



Skiatook

OKLAHOMA



**ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS**

**AS OF AND FOR THE FISCAL YEAR
ENDED JUNE 30, 2013**

**THE CITY OF SKIATOOK,
OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS**

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2013**

**CITY OF SKIATOOK, OKLAHOMA
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As of and for the Year Ended June 30, 2013**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council of
City of Skiatook, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Skiatook, Oklahoma (the "City"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—modified cash basis of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Skiatook, Oklahoma, as of June 30, 2013, and the respective changes in financial position—modified cash basis, and where applicable, cash flows – modified cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matters – Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplemental combining fund schedules – modified cash basis, and debt service coverage information, and the other information including management's discussion and analysis and budgetary comparison information, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining funds schedules – modified cash basis, schedule of expenditures of federal and state awards, and debt service coverage information, as listed in the table of contents, were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund schedules and debt service coverage information are fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Management's discussion and analysis and budgetary comparison information, as listed in the table of contents, has 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 it.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Arledge & Associates, P.C.

Edmond, Oklahoma

November 5, 2013

**CITY OF SKIATOOK, OKLAHOMA
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As of and for the Year Ended June 30, 2013**

The management of the City of Skiatook is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the year ended June 30, 2013. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

FINANCIAL HIGHLIGHTS

- As reported on a modified cash basis, the City's total net position decreased by \$743,036, and the assets of the City exceed its liabilities at June 30, 2013, by \$1,260,467 (net position). Of this amount, \$659,951 (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2013, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$850,205.
- For the fiscal year ended June 30, 2013, unassigned fund balance on a modified cash basis for the General Fund was \$442,863 or 10% of General Fund revenues.

ABOUT THE CITY

The Town of Skiatook is a Statutory Council-Manager form of City government with a population of 7,397 located in Osage County in Northeastern Oklahoma. The City is governed by a seven-member City Council and operates under state law and City ordinances through the three branches of democratic government:

- Legislative – the City Council is a seven-member governing body elected by the citizens, consisting of one council member from each of the six wards and one council member at large. The mayor is one of the seven council members and is appointed by the City Council.
- Executive – the City manager is the Chief Executive Officer and is appointed by the City Council
- Judicial – the Municipal Judge is appointed by the City Council

The City provides typical municipal services such as public safety, street and alley maintenance, parks and recreation, community development, airport, cemetery and certain utility services including electric, water, wastewater, and sanitation.

This annual report includes all activities for which the City of Skiatook governing body is fiscally responsible. These activities, defined as the City's financial reporting entity, are operated within separate legal entities that make up the primary government and another separate legal entity that is included as a discretely-presented component unit.

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The City's Financial Reporting Entity

The City's financial reporting entity includes the primary government (City of Skiatook), a blended component unit, and a discretely presented component unit as follows.

- **The City of Skiatook** – that operates the public safety, health and welfare, streets and highways, parks and recreation, economic and community development, airport, cemetery and administrative activities
- **The Skiatook Public Works Authority** – that operates the electric, water, wastewater, and sanitation and activities of the City (blended)
- **The Skiatook Economic Development Authority** – that promotes economic development for the City (discretely presented)

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements of the primary government presented herein include all of the activities of the City of Skiatook (the "City") and the Skiatook Public Works Authority (the "Authority"). Included in this report are government-wide statements for each of the two categories of activities - governmental and business-type, in addition to separate presentation for the discretely presented component unit.

The government-wide financial statements present the complete financial picture of the City as applicable to the modified cash basis of accounting. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt), resulting from modified cash basis transactions. They present governmental and business-type activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

One of the most important questions to ask about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. You will need to consider other non-financial factors, however, such as changes in the City's sales tax base, the condition of the City's roads, and quality of service to assess the overall health of the City. You will also need to keep in mind that these government-wide statements are prepared in accordance with the modified cash basis of accounting and include only those City assets and liabilities resulting from cash transactions with selected modifications.

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In the Statement of Net Position and the Statement of Activities, we divide the City's primary government into two kinds of activities: *Governmental activities* - Most of the City's basic services are reported here, including the police, fire, administration, and streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities; and *Business-type activities* - Activities where the City charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The City's electric, water, wastewater, and sanitation utilities are reported as business-type activities.

Reporting the City's Most Significant Funds – Fund Financial Statements

Fund Financial Statements

The fund financial statements provide detailed information about the City's most significant (major) funds -- not the City as a whole. Some funds are required to be established by State law and by debt covenants. However, the City Council may also establish certain 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. The City's two kinds of funds – *governmental and proprietary* - use different accounting approaches.

Governmental funds - All 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. Governmental funds report their activities on a modified cash basis of accounting and current financial resources measurement focus that is different from other funds. For example, these funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) 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, through the Public Works Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported on the modified cash basis of accounting. For example, these funds report the acquisition of capital assets and payments for debt principal as expenses and not as changes to asset and debt balances. The City's proprietary fund is the Skiatook Public Works Authority that accounts for the operation of the electric, water, wastewater and sanitation activities.

Notes to the Financial Statements

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 24-39 of this report.

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Other Information

In addition to the basic financial statements and accompanying notes, this report also presents Budgetary Comparison Schedules for the General Fund, federal and state award schedules, combining financial statements and schedules, and debt service coverage and reserve schedules.

THE CITY AS A WHOLE

Net Position

For the year ended June 30, 2013, net position on a modified cash basis for the governmental and business-type activities decreased \$743,036.

Following is a summary of net position reported on a modified cash basis for the City of Skiatook primary government.

Net Position (Modified Cash Basis)
June 30, 2013
(In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	Restated			Restated			Restated		
	2013	2012		2013	2012		2013	2012	
Assets	\$ 918	\$ 990	-7%	\$ 957	\$ 1,524	-37%	\$ 1,875	\$ 2,513	-25%
Total assets	<u>918</u>	<u>990</u>	-7%	<u>957</u>	<u>1,524</u>	-37%	<u>1,875</u>	<u>2,513</u>	-25%
Liabilities	68	21	224%	546	490	11%	615	511	20%
Total liabilities	<u>68</u>	<u>21</u>	224%	<u>546</u>	<u>490</u>	11%	<u>615</u>	<u>511</u>	20%
Net position									
Restricted	-	269	-100%	-	780	-100%	-	1,049	-100%
Unrestricted	273	700	-61%	327	254	-29%	601	954	37%
Total net position	<u>\$ 273</u>	<u>\$ 969</u>	-72%	<u>\$ 327</u>	<u>\$ 1,034</u>	-68%	<u>\$ 601</u>	<u>\$ 2,003</u>	-70%

Current liabilities increased in the current year due to the increase in unearned revenue of approximately \$53,000. The City received a payment for a five-year lease up-front and this represents the unearned portion. Business-type activities report a decrease in current assets due to capital purchases in the sewer and sanitation departments. The wastewater department had increased capital expenses of approximately \$513,000 and the sanitation department had increased capital expenses of approximately \$179,000. This also created the decrease in restricted net position.

A portion of the City's net position, \$600,558, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$659,909, may be used to meet the government's ongoing needs.

