

CITY OF JENKS, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

**CITY OF JENKS
Jenks, Oklahoma**

CONTENTS

| | Page No. |
|--|-----------------|
| Independent Auditor's Report | 1-2 |
| Management's Discussion and Analysis | 3-9 |
| Basic Financial Statements: | |
| Government-Wide Financial Statements: | |
| Statement of Net Position | 10 |
| Statement of Activities and Changes in Net Position | 11-12 |
| Fund Financial Statements: | |
| Balance Sheet - Governmental Funds | 13 |
| Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position | 14 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | 15 |
| Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Government-Wide Statement of Activities and Changes in Net Position | 16 |
| Statement of Net Position - Proprietary Funds | 17 |
| Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds | 18 |
| Statement of Cash Flows - Proprietary Funds | 19 |
| Statement of Fiduciary Net Position - Fiduciary Funds | 20 |
| Notes to the Basic Financial Statements | 21-40 |
| Required Supplemental Information: | |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Budgetary Basis) and Actual – Governmental Funds | 41-43 |
| Notes to Required Supplemental Information | 44 |

**CITY OF JENKS
Jenks, Oklahoma**

CONTENTS

Page No.

Other Information:

Combining Balance Sheet – Non-Major Governmental Funds 45-47

Combining Statement of Revenues, Expenditures and Changes in Fund Balances –
Non-Major Governmental Funds 48-50

Report Required by *Government Auditing Standards*:

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards* 51-52

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council of the
City of Jenks, 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 the City of Jenks, Oklahoma, (the "City") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2014, 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.

Change in Accounting Principle

As discussed in Note 4 to the financial statements, in fiscal year 2014 the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are 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 9, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



January 9, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014
Unaudited

Introduction

Our discussion and analysis of the City of Jenks financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the transmittal letter and the City's financial statements, which follow.

Overview of Financial Statements and Financial Analysis

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

The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business type activities separately and combined. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt).

Statement of Net Position

The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenditures are taken into account regardless of when cash is received or paid.

These two statements report the City's Net Position and changes in them from the prior year. You can think of the City's net position – the difference between assets and liabilities – as one way to measure the City's financial condition, or position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. However, you must consider other non-financial factors, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

As mentioned above, in the Statement of Net Position and the Statement of Activities we divide the City into two kinds of activities:

- Governmental activities – Most of the City's basic services are reported here, including the police, fire, general administration, streets, and parks. Sales taxes, franchise fees, and fines finance most of these activities.
- Business-type activities – The City charges a fee to customers to cover the cost of certain services it provides. The City's water and sewer service, Aquarium and Industrial Authority are reported here.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2014

Unaudited

Reporting the City's Most Significant Funds

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

Proprietary funds – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position. In fact, the City's enterprise funds, along with certain capital project funds, are the same as the business-type activities we report in the government-wide statements but provide more details and additional information, such as cash flows.

