



CITY OF SKIATOOK, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

**THE CITY OF SKIATOOK,
OKLAHOMA**

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

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015**

**CITY OF SKIATOOK, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying modified cash basis 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, 2015, 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 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 fraud or error.

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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2015, and the respective changes in modified cash basis financial position, and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash 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 opinions are not modified with respect to this 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 management's discussion and analysis, budgetary comparison information, combining fund statements and schedules – modified cash basis, federal and state awards information, and debt service coverage 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 and individual fund statements and schedules – modified cash basis, federal and state awards information, 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 and individual fund financial statements and schedules, federal and state awards information, and debt service coverage information are fairly stated, in all material respects, in relation to the basic financial statements as a whole on the modified cash basis of accounting described in Note 1.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



March 10, 2016

**CITY OF SKIATOOK, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

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, 2015. 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 increased by \$3,996,810, and the assets of the City exceed its liabilities at June 30, 2015, by \$5,147,642 (net position). Of this amount, \$772,371 (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2015, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$1,022,310.
- For the fiscal year ended June 30, 2015, unassigned fund balance on a modified cash basis for the General Fund was \$474,923 or 9.4% of General Fund revenues.

ABOUT THE CITY

The City 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.

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"), the Skiatook Public Works Authority (the "Authority") and the Skiatook Economic Development Authority (SEDA). Included in this report are government-wide statements for each of the two categories of activities - governmental and business-type, in addition to a 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 as well as all liabilities, 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 typically 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 uses two kinds of funds – *governmental and proprietary*.

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. 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 also 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 24-38 of this report.

**CITY OF SKIATOOK, OKLAHOMA
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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 and individual fund financial statements and schedules, and debt service coverage and reserve schedules.

THE CITY AS A WHOLE

Net Position

For the year ended June 30, 2015, net position on a modified cash basis for the governmental and business-type activities increased \$3,996,810.

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, 2015
(In Thousands)**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2015	2014		2015	2014		2015	2014	
Assets	\$ 1,071	\$ 983	9%	\$ 5,354	\$ 1,623	230%	\$ 6,425	\$ 2,606	147%
Total assets	<u>1,071</u>	<u>983</u>	9%	<u>5,354</u>	<u>1,623</u>	230%	<u>6,425</u>	<u>2,606</u>	147%
Liabilities	49	55	-11%	1,229	1,400	-12%	1,278	1,455	-12%
Total liabilities	<u>49</u>	<u>55</u>	-11%	<u>1,229</u>	<u>1,400</u>	-12%	<u>1,278</u>	<u>1,455</u>	-12%
Net position									
Restricted	157	245	-36%	4,218	571	639%	4,375	816	436%
Unrestricted	865	683	27%	(92)	(348)	-73%	772	335	131%
Total net position	<u>\$ 1,022</u>	<u>\$ 928</u>	10%	<u>\$ 4,125</u>	<u>\$ 223</u>	1750%	<u>\$ 5,147</u>	<u>\$ 1,151</u>	347%

Restricted net position of the governmental activities decreased in the current year due to the increase in airport expenses. Restricted revenues for the airport were approximately \$275,000 for the year and the expense of those restricted assets was approximately \$384,000. This caused an overall net position decrease of approximately \$109,000. Business-type activities report an increase in current assets of approximately \$3,731,000 or 230% due to cash of approximately \$3,742,000 that was received for a new loan, but has not yet been spent. This increase also created the increase in restricted net position.

A portion of the City's net position, \$4,375,271, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$772,371, may be used to meet the government's ongoing needs.

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Changes in Net Position

For the year ended June 30, 2015, net position of the primary government changed as follows:

Changes in Net Position (Modified Cash Basis)
June 30, 2015
(In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2015	2014		2015	2014		2015	2014	
Revenues:									
Program revenues:									
Charges for Services	\$ 1,625	\$ 1,436	13%	\$ 10,082	\$ 8,485	19%	\$ 11,707	\$ 9,921	18%
Grants & Contributions	85	101	-16%	-	-	0%	85	101	-16%
Capital Grants & Contributions	378	31	1135%	4,059	4,677	-13%	4,436	4,708	-6%
General Revenues:									
Sales Tax	3,037	2,928	4%	-	-	0%	3,037	2,928	4%
Other Taxes	45	39	16%	-	-	0%	45	39	16%
Other General Revenues	201	264	-24%	81	235	-65%	283	499	-43%
Total Revenues	5,372	4,799	12%	14,222	13,397	6%	19,593	18,195	8%
Program Expenses:									
Town clerk	\$ 5	\$ 3	34%	-	-	-	5	3	34%
Judge	18	19	-3%	-	-	-	18	19	-3%
Police	1,633	1,597	2%	-	-	-	1,633	1,597	2%
Fire	1,579	1,576	0%	-	-	-	1,579	1,576	0%
Community development	81	107	-25%	-	-	-	81	107	-25%
Streets	634	580	9%	-	-	-	634	580	9%
Parks	332	421	-21%	-	-	-	332	421	-21%
General government	1,095	1,053	4%	-	-	-	1,095	1,053	4%
Senior Citizens	287	85	238%	-	-	-	287	85	238%
Economic development	19	36	-47%	-	-	-	19	36	-47%
Vehicle maintenance	135	137	-2%	-	-	-	135	137	-2%
Cemetery	65	74	-12%	-	-	-	65	74	-12%
Airport	384	54	615%	-	-	-	384	54	615%
Electric	-	-	-	5,823	5,241	11%	5,823	5,241	11%
Water	-	-	-	2,526	5,891	-57%	2,526	5,891	-57%
Wastewater	-	-	-	367	714	-49%	367	714	-49%
Sanitation	-	-	-	614	715	-14%	614	715	-14%
Health Clinic	-	-	-	-	2	-100%	-	2	-100%
Total Expenses	6,267	5,742	9%	9,330	12,563	-26%	15,596	18,305	-15%
Excess (Deficiency)	(895)	(943)	-5%	4,892	834	487%	3,997	(110)	-3720%
Net Transfers	989	1,021	-3%	(989)	(1,021)	3%	-	-	-
Change in Net Position	\$ 94	\$ 78	21%	\$ 3,902	\$ (187)	2182%	\$ 3,997	\$ (110)	-3720%
Beginning Net Position	928	850	9%	223	410	-46%	1,151	1,260	-9%
Ending Net Position	\$ 1,022	\$ 928	10%	\$ 4,125	\$ 223	1754%	\$ 5,147	\$ 1,150	348%

