

CITY OF WAGONER

FINANCIAL STATEMENTS

FOR THE YEAR ENDING JUNE 30, 2015



Clothier & Company CPA's P.C.

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City of Wagoner
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Independent Auditors' Report

To the City Council
City of Wagoner, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Wagoner, Oklahoma as of and for the years ended June 30, 2015, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining

fund information of the City of Wagoner, Oklahoma as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages I through IX and 32 through 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statement of the Authority. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The budget to actual comparison is also presented for the purpose of additional analysis and is not a required part of the basic financial statements

The schedule of expenditures of federal awards is the responsibility of management and was 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 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, 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.



Clothier & Company, CPA's, P.C.
January 28, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Wagoner, Oklahoma's financial performance provides an overview of the City's financial activities for the year ended June 30, 2015. Please read it in conjunction with the financial statements, which begin on page 4.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 4-5) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 6. 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. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the City as a whole begins on page II. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets as the difference between assets and liabilities, and as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets is one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's sales tax base and the condition of the City's roads, to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities.

- Governmental activities - The City's basic services are reported here, including the police, fire, general administration, streets, and parks. Sales taxes, franchise fees, fines, and state and federal grants finance these activities.
- Business-type activities - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's ambulance, water, sewer, sanitation, and electrical systems are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 6 and provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law. However, the City Council establishes many other funds to help it control and manage money for particular purposes (like the Economic Development Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like restricted sales tax). The City's two kinds of funds - governmental and proprietary - use different accounting approaches.

- Governmental funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliations on pages 7 and 9.
- Proprietary funds - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise fund is the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

The City as Trustee

The City is the trustee, or fiduciary, for the municipal court bond fund, and the penalty assessment fund. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE CITY AS A WHOLE

For the years ended June 30, 2011, 2012, 2013, 2014 and 2015, net assets changed as follows:

	Governmental Activities		Business-type Activities		Total	
Net assets June 30, 2011	9,657,453		13,462,441		23,119,894	
Change 2012	<u>(423,176)</u>	-4.38%	<u>(94,454)</u>	-0.70%	<u>(517,630)</u>	-2.24%
Net assets June 30, 2012	9,234,277		13,367,987		22,602,264	
Change 2013	<u>634,825</u>	6.87%	<u>525,870</u>	3.93%	<u>1,160,695</u>	5.14%
Net assets June 30, 2013	9,869,102		13,893,857		23,762,959	
Change 2014	<u>(631,192)</u>	-6.40%	<u>(72,942)</u>	-0.53%	<u>(704,134)</u>	-2.96%
Net assets June 30, 2014	9,237,910		13,820,915		23,058,825	
Change 2015	91,913	.99%	(211,268)	-1.53%	<u>(119,355)</u>	-.52%
Prior period adjustment	<u>(1,220,288)</u>		<u>0</u>		<u>(1,220,288)</u>	
Net assets June 30, 2015	<u>8,109,535</u>		<u>13,609,647</u>		<u>21,719,182</u>	

That reflects a decrease of 1.53% for Business-type activities and an increase of .99% for governmental activities for 2015 compared to the June 30, 2014 balance, as restated for a prior period adjustment relate to the fireman's pension fund.

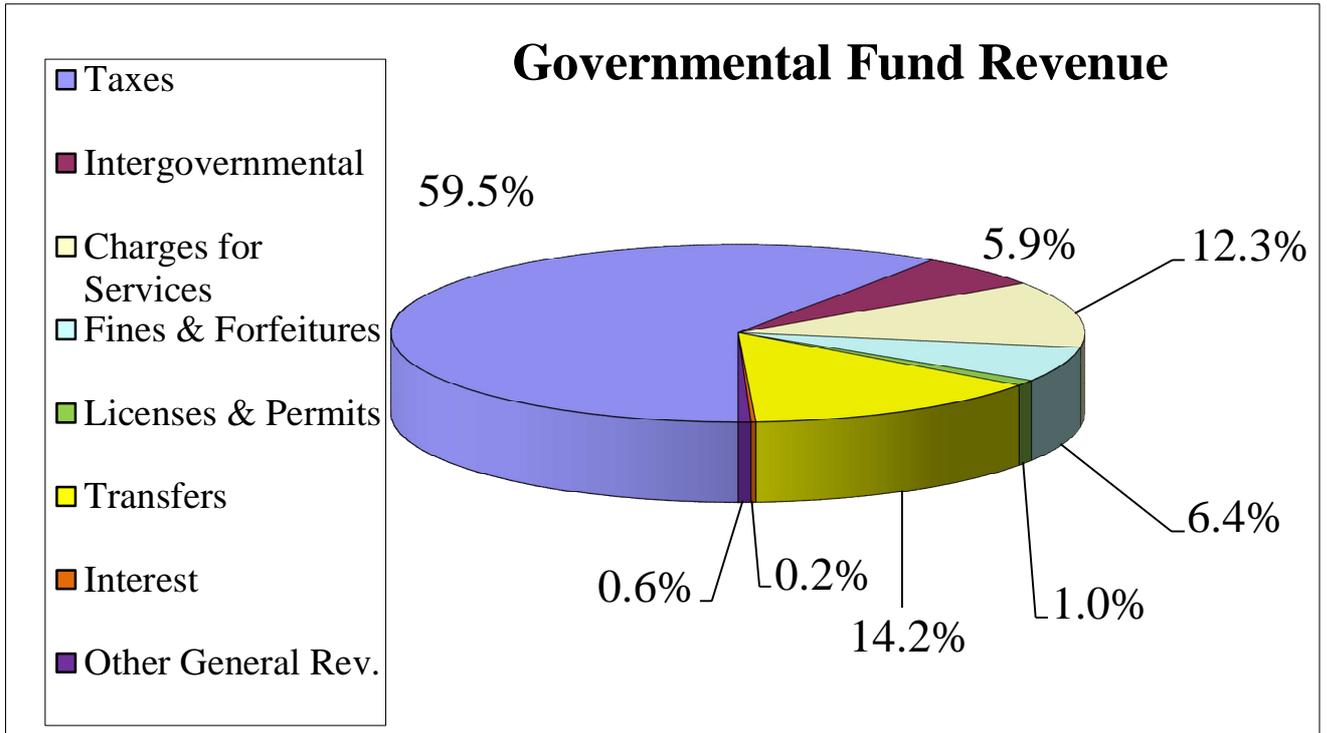
Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues as if it is self-financing through fees and grants. Some of the individual line item revenues reported for each function are:

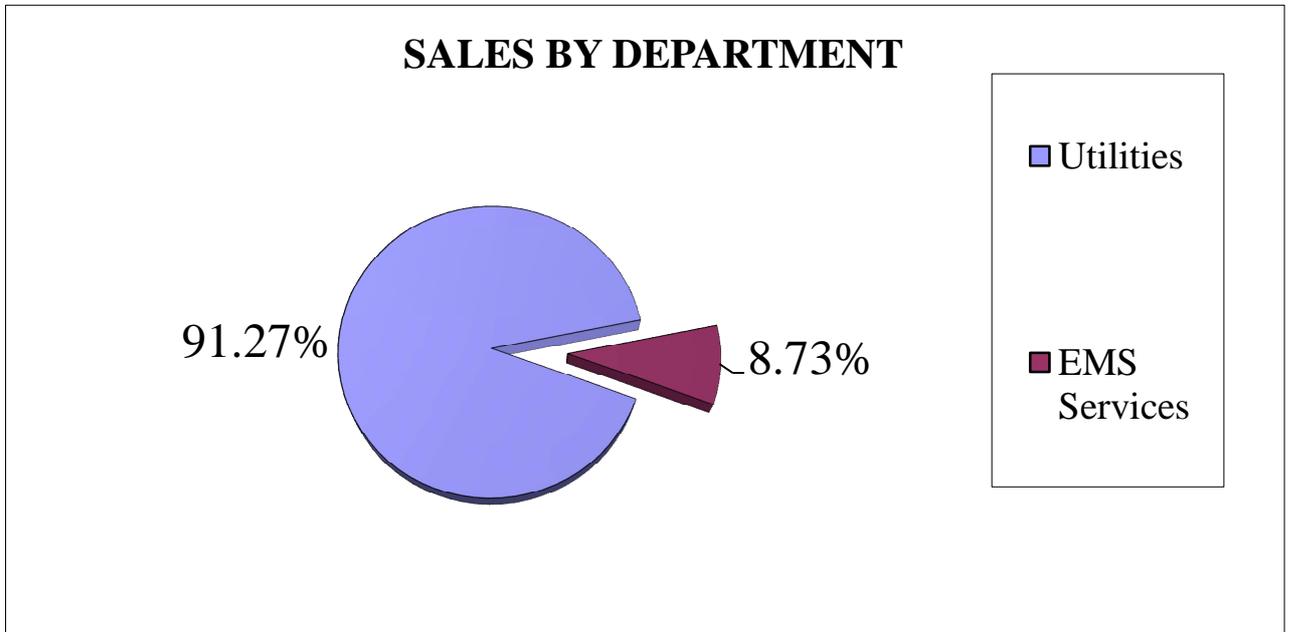
- General Government- Building permits, street permits, occupational licenses, and franchise fees.
- Police- Fines and 911 fees. More grants are categorized as operating grants.
- Fire- Outside city limits fire run charges
- Van Operations- Temporary assistance for needy families and van ride fees.
- Civic Center- Building rental
- Library- Fines; operating grants include e-rate and Oklahoma Department of Libraries.
- Cemetery- Grave opening/closing fees.
- Swimming Pool- Swimming admission and private parties.
- Community Building- Rental fees.

All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose. All departments have remained substantially the same from 2014 to 2015.