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Changes in Net Position

For the year ended June 30, 2013, net position of the primary government changed as follows:

Changes in Net Position (Modified Cash Basis)
June 30, 2013
(In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2013	Restated 2012		2013	Restated 2012		2013	Restated 2012	
Revenues:									
Program revenues:									
Charges for Services	\$ 1,263	\$ 1,199	5%	\$ 8,408	\$ 8,317	1%	\$ 9,671	\$ 9,517	2%
Grants & Contributions	125	150	-17%	-	-	-	125	150	-17%
Capital Grants & Contributions	313	102	205%	165	-	100%	477	102	366%
General Revenues:									
Sales Tax	2,754	2,777	-1%	-	-	-	2,754	2,777	-1%
Other Taxes	43	48	-12%	-	-	-	43	48	-12%
Other General Revenues	214	288	-26%	138	86	61%	352	374	-6%
Total Revenues	4,711	4,566	3%	8,711	8,403	4%	13,422	12,969	3%
Program Expenses:									
Town clerk	\$ 3	\$ 3	0%	-	-	-	3	3	0%
Judge	19	20	-5%	-	-	-	19	20	-5%
Police	1,709	1,776	-4%	-	-	-	1,709	1,776	-4%
Fire	1,621	1,553	4%	-	-	-	1,621	1,553	4%
Community development	101	105	-4%	-	-	-	101	105	-4%
Streets	494	799	-38%	-	-	-	494	799	-38%
Parks	286	505	-43%	-	-	-	286	505	-43%
General government	992	1,007	-1%	-	-	-	992	1,007	-1%
Senior Citizens	110	84	32%	-	-	-	110	84	32%
Economic development	43	47	-10%	-	-	-	43	47	-10%
Vehicle maintenance	142	123	15%	-	-	-	142	123	15%
Cemetery	76	81	-6%	-	-	-	76	81	-6%
Airport	315	82	285%	-	-	-	315	82	285%
Electric	-	-	-	5,059	4,922	3%	5,059	4,922	3%
Water	-	-	-	1,792	1,654	8%	1,792	1,654	8%
Wastewater	-	-	-	695	182	281%	695	182	281%
Sanitation	-	-	-	708	529	34%	708	529	34%
Total Expenses	5,911	6,185	-4%	8,254	7,287	13%	14,165	13,472	5%
Excess (Deficiency)	(1,200)	(1,620)	-26%	457	1,116	-59%	(743)	(503)	48%
Net Transfers	1,081	1,787	-39%	(1,081)	(1,787)	39%	-	-	-
Change in Net Position	\$ (119)	\$ 167	-171%	\$ (624)	\$ (671)	7%	\$ (743)	\$ (503)	48%
Beginning Net Position, restated	969	802	21%	1,034	1,705	-39%	2,004	2,507	-20%
Ending Net Position	\$ 850	\$ 969	-12%	\$ 410	\$ 1,034	-60%	\$ 1,261	\$ 2,004	-37%

Governmental activities capital grants and contributions increased approximately \$211,000 or 205% due to an additional airport runway grant received in the current year.

Governmental activities street expenses decreased approximately \$305,000 or 38% due to significant street projects expenses in the prior year. Parks expenses decreased approximately \$219,000 or 43% due to the sports park complex repairs made in the prior year. The work performed in the current year was

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not as extensive. Airport expenses increased approximately \$233,000 or 285% due to repairs made to the airport runway. The City received a grant to fund these expenses.

Business-type activities capital grants and contributions increased approximately \$165,000 or 100% due to loan proceeds received to purchase a new sanitation vehicle.

Business-type activities wastewater expenses increased approximately \$513,000 or 281% due to sewer capital improvements in the current year. Sanitation expenses increased approximately \$179,000 or 34% due to the purchase of a new sanitation vehicle.

Governmental Activities

The City's governmental activities had a decrease in net position of \$118,870. This is a 12% decrease from beginning net position was attributable in a large part due to a decrease in transfers from business-type activities.

**Net Revenue (Expense) of Governmental Activities
(In Thousands)**

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2013	Restated 2012		2013	Restated 2012	
	General government	\$ 992	\$ 1,007	-1%	\$ (882)	\$ (893)
Town clerk	3	3	0%	(3)	(3)	0%
Judge	19	20	-5%	(19)	(20)	5%
Police	1,709	1,776	-4%	(1,480)	(1,506)	2%
Fire	1,621	1,553	4%	(888)	(887)	0%
Community development	101	105	-4%	(52)	(75)	31%
Streets	494	799	-38%	(408)	(833)	51%
Parks	286	505	-43%	(254)	(446)	-43%
Senior citizens	110	84	32%	(85)	(19)	-348%
Economic development	43	47	-10%	26	21	24%
Vehicle maintenance	142	123	15%	(142)	(123)	-15%
Cemetery	76	81	-6%	(4)	(5)	26%
Airport	315	82	285%	(20)	(52)	-62%
Total	\$ 5,911	\$ 6,185	-4%	\$ (4,211)	\$ (4,841)	13%

Business-type Activities

The business-type activities had a decrease in net position of \$624,166. This is a 12% decrease from beginning net position. This decrease is consistent with the decrease in net position in the prior year, and due in a large part to increased capital expenses in the wastewater department.

Net Revenue (Expense) of Business-Type Activities

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	2013	Restated 2012		2013	Restated 2012	
	Water	\$ 1,792	\$ 1,654	8%	\$ (175)	\$ (145)
Wastewater	695	182	281%	(262)	234	-212%
Sanitation	708	529	34%	(97)	(82)	17%
Electric	5,059	4,922	3%	853	1,025	-17%
Total	\$ 8,254	\$ 7,287	13%	\$ 320	\$ 1,031	-69%

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2013 fiscal year, the governmental funds reported a combined fund balance of \$850,205. For the year ended June 30, 2013, the General Fund's total fund balance decreased by \$101,009 to \$565,717 or 13% of annual revenues. The General Fund's total fund balance decreased by \$601,121 in the prior year.

Budgetary Highlights

For the year ended June 30, 2013, the General Fund reported actual budgetary basis revenues under final estimates by \$142,278 or a 3% negative variance. General Fund actual expenditures were under final appropriations by \$246,550 or a 4% positive variance.

Economic Factors and Next Year's Budget and Rates

The following information outlines significant known factors that will affect subsequent year finances:

- For the upcoming fiscal year ending June 30, 2014, the City's adopted budget is fairly consistent with the prior year.
- The City is preparing a study on utility rates to fund the cost of a new sewer plant, with the possibility of increased utility rates in FY 2014.

Contacting the City's Financial Management

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's office at 110 N. Broadway, Skiatook, Oklahoma 74070 or telephone at 918-396-2797.

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BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

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Statement of Net Position (Modified Cash Basis) – June 30, 2013

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>	SEDA <u>Component Unit</u>
ASSETS				
Cash and equivalents	\$ 188,661	\$ 382,422	\$ 571,083	\$ 4,150
Investments	<u>729,592</u>	<u>574,114</u>	<u>1,303,706</u>	<u>-</u>
Total Assets	<u><u>918,253</u></u>	<u><u>956,536</u></u>	<u><u>1,874,789</u></u>	<u><u>4,150</u></u>
LIABILITIES				
Cash overdraft	-	37,379	37,379	-
Payroll withholding liabilities	5,009	-	5,009	-
Due to other governments	670	-	670	-
Due to bond holders	9,482	-	9,482	-
Unearned revenue	52,887	-	52,887	-
Due to depositors	<u>-</u>	<u>508,895</u>	<u>508,895</u>	<u>-</u>
Total liabilities	<u><u>68,048</u></u>	<u><u>546,274</u></u>	<u><u>614,322</u></u>	<u><u>-</u></u>
NET POSITION				
Restricted for:				
E-911	24,112	-	24,112	-
Cemetery	30,566	-	30,566	-
Police	12,236	-	12,236	-
Capital projects	5,000	-	5,000	-
Airport	201,579	-	201,579	-
Debt Service	-	327,065	327,065	-
Unrestricted	<u>576,712</u>	<u>83,197</u>	<u>659,909</u>	<u>4,150</u>
Total net position	<u><u>\$ 850,205</u></u>	<u><u>\$ 410,262</u></u>	<u><u>\$ 1,260,467</u></u>	<u><u>\$ 4,150</u></u>

See accompanying notes to the basic financial statements.