The City of Jenks' Net Position

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|--|--------------------------------|----------------------|---------------------------------|----------------------|----------------------|----------------------|
| | | | As | | As | |
| | | | Restated | | Restated | |
| | 6/30/14 | 6/30/13 | 6/30/14 | 6/30/13 | 6/30/14 | 6/30/13 |
| Current and other assets | \$ 38,452,132 | \$ 25,811,222 | \$ 37,608,478 | \$ 37,206,335 | \$ 76,060,610 | \$ 63,017,557 |
| Capital assets | 21,349,488 | 21,578,367 | 24,173,494 | 24,699,337 | 45,522,982 | 46,277,704 |
| Total assets | <u>59,801,620</u> | <u>47,389,589</u> | <u>61,781,972</u> | <u>61,905,672</u> | <u>121,583,592</u> | <u>109,295,261</u> |
| Deferred outflows | - | - | 1,074,899 | 927,070 | 1,074,899 | 927,070 |
| Long-term liabilities | 33,947,358 | 21,831,326 | 21,595,835 | 23,835,309 | 55,543,193 | 45,666,635 |
| Other liabilities | 912,489 | 1,026,890 | 1,432,891 | 2,123,155 | 2,345,380 | 3,150,045 |
| Total liabilities | <u>34,859,847</u> | <u>22,858,216</u> | <u>23,028,726</u> | <u>25,958,464</u> | <u>57,888,573</u> | <u>48,816,680</u> |
| Net position: | | | | | | |
| Invested in capital assets, net of related debt | (12,597,870) | (252,959) | 2,577,659 | 864,028 | (10,020,211) | 611,069 |
| Restricted | 31,490,436 | 17,813,518 | 400,847 | 2,503,565 | 31,891,283 | 20,317,083 |
| Unrestricted | 6,049,207 | 6,970,814 | 36,849,639 | 33,506,685 | 42,898,846 | 40,477,499 |
| Total net position | <u>\$ 24,941,773</u> | <u>\$ 24,531,373</u> | <u>\$ 39,828,145</u> | <u>\$ 36,874,278</u> | <u>\$ 64,769,918</u> | <u>\$ 61,405,651</u> |

The above numbers reflect an increase of 1.67% for governmental activities and an increase of 8.01% for business-type activities. Overall, the net position for both governmental and business-type activities increased 5.48% for this last fiscal year.

Governmental activities assets increased by \$12,412,031 or 26.19% in the current fiscal year compared to the prior fiscal year. Liabilities increased by \$12,001,631 or 52.50%.

Business-type activities assets increased by \$24,129 or 0.04% in the current fiscal year compared to the prior fiscal year. Liabilities decreased by \$2,929,737 or 11.29%. The decrease in both assets and liabilities is attributable primarily to a refunding bond issue during the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2014

Unaudited

City of Jenks' Changes in Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 6/30/14 | 6/30/13 | 6/30/14 | As | 6/30/14 | As |
| | | | | Restated | | Restated |
| | | | 6/30/13 | | 6/30/13 | |
| Revenues: | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 657,651 | \$ 589,969 | \$ 14,293,750 | \$ 15,076,444 | \$ 14,951,401 | \$ 15,666,413 |
| Operating grants and contributions | 62,669 | 67,663 | 1,429,885 | 1,071,777 | 1,492,554 | 1,139,440 |
| Capital grants and contributions | - | - | - | - | - | - |
| General revenues: | | | | | | |
| Sales, use and cigarette taxes | 4,050,563 | 3,708,439 | 1,784,338 | 1,720,582 | 5,834,901 | 5,429,021 |
| Franchise fees | 896,964 | 796,558 | - | - | 896,964 | 796,558 |
| Property taxes | 2,449,142 | 2,518,360 | - | - | 2,449,142 | 2,518,360 |
| Intergovernmental | 298,898 | 544,293 | - | - | 298,898 | 544,293 |
| Investment earnings | 51,709 | 16,084 | 72,044 | 59,895 | 123,753 | 75,979 |
| Miscellaneous | 153,358 | 87,245 | 121,123 | 627,918 | 274,481 | 715,163 |
| Sale of property | 14,150 | - | - | - | 14,150 | - |
| Rental receipts | 1,240 | 2,020 | 3,345 | 3,600 | 4,585 | 5,620 |
| Total revenues | 8,636,344 | 8,330,631 | 17,704,485 | 18,560,216 | 26,340,829 | 26,890,847 |
| Expenses: | | | | | | |
| General government | 964,127 | 417,830 | - | - | 964,127 | 417,830 |
| Public safety and judiciary | 4,178,232 | 3,873,601 | - | - | 4,178,232 | 3,873,601 |
| Transportation | 307,708 | 331,534 | - | - | 307,708 | 331,534 |
| Cultural, parks and recreation | 278,917 | 270,651 | - | - | 278,917 | 270,651 |
| Economic development | 228,548 | 128,309 | - | - | 228,548 | 128,309 |
| Unallocated depreciation | 1,450,921 | 1,397,317 | 597,567 | 600,006 | 2,048,488 | 1,997,323 |
| Aquarium | - | - | 4,072,423 | 3,989,524 | 4,072,423 | 3,989,524 |
| Public works | - | - | 8,680,976 | 9,167,538 | 8,680,976 | 9,167,538 |
| Industrial Authority | - | - | 17,218 | 17,218 | 17,218 | 17,218 |
| Financing | 995,396 | 880,649 | 1,204,529 | 1,312,254 | 2,199,925 | 2,192,903 |
| Total expenses | 8,403,849 | 7,299,891 | 14,572,713 | 15,086,540 | 22,976,562 | 22,386,431 |
| Increases in net position before transfers | 232,495 | 1,030,740 | 3,131,772 | 3,473,676 | 3,364,267 | 4,504,416 |
| Transfers | 177,905 | 161,376 | (177,905) | (161,376) | - | - |
| Increase in net position | 410,400 | 1,192,116 | 2,953,867 | 3,312,300 | 3,364,267 | 4,504,416 |
| Net position - beginning of year | 24,531,373 | 23,339,257 | 36,874,278 | 33,561,978 | 61,405,651 | 56,901,235 |
| Net position - end of year | \$ 24,941,773 | \$ 24,531,373 | \$ 39,828,145 | \$ 36,874,278 | \$ 64,769,918 | \$ 61,405,651 |