Governmental Activities



Business-type Activities



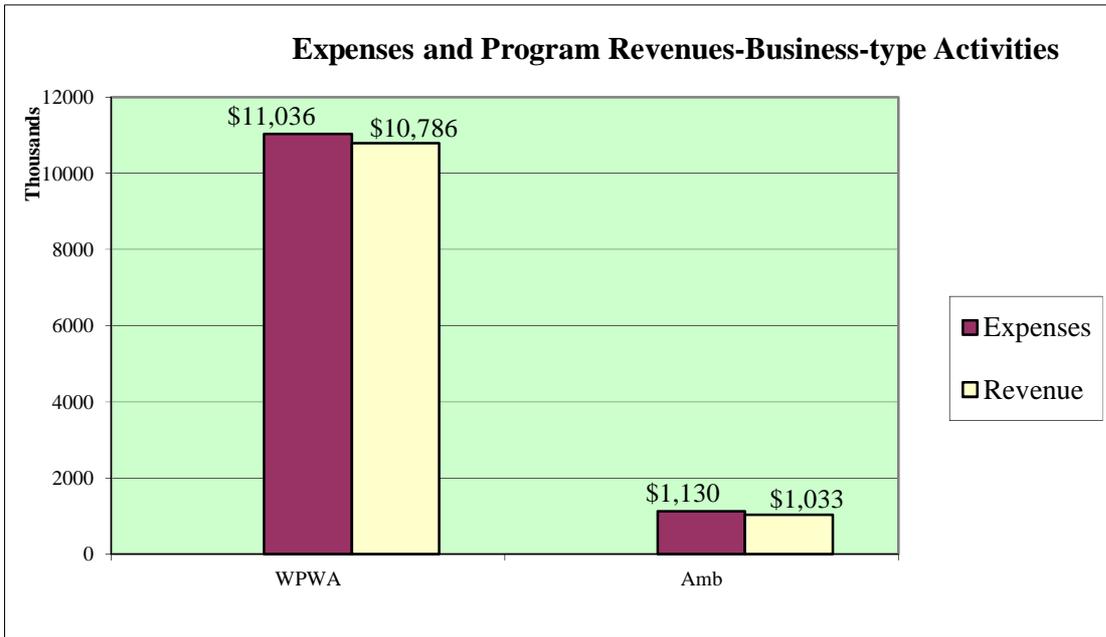
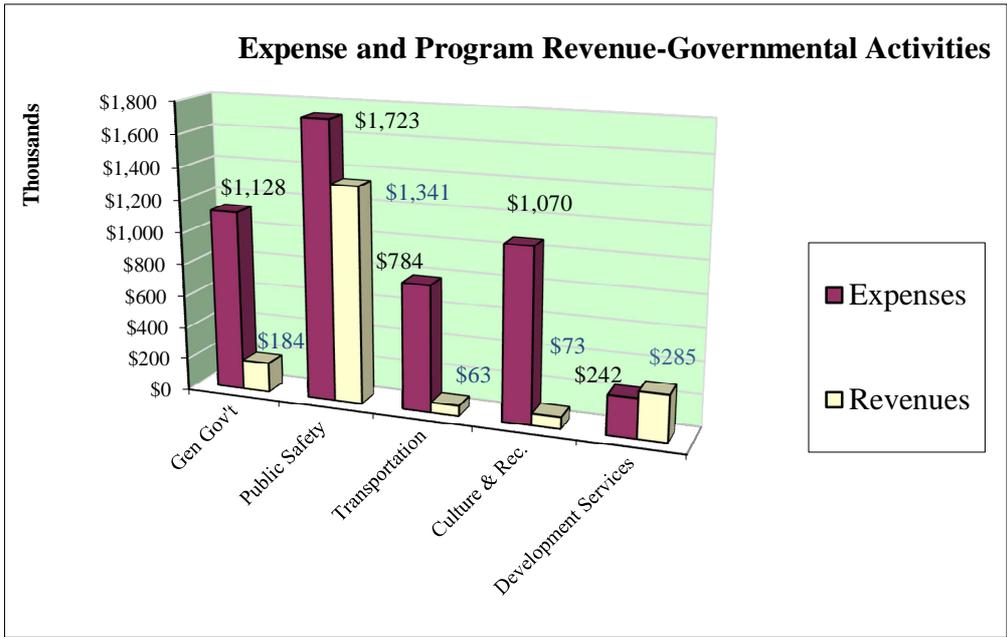
THE CITY'S FUNDS

The following presents a summary of governmental funds revenue and expenditures for the fiscal year ended June 30, 2015 and the amounts and percentages of change in relation to 2014.

	<u>2015</u>		<u>Increase (Decrease)</u>	
	<u>Amounts</u>	<u>%</u>	<u>Amounts</u>	<u>%</u>
<u>Revenue:</u>				
Taxes	\$2,911,982	59.46%	\$91,947	3.26%
Intergovernmental	\$291,400	5.95%	\$135,491	86.9%
Charges for Services	\$599,665	12.24%	\$161,470	36.85%
Fines & Forfeitures	\$311,092	6.35%	(\$31,006)	-9.06%
Licenses & Permits	\$49,344	1.01%	(\$19,437)	-28.26%
Transfers	\$694,244	14.18%	\$128,517	22.72%
Interest	\$10,699	0.22%	(\$1,355)	11.24%
Other General Rev.	\$28,966	.59%	(\$110,889)	-79.29%
Total Revenues	<u>\$4,897,392</u>	<u>100.00%</u>	<u>\$354,738</u>	
<u>Expenditures:</u>				
Current operating expenses	\$ 3,835,616	87.23%	(\$120,160)	-3.04%
Capital outlay	\$ 561,567	12.77%	(\$368,392)	-39.61%
Total Expenditures	<u>\$ 4,397,183</u>	<u>100.00%</u>	<u>(\$488,552)</u>	

The following presents a summary of proprietary funds revenue and expenditures for the fiscal year ended June 30, 2015 and the amounts and percentages of change in relation to 2014.

	<u>2015</u>		<u>Increase (Decrease)</u>	
	<u>Amounts</u>	<u>%</u>	<u>Amounts</u>	<u>%</u>
<u>Revenue:</u>				
Utilities	\$10,785,868	91.26%	\$477,005	4.63%
Ambulance	\$1,032,546	8.74%	(\$5,612)	-5.41%
Total Revenues	<u>\$11,818,414</u>	<u>100.00%</u>	<u>\$471,393</u>	4.15%
<u>Operating Expense</u>				
Utilities	\$11,035,650	90.71%	\$1,247,013	12.74%
Ambulance	\$1,130,111	9.29%	(\$4,640)	-.41%
Transfers Out	\$0	0.00%	(\$565,727)	-100.00%
Total Operating Expenses	<u>\$12,165,761</u>	<u>100.00%</u>	<u>\$676,646</u>	5.89%



BUDGETARY HIGHLIGHTS

Over the course of the year, the City Council revised the budget several times. The following is a list of the major budget changes:

<u>Major Budget Changes</u>	<u>Amount</u>
<u>Revenue</u>	
Loan Proceeds-Cardiac Monitor	\$89,681
Transfer from WPWA	(\$29,925)
<u>Expense</u>	
Cardiac Monitors	\$89,681
Ambulance Remount	\$20,000
Note Payment-Cardiac Monitors	(\$20,000)
Brush Salaries	(\$6,200)
Inventory Control Salaries	\$6,200
Transfer to the City	(\$29,925)
Electric Supplies	\$29,925
Street Supplies	(\$29,925)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2015, the City had over \$ 47 million invested in capital assets including police and fire equipment, buildings, park facilities, roads, and water, sewer, and electric lines. (See table below.)

	<u>COST</u>	<u>ACCUMULATED DEPRECIATION</u>	<u>BOOK VALUE</u>
Governmental Funds	\$14,902,976	\$8,041,144	\$6,861,832
Emergency Medical Services	\$1,364,678	\$950,668	\$414,010
Wagoner Public Works Authority	\$30,944,935	\$10,696,769	\$20,248,166
	<u>\$47,212,589</u>	<u>\$19,688,581</u>	<u>\$27,524,008</u>

The City of Wagoner has a special sales tax that is for improvements to streets, fire department and water system. Each year the City of Wagoner repaves 40 blocks of asphalt with funds from the special sales tax as part of an ongoing street improvement program.

Debt

At year-end, the Wagoner Public Works Authority & EMS had \$11,909,965 in long-term outstanding notes and capital lease compared to \$12,448,559 last year. That is a decrease of 4.33%.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Totals	<u>\$0</u>	<u>\$92,105</u>	<u>\$11,909,965</u>	<u>\$12,448,559</u>

Other obligations of the City include accrued compensated absences, fire pension liability, and fire deferred inflows.

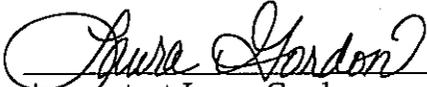
ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following projections are expected during the 2015/2016 year.

- Stipend bonuses were given to all eligible full-time and part-time employees in the amount \$500 & \$250. Raises were given across the board at the rate of \$0.50 per hour and some employees also received raises for merit and new licenses obtained.
- The WPWA will complete construction on the Wagoner Water Plant that was constructed to meet new DEQ standards. The current cost estimate for the expansion is approximately \$7,710,000. The expansion is being funded by an increase in water revenues, as well as a low interest loan from OWRB. We anticipate that the water plant will be completed by late spring.
- The City of Wagoner will apply for a matching CDBG grant in March of 2016. If approved, funding would be used to asphalt additional blocks within the city.
- It is projected that sales tax revenues will continue to rise since Casey's and Burger King has opened in our community.

- CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact City Hall at 231 Church Street, Wagoner, OK.



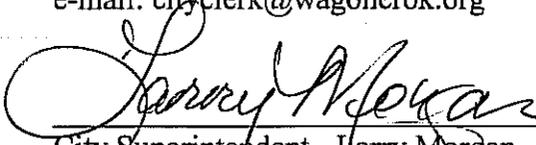
Accountant-Laura Gordon

e-mail: accounting@wagonerok.org



City Clerk - Rhonda Hash

e-mail: cityclerk@wagonerok.org



City Superintendent - Larry Morgan

e-mail: citysuperintendent@wagonerok.org

City of Wagoner, Oklahoma
GOVERNMENT-WIDE STATEMENT OF NET ASSETS

For the Year Ending June 30, 2015

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current Assets			
Cash and cash equivalents	\$2,569,928	\$3,604,667	\$6,174,595
Other receivables	224,954	1,476,476	1,701,430
Accounts receivable- trade	10,105	0	10,105
Internal balances	238,908	80,213	319,121
Inventory	0	624,502	624,502
Total Current Assets	<u>3,043,895</u>	<u>5,785,858</u>	<u>8,829,753</u>
Noncurrent Assets			
Depreciable capital assets, net	6,861,833	20,662,175	27,524,008
Restricted cash	0	1,431,984	1,431,984
Debt issue costs, net	0	84,321	84,321
Deferred outflows-Fire	25,786	0	25,786
Total Noncurrent Assets	<u>6,887,619</u>	<u>22,178,480</u>	<u>29,066,099</u>
	<u>9,931,514</u>	<u>27,964,338</u>	<u>37,895,852</u>
LIABILITIES			
Current Liabilities			
Accounts/encumbrances payable	425,310	523,347	948,657
Accrued interest	0	39,089	39,089
Accrued payroll and benefits	25,013	126,008	151,021
Accrued expenses	2,232	637,291	639,523
Current portion long-term debt	21,401	798,609	820,010
Internal balances	0	320,382	320,382
Total Current Liabilities	<u>473,956</u>	<u>2,444,726</u>	<u>2,918,682</u>
Noncurrent Liabilities			
Compensated absense	126,873	0	126,873
Pension liability-Fire	1,117,044	0	1,117,044
Deferred inflows-Fire	104,106	0	104,106
Long-term debt	0	11,909,965	11,909,965
Total Liabilities	<u>1,348,023</u>	<u>11,909,965</u>	<u>13,257,988</u>
	<u>1,821,979</u>	<u>14,354,691</u>	<u>16,176,670</u>
NET ASSETS			
Invested in capital assets net debt	6,840,432	7,953,601	14,794,033
Restricted for deposits/debt	0	1,239,570	1,239,570
Restricted for other purposes	3,175,606	1,355,133	4,530,739
Unrestricted	(1,906,503)	3,061,343	1,154,840
Total Net Assets	<u>\$8,109,535</u>	<u>\$13,609,647</u>	<u>\$21,719,182</u>

See accompanying footnotes and independent auditors' report.

City of Wagoner, Oklahoma

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For the Year Ending June 30, 2015

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Governmental Activities:							
General government							
General government	\$1,128,243	\$122,969	\$61,107	\$0	(\$944,167)	\$0	(\$944,167)
Public Safety	1,723,196	1,312,022	0	29,355	(381,819)	0	(381,819)
Transportation	784,366	62,734	0	0	(721,632)	0	(721,632)
Culture and Recreation	1,070,266	65,595	7,250	0	(997,421)	0	(997,421)
Development Services	241,978	91,025	0	193,688	42,735	0	42,735
Total Governmental Activities	<u>4,948,049</u>	<u>1,654,345</u>	<u>68,357</u>	<u>223,043</u>	<u>(3,002,304)</u>	<u>0</u>	<u>(3,002,304)</u>
Business-type Activities:							
Utility	11,035,650	10,785,868	0	0	0	(249,782)	(249,782)
EMS	1,130,111	1,032,546	0	0	0	(97,565)	(97,565)
Total Business-type Activities	<u>12,165,761</u>	<u>11,818,414</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(347,347)</u>	<u>(347,347)</u>
Total Primary Government	<u>17,113,810</u>	<u>13,472,759</u>	<u>68,357</u>	<u>223,043</u>	<u>(3,002,304)</u>	<u>(347,347)</u>	<u>(3,349,651)</u>
General Revenues:							
					2,575,503	0	2,575,503
					336,479	0	336,479
					10,699	10,666	21,365
					28,967	125,411	154,378
					142,569	0	142,569
					<u>3,094,217</u>	<u>136,077</u>	<u>3,230,294</u>
					91,913	(211,270)	(119,357)
					8,017,622	13,820,917	21,838,539
					<u>\$8,109,535</u>	<u>\$13,609,647</u>	<u>\$21,719,182</u>

See accompanying footnotes and independent auditors' report.

City of Wagoner, Oklahoma
GOVERNMENTAL FUNDS BALANCE SHEET

For the Year Ending June 30, 2015

	General Fund	Economic Dev. Fund	Street Sales Tax Fund	Non Major Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$1,143,996	\$1,077,733	\$0	\$348,199	\$2,569,928
Due From Other Funds	312,484	0	0	237	312,721
Due From Enterprise Fund	0	0	0	0	0
Sales Tax Receivable	112,477	37,500	74,977	0	224,954
Accounts Receivable	10,105	0	0	0	10,105
Total Assets	<u>\$1,579,062</u>	<u>\$1,115,233</u>	<u>\$74,977</u>	<u>\$348,436</u>	<u>\$3,117,708</u>
LIABILITIES AND FUND BALANCE					
Accts/Encumbrances Payable	\$413,324	\$0	\$0	\$11,986	\$425,310
Accrued Expenses	2,177	0	0	55	2,232
Due to Other Funds	72,315	0	0	1,498	73,813
Accrued Wages/Benefits	25,013	0	0	0	25,013
Total Liabilities	512,829	0	0	13,539	526,368
FUND BALANCE					
Nonspendable	0	0	0	0	0
Restricted	0	1,115,233	74,977	262,353	1,452,563
Committed	0	0	0	0	0
Assigned	512,829	0	0	72,544	585,373
Unassigned	553,404	0	0	0	553,404
Total Fund Balance	<u>1,066,233</u>	<u>1,115,233</u>	<u>74,977</u>	<u>334,897</u>	<u>2,591,340</u>
Total Liabilities and Fund Balance	<u>\$1,579,062</u>	<u>1,115,233</u>	<u>\$74,977</u>	<u>\$348,436</u>	<u>\$3,117,708</u>

See accompanying footnotes and independent auditors' report.

City of Wagoner, Oklahoma
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
AND THE STATEMENT OF NET ASSETS

For the Year Ending June 30, 2015

Fund Balance - total governmental funds \$ 2,591,340

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds

Governmental Capital Assets	14,902,977	
Less Accumulated Depreciation	<u>(8,041,144)</u>	6,861,833

Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds (1,216,765)

Expense reported in the current period for the governmental activities includes amounts accrued in the prior fiscal year but paid in this fiscal year and omits the amount accrued in this fiscal year but will be paid in the coming fiscal year (126,873)

Net Assets of Governmental Activities \$8,109,535

City of Wagoner, Oklahoma
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS
For the Year Ending June 30, 2015

	General Fund	Economic Dev. Fund	Street Sales Tax Fund	Non Major Funds	Total Governmental Funds
REVENUES					
Sales Tax	\$1,285,033	\$430,909	\$859,561	\$0	\$2,575,503
Other Taxes	336,479	0	0	0	\$336,479
Investment Income	4,777	4,784	0	1,138	\$10,699
Other General Revenue	538	12,500	0	15,928	\$28,966
Fees and Permits	1,359,984	0	0	294,361	\$1,654,345
Operating Grants	61,107	0	0	7,250	\$68,357
Capital Grants	29,355	193,688	0	0	\$223,043
Total Revenues	<u>3,077,273</u>	<u>641,881</u>	<u>859,561</u>	<u>318,677</u>	<u>4,897,392</u>
EXPENDITURES					
General Government					
Personel Services	374,312	0	0	0	374,312
Materials and Supplies	29,749	0	0	0	29,749
Other Services and Charges	75,027	0	0	2,549	77,576
Capital Outlay	388	0	0	3,077	3,465
Public Safety					
Personel Services	1,429,590	0	0	0	1,429,590
Materials and Supplies	227,798	0	0	0	227,798
Other Services and Charges	60,223	0	0	0	60,223
Capital Outlay	57,972	0	0	9,027	66,999
Transportation					
Personel Services	353,867	0	0	0	353,867
Materials and Supplies	454,119	0	0	0	454,119
Other Services and Charges	31,071	0	0	0	31,071
Capital Outlay	77,250	0	0	0	77,250
Culture and Recreation					
Personel Services	428,853	0	0	0	428,853
Materials and Supplies	226,789	0	0	11,687	238,476
Other Services and Charges	90,092	0	0	31,890	121,982
Capital Outlay	31,021	307,203	0	3,300	341,524
Development					
Other Services and Charges	0	8,000	0	0	8,000
Capital Outlay	0	72,329	0	0	72,329
Total Expenditures	<u>3,948,121</u>	<u>387,532</u>	<u>0</u>	<u>61,530</u>	<u>4,397,183</u>
Excess of Revenue Over (Under) Expenditures	(870,848)	254,349	859,561	257,147	500,209
OTHER FINANCING SOURCES (USES)					
Transfers out	0	(229,649)	(855,124)	(268,696)	(1,353,469)
Transfers in	798,928	0	0	0	798,928
Total other financing sources (uses)	<u>798,928</u>	<u>(229,649)</u>	<u>(855,124)</u>	<u>(268,696)</u>	<u>(554,541)</u>
Net Change in Fund Balance	<u>(71,920)</u>	<u>24,700</u>	<u>4,437</u>	<u>(11,549)</u>	<u>(54,332)</u>
Fund Balance - Beginning of Year	<u>1,138,153</u>	<u>1,090,533</u>	<u>70,540</u>	<u>346,446</u>	<u>2,645,672</u>
Fund Equity - End of Year	<u>\$1,066,233</u>	<u>\$1,115,233</u>	<u>\$74,977</u>	<u>\$334,897</u>	<u>\$2,591,340</u>

See accompanying footnotes and independent auditors' report.