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Statement of Activities (Modified Cash Basis)–Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position			SEDA Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary government								
Governmental Activities:								
General government	\$ 992,274	\$ 110,184	\$ -	\$ -	\$ (882,090)	\$ -	\$ (882,090)	\$ -
Town clerk	3,470	-	-	-	(3,470)	-	(3,470)	-
Judge	19,054	-	-	-	(19,054)	-	(19,054)	-
Police	1,708,851	174,813	53,981	-	(1,480,057)	-	(1,480,057)	-
Fire	1,620,902	728,134	4,484	-	(888,284)	-	(888,284)	-
Community development	100,771	48,983	-	-	(51,788)	-	(51,788)	-
Streets	494,287	-	66,134	19,913	(408,240)	-	(408,240)	-
Parks	286,165	32,293	-	-	(253,872)	-	(253,872)	-
Senior citizens	110,223	-	-	25,176	(85,047)	-	(85,047)	-
Economic development	42,803	68,847	-	-	26,044	-	26,044	-
Vehicle maintenance	141,525	-	-	-	(141,525)	-	(141,525)	-
Cemetery	75,755	72,036	-	-	(3,719)	-	(3,719)	-
Airport	314,800	27,462	-	267,660	(19,678)	-	(19,678)	-
Total governmental activities	<u>5,910,880</u>	<u>1,262,752</u>	<u>124,599</u>	<u>312,749</u>	<u>(4,210,780)</u>	<u>-</u>	<u>(4,210,780)</u>	<u>-</u>
Business-type activities								
Water	1,792,255	1,617,285	-	-	-	(174,970)	(174,970)	-
Wastewater	694,530	432,245	-	-	-	(262,285)	(262,285)	-
Sanitation	707,801	446,275	-	164,671	-	(96,855)	(96,855)	-
Electric	5,059,124	5,912,315	-	-	-	853,191	853,191	-
Total business-type activities	<u>8,253,710</u>	<u>8,408,120</u>	<u>-</u>	<u>164,671</u>	<u>-</u>	<u>319,081</u>	<u>319,081</u>	<u>-</u>
Total primary government	<u>14,164,590</u>	<u>9,670,872</u>	<u>124,599</u>	<u>477,420</u>	<u>(4,210,780)</u>	<u>319,081</u>	<u>(3,891,699)</u>	<u>-</u>
General revenues:								
Taxes:								
Sales tax and use tax					2,753,204	-	2,753,204	-
Franchise and public service taxes					42,634	-	42,634	-
Intergovernmental revenue not restricted to specific programs					73,263	-	73,263	-
Investment income					9,749	2,915	12,664	-
Miscellaneous					131,637	135,261	266,898	-
Transfers - internal activity					1,081,423	(1,081,423)	-	-
Total general revenues, special items, and transfers					<u>4,091,910</u>	<u>(943,247)</u>	<u>3,148,663</u>	<u>-</u>
Change in net position					(118,870)	(624,166)	(743,036)	-
Net position - beginning, restated					969,075	1,034,428	2,003,503	4,150
Net position - ending					<u>\$ 850,205</u>	<u>\$ 410,262</u>	<u>\$ 1,260,467</u>	<u>\$ 4,150</u>

See accompanying notes to the basic financial statements.

**CITY OF SKIATOOK, OKLAHOMA
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BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

CITY OF SKIATOOK, OKLAHOMA
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Governmental Funds Balance Sheet (Modified Cash Basis) - June 30, 2013

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 56,893	\$ 131,768	\$ 188,661
Investments	576,872	152,720	729,592
Total assets	633,765	284,488	918,253
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Payroll withholdings liabilities	5,009	-	5,009
Due to bondholders	670	-	670
Due to other governments	9,482	-	9,482
Unearned revenue	52,887	-	52,887
Total liabilities	68,048	-	68,048
 Fund balances:			
Restricted:			
For E-911	41,348	-	41,348
For airport	-	182,561	182,561
For cemetery care	-	27,192	27,192
Committed to cemetery care	-	74,735	74,735
Assigned to economic development	79,977	-	79,977
Assigned to cemetery	1,529	-	1,529
Unassigned	442,863	-	442,863
Total fund balances	565,717	284,488	850,205
Total liabilities and fund balances	\$ 633,765	\$ 284,488	\$ 918,253

See accompanying notes to the basic financial statements.

CITY OF SKIATOOK, OKLAHOMA
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Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances
(Modified Cash Basis) – Year Ended June 30, 2013

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 2,795,838	\$ -	\$ 2,795,838
Intergovernmental	242,341	267,660	510,001
Licenses and permits	46,142	-	46,142
Charges for services	1,063,636	45,405	1,109,041
Fines and forfeitures	109,044	-	109,044
Investment income	9,350	1,009	10,359
Miscellaneous	130,112	50	130,162
Total Revenues	<u>4,396,463</u>	<u>314,124</u>	<u>4,710,587</u>
EXPENDITURES			
Current:			
Town clerk	3,470	-	3,470
General government	982,633	-	982,633
Judge	19,054	-	19,054
Police	1,625,365	-	1,625,365
Fire	1,425,165	-	1,425,165
Community development	100,771	-	100,771
Senior citizens	71,479	-	71,479
Swimming pool/park	152,949	-	152,949
Street	427,666	-	427,666
Vehicle maintenance	138,836	-	138,836
Economic development	42,803	-	42,803
Airport	-	20,229	20,229
Cemetery	58,570	-	58,570
Capital Outlay	380,725	311,756	692,481
Total Expenditures	<u>5,429,486</u>	<u>331,985</u>	<u>5,761,471</u>
Excess (deficiency) of revenues over expenditures	<u>(1,033,023)</u>	<u>(17,861)</u>	<u>(1,050,884)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,846,343	-	1,846,343
Transfers out	(914,329)	-	(914,329)
Total other financing sources and uses	<u>932,014</u>	<u>-</u>	<u>932,014</u>
Net change in fund balances	(101,009)	(17,861)	(118,870)
Fund balances - beginning	666,726	302,349	969,075
Fund balances - ending	<u>\$ 565,717</u>	<u>\$ 284,488</u>	<u>\$ 850,205</u>

See accompanying notes to the basic financial statements.

**CITY OF SKIATOOK, OKLAHOMA
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BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS

**CITY OF SKIATOOK, OKLAHOMA
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Proprietary Fund Statement of Net Position (Modified Cash Basis) - June 30, 2013

	SPWA ENTERPRISE FUND
ASSETS	
Investments	\$ 120,576
Restricted:	
Cash and cash equivalents	382,422
Investments	453,538
Total assets	956,536
LIABILITIES	
Cash overdraft	37,379
Due to depositors	508,895
Total liabilities	546,274
NET POSITION	
Restricted for debt service	-
Unrestricted	410,262
Total net position	\$ 410,262

See accompanying notes to the basic financial statements.