Governmental -Type Activities

Total revenues in governmental activities increased 3.67% during the year, while operating expenditures increased 15.12%.

Business-Type Activities

Total revenues in business-type activities decreased 4.61% during the year, while operating expenditures decreased 3.41%.

Jenks Aquarium Authority continues to receive annual funds from Vision 2025 in the amount of \$923,076 for aquarium debt service payments.

In reviewing the departmental net (expense) revenue, the Public Works Departments recorded charges for services that exceeded all related expenses. The Aquarium's charges for services were more than related expenses. Included in expenses of the Business-Type Activities are expenses related to debt service requirements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2014

Unaudited

Sales Taxes are received by the Public Works Authority as a requirement for debt coverage and are classified as general revenue on the Statement of Activities. Two of the three cents received are recorded in the General Fund for general operations, if available, and one cent is transferred to the One Cent Capital Fund for debt payments and additional capital improvements.

Budgetary Highlights

General fund revenues have continued to improve and Jenks Public Works Authority revenues have increased nominally.

Capital Assets at Year-end

At the end of June 30, 2014, the City had a little over \$68 million invested in capital assets including police and fire equipment, buildings, water and sewer lines, roads and park facilities.

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|-------------------------|---------------|--------------------------|---------------|---------------|---------------|
| | 6/30/14 | 6/30/13 | 6/30/14 | 6/30/13 | 6/30/14 | 6/30/13 |
| Land | \$ 1,995,504 | \$ 1,650,504 | \$ 1,737,561 | \$ 1,737,561 | \$ 3,733,065 | \$ 3,388,065 |
| Construction in progress | 160,507 | 57,631 | 125,470 | 1,091,922 | 285,977 | 1,149,553 |
| Buildings & Improvement | 7,103,489 | 7,103,489 | 20,000,672 | 19,539,504 | 27,104,161 | 26,642,993 |
| Property & Equipment | 1,535,303 | 1,129,618 | 2,313,978 | 2,138,524 | 3,849,281 | 3,268,142 |
| Exhibits | - | - | 6,082,446 | 5,232,626 | 6,082,446 | 5,232,626 |
| Vehicles | 2,773,822 | 2,773,822 | - | - | 2,773,822 | 2,773,822 |
| Infrastructure | 16,723,910 | 16,355,429 | 7,514,854 | 7,407,772 | 24,238,764 | 23,763,201 |
| Total capital assets | 30,292,535 | \$ 29,070,493 | \$ 37,774,981 | \$ 37,147,909 | \$ 68,067,516 | \$ 66,218,402 |
| Less: Depreciation | (8,943,047) | (7,492,126) | (13,601,487) | (12,448,572) | (22,544,534) | (19,940,698) |
| Total | \$ 21,349,488 | \$ 21,578,367 | \$ 24,173,494 | \$ 24,699,337 | \$ 45,522,982 | \$ 46,277,704 |