Governmental activities capital grants and contributions increased approximately \$347,000 or 1,135% due to an airport runway grant received in the current year of approximately \$209,000 and two grants for the senior citizens center of approximately \$143,000.

Governmental activities senior citizens center expenses increased approximately \$202,000 or 238% and airport expenses increased approximately \$330,000 or 615% due to expenditure of grant construction funds.

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Business-type activities other general revenues decreased approximately \$155,000 or 66% due to insurance proceeds for a totaled sanitation truck received in the prior year.

Business-type activities water expenses decreased approximately \$3,365,000 or 57% due to loans refinanced in the prior year.

Governmental Activities

The City's governmental activities had an increase in net position of \$94,496. This is a 22% increase from beginning net position and was attributable in large part to a 13% increase in charges for services.

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

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	<u>2015</u>	<u>2014</u>		<u>2015</u>	<u>2014</u>	
		\$		\$	\$	
General government	1,095	1,053	4%	(971)	(916)	6%
Town clerk	5	3	-	(5)	(3)	-
Judge	18	19	-3%	(18)	(19)	-4%
Police	1,633	1,597	2%	(1,263)	(1,336)	-5%
Fire	1,579	1,576	0%	(774)	(803)	-4%
Community development	81	107	-25%	(38)	(71)	-47%
Streets	634	580	9%	(558)	(498)	12%
Parks	332	421	-21%	(302)	(395)	-23%
Senior citizens	287	85	238%	(123)	(84)	46%
Economic development	19	36	-47%	103	58	78%
Vehicle maintenance	135	137	-2%	(135)	(137)	-2%
Cemetery	65	74	-12%	14	58	-77%
Airport	384	54	615%	(109)	(29)	277%
Total	<u>\$ 6,267</u>	<u>\$ 5,742</u>	9%	<u>\$ (4,180)</u>	<u>\$ (4,175)</u>	-

Business-type Activities

The business-type activities had an increase in net position of \$3,902,314. This is a 2,181% increase from beginning net position. This increase is mainly due to loan proceeds received in the current year, but not expended.

Net Revenue (Expense) of Business-Type Activities

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	<u>2015</u>	<u>2014</u>		<u>2015</u>	<u>2014</u>	
		\$		\$	\$	
Water	2,526	5,891	-57%	3,264	353	825%
Wastewater	367	714	-49%	278	(186)	-249%
Sanitation	614	715	-14%	80	(123)	-165%
Electric	5,823	5,241	11%	1,190	557	114%
Health clinic	-	2	-100%	-	(2)	-100%
Total	<u>\$ 9,330</u>	<u>\$ 12,563</u>	-26%	<u>\$ 4,811</u>	<u>\$ 599</u>	703%

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2015 fiscal year, the governmental funds reported a combined fund balance of \$1,022,310. For the year ended June 30, 2015, the General Fund's total fund balance increased by \$186,173 to \$838,306 or 3.7% of annual revenues. The General Fund's total fund balance increased by \$86,416 in the prior year.

Budgetary Highlights

For the year ended June 30, 2015, the General Fund reported actual budgetary basis revenues under final estimates by \$24,844 or a 0.4% negative variance. General Fund actual expenditures were under final appropriations by \$289,582 or a 4.3% 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, 2016, the City's adopted budget is fairly consistent with the prior year.
- The City anticipates a slight increase in tax revenue due to new businesses in the area.
- Construction of the water treatment plant continues and the city expects increased costs related to this in FY 2016.

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.

**CITY OF SKIATOOK, OKLAHOMA
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BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

CITY OF SKIATOOK, OKLAHOMA
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Statement of Net Position (Modified Cash Basis) – June 30, 2015

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>	<u>Skiatook Economic</u> <u>Development</u> <u>Authority</u>
ASSETS				
Cash and equivalents	\$ 650,206	\$ 4,668,988	\$ 5,319,194	\$ 4,150
Investments	420,851	685,241	1,106,092	-
Total Assets	<u>1,071,057</u>	<u>5,354,229</u>	<u>6,425,286</u>	<u>4,150</u>
LIABILITIES				
Cash overdraft	-	675,077	675,077	-
Payroll withholding liabilities	5,009	-	5,009	-
Due to other governments	670	-	670	-
Due to bond holders	12,065	-	12,065	-
Unearned revenue	31,003	-	31,003	-
Due to depositors	-	553,820	553,820	-
Total liabilities	<u>48,747</u>	<u>1,228,897</u>	<u>1,277,644</u>	<u>-</u>
NET POSITION				
Restricted for:				
E-911	49,638	-	49,638	-
Cemetery	33,375	-	33,375	-
Police	25,511	-	25,511	-
Airport	49,022	-	49,022	-
Debt Service	-	4,217,725	4,217,725	-
Unrestricted (deficit)	864,764	(92,393)	772,371	4,150
Total net position	<u>\$ 1,022,310</u>	<u>\$ 4,125,332</u>	<u>\$ 5,147,642</u>	<u>\$ 4,150</u>

See accompanying notes to the basic financial statements.