CITY OF SKIATOOK, OKLAHOMA
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Proprietary Fund Statement of Revenues, Expenses, and Changes in Net Position (Modified Cash Basis) - Year Ended June 30, 2013

	SPWA ENTERPRISE FUND
REVENUES	
Charges for Services:	
Electric	\$ 5,654,805
Water	1,592,345
Sewer	427,145
Sanitation	446,275
Sales tax on utility sales	257,510
Water taps	24,940
Sewer taps	5,100
Other	133,288
Total operating revenues	8,541,408
OPERATING EXPENSES	
Electric	5,046,381
Water	1,056,585
Wastewater	615,468
Sanitation	704,527
Total Operating Expenses	7,422,961
Operating income	1,118,447
NON-OPERATING REVENUES (EXPENSES)	
Interest income	2,915
Loan proceeds	164,671
Debt service:	
Principal retirement	(573,519)
Interest expense and fiscal agent fees	(406,639)
Other	1,973
Total non-operating revenue (expenses)	(810,599)
Income before contributions and transfers	307,848
Transfers in	914,329
Transfers out	(1,846,343)
Change in net position	(624,166)
Total net position - beginning, restated	1,034,428
Total net position - ending	\$ 410,262

See accompanying notes to the basic financial statements.

CITY OF SKIATOOK, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Proprietary Fund Statement of Cash Flows (Modified Cash Basis) - Year Ended June 30, 2013

	SPWA ENTERPRISE FUND
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 8,541,408
Payments to suppliers and employees	(5,660,029)
Payments to employees	(1,762,932)
Receipts of customer utility deposits	120,250
Refunds of customer utility deposits	(100,941)
Other income	1,973
Net cash provided by operating activities	1,139,729
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	914,329
Transfers to other funds	(1,846,343)
Net cash provided by (used in) noncapital financing activities	(932,014)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on capital debt	(573,518)
Interest and fiscal agent fees paid on debt	(406,639)
Proceeds from loan	164,671
Net cash provided by (used in) capital and related financing activities	(815,486)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	2,914
Sale of investments	(2,163)
Net cash provided by (used in) investing activities	751
Net increase(decrease) in cash and cash equivalents	(607,020)
Balances - beginning of year	952,063
Balances - end of year	\$ 345,043
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 382,422
Cash overdraft	(37,379)
Total cash and cash equivalents, end of year	345,043
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income	\$ 1,118,447
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Other income	1,973
Change in assets and liabilities: Customer deposits	19,309
Net cash provided by operating activities	\$ 1,139,729

See accompanying notes to the basic financial statements.

**CITY OF SKIATOOK, OKLAHOMA
ANNUAL FINANCIAL REPORT
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FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Footnotes to the Basic Financial Statements:

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City's financial reporting entity includes the primary government and a discretely-presented component unit as follows.

- **The City of Skiatook** – that operates the public safety, health and welfare, streets and highways, parks and recreation, economic and community development, airport, cemetery and administrative activities
- **The Skiatook Public Works Authority (SPWA)** – that operates the electric, water, wastewater and sanitation services and activities of the City (blended)
- **The Skiatook Economic Development Authority** – that promotes economic development for the City (discretely presented)

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Council Statement No. 14, "*The Financial Reporting Entity*" as amended by GASB Statement No. 61, "*The Financial Reporting Entity: Omnibus*" that requires the primary government and all component units for which the primary government is financially accountable be included in the financial report.

The component units are Public Trusts established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. In addition, the City has leased certain existing assets at the creation for the Authorities to the Trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved. The City Council either serves as the governing body of the trust or appoints the trustees. In addition, as required by state law, all debt obligations incurred by the trusts must be approved by two-thirds vote of the City Council. This is considered sufficient imposition of will to include the trusts within the City's financial reporting entity. The public trusts do not issue separate annual financial statements.

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

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

The statement of net position and statement of activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles.

These modifications include adjustments for the following balances arising from cash transactions:

- cash-based interfund receivables and payables
- assets that normally convert to cash or cash equivalents (certificates of deposit, marketable investments, and receivables resulting from cash)
- liabilities for cash (or cash equivalents) held on behalf of others, held in escrow, or received in advance of being earned

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Program revenues within the statement of activities are derived directly from each activity or from parties outside the City's taxpayers. The City has the following program revenues in each activity:

- General Government - penalties on utilities
- Police - traffic fines and fees, 911 fees, and operating grants
- Fire - ambulance fees, fire run fees, operating grants and capital grants
- Cemetery - cemetery openings and closings and other charges for services
- Economic development - refuse economic development charges
- Community development - licenses and permits
- Street - Commercial vehicle and gas excise tax and capital grants
- Airport - User fees, capital grants and contributions
- Senior citizens - capital grants and contributions
- Park - pool receipts and capital grants and contributions

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Governmental Funds:

The City's governmental funds are comprised of the following:

Major Funds:

- General Fund - accounts for all activities not accounted for in other special-purpose funds. The Cemetery Maintenance account is combined with the general fund for reporting purposes.

Non-Major Funds (Reported as Other Governmental Funds):

- Cemetery Care – accounts for 25% of all cemetery revenue of which 12.5% is legally restricted by State law for cemetery capital improvements
- Airport Fund – accounts for hanger rent and grant revenues and expenditures of the municipal airport in a separate fund required by State law

The governmental funds are reported on a modified cash basis of accounting. Only current financial assets and liabilities resulting from cash transactions are included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period.

Proprietary Funds:

The City's proprietary fund is comprised of the following:

Enterprise Fund:

- Skiatook Public Works Authority – accounts for the operation of the electric, water, wastewater and sanitation services of the City

The proprietary fund is reported on a modified cash basis, as defined above.

For purposes of the statement of revenues, expenses and changes in fund net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

C. Cash, Cash Equivalents, and Investments

Cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three-months or less, and money market accounts. Investments consist of long-term certificates of deposits and are reported at cost.

D. Assets Other Than Cash

Assets other than cash are reported at the amount of cash and cash equivalents associated with the transaction or the event that resulted in their acquisition.

E. Compensated Absences

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due employees upon termination is reported as a commitment in Note 10.

F. Fund Balances and Net Position

Fund Balances:

Governmental fund equity is classified as fund balance. Fund balance can be further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

- a. Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. Committed – include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City’s highest level of decision making. The City’s highest level of decision-making authority is made by ordinance.
- d. Assigned – include amounts that are constrained by the City’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by City Council action or management decision when the City Council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the General Fund.

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It is the City’s policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The City’s policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net Position:

Net position is displayed in two components:

- a. *Restricted net position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- b. *Unrestricted net position* - All other net position that do not meet the definition of “restricted.”

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

Deficit Prohibition:

Title 11, Section 17-211 of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund (excluding public trusts). The City complied with this provision.

Prior Period Adjustment:

Net position was restated due to the change in accounting basis described in Note 1B.

	SPWA Enterprise Fund	Government-Wide	
		Governmental Activities	Business-type Activities
Beginning fund balance/net position, as previously reported	\$ 3,407,580	\$ 24,161,171	\$ 3,407,580
Removal of capital assets due to change in basis of accounting	(12,093,550)	(23,192,096)	(12,093,550)
Removal of long-term debt due to change in basis of accounting	9,720,398	-	9,720,398
Beginning fund balance/net position, restated	\$ 1,034,428	\$ 969,075	\$ 1,034,428

G. Internal and Interfund Balances and Transfers

The City's policy is to eliminate interfund transfers and balances in the statement of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances then offset in the total column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements.

H. New Accounting Pronouncements

The City early implemented the following accounting standards during fiscal year ended June 30, 2013:

Governmental Accounting Standards Board Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangements – This had no impact on the city's financial report.