Debt Administration

At the end of June 30, 2014, the City had over \$55 million in outstanding notes, bonds, and capital leases. These debts are further detailed below:

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|-------------------------|---------------|--------------------------|---------------|---------------|---------------|
| | 6/30/14 | 6/30/13 | 6/30/14 | 6/30/13 | 6/30/14 | 6/30/13 |
| General obligation bonds | \$ 31,880,000 | \$ 19,760,000 | \$ - | \$ - | \$ 31,880,000 | \$ 19,760,000 |
| Revenue bonds payable | - | - | 20,780,000 | 22,500,000 | 20,780,000 | 22,500,000 |
| Notes payable | 1,938,529 | 1,938,529 | 800,000 | 820,816 | 2,738,529 | 2,759,345 |
| Capital leases payable | 128,829 | 84,870 | 15,835 | 43,552 | 144,664 | 128,422 |
| Total | \$ 33,947,358 | \$ 21,783,399 | \$ 21,595,835 | \$ 23,364,368 | \$ 55,543,193 | \$ 45,147,767 |

Additionally, the City had \$664,240 in accrued compensated absences, benefits payable and utility deposits.

Additionally, the JPWA acts as guarantor for the outstanding bonds and long term note of the Jenks Aquarium Authority as detailed in the above schedule pertaining to JAA in Business-Type Activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2014

Unaudited

Operations Concerns and Anticipated Actions

City of Jenks

The financial portfolios of the cities of the state are substandard compared to similar cities in other states in the nation. The City will continue to work with the State Legislature to strengthen City revenues. Preliminary research would appear to indicate that cities and towns in Oklahoma have broad legal authority to “enterprise” other areas of municipal operations not currently operated in an enterprise manner. Therefore, the City of Jenks through the Jenks Public Works Authority could consider reclassifying additional services for cost recovery as a utility function in the future—in the absence of other, additional revenue generating authority from the Legislature, e.g., ad valorem taxation authority for operations. Another option for greater operating revenue would be an increase in the current city voter authorized sales tax, for example from three percent to four percent on qualifying sales. The City’s primary focus is to continue to encourage growth in existing sources of public income by expansion of private sector entrepreneurship. Given that Jenks is surrounded by other political jurisdictions and given the overall transportation links and geographical factors, the ability to “capture” such private business enterprises are more problematical.

The expenses associated with the City’s general fund are primarily associated with public safety (police and fire functions). With current funding sources and their current growth and projected growth, it is unlikely that the City could sustain additional expenses in this area at any significant level.

The City has been very conservative in its management practices over a long period of time. The City has contained personnel growth and the other operational expenses which reflect the realities of its revenue streams. Evidence of such undertakings are higher than average cash reserves for cities of similar circumstances. Also, public employee productivity and operational innovation have been maintained at high levels allowing for service levels which might be associated with additional increments of funding. In addition, the City has joined with the private sector to achieve a high level of housing and industrial development which have contributed to a strong ad valorem base, again at a strong relative level of population compared to similar cities of size and circumstance. Finally, within this context in calendar 2014, the City received a G.O. Bond Rating of AA+ from Standard & Poor’s Financial Services.

While the challenges to continued operational capabilities are very real, the City is strategically using its reserves and other City Council initiatives to improve its future revenue streams and therefore to provide quality public services. Such undertakings include having development pay its “fair share” in new infrastructure costs which may include pay back agreements to them or to the City for such expansions; for developers to pay reasonable costs for permits associated with public services in construction review of development planning, engineering, and construction inspection; and, in cooperation with other taxing authorities to structure tax increment financing districts and other specialized charges and financing where city authorities and funds can be conservatively leveraged to provide overall projected improvements to future public revenue streams. Finally, the City has used its G.O. Bonding capacity upon voter approval to leverage significant investments in infrastructure improvements (primarily in the areas of street construction) with other state and federal funding sources at great benefit to the local tax payer in their costs and the public uses received.