CITY OF SKIATOOK, OKLAHOMA
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Statement of Activities (Modified Cash Basis)–Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position			Skiatook Economic Development Authority
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental Activities:								
General government	\$ 1,095,292	\$ 124,757	\$ -	\$ -	\$ (970,535)	\$ -	\$ (970,535)	\$ -
Town clerk	4,666	-	-	-	(4,666)	-	(4,666)	-
Judge	18,227	-	-	-	(18,227)	-	(18,227)	-
Police	1,632,898	366,251	3,805	-	(1,262,842)	-	(1,262,842)	-
Fire	1,578,718	795,752	8,484	-	(774,482)	-	(774,482)	-
Community development	80,754	43,016	-	-	(37,738)	-	(37,738)	-
Streets	634,425	-	72,577	3,410	(558,438)	-	(558,438)	-
Parks	331,662	29,193	-	-	(302,469)	-	(302,469)	-
Senior citizens	287,419	-	-	164,738	(122,681)	-	(122,681)	-
Economic development	19,183	122,217	-	-	103,034	-	103,034	-
Vehicle maintenance	134,679	-	-	-	(134,679)	-	(134,679)	-
Cemetery	64,831	78,331	-	-	13,500	-	13,500	-
Airport	383,773	65,068	-	209,355	(109,350)	-	(109,350)	-
Total governmental activities	<u>6,266,527</u>	<u>1,624,585</u>	<u>84,866</u>	<u>377,503</u>	<u>(4,179,573)</u>	<u>-</u>	<u>(4,179,573)</u>	<u>-</u>
Business-type activities								
Water	2,526,136	1,731,457	-	4,058,600	-	3,263,921	3,263,921	-
Wastewater	366,563	644,430	-	-	-	277,867	277,867	-
Sanitation	613,526	693,459	-	-	-	79,933	79,933	-
Electric	5,823,041	7,012,725	-	-	-	1,189,684	1,189,684	-
Total business-type activities	<u>9,329,266</u>	<u>10,082,071</u>	<u>-</u>	<u>4,058,600</u>	<u>-</u>	<u>4,811,405</u>	<u>4,811,405</u>	<u>-</u>
Total primary government	<u>\$ 15,595,793</u>	<u>\$ 11,706,656</u>	<u>\$ 84,866</u>	<u>\$ 4,436,103</u>	<u>(4,179,573)</u>	<u>4,811,405</u>	<u>631,832</u>	<u>-</u>
General revenues:								
Taxes:								
Sales tax and use tax					3,037,360	-	3,037,360	-
Franchise and public service taxes					45,087	-	45,087	-
Intergovernmental revenue not restricted to specific programs					62,840	-	62,840	-
Investment income					1,960	6,085	8,045	-
Miscellaneous					137,369	74,277	211,646	-
Transfers - internal activity					989,453	(989,453)	-	-
Total general revenues and transfers					<u>4,274,069</u>	<u>(909,091)</u>	<u>3,364,978</u>	<u>-</u>
Change in net position					94,496	3,902,314	3,996,810	-
Net position - beginning					927,814	223,018	1,150,832	4,150
Net position - ending					<u>\$ 1,022,310</u>	<u>\$ 4,125,332</u>	<u>\$ 5,147,642</u>	<u>\$ 4,150</u>

See accompanying notes to the basic financial statements.

**CITY OF SKIATOOK, OKLAHOMA
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As of and for the Year Ended June 30, 2015**

BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

CITY OF SKIATOOK, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015

Governmental Funds Balance Sheet (Modified Cash Basis) - June 30, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 516,202	\$ 134,004	\$ 650,206
Investments	370,851	50,000	420,851
Total assets	\$ 887,053	\$ 184,004	\$ 1,071,057
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Payroll withholdings liabilities	\$ 5,009	\$ -	\$ 5,009
Due to bondholders	670	-	670
Due to other governments	12,065	-	12,065
Unearned revenue	31,003	-	31,003
Total liabilities	48,747	-	48,747
 Fund balances:			
Restricted:			
For E-911	51,150	-	51,150
For capital outlay	20,000	-	20,000
For police	3,999	-	3,999
For airport	-	49,022	49,022
For cemetery care	-	33,375	33,375
Committed to cemetery care	-	101,607	101,607
Assigned to economic development	241,466	-	241,466
Assigned to cemetery	46,768	-	46,768
Unassigned	474,923	-	474,923
Total fund balances	838,306	184,004	1,022,310
Total liabilities and fund balances	\$ 887,053	\$ 184,004	\$ 1,071,057