City of Wagoner, Oklahoma

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**

For the Year Ending June 30, 2015

Net changes in fund balances-total governmental funds			(\$54,332)
Amounts reported for governmental activities in the statement of activities are different because:			
Government funds report capital outlays as expenditures. However, in the Statement of Revenues, Expenditures and Changes in fund Balance, the cost of those assets is depreciated over their estimated useful lives:			
Expenditures for capital assets	519,383		
Less current year depreciation	<u>(427,286)</u>	92,097	
Interest expense reported in the Statement of Revenues, Expenditures and Changes in Fund Balance does not require the use of current financial resources and is therefore not reported as expenditures in the government funds.			(2,453)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.			70,704
Compensated absences not payable from current year resources are not reported as expenditures of the current year. In the Statement of Activities, these costs represent expenses of the current year.			<u>(14,103)</u>
Change in net assets of governmental activities			<u><u>\$91,913</u></u>

See accompanying footnotes and independent auditors' report.

City of Wagoner, Oklahoma
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

For the Year Ending June 30, 2015

	Business-type Activities-Enterprise Funds		
	Utilities	EMS	Totals
ASSETS			
Current Assets			
Cash and cash equivalents	\$3,257,835	\$346,832	\$3,604,667
Other receivables	1,198,412	278,064	1,476,476
Accounts receivable- trade	0	0	0
Internal balances	80,213	0	80,213
Inventory	624,502	0	624,502
Total Current Assets	<u>5,160,962</u>	<u>624,896</u>	<u>5,785,858</u>
Noncurrent Assets			
Depreciable capital assets, net	20,248,167	414,008	20,662,175
Restricted cash	1,431,984	0	1,431,984
Debt issue costs, net	84,321	0	84,321
Total Noncurrent Assets	<u>21,764,472</u>	<u>414,008</u>	<u>22,178,480</u>
	<u>\$26,925,434</u>	<u>\$1,038,904</u>	<u>\$27,964,338</u>
LIABILITIES			
Current Liabilities			
Accounts/encumbrances payable	\$518,415	\$4,932	\$523,347
Accrued interest	33,139	5,950	39,089
Accrued payroll and benefits	107,838	18,170	126,008
Accrued expenses	637,291	0	637,291
Current portion long-term debt	592,509	206,100	798,609
Internal balances	282,279	38,103	320,382
Total Current Liabilities	<u>2,171,471</u>	<u>273,255</u>	<u>2,444,726</u>
Noncurrent Liabilities			
Long-term debt	11,799,852	110,113	11,909,965
Total Liabilities	<u>13,971,323</u>	<u>383,368</u>	<u>14,354,691</u>
NET ASSETS			
Invested in capital assets net debt	7,855,806	97,795	7,953,601
Restricted for deposits/debt	923,357	316,213	1,239,570
Restricted for other purposes	1,320,943	34,190	1,355,133
Unrestricted	2,854,005	207,338	3,061,343
Total Net Assets	<u>\$12,954,111</u>	<u>\$655,536</u>	<u>\$13,609,647</u>

See accompanying footnotes and independent auditors' report.

City of Wagoner, Oklahoma
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS

For the Year Ending June 30, 2015

	Business-type Activities-Enterprise Funds		
	Utilities	EMS	Totals
Operating Revenues:			
Charges for services	\$10,785,868	\$567,434	\$11,353,302
Water meter transfer	0	465,112	\$465,112
Total Operating Revenue	<u>10,785,868</u>	<u>1,032,546</u>	<u>11,818,414</u>
Operating Expenses:			
Expense	9,977,131	1,007,862	10,984,993
Depreciation	651,481	116,671	768,152
Total Operating Expenses	<u>10,628,612</u>	<u>1,124,533</u>	<u>11,753,145</u>
Operating Income	157,256	(91,987)	65,269
Non-operating Income/(Expense)			
Non-operating expense	(407,038)	(5,578)	(412,616)
Non-operating income	127,274	8,803	136,077
Total Other Income	<u>(279,764)</u>	<u>3,225</u>	<u>(276,539)</u>
Changes in Net Position	(122,508)	(88,762)	(211,270)
Net Assets-Beginning of Year	<u>13,076,619</u>	<u>744,298</u>	<u>13,820,917</u>
Net Assets-End of Year	<u>\$12,954,111</u>	<u>\$655,536</u>	<u>\$13,609,647</u>

See accompanying footnotes and independent auditors' report.

City of Wagoner, Oklahoma
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ending June 30, 2015

	Business-type Activities-Enterprise Funds		
	Utilities	EMS	Totals
Cash Flows From Operating Activities:			
Receipts from Customers	\$14,981,285	\$1,122,578	\$16,103,863
Payment to Suppliers	(7,997,558)	(319,954)	(8,317,512)
Payment to Employees	(1,466,482)	(677,989)	(2,144,471)
Net Cash Provided by Operations	<u>5,517,245</u>	<u>124,635</u>	<u>5,641,880</u>
Cash Flows From Noncapital Financing Activities:			
Other NonOperating Income	115,859	0	115,859
Interest Paid on Long Term Debt	(407,038)	(5,578)	(412,616)
Accounts Payable Affiliates	(1,096,336)	(3,474)	(1,099,810)
Transfers Out	0	0	0
Net Cash (Used) by Noncapital Financing Activities	<u>(1,387,515)</u>	<u>(9,052)</u>	<u>(1,396,567)</u>
Cash Flows From Capital and Related Financing Activities:			
Proceeds from Issuance of Debt	75,172	89,681	164,853
Increase in Debt issue costs.	0	0	0
Payment of Debt	(548,876)	0	(548,876)
Disposal of Asset	0	0	0
Purchase of Capital Assets	(3,937,007)	(258,709)	(4,195,716)
Net Cash (Used) by Capital and Related Financing Activities	<u>(4,410,711)</u>	<u>(169,028)</u>	<u>(4,579,739)</u>
Cash Flows From Investing Activities:			
Receipts of Interest and Dividends	11,415	8,803	20,218
Decrease in Cash Reserve	251,987	0	251,987
Net Cash (Used) by Investing Activities	<u>263,402</u>	<u>8,803</u>	<u>272,205</u>
Net Decrease in Cash and Cash Equivalents	(17,579)	(44,642)	(62,221)
Cash and Cash Equivalents at Beginning of Year	3,275,414	391,474	3,666,888
Cash and Cash Equivalents at End of Year	<u>\$3,257,835</u>	<u>\$346,832</u>	<u>\$3,604,667</u>
Reconciliation of Operating Income (Loss) to Net Cash			
Provided by (Used) Operating Activities:			
Operating Income (Loss)	\$157,256	(\$91,987)	\$65,269
Adjs to reconcile operating inc to net cash provided by operations:			0
Add Depreciation Expense	651,481	116,671	768,152
(Increase) Decrease Current Assets			0
(Increase) Decrease Receivables, net	4,195,417	90,032	4,285,449
(Increase) Decrease Inventories	43,057	0	43,057
Increase (Decrease) Current Liabilities			
Increase (Decrease) Accounts payable	472,835	4,517	477,352
Increase (Decrease) Accrued liabilities	(2,801)	5,402	2,601
Net Cash Provided by (Used in) Operating Activities	<u>\$5,517,245</u>	<u>\$124,635</u>	<u>\$5,641,880</u>
Interest Expense	<u>\$356,556</u>	<u>\$5,578</u>	<u>\$362,134</u>

See accompanying footnotes and independent auditors' report.

City of Wagoner, Oklahoma
STATEMENT OF FIDUCIARY NET ASSETS
For the Year Ending June 30, 2015

	PENALTY ASSESSMENT FUND
ASSETS	
Cash and cash equivalent	\$5,402
Due from other funds	0
	<hr/>
Total Assets	\$5,402
	<hr/> <hr/>
LIABILITIES	
Due to state agencies	\$1,498
Due to other funds	138
	<hr/>
Total Liabilities	1,636
	<hr/>
NET ASSETS	
Held in trust	3,766
	<hr/>
Total Liabilities and Net Assets	\$5,402
	<hr/> <hr/>

See accompanying footnotes and independent auditors' report.

City of Wagoner, Oklahoma
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For the Year Ending June 30, 2015

CHANGES IN NET ASSETS		PENALTY ASSESSMENT FUND
ADDITIONS		
Penalty assessment received		\$ 26,521
Total Additions		26,521
DEDUCTIONS		
Penalty assessment sent to state		28,158
Total Deductions		28,158
Change in Net Assets		(1,637)
Net Assets - July 1, 2014		5,403
Net Assets - June 30, 2015		\$ 3,766

See accompanying footnotes and independent auditors' report.

CITY OF WAGONER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ending June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The City of Wagoner, Oklahoma operates under an aldermanic form of government. The Chief Executive Officer of the City is the Mayor. The legislative function is performed by a Board of Trustees. The City's major operations include the following services as authorized by Oklahoma Statute: public safety (police and fire), highway and streets, culture and recreation, public improvements, planning and zoning and general administrative services. The accompanying basic financial statements conform to accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are proprietary fund and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the City considers revenues to be available if they are collected.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City is discussed below.