Governmental Accounting Standards Board Statement No. 61 – The Financial Reporting Entity: Omnibus – This had no impact on the city's financial report.

Governmental Accounting Standards Board Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements – A few sentences were removed from "Section B – Proprietary Funds" note disclosure to eliminate references to FASB pronouncements and APB opinions issued on or before November 30, 1989.

Governmental Accounting Standards Board Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position – The only change required from the early implementation of this statement are changing the words "Net Assets" in the city's financial report to "Net Position".

Governmental Accounting Standards Board Statement No. 65 – Items Previously Reported as Assets and Liabilities – This had no impact on the city's financial report.

2. Deposits and Investments

For the year ended June 30, 2013, the City recognized \$12,664 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City's deposits are in demand and short-term time deposits.

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At June 30, 2013, the primary government held the following deposits and investments:

Type of Deposits and Investments	Credit Rating	Carrying Value
Deposits:		
Petty cash		\$ 2,400
Demand deposits		102,152
Time deposits		1,405,793
		1,510,345
Investments:		
U.S. Treasury Money Markets	AA+	327,065
		327,065
Total deposits and investments		\$ 1,837,410
 Reconciliation to Statement of Net Position:		
Cash and cash equivalents		\$ 571,083
Investments		1,303,706
Cash overdraft		(37,379)
		\$ 1,837,410
 Component Unit:		
Cash and cash equivalents		\$ 4,150

Custody Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government deposits may not be returned to it. The City is governed by the State Public Deposit Act which requires that the City obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custody credit risk if the securities are uninsured, are not registered in the name of the government, and if held by either a counterparty or a counterparty's trust, department or agent, but not in the government's name.

As of June 30, 2013, the City had \$1,840,220 of bank deposits that were adequately secured and not exposed to credit risk. The Economic Development Authority had bank deposits of \$4,150 that were adequately secured and not exposed to custodial risk.

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 has no investment policy that limits investments based on maturity. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments, where applicable.

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The City's only investments with maturity dates are non-negotiable certificates of deposit with maturities no later than June 2014.

Investment Credit Risk

The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) 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; and government money market funds regulated by the SEC. These investment limitations do not apply to the City's public trusts.

As of June 30, 2013, the City's investments consisted of \$327,065 of money market open-ended mutual funds invested in U.S. Treasury securities with a credit rating of AA+ by Standard & Poor's Corporation.

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. The City has no investment policy regarding concentration of credit risk.

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

Restricted cash and Investments – The amounts reported as restricted assets on the proprietary fund statement of net position are comprised of amounts restricted for debt service, debt reserve, or construction purposes. The restricted assets as of June 30, 2013 are as follows:

	Current Cash and cash equivalents	Investments
Utility deposits	\$ 55,357	\$ 453,538
Trustee accounts:		
Debt service:		
2012 series	114,241	-
2010 series	93,944	-
2003 series	118,880	-
 Total	 \$ 382,422	 \$ 453,538

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3. Customer Deposits

Customer deposits reported as a liability within the Statement of Net Position are comprised of utility customer deposits payable.

	<u>\$ 508,895</u>
Current portion	<u>\$ 508,895</u>

4. Sales Tax Revenue

Sales tax revenue represents a 3 cent local tax on each dollar of taxable sales within the City in accordance with City Code Section 7 as amended by Ordinance 98-12. The sales tax received is recorded as sales tax revenue within the General Fund. The City is required to transfer one cent of its three cents sales tax to the SPWA for debt retirement as required by the sales tax agreement in the bond indenture and Ordinance 98-12. Any remaining sales tax monies left after debt payments are made are required to be transferred back to the General Fund for operations.

5. Amount Due From Third Party

The discretely presented component unit, the Skiatook Economic Development Authority, loaned \$300,000 to a developer in prior years. The loan has a 1% interest rate and is related to the HOME Grant from the Oklahoma Housing Financing Agency. No payment toward this receivable has been made. When payments are received, the Skiatook Economic Development Authority will remit the payments to the City so that they may in turn remit such payments to Oklahoma Housing Financing Agency in accordance with the grant.

6. Property Tax Levy

The City presently levies no property tax. In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters and to pay judgments rendered against the City.

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7. Internal and Interfund Transfers

Internal transfers between funds and activities for the year ended June 30, 2013, were as follows:

Transfers:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
General Fund	SPWA	\$ 530,329	Required sales tax transfer
SPWA	General Fund	1,565,000	Transfer for operations
General Fund	SPWA	384,000	To fund purchase of capital assets
SPWA	Governmental activities	281,343	One-sided transfer of governmental assets
Business-type activities	Governmental activities	149,409	Transfer of governmental activity expenses
Governmental activities	Business-type activities	-	Transfer of business-type activity expenses
Total		<u>\$ 2,910,081</u>	
Reconciliation to Fund Financial Statements:			
	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 1,846,343	\$ (914,329)	\$ 932,014
Proprietary Funds	914,329	(1,846,343)	(932,014)
Fund Totals	\$ 2,760,672	\$ (2,760,672)	-
Transfer of governmental activity expenses	149,409	(149,409)	-
Government-wide Totals	<u>\$ 2,910,081</u>	<u>\$ (2,910,081)</u>	<u>\$ -</u>
Reconciliation to Statement of Activities:			
Net Transfers		\$ (932,014)	
Transfer of expenses to governmental activity		(149,409)	
Transfers - internal activity		<u>\$ (1,081,423)</u>	

8. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City manages these various risks of loss by securing commercial insurance for all risks, except for participation in the Oklahoma Municipal Assurance Group risk entity pool for certain coverage. Management believes such insurance 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.

9. Employee Retirement Plan Participation

The City of Skiatook participates in three pension or retirement plans:

1. Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
2. Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
3. Oklahoma Municipal Retirement System (OMRF-DCP) – an agent multiple-employer defined contribution plan

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OFPRS:

Plan Summary Information. The City of Skiatook, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter's Pension and Retirement System (OFPRS). The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ full-time or volunteer firefighters.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to OFPRS, 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414.

Funding Policy. OFPRS plan members that are volunteer firefighters are not required to contribute to the plan. The City is required by state law to contribute \$60 per year for each volunteer firefighter. The OFPRS plan members are required to contribute 8% to the plan. The City is required by state law to contribute 13% per year of covered payroll per paid firefighter. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OFPRS contributions are as follows:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2011	\$98,613	\$98,613
2012	\$103,546	\$103,546
2013	\$103,261	\$103,261

OPPRS:

Plan Summary Information. The City of Skiatook, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Police Pension and Retirement System (OPPRS). The OPPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ a certain number of fulltime police officers.

The OPPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

OPPRS
1001 N.W. 63rd St., Suite 305
Oklahoma City, OK 73116-7335

Funding Policy. The City is required by state law to contribute 13% of covered payroll per year for each police officer. Employees contribute 8% of covered payroll. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OPPRS contributions are as follows:

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<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2011	\$69,677	\$69,677
2012	\$74,884	\$74,884
2013	\$82,588	\$82,588

OMRF Defined Contribution Plan:

Plan Summary Information. The City has provided a defined contribution plan and trust known as the City of Skiatook 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 the state fire or police programs. Benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after completion of three months of service to the City.

OMRF issues separate plan financial statements which may be obtained by contacting the Oklahoma Municipal Retirement Fund, 525 Central Park Drive, Oklahoma City, Oklahoma, 73105.