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, 2015

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 3,082,447	\$ -	\$ 3,082,447
Intergovernmental	315,584	209,355	524,939
Licenses and permits	39,796	-	39,796
Charges for services	1,325,850	84,577	1,410,427
Fines and forfeitures	176,522	-	176,522
Investment income	1,003	1,227	2,230
Miscellaneous	135,160	49	135,209
Total Revenues	<u>5,076,362</u>	<u>295,208</u>	<u>5,371,570</u>
EXPENDITURES			
Current:			
Town clerk	4,666	-	4,666
General government	1,091,467	-	1,091,467
Judge	18,227	-	18,227
Police	1,562,075	-	1,562,075
Fire	1,528,469	-	1,528,469
Community development	80,754	-	80,754
Senior citizens	287,419	-	287,419
Swimming pool/park	131,908	-	131,908
Street	471,137	-	471,137
Vehicle maintenance	131,535	-	131,535
Economic development	19,183	-	19,183
Airport	-	48,241	48,241
Cemetery	61,719	-	61,719
Capital Outlay	359,308	338,644	697,952
Total Expenditures	<u>5,747,867</u>	<u>386,885</u>	<u>6,134,752</u>
Excess (deficiency) of revenues over expenditures	<u>(671,505)</u>	<u>(91,677)</u>	<u>(763,182)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	2,497,367	-	2,497,367
Transfers out	(1,639,689)	-	(1,639,689)
Total other financing sources and uses	<u>857,678</u>	<u>-</u>	<u>857,678</u>
Net change in fund balances	186,173	(91,677)	94,496
Fund balances - beginning	652,133	275,681	927,814
Fund balances - ending	<u>\$ 838,306</u>	<u>\$ 184,004</u>	<u>\$ 1,022,310</u>

See accompanying notes to the basic financial statements.

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

CITY OF SKIATOOK, OKLAHOMA
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Proprietary Fund Statement of Net Position (Modified Cash Basis) - June 30, 2015

	SPWA ENTERPRISE FUND
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 354,803
Investments	227,881
Restricted:	
Cash and cash equivalents	4,314,185
Investments	457,360
Total assets	5,354,229
LIABILITIES	
Cash overdraft	675,077
Due to depositors	553,820
Total liabilities	1,228,897
NET POSITION	
Restricted for debt service	4,217,725
Unrestricted (deficit)	(92,393)
Total net position	\$ 4,125,332

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, 2015

	SPWA ENTERPRISE FUND
REVENUES	
Charges for Services:	
Electric	\$ 6,725,827
Water	1,716,790
Sewer	642,780
Sanitation	693,459
Sales tax on utility sales	286,898
Water taps	14,667
Sewer taps	1,650
Other	71,271
Total operating revenues	10,153,342
OPERATING EXPENSES	
Electric	5,756,077
Water	1,324,883
Wastewater	285,776
Sanitation	610,638
Other	285,946
Total Operating Expenses	8,263,320
Operating income	1,890,022
NON-OPERATING REVENUES (EXPENSES)	
Interest income	6,085
Loan proceeds	4,058,600
Debt service:	
Principal retirement	(816,250)
Interest expense and fiscal agent fees	(381,471)
Other	3,006
Total non-operating revenue (expenses)	2,869,970
Income before transfers	4,759,992
Transfers in	1,638,951
Transfers out	(2,496,629)
Change in net position	3,902,314
Total net position - beginning	223,018
Total net position - ending	\$ 4,125,332

See accompanying notes to the basic financial statements.

CITY OF SKIATOOK, OKLAHOMA
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Proprietary Fund Statement of Cash Flows (Modified Cash Basis) - Year Ended June 30, 2015

	SPWA ENTERPRISE FUND
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 10,153,342
Payments to suppliers and employees	(6,744,402)
Payments to employees	(1,628,648)
Receipts of customer utility deposits	121,089
Refunds of customer utility deposits	(94,944)
Other income (loss)	(222,264)
Net cash provided by operating activities	1,584,173
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	1,010,498
Transfers to other funds	(1,868,176)
Net cash provided by (used in) noncapital financing activities	(857,678)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on capital debt	(486,169)
Interest and fiscal agent fees paid on debt	(376,552)
Proceeds from loan	4,058,600
Net cash provided by capital and related financing activities	3,195,879
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	6,085
Purchase of investments	(5,710)
Net cash provided by investing activities	375
Net increase in cash and cash equivalents	3,922,749
Balances - beginning of year	71,162
Balances - end of year	\$ 3,993,911
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 4,668,988
Cash overdraft	(675,077)
Total cash and cash equivalents, end of year	\$ 3,993,911
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 1,890,022
Adjustments to reconcile operating income to net cash provided by operating activities:	
Other income (loss)	3,006
Change in assets and liabilities:	
Customer deposits	26,145
Net cash provided by operating activities	\$ 1,919,173

See accompanying notes to the basic financial statements.

**CITY OF SKIATOOK, OKLAHOMA
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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, 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 (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. 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 9.

E. 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.

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.”

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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.

F. 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.

2. Deposits and Investments

For the year ended June 30, 2015, the City recognized \$8,045 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.

At June 30, 2015, the primary government held the following deposits and investments:

<u>Type of Deposits and Investments</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
Deposits:		
Petty cash		\$ 2,400
Demand deposits		423,992
Time deposits		<u>1,106,092</u>
		<u>1,532,484</u>
Investments:		
Invesco Treasury - Cash Mngmt and Premier Funds	AAAm	<u>4,217,725</u>
		<u>4,217,725</u>
Total deposits and investments		<u><u>\$ 5,750,209</u></u>
Reconciliation to Statement of Net Position:		
Cash and cash equivalents		\$ 5,319,194
Investments		1,106,092
Cash overdraft		<u>(675,077)</u>
		<u><u>\$ 5,750,209</u></u>
Component Unit:		
Cash and cash equivalents		<u><u>\$ 4,150</u></u>

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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, 2015, the City had \$1,860,654 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. The City's only investments with maturity dates are non-negotiable certificates of deposit with maturities no later than March 2016.

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.