Economic Factors and Next Year’s Budget

The Oklahoma and Tulsa area economy of which Jenks is a part has a low unemployment rate compared to the nation. However, the state, while improving its overall firm diversification, is still heavily centered to the energy sector. Other significant sectors include agriculture, tourism, health, and aerospace. The City of Jenks is the home to a Kimberly-Clark Manufacturing Facility and two gas fueled power plants. The housing stock is diversified and the community has a higher than average household income. The community is home to two quality public school districts one of which (Jenks Public Schools) has received the prestigious Malcolm Baldrige Award for Public Education. The City is owner (through its Jenks Aquarium Authority) and home to the Oklahoma Aquarium, the only public aquarium of its size and quality in the state and region. The City grew by 77% during the last decade and continues to grow.

The City continues to grow both residentially and commercially with better than average quality developments currently underway. At the beginning of calendar 2015, the City’s sales tax collections were flat compared to the previous year’s reporting period. Overall, it is anticipated that sales tax and most other revenue streams will continue to see further improvement.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2014

Unaudited

Operations Concerns and Anticipated Actions

Jenks Public Works Authority (JPWA)

The City of Jenks is the beneficiary of the Jenks Public Works Authority (JPWA) which is the utility arm of the City. JPWA runs the water distribution system (buying potable water wholesale from the City of Tulsa), the wastewater treatment (by contract with private operator), the wastewater collection system, the storm water system, the refuse system (by contract with private operator), a recycling depot (as a part of a metro trust), the emergency medical system (by contract with a City of Tulsa trust), and the connection to the Tulsa Transit System (by contract). The JPWA is an anchor to the City and its related entities credit worthiness through being the enterprise financial vehicle not only for itself but as guarantor of the other related entities' revenue bonds and loans which are guaranteed by the JPWA revenue stream and its authorizations under the State Constitution and State Statutes.

During the audit period there have been no recourses to such guarantees. Historically, any wholesale water increases by the City of Tulsa to the JPWA have been passed through by rate increases to the Jenks rate payers when these costs have been increased by the wholesale provider. This has been the long-standing policy practice of the policy bodies to do so. It is anticipated that the City of Tulsa will continue to follow its system wide potable water improvement plan which will result in continued rate increases to JPWA over the next 2-3 years at a rate estimated at seven percent per annum. Given that the JPWA does not own its own water supply, rate elasticity is limited. Sanitary sewer rates have higher elasticity at this time. The remaining enterprise functions have low to moderate rate elasticity. Because so much of Jenks residential development is relatively recent (over three decades), the overall infrastructure quality of water and sanitary sewer systems are considered to be above average at this time. In 2015 the JPWA will initiate facility plan studies and evaluations for the Waste Water Treatment Plant and the Sanitary Sewer collection system – lines and lift stations.

The JPWA workforce is supplemented by programs associated with the Oklahoma Department of Corrections as a cost containment measure and such programs are expected to continue into the future.

Economic Factors and Next Year's Budget

The primary factors that affect the health of the water enterprise function of the Jenks Public Works Authority are rates and the weather. Rates elasticity is at least partially influenced by overall economic health within the City and by the size of any rate increases. It is anticipated that the Tulsa Water System wholesale supplier will increase its wholesale rate to the JPWA to seven percent over the next 2-3 years. No additional city rate increase is anticipated at this time. It is anticipated that the emergency medical services rate structure will be increased at a low to moderate level to reflect the continued subsidy of that function metro-wide. No other adjustments to rate functions within the JPWA are known or projected at this time.