Funding Policy. Employees participating in the Plan are required to contribute at least 4%, and may make contributions to the plan up to 25% at their option. By City ordinance, the City, as employer, is required to make contributions to the plan, based upon employee contributions under the pick-up option, at a current rate of 8% of covered payroll. The City has also elected the money purchase pension option. The City’s contributions for each employee (and interest allocated to the employee’s account) are vested at 50% after 3 years of service, 75% after 5 years of service, and 100% after seven years of service. City contributions for, and interest forfeited by, employees who leave employment prior to fully vesting are allocated back to remaining eligible participants. The authority to establish and amend the provisions of the plan rests with the City Council.

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2011	\$135,130	\$135,130
2012	\$159,033	\$159,033
2013	\$146,458	\$146,458

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10. Commitments and Contingencies

For the year ended June 30, 2013, the reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	(Restated)			<u>Balance June 30, 2013</u>	<u>Due Within One Year</u>
	<u>Balance July 01, 2012</u>	<u>Additions</u>	<u>Deductions</u>		
Business-Type Activities:					
Notes payable	\$ 9,194,297	\$ 164,671	\$ 448,518	8,910,450	533,571
Revenue bonds payable	835,000	-	125,000	710,000	130,000
Total Business-Type Activities	<u>\$ 10,029,297</u>	<u>\$ 164,671</u>	<u>\$ 573,518</u>	<u>\$ 9,620,450</u>	<u>\$ 663,571</u>

Governmental activities had no long-term debt payable from taxes and other general revenues at June 30, 2013.

Business-type activities long-term debt payable from net revenues generated by the utility revenue and pledged sales tax include the following:

Notes Payable:

1996 OWRB Promissory Note dated March 1, 1996, original amount \$493,326, due in semi-annual principal installments each August 15 and February 15, beginning August 1996, final installment due August 15, 2016 with an administration fee of 0.5% and interest a 3.026% payable semi-annually based on principal outstanding.	\$	111,423
2006 OWRB Promissory Note dated September 1, 2006, original amount \$5,315,000, due in semi-annual principal installments each September 15 and March 15, beginning September 2008, final installment due March 15, 2028 with an administration fee of 0.5% and interest at 3.05% payable semi-annually based on principal outstanding.		4,196,960
Promissory Note dated January 1, 2001, original amount \$125,000, due in monthly installments of \$521 beginning February 1, 2001, final installment due January 1, 2021.		47,396
2010 Sales Tax Revenue Note dated March 31, 2010, original amount \$4,000,000, due in semi-annual principal installments each April 1 and October 1, beginning October 1, 2010, final installment due April 1, 2025 with interest at 4.85% payable semi-annually based on principal outstanding. The Note is secured by pledged sales tax.		3,415,000
2012 OWRB Promissory Note dated March 28, 2012, original amount \$975,000, due in semi-annual principal installments each September 15 and March 15, beginning September 2012, final installment due September 15, 2032 with interest at 3.44% payable semi-annually based on principal outstanding.		975,000
Promissory Note dated February 26, 2013, original amount \$164,671, due in annual installments of \$35,792 each February 26, beginning February 2014, final installment due February 26, 2018 with interest at 2.80%.		164,671
Total Notes Payable	<u>\$</u>	<u>8,910,450</u>
	Current portion	533,571
	Noncurrent portion	8,376,879
Total Notes Payable	<u>\$</u>	<u>8,910,450</u>

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Revenue Bonds:

2003 Utility Refunding Revenue Bonds, original issue amount of \$1,730,000 dated May 13, 2003, issued by the Skiatook Public Works Authority secured by utility revenue and pledged sales tax, interest rates of 4.45%, final maturity September 1, 2017.

	710,000
Total Revenue Bonds Payable	\$ 710,000
Current portion	130,000
Noncurrent portion	580,000
Total Revenue Bonds Payable	\$ 710,000

Long-term debt service requirements to maturity are as follows:

<u>Year Ending June 30,</u>	SPWA			
	Notes Payable		Revenue Bonds Payable	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	533,571	193,281	130,000	31,595
2014	553,334	183,245	135,000	25,810
2015	583,083	172,960	140,000	19,803
2016	586,818	161,432	150,000	13,573
2017	589,655	150,601	155,000	6,898
2018-2022	3,135,348	590,580	-	-
2023-2027	2,623,641	262,154	-	-
2028-2032	305,000	28,675	-	-
Totals	\$ 8,910,450	\$ 1,742,928	\$ 710,000	\$ 97,679

Pledge of Future Revenues

Sales Tax Revenues Pledge

The City has pledged one cent (or 33.3%) of future sales tax revenues to repay the OWRB 1996 series promissory note of \$493,236, OWRB 2006 Series Promissory Note of \$5,315,000, 2003 Utility System Refunding Revenue Bonds of \$1,730,000, the 2010 Sales Tax Revenue Note of \$4,000,000 and the 2012 OWRB Promissory Note of \$975,000. Proceeds from the bonds and note were used for capital assets. The bonds and note are payable from pledged sales tax revenues of the SPWA and are payable through 2016, 2028, 2017, 2025 and 2033 respectively. The total principal and interest payable for the remainder of the life of these bonds is \$11,234,900. Pledged sales taxes received in the current year were \$892,381. Debt service payments of \$973,908 for the current fiscal year were 109% of pledged sales taxes.

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Utility Net Revenues Pledge

The City has pledged future water and sewer net utility revenues to repay the OWRB 1996 series promissory note of \$493,236, OWRB 2006 Series Promissory Note of \$5,315,000, the 2003 Utility System Refunding Revenue Bonds of \$1,730,000 and the Series 2012 OWRB Promissory Note of \$975,000. The bonds and notes are payable from pledged water and sewer utility revenues of the SPWA and are payable through 2016, 2028, 2017 and 2033, respectively. The total principal and interest payable for the remainder of the life of these bonds is \$7,737,087. Pledged water and sewer utility revenues for the current year were \$377,477. Debt service payments of \$594,263 for the current fiscal year were 157% of pledged water and sewer utility revenues.

Compensated Absences:

As a result of the City's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation, sick and comp leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2013, is summarized as follows:

- General Fund – accrued compensated absences \$268,877
- SPWA – accrued compensated absences \$135,065

Litigation:

The City is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals 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. These statutory provisions do not apply to the City's public trust Authorities. 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.

Federal and State Award Programs:

The City of Skiatook participates in various federal or state grant/loan programs from year to year. In 2013, the City's involvement in federal and state award programs was not significant. 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. The City has not been notified of any noncompliance with federal or state award requirements.