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, 2015, 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, 2015 are as follows:

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	<u>Current Cash and cash equivalents</u>	<u>Investments</u>
Utility deposits	\$ 96,460	\$ 457,360
Trustee accounts:		
Debt service:		
2003 series	123,282	-
2010 series	96,082	-
2012 series	108,599	-
2013 series	148,239	-
2014 series	3,741,523	-
 Total	 <u>\$ 4,314,185</u>	 <u>\$ 457,360</u>

3. 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.

4. 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.

5. 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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6. Internal and Interfund Transfers

Internal transfers between funds and activities for the year ended June 30, 2015, were as follows:

Transfers:

Transfer From	Transfer To	Amount	Purpose of Transfer
General Fund	SPWA	\$ 1,012,453	Required sales tax transfer
SPWA	General Fund	2,183,461	Transfer for operations
General Fund	Cemetery Account	738	Interaccount transfer for operations
General Fund	SPWA	626,498	To fund purchase of capital assets
SPWA	General Fund	313,168	One-sided transfer of governmental assets
Business-type activities	Governmental activities	131,775	Transfer of governmental activity expenses
Total		<u>\$ 4,268,093</u>	

Reconciliation to Fund Financial Statements:

	Transfers In	Transfers Out	Net Transfers
Governmental Funds	\$ 2,497,367	\$ (1,639,689)	\$ 857,678
Proprietary Funds	1,638,951	(2,496,629)	(857,678)
Fund Totals	<u>\$ 4,136,318</u>	<u>\$ (4,136,318)</u>	<u>\$ -</u>
Transfer of governmental activity expenses	131,775	(131,775)	-
Government-wide Totals	<u>\$ 4,268,093</u>	<u>\$ (4,268,093)</u>	<u>\$ -</u>

Reconciliation to Statement of Activities:

Net Transfers	\$ (857,678)
Transfer of expenses to governmental activity	(131,775)
Transfers - internal activity	<u>\$ (989,453)</u>

7. 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.

8. 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

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.

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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>
2013	\$103,261	\$103,261
2014	\$108,662	\$108,662
2015	\$115,148	\$115,148

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:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2013	\$82,588	\$82,588
2014	\$77,745	\$77,745
2015	\$85,398	\$85,398

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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 JP Morgan Chase 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>
2013	\$146,458	\$146,458
2014	\$158,189	\$158,189
2015	\$174,918	\$174,918

9. Commitments and Contingencies

For the year ended June 30, 2015, the reporting entity’s long-term debt changed as follows:

<u>Type of Debt</u>	<u>Balance July 01, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2015</u>	<u>Due Within One Year</u>
Business-Type Activities:					
Notes payable	\$ 8,651,196	\$ 4,058,600	\$ 681,250	\$ 12,028,546	\$ 811,306
Revenue bonds payable	580,000	-	135,000	445,000	140,000
Total Business-Type Activities	\$ 9,231,196	\$ 4,058,600	\$ 816,250	\$ 12,473,546	\$ 951,306

Governmental activities had no long-term debt payable from taxes and other general revenues at June 30, 2015.

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

Notes Payable:

2014 OWRB CWSRF Promissory Note dated February 12, 2014, original amount \$520,000, due in semi-annual principal installments each March 15 and September 15, beginning September 2015, final installment due March 15, 2035 with an administration fee of 0.5% and interest a 2.13% payable semi-annually based on principal outstanding.	\$ 288,650
2013 Sales Tax Revenue Note dated December 13, 2013, original amount \$4,510,000, due in semi-annual principal installments each March 1 and September 1, beginning March 1, 2014, final installment due September 1, 2023 with interest at 2.62% payable semi-annually based on principal outstanding. The Note is secured by pledged sales tax.	3,995,000
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.	34,896
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.	2,975,000
2014 Sales Tax Revenue Note dated February 1, 2014, original amount \$3,905,000, due in semi-annual principal installments each March 1 and September 1, beginning March 1, 2015, final installment due March 1, 2026 with interest at 2.90% payable semi-annually based on principal outstanding. The Note is secured by pledged sales tax.	3,830,000
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.	905,000
Total Notes Payable	<u>\$ 12,028,546</u>
Current portion	811,306
Noncurrent portion	11,217,240
Total Notes Payable	<u>\$ 12,028,546</u>

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.	<u>445,000</u>
Total Revenue Bonds Payable	<u>\$ 445,000</u>
Current portion	140,000
Noncurrent portion	305,000
Total Revenue Bonds Payable	<u>\$ 445,000</u>

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

<u>Year Ending June 30,</u>	SPWA			
	Notes Payable		Revenue Bonds Payable	
	Principal	Interest	Principal	Interest
2015	811,306	261,647	140,000	19,803
2016	831,837	246,605	150,000	13,572
2017	927,382	231,211	155,000	6,898
2018	1,047,942	212,166	-	-
2019	1,078,516	191,321	-	-
2020-2024	5,949,137	623,906	-	-
2025-2029	1,267,306	108,738	-	-
2030-2034	346,470	22,123	-	-
Totals	\$ 12,259,896	\$ 1,897,717	\$ 445,000	\$ 40,273
Less: Unfunded Portion	(231,350)			
Outstanding balance	\$ 12,028,546			

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 2003 Utility System Refunding Revenue Bonds of \$1,730,000, the 2010 Sales Tax Revenue Note of \$4,000,000, the 2012 OWRB Promissory Note of \$975,000, the 2013 Sales Tax Revenue Note of \$4,510,000, the 2014 OWRB Promissory Note of \$520,000, and the 2014 Sales Tax Revenue Note of \$3,905,000. Proceeds from the bonds and notes were used for capital assets. The bonds and notes are payable from pledged sales tax revenues of the SPWA and are payable through 2017, 2025, 2032, 2023, 2035, and 2026 respectively. The total principal and interest payable for the remainder of the life of these bonds is \$14,607,990. Pledged sales taxes received in the current year were \$1,012,453. Debt service payments of \$1,191,471 for the current fiscal year were 118% of pledged sales taxes.