Weather impacts on water rate are unpredictable, but past patterns of weather as they relate to water customer usage are reviewed annually. No water rate adjustments relative to weather trends are anticipated at this time.

Generally, as of 2015, it is estimated that overall rate elasticity for all sources of services is low to moderate.

Finally, the JPWA from time - to - time uses its resources as a stimulus to increase economic activity in the City to the benefit of increasing the JPWA customer base; to the benefit of increasing the overall economic performance of the City and its other related entities, such as the Oklahoma Aquarium; and, to the benefit of private development, such as the pre-funding of Tax Increment Financing (TIF) projects. In the case of TIF pre-funding the JPWA is first in-line for reimbursement from TIF proceeds for advance funds. Currently JPWA has authorized the advance of \$4,000,000 from its fund balances toward the construction of a five (5) floor parking garage in a new mixed development close to Downtown Jenks and the Arkansas River entrance to the City.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2014

Unaudited

Operations Concerns and Anticipated Actions

Jenks Aquarium Authority (JAA)

It is anticipated that the overall gate attendance will be flat or will grow slowly until the sea turtle exhibit and the re-work of the coral reef exhibit are in place. Therefore, it is imperative that costs be contained while at the same time expanding opportunities for new experiences for guests coming to the Aquarium and marketing such experiences more effectively.

No operating subsidy has been necessary as of this date, although the City of Jenks and its related entities do provide indirect costs to the Jenks Aquarium Authority operations, primarily in the areas of accounting and human resources support. Aquarium operating revenues have limited elasticity to be achieved from charges in the form of gate receipts. Therefore, in addition to growth in attendance, catering sales, and special programming sales, it is essential to expand revenue streams through research contracts and grants and other revenue enhancement components in support of future operating revenue requirements.

A small operation subsidies may be required from retained earnings (fund balance) over the next several years while the aforementioned endeavors yield improved financial results. Other cost containment measures such as relocation of the small animal holding facility to the Aquarium campus, the consolidation of small exhibits into larger presentations, and the retro-fitting of Aquarium HVAC to geo-thermal systems in phases.

The financial contributions by Tulsa County voters toward debt retirement costs are providing needed bridge debt financing. Tulsa County funds for these purposes are no longer available after fiscal year 2016-2017 and therefore debt requirements will have to be subsidized by the beneficiary or one of its related entities and/or other sources. The beneficiary, the City of Jenks, acting through City Council has authorized by Resolution a dedicated revenue source from its related entity, the Jenks Public Works Authority, to provide the equivalent debt financing upon the expiration of the County funding.

Finally, although the Aquarium's long term debt impacts its ability to reinvest in capital facility maintenance and therefore physical replacement and maintenance is an on-going concern, the refinancing of Jenks Aquarium Authority Debt has enabled the Authority to dedicate the savings or difference in the operating budget for debt to facility refurbishment and replacement.

Economic Outlook

The three core markets for the Oklahoma Aquarium are the Tulsa, Oklahoma metropolitan area, the Oklahoma City metropolitan area, and the Springdale/Bentonville, Arkansas metropolitan area. Other geographic markets include South and Southeast Kansas, Southwest Missouri, and North Central Texas. The Aquarium is attracting significant attendance from all of these areas, and it is anticipated that these markets offer substantial additional opportunities for revenue growth. The region enjoys relatively low unemployment compared to the Nation. Individual and family income growth is expected to remain flat to incremental in growth. This will translate into slow incremental growth for the Aquarium in the absence of dramatic benefits from marketing or other programming efforts. The Oklahoma Aquarium remains a major cultural, recreational, entertainment, and educational point of destination for the Tulsa metropolitan area, the state of Oklahoma, and the Northeast Oklahoma multi-state region. Greater market penetration should be feasible regardless of slow to moderate overall economic growth in these geographic areas.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's Office at P.O. Box 2007, Jenks, OK 74037 or phone at (918) 299-5883.