In accordance with GASB Statement No. 34-*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The effects of inter-fund activity, within the governmental and business-type activities columns, have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Accounting

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be

CITY OF WAGONER

spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into generic fund types and broad fund categories as follows:

The *Government-Wide Statement of Net Assets* presents the City’s non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

- *Invested in capital assets*, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.
- *Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. It is the City’s policy to first utilize restricted resources to finance qualifying activities.
- *Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The *Governmental Funds Balance Sheet* present the City’s non-fiduciary and non-proprietary assets and liabilities, with the difference reported as fund balance. Fund balance is reported in five categories:

- *Non-spendable fund balance* classification 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.
- *Restricted fund balance* are reported as restricted when constraints placed on the use of resources are either:
 - Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
 - Imposed by law through constitutional provisions or enabling legislation.
- *Committed fund balances* are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority.
- *Assigned fund balances* are amounts that are constrained by the government’s *intent* to be used for specific purposes but are neither restricted nor committed.
- *Unassigned fund balance* is the residual classification for the general fund that represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes with the general fund.

Governmental Funds

- a. General Fund - The General Fund is the City’s primary operating fund. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.
- b. Restricted Sales Tax Fund - The Restricted Sales Tax Fund (Street Fund) accounts for revenues derived from specific taxes or other earmarked revenue sources. The Restricted Sales Tax Fund is a special revenue fund used to account for revenue from a special sales tax that is to be used for street improvements and maintenance, safety equipment and fire plugs, and the extension and maintenance of water and sewer lines as set forth in Ordinance 565. The revenue received for the Special Sales Tax Fund totaled \$859,561 for the year ended June 30, 2015. This money along with unspent funds from the prior year were deposited in the General Fund and allocated toward the current expenses as required.

Restricted Sales Tax Expenditures Allocation:

Street Department	Maintenance	\$	767,913
	Capital Outlay		87,211
Fire Department	Maintenance		5,162
	Capital Outlay		434
Economic Development Fund	Maintenance		0
	Capital Outlay		512,181
			<u>\$ 1,372,901</u>

CITY OF WAGONER

- c. Wagoner Cemetery Reserve Fund - A fund used to segregate accounts to be used for future land purchases for the cemetery to expand.
- d. Municipal Court Fund – A fund used to collect fines and fees for the City. These fines are transferred to the general fund monthly.
- e. Economic Development Fund – A fund used to collect one half of the proceeds from one cent of the City's Sales Tax used to develop and fund an economic development program for the City.

Basis of Accounting

Basis of Accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The "modified cash" basis is used by the City of Wagoner to recognize revenues and expenditures. Revenues must be "available"-- that is, collected within the period and available to pay liabilities incurred for expenditures of the period. Expenditures--for operations, capital outlay, and debt service--are recognized (1) when operating or capital outlay liabilities to be paid from governmental - type funds are encumbered and (2) when "general government" debt service (principal and interest) payments on long-term debt are due.

Proprietary Fund Accounting

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City.

Enterprise Funds

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. Enterprise funds distinguish operating revenues and expenses from non operating items. The principal operating revenues of the proprietary funds are charges to customers for services. Operating expenses include the cost of operations and maintenance, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. The enterprise funds for the City are:

1) Gross Revenue Fund

The Gross Revenue Fund (Utility) accounts for the activities of the Wagoner Public Works Authority in much the same way that a private business would account for its activities. The intent of which being that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Authority provides electric service, water service, sewer service, and refuse collections for the residents of Wagoner, Oklahoma.

2) Ambulance Fund

The Ambulance Fund (EMS) is a separate enterprise fund with the main goal of providing emergency ambulance service to the citizens residing in the City of Wagoner and the surrounding area. Cost incurred by the Ambulance Fund are recovered in part by a per month assessment per water meter and by revenues received from ambulance runs.

Basis of Accounting

Wagoner Public Works Authority and EMS utilizes the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses when incurred. The Authority and EMS have adopted a policy of applying expenditures to restricted resources first when both restricted and unrestricted net assets are available.

CITY OF WAGONER

Fiduciary Funds

The City records reserves to indicate that certain funds are legally segregated for a specific future use. Following is a fiduciary fund used by the City and a description:

Penalty Assessment Fund – An account used to collect the state’s portion of fines. They are sent to the state monthly.

Budgets and Budgetary Accounting

The City Council follows these procedures in establishing the budgetary data reflected in the financial statements:

- In accordance with Oklahoma Statutes, prior to June 1, the City Superintendent submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. Oklahoma Statute requires that the budget be submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head-function level.
- Public hearings are conducted to obtain taxpayer comment.
- Prior to June 30, the budget is legally enacted through passage of an ordinance.

The City Clerk is required to present a monthly report to the City Council showing any variance from the approved budget. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with budget laws of the state of Oklahoma. Appropriations lapse at the end of each fiscal year.

The City Council may authorize supplemental appropriations during the year. No supplemental appropriations may be made until the revenue has exceeded the amount estimated in the original budget, or from cash reserves that existed at the beginning of the fiscal year.

Cash and Cash Equivalents

The City has a policy that deposits can include demand and savings accounts and certificates of deposits. The City’s custodial credit risk policy is to only allow the City to use banks that are in the State of Oklahoma. The State of Oklahoma requires that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits.

Funds held in reserve are not considered to be part of cash.

Investments

Investments are stated at cost or amortized cost, which approximates market.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the governmental columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair value at the date of donation.

<u>Description</u>	<u>Method</u>	<u>Estimated Useful Life</u>
Building and improvements.....	Straight-line.....	40 Years
Vehicles.....	Straight-line.....	5 Years
Electric, sewer & water systems & improvements.....	Straight-line.....	40 Years
Equipment.....	Straight-line.....	10 Years

CITY OF WAGONER

Inventories

Inventories are stated at fair market value. Inventory consists of repair and maintenance parts used for the utility grid of Wagoner Public Works Authority. A physical inventory is taken at the end of the year. The costs of governmental fund-type inventories are primarily recorded as expenditures when purchased rather than when consumed.

Compensated Absences

A total of 240 hours vacation may be accumulated by each employee and carried over to the next year. Accrued vacation is recorded as a liability of the City. The City currently has accrued vacation of General Government \$126,873, EMS \$11,088 and Public Works \$94,752. When an employee is terminated or quits, accumulated vacation is paid.

The maximum sick leave that can be accrued is 800 hours. The City will pay \$25 for each accrued sick leave day, to the maximum of 100 days at either: death, disability retirement, retirement at age 65 or older, or early retirement age 55 or older, plus 10 years of continuous service. At year end the City had unrecorded sick leave of \$271,564, EMS \$11,678 and \$187,800 for the Public Works Authority. Accumulated sick leave pay is not paid at termination of employment and is therefore not included as a liability of the City in the financial statements.

NOTE 2 - GARBAGE DISPOSAL CONTRACT

The City has contracted with an independent third party for its garbage pickup and disposal. Under terms of the agreement the City receives 50 cents per customer per month for maintaining the billings and accounts receivable related to the service. The balance of the payment is remitted to the contracting party.

NOTE 3 - CONCENTRATIONS OF CREDIT RISK

The City of Wagoner and the Wagoner Public Works Authority maintain their cash accounts in three banks located in Oklahoma. Interest bearing accounts are guaranteed by the Federal Deposit Insurance Corporation up to \$250,000. CD's are also guaranteed by FDIC up to \$250,000. Non interest bearing accounts are insured up to the full balance of the account by the FDIC. A summary of the total insured and uninsured cash balances as well as collateral receipts and letters of credit are as follows:

	<u>American Bank</u>	<u>First Bank & Trust</u>
City of Wagoner	\$2,213,059	\$708,260
Wagoner Public Works Authority	0	3,764,672
FDIC Demand Accounts	(250,000)	(250,000)
FDIC Non-Demand Accounts	(250,000)	(250,000)
Letters of Credit	0	(4,300,000)
Pledged Receipts	(2,387,887)	0
Collateralized receipts (over)/under	<u>(674,828)</u>	<u>(327,068)</u>

All safekeeping receipts are issued in the name of the City of Wagoner's treasurer.

NOTE 4 - ECONOMIC DEPENDENCY

The Wagoner Public Works Authority is dependent on the Grand River Dam Authority (G.R.D.A.) for their purchase of electricity used for re-sale. For the year ended June 30, 2015, the Wagoner Public Works Authority purchased \$6,356,014 worth of electricity from G.R.D.A.