Utility Net Revenues Pledge

The City has pledged future water and sewer net utility revenues to repay the 2003 Utility System Refunding Revenue Bonds of \$1,730,000, the Series 2012 OWRB Promissory Note of \$975,000, the 2013 Sales Tax Revenue Note of \$4,510,000, and the 2014 OWRB Promissory Note of \$520,000. The bonds and notes are payable from pledged water and sewer utility revenues of the SPWA and are payable through 2017, 2032, 2023 and 2035, respectively. The total principal and interest payable for the remainder of the life of these bonds is \$6,787,246. Pledged water and sewer utility revenues for the current year were \$655,498. Debt service payments of \$685,978 for the current fiscal year were 104% of pledged water and sewer utility revenues.

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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, 2015, is summarized as follows:

- General Fund – accrued compensated absences \$304,965
- SPWA – accrued compensated absences \$147,109

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 2015, 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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Capital Assets Pledged for Debt

At June 30, 2015, the roll forward schedule to report infrastructure assets pledged to Oklahoma Water Resource Board Series 2012 and 2014 and related accumulated depreciation is as follows:

<u>DEPARTMENT</u>	<u>ADJUSTED BALANCE JUNE 30, 2014</u>	<u>ADDITIONS</u>	<u>DISPOSALS</u>	<u>DETAIL BALANCE JUNE 30, 2015</u>
SPWA:				
Utility Property Improvements				
Water	\$ 5,027,273	\$ -	\$ -	\$ 5,027,273
Sewer	1,146,910	3,000	-	1,149,910
Subtotal	<u>6,174,183</u>	<u>3,000</u>	<u>-</u>	<u>6,177,183</u>
Total Property, Plant, Equip.	6,174,183	3,000	-	6,177,183
Accumulated Depreciation				
Utility Property Improvements				
Water	728,227	133,972		862,199
Sewer	170,252	57,396		227,648
	<u>898,479</u>	<u>191,368</u>	<u>-</u>	<u>1,089,847</u>
Net Property, Plant, Equip.	<u>5,275,704</u>	<u>(188,368)</u>	<u>-</u>	<u>5,087,336</u>
Water Construction in Progress	-	146,475	-	146,475
Sewer Construction in Progress	<u>287,886</u>	<u>321,247</u>	<u>-</u>	<u>609,133</u>
Total Construction in progress	<u>287,886</u>	<u>467,722</u>	<u>-</u>	<u>755,608</u>
Net PPE and CIP	<u>\$ 5,563,590</u>	<u>\$ 279,354</u>	<u>\$ -</u>	<u>\$ 5,842,944</u>

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SUPPLEMENTARY AND OTHER INFORMATION

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Budgetary Comparison Schedule (Budgetary Basis) – Year Ended June 30, 2015

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$605,366	\$605,366	\$605,366	-
Resources (Inflows):				
Taxes	2,920,000	2,920,000	3,082,447	162,447
Licenses and permits	41,000	41,000	39,796	(1,204)
Intergovernmental	415,220	626,732	315,584	(311,148)
Charges for services	972,000	972,000	1,264,868	292,868
Fines and forfeitures	115,000	115,000	176,522	61,522
Miscellaneous	247,500	247,500	135,160	(112,340)
Interest	1,000	1,000	1,003	3
Total Revenue	<u>4,711,720</u>	<u>4,923,232</u>	<u>5,015,380</u>	<u>92,148</u>
Other Financing Sources:				
Transfers from other funds	<u>1,672,000</u>	<u>1,672,000</u>	<u>1,555,008</u>	<u>(116,992)</u>
Total Other Financing Sources	<u>1,672,000</u>	<u>1,672,000</u>	<u>1,555,008</u>	<u>(116,992)</u>
Total Resources	<u>6,383,720</u>	<u>6,595,232</u>	<u>6,570,388</u>	<u>(24,844)</u>
Amounts available for appropriation	<u>6,989,086</u>	<u>7,200,598</u>	<u>7,175,754</u>	<u>(24,844)</u>
Charges to Appropriations (Outflows):				
Town Clerk	4,590	4,667	4,666	1
Judge	22,600	22,523	18,227	4,296
Police	1,723,890	1,773,783	1,591,041	182,742
Fire	1,521,600	1,537,298	1,537,298	-
Community development	90,150	90,150	80,754	9,396
Street	452,650	471,137	471,137	-
Vehicle maintenance	136,220	136,220	134,679	1,541
Park	160,565	140,395	136,489	3,906
General government	1,133,679	1,134,417	1,095,292	39,125
Senior citizen's	149,350	321,617	284,214	37,403
Economic development	17,500	19,183	19,183	-
Emergency management	7,500	10,910	-	10,910
Total Charges	<u>5,420,294</u>	<u>5,662,300</u>	<u>5,372,980</u>	<u>289,320</u>
Other Financing Uses:				
Transfers to other funds	<u>960,000</u>	<u>1,011,498</u>	<u>1,011,236</u>	<u>262</u>
Total Other Financing Uses	<u>960,000</u>	<u>1,011,498</u>	<u>1,011,236</u>	<u>262</u>
Total Charges to Appropriations	<u>6,380,294</u>	<u>6,673,798</u>	<u>6,384,216</u>	<u>289,582</u>
Ending Budgetary Fund Balance	<u>\$608,792</u>	<u>\$526,800</u>	<u>\$791,538</u>	<u>(\$314,426)</u>
Reconciliation to Statement of Changes in Revenues, Expenditures and Changes in Fund Balance:				
Cemetery Maintenance Fund			<u>46,768</u>	
			<u>\$838,306</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, 2015