CITY OF JENKS
STATEMENT OF NET POSITION
June 30, 2014

| | Primary Government | | |
|---|------------------------------------|-------------------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Assets: | | | |
| Cash and investments: | | | |
| Cash & cash equivalents (Note 1) | \$ 8,981,260 | \$ 20,265,796 | \$ 29,247,056 |
| Investments | 26,227,776 | 15,231,763 | 41,459,539 |
| Receivables (net of allowance for uncollectibles): | | | |
| Services | 95,305 | 1,740,951 | 1,836,256 |
| Taxes | 731,264 | - | 731,264 |
| Interest | 8,867 | 11,348 | 20,215 |
| Notes receivable | 1,938,529 | - | 1,938,529 |
| Due to/from other funds (Note 2D) | 469,131 | (469,131) | - |
| Restricted assets: | | | |
| Investments | - | 426,904 | 426,904 |
| Bond fund/cash & investments (Note 1) | - | 400,847 | 400,847 |
| Capital assets: | | | |
| Land and construction in progress | 2,156,011 | 1,863,031 | 4,019,042 |
| Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 2) | 19,193,477 | 22,310,463 | 41,503,940 |
| Total assets | 59,801,620 | 61,781,972 | 121,583,592 |
| Deferred outflows of resources: | | | |
| Deferred loss | - | 1,074,899 | 1,074,899 |
| Total deferred outflows | - | 1,074,899 | 1,074,899 |
| Liabilities: | | | |
| Current liabilities: | | | |
| Accounts payable | 189,209 | 778,514 | 967,723 |
| Accrued compensated absences payable (Note 1) | 157,143 | 80,193 | 237,336 |
| Unearned membership revenues | - | 136,403 | 136,403 |
| OPEB liability | 102,633 | - | 102,633 |
| Accrued interest payable | 463,504 | - | 463,504 |
| Interest payable | - | 10,877 | 10,877 |
| Security deposits | - | 426,904 | 426,904 |
| Revenue bonds payable (Note 2) | - | 430,000 | 430,000 |
| Leases payable (Note 2) | 56,883 | 15,835 | 72,718 |
| Notes payable (Note 2) | 232,809 | - | 232,809 |
| Revenue bonds payable (Note 2) | 1,640,000 | - | 1,640,000 |
| Non-current liabilities: | | | |
| Leases payable (Note 2) | 71,946 | - | 71,946 |
| Notes payable (Note 2) | 1,705,720 | 800,000 | 2,505,720 |
| Revenue bonds payable (Note 2) | 30,240,000 | 20,350,000 | 50,590,000 |
| Total liabilities | 34,859,847 | 23,028,726 | 57,888,573 |
| Net position: | | | |
| Invested in capital assets, net of related debt | (12,597,870) | 2,577,659 | (10,020,211) |
| Restricted | 31,490,436 | 400,847 | 31,891,283 |
| Unrestricted | 6,049,207 | 36,849,639 | 42,898,846 |
| Total net position | \$ 24,941,773 | \$ 39,828,145 | \$ 64,769,918 |

The accompanying notes are an integral part of the basic financial statements.

CITY OF JENKS
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
Year Ended June 30, 2014