CITY OF WAGONER

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015, was as follows:

	Balance 6/30/2014	Additions/ Deletions	Accumulated Depreciation	Balance 6/30/2015
Park Department	1,063,114	0	(597,412)	465,702
General Government	2,713,750	179,631	(1,206,915)	1,686,466
Civic Center	687,064	6,524	(416,507)	277,081
Police Department	1,146,454	41,516	(916,158)	271,812
AMETEK/PRESTOLITE	67,315	0	(23,368)	43,947
Fire Department	1,467,893	0	(1,063,446)	404,447
INSP / Code Enforcement	2,810	0	(2,255)	555
Street Department	3,659,613	61,000	(2,099,283)	1,621,330
City Van Service	69,543	0	(69,543)	0
Library	1,534,321	0	(826,130)	708,191
Airport	1,306,208	222,564	(447,676)	1,081,096
Cemetery	368,208	8,148	(195,565)	180,791
Museum	118,522	0	(78,951)	39,571
Community Building	67,232	0	(42,339)	24,893
UNARCO	69,951	0	(22,677)	47,274
Animal Control	16,876	0	(8,201)	8,675
Municipal Court	24,718	0	(24,718)	0
	14,383,593	519,383	(8,041,144)	6,861,832
Ambulance	1,105,969	258,709	(950,668)	414,010
Electric System	6,043,282	34,316	(2,934,288)	3,143,310
Water and Sewer	11,503,950	173,684	(5,740,439)	5,937,195
Inventory Control	125,892	0	(69,840)	56,052
Shop	100,388	0	(58,226)	42,162
Water Plant	8,198,115	3,729,008	(1,432,643)	10,494,480
Water Park	1,036,300	0	(461,333)	574,967
	28,113,896	3,937,008	(10,696,769)	20,662,176
Total	42,497,489	4,456,391	(18,737,913)	27,524,008

NOTE 6 –ACCOUNTS RECEIVABLE

As of June 30, 2015, the City of Wagoner had accounts receivable in the following amounts:

Governmental Activities:

Sales Tax Receivable:

General Fund	\$	112,477	
Street Fund		74,977	
Economic Development Fund		37,500	224,954

Business-type Activities:

EMS Fund		536,215	
Less: Allow. for Doubtful Acct.		(258,151)	278,064
Wagoner Public Works Authority		1,234,058	
Less: Allow. for Doubtful Acct.		(35,646)	1,198,412
Total Accounts Receivable	\$		<u>1,701,430</u>

CITY OF WAGONER

NOTE 7 - ACCOUNTS RECEIVABLE & PAYABLE – AFFILIATED

Inter-fund receivables and payables are balances owed to and from funds within the City of Wagoner. The balances are held as current assets on their respective balance sheets.

	Wagoner Public WA	Meter Fund	City Gen Fund	Disbursmnt Fund	Municipal Court	EMS	Penalty Assessmnts
Meter Fund	0	0	0	0	0	0	0
City of Wagoner GF	72,315	0	0	110,405	237	(21,041)	(1,636)
EMS Fund	7,977	0	21,041	9,085	0	0	0
Disbursements Fund	(282,358)	0	(110,405)	0	0	(9,085)	0
Wagoner Public WA	0	79	(72,315)	282,358	0	(7,977)	0
Municipal Court Fund	0	0	(237)	0	0	0	1,498
Penalty Assessment	0	0	0	0	(1,498)	0	0
Total	(202,066)	79	(161,916)	401,848	(1,261)	(38,103)	(138)

NOTE 8 - TRANSFERS

Funds regularly transfer money to other funds. During the year ended June 30, 2015 the following transfers were made between funds included in the City of Wagoner and Wagoner Public Works Authority:

		Transfers In	Transfers Out	Total
Gen Govt	Transfer From WPWA	551,675		(551,675)
	Trans F/WPWA for Utilities	104,877		(104,877)
	Trans from General Fund to Street	859,561	845,163	(14,398)
	Reclass Cap Outlay to Acct Grps		56,391	56,391
Cap Proj	Trans from EDA	148,229		(148,229)
	Reclass Cap Outlay to Acct Grps		143,536	143,536
Street	Trans Expense Restricted Sales Tax	852,478	859,561	7,083
	Reclass Cap Outlay to Acct Grps		61,000	61,000
EDF	Transfer to Account Group-C.O.		6,320	6,320
	Transfer to Xmas Fund		15,000	15,000
	Trans Exp to Fall Festival		2,000	2,000
	Transfer to City Cap Proj Fund		146,887	146,887
	Transfer to WPWA Cap Proj Fund		122,016	122,016
Non-Major	Transfer to July 4th Celebration		20,000	20,000
	Transfer to Account Group-C.O.		6,295	6,295
	Trans from EDF to 4th of July Fund	20,000		(20,000)
	Trans from EDF to Xmas Fund	15,000		(15,000)
WPWA	Trans from EDF to Fall Festival	2,000		(2,000)
	To City for Operations		551,675	551,675
	Trans T/City for Utilities		104,515	104,515
Cap Proj	Trans To EMS		452,000	452,000
	Trans T/EMS for Utilites		8,795	8,795
EMS	Trans From EDA	112,989		(112,989)
Acct Grps	Trans F/WPWA for Utilities	8,803		(8,803)
	Trans F/WPWA Billed Fees	452,000		(452,000)
Acct Grps	Reclass CapOutlay from GenFund	56,391		(56,391)
	Reclass CapOutlay from Cap Proj	143,536		(143,536)
	Reclass CapOutlay from EDF	6,320		(6,320)
	Reclass CapOutlay from NonMaj	6,295		(6,295)
	Reclass CapOutlay from Street	61,000		(61,000)
		<u>3,401,154</u>	<u>3,401,154</u>	<u>0</u>

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Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the appropriate fund as the debt service payments become due, (3) use restricted revenues collected in the general fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations. The transfer revenues are included in other general revenue and the transfer expenses are included in other services and charges.

NOTE 9 – RELATED PARTY ACTIVITIES

The following expenditures were made to related parties which are governed by separate boards and are not included in the City of Wagoner financial statements:

EDF to Wagoner Chamber of Commerce	\$ 1,300
EDF to City of Wagoner Economic Development Authority	<u>60,000</u>
Total	<u>\$ 61,300</u>

In October of 2006 the Wagoner Hospital Authority changed from an organization holding real property for lease to an operating hospital, with a multi-million dollar budget. The new operations required a substantial increase in working capital to fund payroll and other monthly operating expenses. The loan is made with First Bank & Trust Company in Wagoner, Oklahoma for the amount of \$3,000,000. Wagoner Public Works collateralizes the note with its receipts and assets. The balance of the note as of June 30, 2015 was \$2,601,205.

NOTE 10 – NOTES PAYABLE

Governmental Funds:

The Government-Wide Statement of Net Assets includes \$126,873 in accrued compensated absences at June 30, 2015, which is included in the long term debt group of accounts.

In May 2008 the City of Wagoner acquired a loan with American Bank, Wagoner, Oklahoma, in the sum of \$219,520 on behalf of Wagoner County. The loan was for the purpose of purchasing a 2007 HME fire truck. The payments for the truck are made by the County of Wagoner. The balance of the note was paid in full during 2015.

Business-Type Activities:

OWRB 2008 Stimulus Loan-On September 15, 2009 the Wagoner Public Works Authority signed a promissory note with the Oklahoma Water Resources Board in the sum of \$1,200,000. The purpose of this promissory note is to construct improvements to the water system of Wagoner Public Works Authority. Interest is to accrue at the rate of 2.55% per annum plus an administrative fee of 0.5% per annum. The loan is carried on the books of Wagoner Public Works Authority net of debt forgiveness credits applied through the American Recovery and Reinvestment Act. Payments are remitted semi-annually every March and September 15th. The Authority has pledged and assigned the revenues and receipts derived from the operations of water, sanitary, sewer, solid waste management and electric systems as security. The balance as of June 30, 2015 was \$682,292.

OWRB Water Plant Loan-On August 27, 2012 the Wagoner Public Works Authority signed a 10 year promissory note with the Oklahoma Water resources Board in the sum of \$4,250,000. The purpose of this promissory note was the refinancing of the May 3, 2005 loan. Interest is to accrue at an average fixed rate of 2.99%. The Authority has pledged and assigned the revenues and receipts derived from the operations of water, sanitary sewer, solid waste management, and electric systems as security. The balance as of June 30, 2015 was \$3,210,000.

Debt defeasance costs include a payoff premium on the old loan and a deposit to cover the payment of interest on the old loan from August 27, 2012 to October 1, 2014.

In addition to the Debt defeasance cost Wagoner Public Works Authority incurred debt issuance costs of \$158,828., which are made up of a) OWRB Administrative Fees of \$13,470, b) Underwriter's Discount of \$16,658, c) Legal and professional fees of \$108,315 and d) other costs of \$20,385.

CITY OF WAGONER

Both the debt defeasance costs and the debt issuance costs are deferred and amortized over the life of the new debt using the effective interest method. Debt payable is reported net of the applicable premium and debt defeasance costs. Amortization for the current year was \$27,389 for OIP and \$69,198 for DDC. The current year interest expense in the financial statements includes amortization of debt defeasance cost, original issue premium of \$96,811, and debt issue costs totaling \$244,589.

OWRB 2012a Loan- On November 15, 2012, the Wagoner Public Works Authority signed a promissory note with the Oklahoma Water Resources Board in the sum of \$1,200,000. The purpose of this promissory note was the construction of improvements to the drinking water system. Interest is to accrue at the fixed rate of 2.17% per annum inclusive of administrative fees of one half of one percent. The Authority has pledged and assigned the revenues and receipts derived from the operations of water, sanitary sewer, solid waste management, and electric systems as security. Semi-annual payments of principal, interest and administrative fees to be paid directly to OWRB's trustee bank every March and September 15th. The balance as of June 30, 2015 was \$863,675.

OWRB 2013 Loan- On August 26, 2013, the Wagoner Public Works Authority signed a promissory note with the Oklahoma Water Resources Board in the sum of \$7,710,000. The purpose of this promissory note was the construction of improvements to the drinking water system. This note shall bear interest at a rate of 3.12% per annum plus an administrative fee of 0.5% per annum on the outstanding balance of disbursed loan proceeds. The interest and administrative fee payments shall be made on a semi-annual basis, commencing on March 15, 2014 and continuing each March 15 and September 15 thereafter for the term of the loan. The principal repayment shall begin on the earlier of March 15 and September 15 following the project completion date or September 15, 2015 and shall continue semiannually for the term of the loan. The Authority has pledged and assigned the revenues and receipts derived from the operations of water, sanitary sewer, solid waste management, and electric systems as security. The balance as of June 30, 2015 was \$7,785,172.