	General Fund	Cemetery Maintenance Account	Total General Fund
ASSETS			
Cash and cash equivalents	\$ 469,434	\$ 46,768	\$ 516,202
Investments	370,851	-	370,851
Total assets	840,285	46,768	887,053
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Payroll withholding liabilities	5,009	-	5,009
Payable to other governments	670	-	670
Due to bondholders	12,065	-	12,065
Unearned revenue	31,003	-	31,003
Total liabilities	48,747	-	48,747
 Fund balances:			
Restricted	75,149	-	75,149
Assigned to economic development	241,466	-	241,466
Assigned to cemetery	-	46,768	46,768
Unassigned	474,923	-	474,923
Total fund balances	791,538	46,768	838,306
Total liabilities and fund balances	\$ 840,285	\$ 46,768	\$ 887,053

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Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund Accounts – For the Year Ended June 30, 2015

	<u>General Fund</u>	<u>Cemetery Maintenance Account</u>	<u>Total</u>
REVENUES			
Taxes	\$ 3,082,447	\$ -	\$ 3,082,447
Licenses and permits	39,796	-	39,796
Intergovernmental	315,584	-	315,584
Charges for services	1,264,868	60,982	1,325,850
Fines and forfeitures	176,522	-	176,522
Investment income	1,003	-	1,003
Miscellaneous	135,160	-	135,160
Total Revenues	<u>5,015,380</u>	<u>60,982</u>	<u>5,076,362</u>
EXPENDITURES			
Current:			
Town clerk	4,666	-	4,666
General government	1,091,467	-	1,091,467
Judge	18,227	-	18,227
Police	1,562,075	-	1,562,075
Fire	1,528,469	-	1,528,469
Community development	80,754	-	80,754
Senior citizens	287,419	-	287,419
Swimming pool/park	131,908	-	131,908
Street	471,137	-	471,137
Vehicle Maintenance	131,535	-	131,535
Economic development	19,183	-	19,183
Cemetery	-	61,719	61,719
Capital Outlay	359,308	-	359,308
Total Expenditures	<u>5,686,148</u>	<u>61,719</u>	<u>5,747,867</u>
Excess (deficiency) of revenues over expenditures	<u>(670,768)</u>	<u>(737)</u>	<u>(671,505)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	2,496,629	738	2,497,367
Transfers out	<u>(1,639,689)</u>	<u>-</u>	<u>(1,639,689)</u>
Total other financing sources and uses	<u>856,940</u>	<u>738</u>	<u>857,678</u>
Net change in fund balances	186,172	1	186,173
Fund balances - beginning	605,366	46,767	652,133
Fund balances - ending	<u>\$ 791,538</u>	<u>\$ 46,768</u>	<u>\$ 838,306</u>

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Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2015

	<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	\$ 49,022	\$ 84,982	\$ 134,004
Investments	-	50,000	50,000
Total assets	<u>49,022</u>	<u>134,982</u>	<u>184,004</u>
FUND BALANCES			
Fund balances:			
Restricted:			
For airport	49,022	-	49,022
For cemetery care	-	33,375	33,375
Committed to cemetery care	-	101,607	101,607
Total fund balances	<u>49,022</u>	<u>134,982</u>	<u>184,004</u>
Total fund balances	<u>\$ 49,022</u>	<u>\$ 134,982</u>	<u>\$ 184,004</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – For the Year Ended June 30, 2015

	<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>
REVENUES			
Intergovernmental	\$ 209,355	\$ -	\$ 209,355
Charges for services	65,068	19,509	84,577
Investment income	270	957	1,227
Miscellaneous	49	-	49
Total Revenues	<u>274,742</u>	<u>20,466</u>	<u>295,208</u>
EXPENDITURES			
Current:			
Airport	48,241	-	48,241
Capital Outlay	335,532	3,112	338,644
Total Expenditures	<u>383,773</u>	<u>3,112</u>	<u>386,885</u>
Excess (deficiency) of revenues over expenditures	<u>(109,031)</u>	<u>17,354</u>	<u>(91,677)</u>
Net change in fund balances	(109,031)	17,354	(91,677)
Fund balances - beginning	158,053	117,628	275,681
Fund balances - ending	<u>\$ 49,022</u>	<u>\$ 134,982</u>	<u>\$ 184,004</u>

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Combining Schedule of Net Position– SPWA Enterprise Fund Accounts – June 30, 2015

	Enterprise Fund Accounts			Total
	SPWA	One Cent		
	Capital Project	Meter Deposit		
ASSETS				
Cash and cash equivalents	\$ 2,400	\$ 347,070	\$ 5,333	\$ 354,803
Investments	227,881	-	-	227,881
Restricted:				
Cash and cash equivalents	4,217,725	-	96,460	4,314,185
Investments	-	-	457,360	457,360
Total assets	<u>4,448,006</u>	<u>347,070</u>	<u>559,153</u>	<u>5,354,229</u>
LIABILITIES				
Current Liabilities:				
Cash overdraft	675,077	-	-	675,077
Due to depositors	-	-	553,820	553,820
Total liabilities	<u>675,077</u>	<u>-</u>	<u>553,820</u>	<u>1,228,897</u>
NET POSITION				
Restricted for debt service	4,217,725	-	-	4,217,725
Unrestricted (deficit)	(444,796)	347,070	5,333	(92,393)
Total net position	<u>\$ 3,772,929</u>	<u>\$ 347,070</u>	<u>\$ 5,333</u>	<u>\$4,125,332</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, 2015

