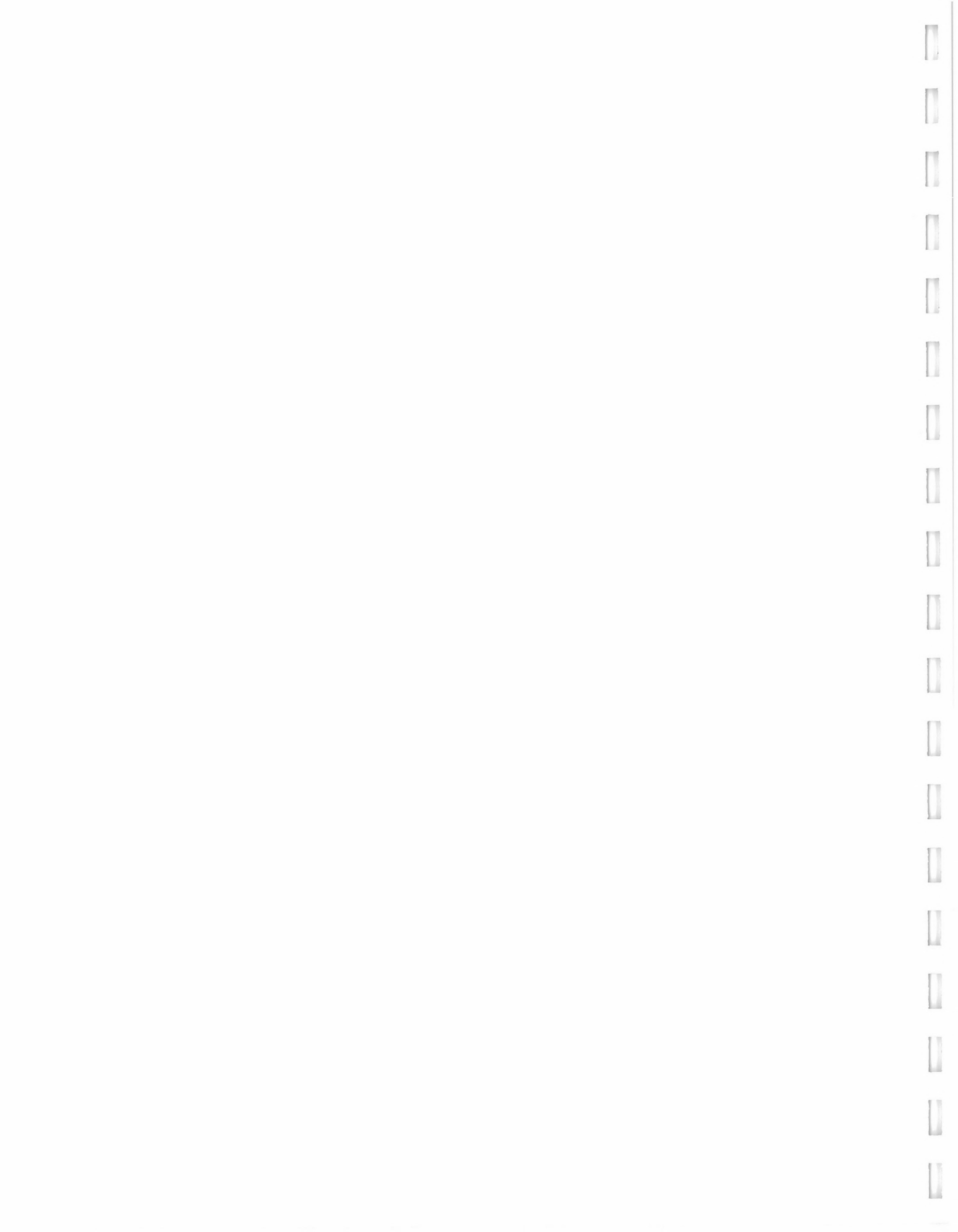
CITY OF SAPULPA, OKLAHOMA
 Operating Indicators by Function/Program
 Last Five Fiscal Years
TABLE 21

Function/Program	2006	2007	2008	2009	2010
Police					
Physical Arrests	1068	1146	1146	1338	1262
Parking Violations	500	1402	658	779	413
Traffic Violations	9746	8200	8504	10141	8978
Fire					
Emergency Responses	1687	1051	1220	1269	1845
Fires Extinguished	247	280	344	290	188
Inspections	200	510	148	164	174
Solid Waste Collection					
Solid Waste Collected (Tons Per Day)	N/A	N/A	N/A	N/A	N/A
Recyclables Collected (Tons Per Day)	N/A	N/A	N/A	N/A	N/A
Other Public Works					
Potholes Repaired:					
Asphalt Patching (Tons)	600	600	700	438	472
Concrete Patching (Cubic Yards)	85	30	54	48	38
Parks & Recreation					
Athletic Field-Agreements					
Sapulpa Little League (# of Fields Used)	6	14	14	14	14
Sapulpa Youth Soccer (# of Fields Used)	8	15	12	12	12
Sapulpa Girls Softball (# of Fields Used)	4	10	10	10	10
Community Center/Park Rentals	56	56	70	64	237
Senior Center-Program Participants/Meals Served					
-Sr. Center Lunch Program	530	0	0	0	7140
Water					
Connections	6670	6900	6516	6499	6516
Water Main Breaks	50-100	50	20	25	25-50
Average Daily Consumption					
(Thousands of Gallons)	1608	1608	2949	3500	3142
Peak Daily Consumption					
(Thousands of Gallons)	5100	5100	4723	5000	4896
Wastewater					
Average Daily Sewage Treatment					
(Thousands of Gallons)	3000	3000	3000	3000	3000
Transit					
Total Route Miles-Trolleys & Broncho	N/A	N/A	N/A	N/A	N/A
Total Route Miles-Rt-37	N/A	N/A	N/A	N/A	N/A
Passengers	N/A	N/A	N/A	N/A	N/A

Source: Various City Departments

Mike Smith-Fire
 Jim Wall-Police
 Johnny Walker-Street
 Joe Dale-Wastewater
 Bobby Pettit-Transit
 John Waytula-Parks
 Shelley Crayton-Utility

INTERNAL CONTROL AND COMPLIANCE SECTION





**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**

To the Honorable Mayor and Members of the City Council
City of Sapulpa, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sapulpa, Oklahoma (the "City") as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 15, 2011. 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

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 a 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 the 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 the 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'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 Mayor, City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Orledge & Associates, P.C.

Edmond, Oklahoma
March 15, 2011