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SUPPLEMENTARY AND OTHER INFORMATION

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Budgetary Comparison Schedule (Budgetary Basis) – Year Ended June 30, 2013

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$662,195	\$662,195	\$662,195	-
Resources (Inflows):				
Taxes	2,835,000	2,835,000	2,795,838	(39,162)
Licenses and permits	47,000	47,000	46,142	(858)
Intergovernmental	427,300	473,962	242,341	(231,621)
Charges for services	748,500	748,500	1,008,068	259,568
Fines and forfeitures	115,000	115,000	109,044	(5,956)
Miscellaneous	247,500	256,711	130,112	(126,599)
Interest	7,000	7,000	9,350	2,350
Total Revenue	<u>4,427,300</u>	<u>4,483,173</u>	<u>4,340,895</u>	<u>(142,278)</u>
Other Financing Sources:				
Transfers from other funds	1,565,000	1,565,000	1,846,343	281,343
Total Other Financing Sources	<u>1,565,000</u>	<u>1,565,000</u>	<u>1,846,343</u>	<u>281,343</u>
Total Resources	<u>5,992,300</u>	<u>6,048,173</u>	<u>6,187,238</u>	<u>139,065</u>
Amounts available for appropriation	<u>6,654,495</u>	<u>6,710,368</u>	<u>6,849,433</u>	<u>139,065</u>
Charges to Appropriations (Outflows):				
Town Clerk	3,470	3,470	3,470	-
Judge	21,800	21,800	19,054	2,746
Police	1,657,200	1,711,268	1,675,738	35,530
Fire	1,463,700	1,477,432	1,439,829	37,603
Community development	102,200	102,200	100,771	1,429
Street	500,300	500,300	430,213	70,087
Vehicle maintenance	130,700	130,700	126,907	3,793
Park	155,450	155,450	155,450	-
General government	1,905,680	1,906,680	1,906,602	78
Senior citizen's	79,200	192,905	110,223	82,682
Economic development	42,600	47,600	42,803	4,797
Emergency management	25,000	25,000	17,237	7,763
Total Charges to Appropriations	<u>6,087,300</u>	<u>6,274,805</u>	<u>6,028,297</u>	<u>246,508</u>
Ending Budgetary Fund Balance	<u>\$567,195</u>	<u>\$435,563</u>	<u>\$821,136</u>	<u>\$ 385,573</u>
Reconciliation to Statement of Changes in Revenues, Expenditures and Changes in Fund Balance:				
Cemetery Maintenance Fund			1,529	
Transfer of Capital Asset Expenditures from SPWA			<u>(256,948)</u>	
			<u>\$565,717</u>	

See accompanying notes to this schedule.

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Footnotes to Budgetary Comparison Schedules:

- 1.** The budgetary comparison schedules are reported on the same modified cash basis as governmental funds within the basic financial statements.

- 2.** The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a department require the City Manager's approval without further City Council approval, while supplemental appropriations require City Council approval.

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Combining Balance Sheet – General Fund Accounts – June 30, 2013

	General Fund	Cemetery Maintenance Account	Total General Fund
ASSETS			
Cash and cash equivalents	\$ 55,364	\$ 1,529	\$ 56,893
Investments	576,872	-	576,872
Total assets	632,236	1,529	633,765
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Payroll withholding liabilities	5,009	-	5,009
Payable to other governments	670	-	670
Due to bondholders	9,482	-	9,482
Unearned revenue	52,887	-	52,887
Total liabilities	68,048	-	68,048
 Fund balances:			
Restricted	41,348	-	41,348
Assigned to economic development	79,977	-	79,977
Assigned to cemetery	-	1,529	1,529
Unassigned	442,863	-	442,863
Total fund balances	564,188	1,529	565,717
Total liabilities and fund balances	\$ 632,236	\$ 1,529	\$ 633,765

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Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund Accounts – For the Year Ended June 30, 2013

	<u>General Fund</u>	<u>Cemetery Maintenance Account</u>	<u>Total</u>
REVENUES			
Taxes	\$ 2,795,838	\$ -	\$ 2,795,838
Licenses and permits	46,142	-	46,142
Intergovernmental	242,341	-	242,341
Charges for services	1,008,068	55,568	1,063,636
Fines and forfeitures	109,044	-	109,044
Investment income	9,350	-	9,350
Miscellaneous	130,112	-	130,112
Total Revenues	<u>4,340,895</u>	<u>55,568</u>	<u>4,396,463</u>
EXPENDITURES			
Current:			
Town clerk	3,470	-	3,470
General government	982,633	-	982,633
Judge	19,054	-	19,054
Police	1,625,365	-	1,625,365
Fire	1,425,165	-	1,425,165
Community development	100,771	-	100,771
Senior citizens	71,479	-	71,479
Swimming pool/park	152,949	-	152,949
Street	427,666	-	427,666
Vehicle Maintenance	138,836	-	138,836
Economic development	42,803	-	42,803
Cemetery	-	58,570	58,570
Capital Outlay	380,725	-	380,725
Total Expenditures	<u>5,370,916</u>	<u>58,570</u>	<u>5,429,486</u>
Excess (deficiency) of revenues over expenditures	<u>(1,030,021)</u>	<u>(3,002)</u>	<u>(1,033,023)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,846,343	-	1,846,343
Transfers out	<u>(914,329)</u>	<u>-</u>	<u>(914,329)</u>
Total other financing sources and uses	<u>932,014</u>	<u>-</u>	<u>932,014</u>
Net change in fund balances	(98,007)	(3,002)	(101,009)
Fund balances - beginning	662,195	4,531	666,726
Fund balances - ending	<u>\$ 564,188</u>	<u>\$ 1,529</u>	<u>\$ 565,717</u>

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Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2013

	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Total Other</u>
	<u>Airport Fund</u>	<u>Cemetery Care</u>	<u>Governmental</u>
			<u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 79,841	\$ 51,927	\$ 131,768
Investments	102,720	50,000	152,720
Total assets	<u>182,561</u>	<u>101,927</u>	<u>284,488</u>
LIABILITIES AND FUND BALANCES			
Liabilities	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Restricted:			
For airport	182,561	-	182,561
For cemetery care	-	27,192	27,192
Committed to cemetery care	-	74,735	74,735
Total fund balances	<u>182,561</u>	<u>101,927</u>	<u>284,488</u>
Total liabilities and fund balances	<u>\$ 182,561</u>	<u>\$ 101,927</u>	<u>\$ 284,488</u>

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Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – For the Year Ended June 30, 2013

	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Total-Other Governmental Funds</u>
	<u>Airport Fund</u>	<u>Cemetery Care</u>	
REVENUES			
Charges for services	\$ 27,462	\$ 17,943	\$ 45,405
Investment income	610	399	1,009
Miscellaneous	50	-	50
Total Revenues	<u>295,782</u>	<u>18,342</u>	<u>314,124</u>
EXPENDITURES			
Current:			
Airport	20,229	-	20,229
Capital Outlay	294,571	17,185	311,756
Total Expenditures	<u>314,800</u>	<u>17,185</u>	<u>331,985</u>
Excess (deficiency) of revenues over expenditures	<u>(19,018)</u>	<u>1,157</u>	<u>(17,861)</u>
Net change in fund balances	(19,018)	1,157	(17,861)
Fund balances - beginning	201,579	100,770	302,349
Fund balances - ending	<u>\$ 182,561</u>	<u>\$ 101,927</u>	<u>\$ 284,488</u>

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Combining Schedule of Balance Sheet Accounts– SPWA Enterprise Fund Accounts – June 30, 2013

	<u>Enterprise Fund Accounts</u>			<u>Total</u>
	<u>SPWA</u>	<u>One Cent Capital Project</u>	<u>Meter Deposit Fund</u>	
ASSETS				
Cash and cash equivalents	\$ (256,865)	\$ 255,354	\$ 1,511	\$ -
Investments	120,576	-	-	120,576
Restricted:				
Cash and cash equivalents	327,065	-	55,357	382,422
Investments	-	-	453,538	453,538
Total assets	<u>190,776</u>	<u>255,354</u>	<u>510,406</u>	<u>956,536</u>
LIABILITIES				
Cash overdraft	37,379	-	-	37,379
Due to depositors	-	-	508,895	508,895
Total liabilities	<u>37,379</u>	<u>-</u>	<u>508,895</u>	<u>546,274</u>
NET POSITION				
Restricted for debt service	-	-	-	-
Unrestricted	153,397	255,354	1,511	410,262
Total net position	<u>\$ 153,397</u>	<u>\$ 255,354</u>	<u>\$ 1,511</u>	<u>\$ 410,262</u>