	<u>SPWA</u>	<u>One Cent Capital Project</u>	<u>Meter Deposit</u>	<u>Total</u>
REVENUES				
Charges for services:				
Electric	\$ 6,725,827	\$ -	\$ -	\$ 6,725,827
Water	1,716,790	-	-	1,716,790
Sewer	642,780	-	-	642,780
Sanitation	693,459	-	-	693,459
Sales tax on utility sales	286,898	-	-	286,898
Water taps	14,667	-	-	14,667
Sewer taps	1,650	-	-	1,650
Other	53,891	17,380	-	71,271
Total operating revenues	<u>10,135,962</u>	<u>17,380</u>	<u>-</u>	<u>10,153,342</u>
OPERATING EXPENSES				
Electric	5,698,548	57,529	-	5,756,077
Water	1,291,071	33,812	-	1,324,883
Wastewater	285,776	-	-	285,776
Sanitation	610,638	-	-	610,638
Other	-	285,946	-	285,946
Total Operating Expenses	<u>7,886,033</u>	<u>377,287</u>	<u>-</u>	<u>8,263,320</u>
Operating income (loss)	<u>2,249,929</u>	<u>(359,907)</u>	<u>-</u>	<u>1,890,022</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment income	1,765	-	4,320	6,085
Loan proceeds	4,058,600	-	-	4,058,600
Debt service:				
Principal retirement	(816,250)	-	-	(816,250)
Interest expense and fiscal agent fees	(381,471)	-	-	(381,471)
Other	3,006	-	-	3,006
Total non-operating revenue (expenses)	<u>2,865,650</u>	<u>-</u>	<u>4,320</u>	<u>2,869,970</u>
Income (loss) before transfers	<u>5,115,579</u>	<u>(359,907)</u>	<u>4,320</u>	<u>4,759,992</u>
Transfers in	1,012,453	626,498	-	1,638,951
Transfers out	(2,183,461)	(313,168)	-	(2,496,629)
Interaccount transfers in		99,142	-	99,142
Interaccount transfers out	(99,142)	-	-	(99,142)
Change in net position	3,845,429	52,565	4,320	3,902,314
Total net position - beginning	(72,500)	294,505	1,013	223,018
Total net position - ending	<u>\$ 3,772,929</u>	<u>\$ 347,070</u>	<u>\$ 5,333</u>	<u>\$ 4,125,332</u>

**CITY OF SKIATOOK, OKLAHOMA
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Schedule of Expenditures of Federal Awards – Year Ended June 30, 2015

Federal/State Grantor/Pass through agency Grantor/Program Title	Federal CFDA Number	Project or Award Number	Award Amount	Federal Expenditures
FEDERAL AWARDS:				
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>				
Passed through Tulsa County				
Community Development Block Grant	14.218	B-12-UC-40-0001	\$ 69,097	\$ 65,522
Community Development Block Grant	14.218	B-13-UC-40-0001	73,641	61,491
Total U.S. Department of Housing and Urban Development			142,738	127,013
<u>DEPARTMENT OF HOMELAND SECURITY</u>				
Passed through OK Department of Emergency Management				
Hazard Mitigation Grant	97.039	FEMA-1917-DR-OK	36,198	210
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Passed through the Oklahoma Highway Safety Patrol				
State and Community Highway Safety	20.600	PT-15-03-22-06	20,000	7,737
State and Community Highway Safety	20.600	PT-14-03-14-05	24,682	6,664
Total Oklahoma Highway Safety Patrol			44,682	14,401
Federal Aviation Administration	20.106	AIP-3-40-0089-008-2014	213,297	209,355
Total U.S. Department of Transportation			257,979	223,756
TOTAL FEDERAL AWARDS			\$ 436,915	\$ 350,979

Schedule of Expenditures of State Awards – Year Ended June 30, 2015

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>INCOG:</u>			
Community Expansion of Nutrition Assistance	N/A	22,000	22,000
<u>OKLAHOMA DEPARTMENT OF HEALTH:</u>			
Hospital Preparedness Program	N/A	4,000	4,000
TOTAL STATE AWARDS		\$ 30,484	\$ 30,484

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Schedule of Debt Service Coverage Requirements and Reserve Requirements Compliance – Year Ended June 30, 2015

	<u>2003 Utility Rfd. Bond, 2013 Revenue Note, 2014 OWRB Note 2010 Revenue Note, 2012 OWRB Note</u>
GROSS REVENUE AVAILABLE:	
Operating revenues of leased systems (1)	\$ 2,375,887
Sales tax appropriated and transferred from the City General Fund	<u>626,498</u>
Total Gross Revenue Available	<u><u>3,002,385</u></u>
 OPERATING EXPENSES:	
Operating expenses (1)	<u>1,720,389</u>
Net Revenue Available for Debt Service	<u><u>1,281,996</u></u>
 Debt Service Requirements:	
Maximum annual debt service - 2014 OWRB Promissory Note	33,601
Maximum annual debt service - 2013 Sales Tax Revenue Note	290,000
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>\$ 931,103</u></u>
 Coverage	 <u><u>138%</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 Honorable Mayor and 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 10, 2016. Our report included an emphasis of matter paragraph related to 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free 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*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Arledge & Associates, P.C." in a cursive script.

March 10, 2016