A summary of the notes payables follows:

	Balance 6/30/2014	Proceeds	Principal Payment	Balance 6/30/2015
OWRB 2008 Stimulus Loan	716,157	0	33,865	682,292
OWRB 2012a Loan	920,495	0	56,820	863,675
OWRB Water Plant Loan	3,710,000	0	500,000	3,210,000
OWRB Note 8-29-12 OIP	124,200	0	27,389	96,811
Debt Defeasance Costs	(313,787)	0	(69,198)	(244,589)
OWRB 2013 Loan	7,710,000	75,172	0	7,785,172
	<u>12,867,065</u>	<u>75,172</u>	<u>548,876</u>	<u>12,393,361</u>

Debt service requirements:

	Current Maturities	Debt Service
2016	572,509	741,635
2017	419,894	569,274
2018	431,906	569,306
2019	454,133	568,464
2020	466,396	564,463
2021-2025	1,761,704	1,962,869
2026-2030	474,196	507,865
2031-3035	27,449	27,877
Thereafter	0	0
Total	<u>4,608,187</u>	<u>5,511,753</u>

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NOTE 11 - USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts could differ from these estimates.

NOTE 12 – NET ASSETS

Government-wide Funds	<u>Governmental</u>	<u>Business- Type</u>	<u>Total</u>
Capital Assets, Net (Note 5)	6,861,833	20,662,175	27,524,008
OWRB 2005 & 2009 Notes	0	(12,392,361)	(12,392,361)
American Bank, Co-Signatory County Fire Dept	0	0	0
First National Bank, Ambulance Note	(21,401)	(316,213)	(337,614)
Investment in Capital Assets, net of related debt	<u>6,840,432</u>	<u>7,953,601</u>	<u>14,794,033</u>
Net Assets Restricted for: Other Purposes			
Debt Service	0	1,431,984	1,431,984
Cash and CD's	0	687,286	687,286
Compensated Absences	126,873	105,840	232,713
Encumbrances & Accounts Payable	425,310	523,347	948,657
Pension Liability-Fire	1,117,044	0	1,117,044
Non Major Restricted: Court, Ins Resv, Cemetery	262,353	0	262,353
Sales Tax EDF Net Assets	1,115,233	0	1,115,233
Street Fund Net Assets	74,977	0	74,977
Fall, Christmas and 4th July	72,544	0	72,544
Restricted for Other Purposes	<u>3,194,334</u>	<u>2,748,457</u>	<u>5,942,791</u>
Total Invested/Restricted Net Assets:	<u>\$10,034,766</u>	<u>\$10,702,058</u>	<u>20,736,824</u>
Total Unrestricted Net Assets:	<u>(1,925,231)</u>	<u>2,907,589</u>	<u>982,358</u>
Total Net Assets	<u>8,109,535</u>	<u>13,609,647</u>	<u>21,719,182</u>

Governmental Funds	<u>General Fund</u>	<u>Economic Development Fund</u>	<u>Street Sales Tax Fund</u>	<u>Non Major Fund</u>	<u>Total Governmental Funds</u>
Restricted: Non Major Funds					
Court	0	0	0	20,014	20,014
Insurance Reserve	0	0	0	162,839	162,839
Cemetery Fund	0	0	0	65,961	65,961
Restricted: Total	<u>0</u>	<u>0</u>	<u>0</u>	<u>248,814</u>	<u>248,814</u>
Committed: Total	0	1,115,233	74,977	0	1,190,210
Assigned:					
Accts Payable, Accrued Exp.	512,829	0	0	0	512,829
Fall Festival	0	0	0	11,490	11,490
Christmas Festival	0	0	0	13,830	13,830
Fourth of July	0	0	0	60,763	60,763
Assigned: Total	<u>512,829</u>	<u>0</u>	<u>0</u>	<u>86,083</u>	<u>598,912</u>
Unassigned: Total	553,404	0	0	0	553,404
Total Governmental Funds	<u>1,066,233</u>	<u>1,115,233</u>	<u>74,977</u>	<u>334,897</u>	<u>2,591,340</u>

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

CITY OF WAGONER

NOTE 13 - RETIREMENT PLANS

Each qualified employee is included in one of two retirement plans in which the City participates. These are the Pooled Funding Group Annuity Contract, and Oklahoma Firefighters' Pension Fund. The City does not maintain the accounting records, hold the investments or administer the firefighters' plan. The firefighters' plan is a statewide system administered by the State of Oklahoma. The Pooled Funding Group Annuity Contract is administered by New York Life Investment Management LLC who also has custody of the assets.

A summary of significant information for each of the retirement plans follows:

A. Pooled Funding Group Annuity Contract:

Plan Description -The City contributes to the Pooled Funding Group Annuity Contract, ("Plan") which is a cost-sharing multiple employer defined contribution pension plan. The Plan was established by the City in accordance with the City Charter and State statutes. All full-time employees of the City and related agencies, except employees covered under the pension program established for firefighters, are eligible to participate in the system. The Plan covers two participating entities, the City of Wagoner and the Wagoner Public Works Authority. Administrative costs of the Plan are paid by the City of Wagoner and Wagoner Public Works Authority. The Plan issues a stand-alone financial report and is not included in the report of a public employee retirement system or the report of the City. The underwriter for the City's retirement plan is the New York Life Insurance Company. Terms of the retirement plan are as follows:

- The City pays into the fund an amount equal to 8% of each employee's base salary.
- An employee must be employed by the City a minimum of three years to be eligible to draw partial retirement.
- Amounts paid in for employees who terminate their employment with the City and have been employed by the City for less than three years, are distributed equally among all employees still in the retirement plan.
- An employee is eligible for full retirement at the end of seven years of service.

B. Oklahoma Firefighters' Pension:

The Oklahoma Firefighters Pension and Retirement System (the "System") was established by legislative act and became effective on January 1, 1981. The System assumed responsibility for all previous existing municipal firefighters' pension plans in the state of Oklahoma. These municipalities transferred all existing pension assets and pension payment obligations to the System. The System recorded the investments at fair value as of the date of transfer. The System is administered by a 13-member board which acts as a fiduciary for investment of funds and the application of plan interpretations. At June 30, 2015, there were 471 cities, 24 fire protection districts, and 123 county fire departments participating in the System. For report purposes, the System is deemed to be the administrator of the Oklahoma Firefighters Pension and Retirement Plan (the "Plan"). The State of Oklahoma remits, through the Oklahoma Insurance Department, a portion of the insurance premium taxes collected by authority of the State of Oklahoma. As a result of these contributions, the State of Oklahoma is considered a non-employer contributing entity to the Plan.

The System is a part of the State of Oklahoma financial reporting entity, which is combined with other similar funds (multiple-employer, cost-sharing) to comprise the fiduciary pension trust funds of the State of Oklahoma.

The Oklahoma Firefighters Pension and Retirement System Board of Trustees (the "Board") is responsible for the operation, administration, and management of the System. The Board also determines the general investment policy of the System's assets. The Board is comprised of 13 members. Five members shall be the Board of Trustees of the Oklahoma State Firefighters Association, a 5-year term. One member shall be the President of the Professional Firefighters of Oklahoma or his designee. One member shall be appointed by the Speaker of the House of Representatives, a 4-year term. One member shall be appointed by the President Pro Tempore of the Senate, a 4-year term. Two members shall be appointed by the President of the Oklahoma Municipal League, a 4-year term. One member shall be the State Insurance Commissioner or his designee. One member shall be the Director of the Office of Management and Enterprise Services or his designee.

Benefits Provided.

In general, the Plan provides defined retirement benefits based on members' final average compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon death of eligible members. The Plan's benefits are established and amended by Oklahoma statute. Retirement provisions are as follows:

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Normal Retirement

Hired Prior to November 1, 2013

Normal retirement is attained upon completing 20 years of service. The normal retirement benefit is equal to 50% of the member's final average compensation. Final average compensation is defined as the monthly average of the highest 30 consecutive months of the last 60 months of participating service. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month.

Hired After November 1, 2013

Normal retirement is attained upon completing 22 years of service. The normal retirement benefit is equal to 55% of the member's final average compensation. Final average compensation is defined as the monthly average of the highest 30 consecutive months of the last 60 months of participating service. Also participants must be age 50 to begin receiving benefits. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month.

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in-the-line-of-duty is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per year of service, with a maximum of 30 years of service. For disabilities not-in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation, based on the most recent 60-month salary as opposed to 30 months. For volunteer firefighters, the not-in-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-line-of-duty pension is \$150.60 with less than 20 years of service, or \$7.53 per year of service, with a maximum of 30 years.

A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit. For the years ended June 30, 2015 and 2014, total death benefits of \$931,666 and \$875,000, respectively, were paid from the Plan.

Terminations

Hired Prior to November 1, 2013

A member who terminates after 10 years of credited service is eligible for a vested severance benefit determined by the normal retirement formula, based on service and salary history to date of termination. The benefit is payable at age 50, or when the member would have completed 20 years of service, whichever is later, provided the member's contribution accumulation is not withdrawn. Members terminating with less than 10 years of credited service may elect to receive a refund of their contribution accumulation without interest.

Hired After November 1, 2013

A member who terminates after 11 years of credited service is eligible for a vested severance benefit determined by the normal retirement formula, based on service and salary history to date of termination. The benefit is payable at age 50, or when the member would have completed 22 years of service, whichever is later, provided the member's contribution accumulation is not withdrawn. Members terminating with less than 11 years of credited service may elect to receive a refund of their contribution accumulation without interest.