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Combining Schedule of Revenues, Expenses, and Changes in Net Position – SPWA Enterprise Fund
Accounts – For the Year Ended June 30, 2013

	<u>SPWA</u>	<u>One Cent Capital Project Account</u>	<u>Meter Deposit Account</u>	<u>Total</u>
REVENUES				
Charges for services:				
Electric	\$ 5,654,805	\$ -	\$ -	\$ 5,654,805
Water	1,592,345	-	-	1,592,345
Sewer	427,145	-	-	427,145
Sanitation	446,275	-	-	446,275
Sales tax on utility sales	257,510	-	-	257,510
Water taps	24,940	-	-	24,940
Sewer taps	5,100	-	-	5,100
Other	108,288	25,000	-	133,288
Total operating revenues	<u>8,516,408</u>	<u>25,000</u>	<u>-</u>	<u>8,541,408</u>
OPERATING EXPENSES				
Electric	5,026,820	19,561	-	5,046,381
Water	1,049,818	6,767	-	1,056,585
Wastewater	615,468	-	-	615,468
Sanitation	704,527	-	-	704,527
Total Operating Expenses	<u>7,396,633</u>	<u>26,328</u>	<u>-</u>	<u>7,422,961</u>
Operating income (loss)	<u>1,119,775</u>	<u>(1,328)</u>	<u>-</u>	<u>1,118,447</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment income	1,472	-	1,443	2,915
Loan proceeds	164,671	-	-	164,671
Debt service:				
Principal retirement	(573,519)	-	-	(573,519)
Interest expense and fiscal agent fees	(406,639)	-	-	(406,639)
Other	1,973	-	-	1,973
Total non-operating revenue (expenses)	<u>(812,042)</u>	<u>-</u>	<u>1,443</u>	<u>(810,599)</u>
Income (loss) before contributions and transfers	<u>307,733</u>	<u>(1,328)</u>	<u>1,443</u>	<u>307,848</u>
Transfers in	384,000	530,329	-	914,329
Transfers out	(1,565,000)	(281,343)	-	(1,846,343)
Interaccount transfers in	477,576	481,803	-	959,379
Interaccount transfers out	<u>(481,803)</u>	<u>(477,576)</u>	<u>-</u>	<u>(959,379)</u>
Change in net position	(877,494)	251,885	1,443	(624,166)
Total net position - beginning, restated	1,030,891	3,469	68	1,034,428
Total net position - ending	<u>\$ 153,397</u>	<u>\$ 255,354</u>	<u>\$ 1,511</u>	<u>\$ 410,262</u>

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Schedule of Expenditures of Federal Awards – Year Ended June 30, 2013

Federal/State Grantor/Pass through agency Grantor/Program Title	Federal CFDA Number	Project or Award Number	Award Amount	Federal Expenditures
FEDERAL AWARDS:				
<u>FEDERAL AVIATION ADMINISTRATION</u>				
South Runway Construction	25.110	3-40-0089-007-2012	\$ 286,200	\$ 267,660
<u>U.S. DEPARTMENT OF JUSTICE:</u>				
Passed through the OK Department of Health and Substance Abuse Services & Tulsa County				
Enforcing Under Age Drinking Laws Program	16.727	2M2L	20,892	20,892
<u>DEPARTMENT OF HOMELAND SECURITY</u>				
Passed through OK Department of Emergency Management				
Hazard Mitigation Grant	97.039	FEMA-1917-DR-OK	36,198	6,801
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Passed through the Oklahoma Highway Safety Patrol				
State and Community Highway Safety	20.601	K8-12-03-41-03	12,500	8,109
State and Community Highway Safety	20.600	PT-11-03-25-02	25,400	18,968
State and Community Highway Safety	20.614	CE-13-03-30-04	3,000	3,000
Total U.S. Department of Transportation			40,900	30,077
TOTAL FEDERAL AWARDS			\$ 384,190	\$ 325,430

Schedule of Expenditures of State Awards – Year Ended June 30, 2013

State Grantor/Pass through agency Grantor/Program Title	Project or Award Number	Award Amount	State Expenditures
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE</u>			
Fire Grant	N/A	\$ 4,484	\$ 4,484
<u>OKLAHOMA DEPARTMENT OF COMMERCE:</u>			
Pass through INCOG Area Agency on Aging			
	N/A	25,176	25,176
TOTAL STATE AWARDS		\$ 29,660	\$ 29,660

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Schedule of Debt Service Coverage Requirements and Reserve Requirements Compliance – Year Ended June 30, 2013

	<u>2003 Utility Rfd. Bond, 1996 OWRB Note, 2006 OWRB Note, 2010 Revenue Note, 2012 OWRB Note</u>
GROSS REVENUE AVAILABLE:	
Operating revenues of leased systems (1)	\$ 2,049,530
Sales tax appropriated and transferred from the City General Fund	<u>892,381</u>
Total Gross Revenue Available	<u><u>2,941,911</u></u>
 OPERATING EXPENSES:	
Operating expenses (1)	<u>1,672,053</u>
Net Revenue Available for Debt Service	<u><u>1,269,858</u></u>
 Debt Service Requirements:	
Maximum annual debt service - 2006 OWRB Promissory Note	364,067
Maximum annual debt service - 1996 OWRB Promissory Note	36,127
Maximum annual debt service - 2003 Utility Rfd. Bond	163,573
Maximum annual debt service - 2010 Sales Tax Revenue Note	373,851
Maximum annual debt service - 2012 OWRB Promissory Note	<u>70,078</u>
Annual Debt Service on all Obligations Payable From Revenues of the System	<u><u>\$ 1,007,696</u></u>
 Coverage	 <u><u>126%</u></u>
Coverage Requirement	<u><u>125%</u></u>

(1) Leased systems of the bonds and notes consists of water and sewer revenues and expenses.

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INTERNAL CONTROL AND COMPLIANCE

**CITY OF SKIATOOK, OKLAHOMA
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the City Council
City of Skiatook, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Skiatook, Oklahoma, (the "City") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 5, 2013. Our report was a special report on the City's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as item 2013-1 that we consider to be a significant deficiency.

Compliance and Other Matters

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

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's Response to Findings

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

Purpose of this Report

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

Carledge & Associates, P.C.

Edmond, Oklahoma
November 5, 2013

CITY OF SKIATOOK, OKLAHOMA

**SCHEDULE OF FINDINGS S
For the Year Ended June 30, 2013**

Finding 2013-1

Criteria:

Adequate internal controls require separation of incompatible duties or functions.

Condition:

The City has not separated certain incompatible duties among its staff.

Cause:

Due primarily to limited staff size, the City has not segregated certain incompatible duties among its employees.

Effect:

Without adequate internal controls, unauthorized transactions may occur and go undetected.

Recommendation:

We recommend that the City be aware of its limitations and that efforts be made to overcome these limitations. For instance, the City requires all checks to contain two signatures. We recommend that the City require one of those signatures to be from personnel not involved in the check preparation process. Additionally, we recommend that the City explore options to obtain system generated exception reports over payroll and customer utility accounts and that those reports be reviewed and approved by independent personnel.

City's Response:

The City has implemented a new policy that has effectively removed the Mayor's stamp signature from the staff that issues checks; therefore, providing additional oversight on payroll and accounts payable.