Firefighters hired prior to November 1, 2013, with 20 or more years of service may elect to participate in the Oklahoma Firefighters Deferred Retirement Option Plan (the "Deferred Option Plan"). Firefighters hired after November 1, 2013, with 22 or more years or more of service may elect to participate in the Deferred Option Plan. Active participation (having benefit payments credited to the account) in the Deferred Option Plan shall not exceed 5 years. Under the Deferred Option Plan, retirement benefits are calculated based on compensation and service at the time of election. The retirement benefits plus half of the municipal contributions on behalf of the participant are deposited into a deferred retirement account. The Deferred Option Plan accounts are credited with interest at a rate of 2% below the rate of return on the investment portfolio of the Plan, with a guaranteed minimum interest rate equal to the assumed actuarial interest rate of 7.5%, as approved by the Board. The participant is no longer required to make contributions. Upon retirement, the firefighter receives his/her monthly retirement benefit as calculated at the time of election. The member can elect to

CITY OF WAGONER

either leave the account balance accumulated in the Deferred Option Plan account or they can elect to have the balance paid to them either as a lump sum or in specified monthly payments. If the member elects to leave their account balance in the Deferred Option Plan account, they will continue to earn interest on their balance at the rate described above; however, no more benefit payments will be credited to their account. The member can leave their account balance in the Deferred Option Plan account until the age of 70¹/₂. When the member reaches 70¹/₂ years of age, they must either begin receiving regular monthly payments, based on the annuity method, or a lump sum distribution. As of June 30, 2015, there were 1,254 members actively participating in the Deferred Option Plan.

The Deferred Option Plan was modified effective November 1, 2013, to limit post-retirement interest for new members to a rate of return on the portfolio, less a 1% administrative fee. In addition, the members participating must withdraw all money by the age of 70¹/₂.

In the 2003 Legislative Session, Senate Bill 286 and House Bill 1464 created a "Back" DROP for members of the System effective July 1, 2003. The "Back" DROP is a modified deferred retirement option plan. The "Back" DROP allows the member flexibility by not having to commit to terminate employment within 5 years. Once a member has met their normal retirement period of 20 years for those hired prior to November 1, 2013, and 22 years for those hired after November 1, 2013, the member can choose, upon retirement, to be treated as if the member had entered into the Deferred Option Plan. A member, however, cannot receive credit to the Deferred Option Plan account based upon any years prior to when the member reached their normal retirement date. Once a member is ready to retire, the member can make the election to participate in the "Back" DROP and can receive a Deferred Option Plan benefit based upon up to 5 years of participation. The member's regular retirement benefit will not take into account any years of service credited to the "Back" DROP. As of June 30, 2015, there were 1,050 members participating in the "Back" DROP.

Firefighters with 20 years of service or who were receiving pension benefits as of May 26, 1983, are entitled to post-retirement adjustments equal to one-half the increase or decrease for top-step firefighters. Pensions will not be adjusted below the level at which the firefighter retired.

Summary of Significant Accounting Policies

Financial reporting information pertaining to the City's participation in the Oklahoma Firefighters Pension and Retirement Plan ("OFPRP") is prepared in Change in Accounting Principle Net Position as previously reported at June 30, 2014: \$9,237,910 Prior period adjustment: \$1,082,251 Deferred outflows: \$25,786 Deferred inflows: \$163,823 Total prior period adjustment \$1,220,288 Net Position as restated, July 1, 2014 \$8,017,622 accordance with Governmental Accounting Standards Board ("GASB") Statement No. 68, Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date.

The fiduciary net position, as well as additions to and deductions from the fiduciary net position, of OFPRP have been determined on the same basis as they are reported by OFPRP. The financial statements were prepared using the accrual basis of accounting. Member and employer contributions are recognized when due, pursuant to formal commitments and statutory requirements. Benefits and refunds of employee contributions are recognized when due and payable in accordance with the statutes governing PSRS. Expenses are recognized when the liability is incurred, regardless of when payment is made. Investments are reported at fair value on a trade date basis. The fiduciary net position is reflected in the measurement of the district's net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense.

Change in Accounting Principle

Net position as of July 1, 2014, has been restated as follows for the implementation of GASB Statement No. 68, as amended by GASB Statement No.71

Net Position as previously reported at June 30, 2014:	<u>\$ 9,237,910</u>
Prior period adjustment:	
Net pension liability	(1,082,251)
Deferred Outflows	25,786
Deferred outflows:	<u>(163,823)</u>
Total prior period adjustment	<u>1,220,288</u>
Net Position as restated, July 1, 2014	<u>\$ 8,017,622</u>

CITY OF WAGONER

NOTE 14 – CONTINGENT LIABILITY

As of June 30, 2015 The Wagoner Public Works Authority is guarantor on a loan for the Wagoner Hospital Authority as described in Note 9. As of June 30, 2015 there does not appear to be a reasonable probability the Wagoner Hospital Authority will default and the Wagoner Public Works will become liable for the balance.

NOTE 15 – SUBSEQUENT EVENT

Wagoner Public Works Authority has planned improvements and expansion of the existing water plant facilities over the next several years. The work is mandated in a report from the Department of Environmental Quality and will be performed by HUB Engineering as the primary contractor. The current cost estimate for the project is \$7,000,000 and will be financed through a loan from the Oklahoma Water Resources Board. As of June 30, 2015 the work in progress was \$3,399,061.

Subsequent events have been evaluated through the date the financial statements were available to be issued and no event was found that needed disclosed. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required



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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

Board of Trustees
City of Wagoner
Wagoner, 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 business-type activities of the City of Wagoner (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 January 28, 2016.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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



Clothier & Company, CPA's, P.C.

January 28, 2016

Required Supplementary Information

City of Wagoner
BUDGET TO ACTUAL COMPARISON
 June 30, 2015

<u>GENERAL FUND</u>	<u>ANNUAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Revenue Summary				
	\$ 4,606,542	\$ 4,584,323	\$ 5,039,962	\$ (455,639)
Adjustments	0	0	0	0
Total Revenue	4,606,542	4,584,323	5,039,962	(455,639)
Expenditure Summary				
General government	912,231	912,231	1,128,243	(216,012)
Public Safety	1,895,131	1,900,006	1,723,196	176,810
Transportation	1,051,217	1,021,292	784,366	236,926
Culture and Recreation	727,363	730,194	1,070,266	(340,072)
Development	20,600	20,600	241,978	(221,378)
Total Expenditures	4,606,542	4,584,323	4,948,049	(363,726)
Excess of Revenue Over (Under) Expenditures	\$0	\$0	\$91,913	(\$91,913)
 EMS				
Revenue Summary				
	\$ 1,290,066	\$ 1,379,747	\$ 1,041,349	338,398
Adjustments	0	0	0	0
Total Revenue	1,290,066	1,379,747	1,041,349	338,398
Expenditure Summary				
Expenditures	1,290,066	1,379,747	1,013,440	366,307
Depreciation Expense	0	0	116,671	(116,671)
	1,290,066	1,379,747	1,130,111	249,636
Adjustments to Expenditures				
Excess of Revenue Over (Under) Expenditures	\$0	\$0	(\$88,762)	\$88,762

City of Wagoner
BUDGET TO ACTUAL CONTINUED

<u>PUBLIC WORKS FUND</u>		ANNUAL BUDGET	AMMENDED BUDGET	ACTUAL	VARIANCE
Revenue Summary					
Total Revenue		\$12,244,725	\$12,244,725	\$10,913,142	\$ 1,331,583
Expenditure Summary					
Water Plant		759,592	759,562	638,278	121,284
Water Distribution		1,773,286	1,773,286	1,560,385	212,901
Water Disposal		1,261,663	1,261,663	360,725	900,938
Water Disposal Distribution		568,542	568,542	314,821	253,721
Electric Distribution		6,914,476	6,914,476	6,357,342	557,134
Electric Office		447,788	447,788	323,783	124,005
Shop		198,624	198,624	177,035	21,589
Inventory Control		55,366	55,366	51,825	3,541
Brush Department		265,418	265,418	192,937	72,481
Bad Debt		0	0	0	0
Depreciation		0	0	651,481	(651,481)
Interest Expense		0	0	407,038	(407,038)
Total Expenditures		12,244,755	12,244,725	11,035,650	1,209,075
Revenues Over (Under) Expenditures		(\$30)	\$0	(\$122,508)	\$122,508

Other Information

CITY OF WAGONER
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Federal Awards:

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Award Amount</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>
Passed through Oklahoma Water Resources Board Safe Drinking Water State Revolving Fund	66.468 ◆	1,221,773	0	1,221,773
Total Federal Awards		<u>1,221,773</u>	<u>0</u>	<u>1,221,773</u>

◆ Major Program

See notes and independent auditors' report.

CITY OF WAGONER
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 31, 2015

Note 1 – Basis of Accounting

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the City's financial statements. The City uses the accrual basis of accounting. Expenditures represent only the federally funded portions of the program. The City records should be consulted to determine amounts expended or matched from non-federal sources.

Note 2 – Program Costs/Matching Contributions

The amounts shown as current year expense represent only the federal grant portion of the costs. Entire costs, including the City's portion, may be more than shown.

Note 3 – Loan Proceeds

Funds received for the expenditures on the Schedule of Expenditures of Federal Awards were from Oklahoma Water Resources Board in the form of a loan. All loan proceeds received are to be paid by Wagoner Public Works Authority to OWRB by the terms set out in the loan agreement.

Other Reports



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

Independent Auditors' Report

To the Board Trustees
City of Wagoner
Wagoner, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited City of Wagoner's (City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of The City's major federal programs for the year ended June 30, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, City of Wagoner complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedure disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and described in the accompanying schedule of findings and questioned costs.

Report on Internal Control over Compliance

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

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

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

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



Clothier & Company CPA's
January 28, 2016