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense)/ Revenue |
|---------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental activities: | | | | | |
| General government: | | | | | |
| City clerk | \$ 149,418 | \$ - | \$ - | \$ - | \$ (149,418) |
| City manager | 90,429 | - | - | - | (90,429) |
| City treasurer | 43,133 | - | - | - | (43,133) |
| General government | 681,147 | 345,174 | 62,669 | - | (273,304) |
| Total general government | 964,127 | 345,174 | 62,669 | - | (556,284) |
| Public safety and judiciary: | | | | | |
| City attorney | 171,457 | - | - | - | (171,457) |
| Inspections | 59,294 | - | - | - | (59,294) |
| Fire | 1,918,029 | - | - | - | (1,918,029) |
| Municipal court | 69,194 | 312,477 | - | - | 243,283 |
| Police | 1,829,410 | - | - | - | (1,829,410) |
| 911 services | 61,780 | - | - | - | (61,780) |
| Animal control | 66,825 | - | - | - | (66,825) |
| Courtesy patrol | 593 | - | - | - | (593) |
| Civil defense | 1,650 | - | - | - | (1,650) |
| Total public safety and judiciary | 4,178,232 | 312,477 | - | - | (3,865,755) |
| Transportation: | | | | | |
| Streets | 307,708 | - | - | - | (307,708) |
| Total transportation | 307,708 | - | - | - | (307,708) |
| Cultural and recreation: | | | | | |
| Parks | 278,917 | - | - | - | (278,917) |
| Total cultural and recreation | 278,917 | - | - | - | (278,917) |
| Economic development | | | | | |
| Economic development | 228,548 | - | - | - | (228,548) |
| Total economic development | 228,548 | - | - | - | (228,548) |
| Financing costs | 995,396 | - | - | - | (995,396) |
| Unallocated depreciation* | 1,450,921 | - | - | - | (1,450,921) |
| Total governmental activities | 8,403,849 | 657,651 | 62,669 | - | (7,683,529) |
| Business-type activities | | | | | |
| Aquarium | 4,072,423 | 4,085,975 | 1,429,885 | - | 1,443,437 |
| General operations | 2,189,785 | 524,508 | - | - | (1,665,277) |
| Industrial Authority | 17,218 | 5,204 | - | - | (12,014) |
| Water | 4,881,416 | 7,304,022 | - | - | 2,422,606 |
| Sewer | 695,421 | 1,465,435 | - | - | 770,014 |
| Solid waste | 914,354 | 908,606 | - | - | (5,748) |
| Financing costs | 1,204,529 | - | - | - | (1,204,529) |
| Unallocated depreciation* | 597,567 | - | - | - | (597,567) |
| Total business-type activities | 14,572,713 | 14,293,750 | 1,429,885 | - | 1,150,922 |
| Total | \$ 22,976,562 | \$ 14,951,401 | \$ 1,492,554 | \$ - | \$ (6,532,607) |

(continued on following page)

* - This amount does not include the depreciation that is included in the direct expenses of various programs.

The accompanying notes are an integral part of the basic financial statements.

CITY OF JENKS
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
Year Ended June 30, 2014

(Continued)

| | Net (Expense) Revenue and Changes in Net Position | | |
|---|--|----------------------|---------------|
| | Governmental | Business-Type | Total |
| | Activities | Activities | Total |
| Net (expense)/revenue | (7,683,529) | 1,150,922 | (6,532,607) |
| General revenues: | | | |
| Taxes: | | | |
| Sales, use, hotel, gross receipts and cigarette taxes | 4,050,563 | 1,784,338 | 5,834,901 |
| Franchise taxes | 896,964 | - | 896,964 |
| Property taxes | 2,449,142 | - | 2,449,142 |
| Intergovernmental | 298,898 | - | 298,898 |
| Investment earnings | 51,709 | 72,044 | 123,753 |
| Miscellaneous | 153,358 | 121,123 | 274,481 |
| Sale of property | 14,150 | - | 14,150 |
| Rental receipts | 1,240 | 3,345 | 4,585 |
| Transfers | 177,905 | (177,905) | - |
| Total general revenues and transfers | 8,093,929 | 1,802,945 | 9,896,874 |
| Change in net position | 410,400 | 2,953,867 | 3,364,267 |
| Net position - beginning of year - restated | 24,531,373 | 36,874,278 | 61,405,651 |
| Net position - end of year | \$ 24,941,773 | \$ 39,828,145 | \$ 64,769,918 |

The accompanying notes are an integral part of the basic financial statements.

**CITY OF JENKS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014**

| | <u>General Fund</u> | <u>Debt Service Sinking Fund</u> | <u>Capital Projects 2014 GO Bond Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|--|---|---|---|
| Assets: | | | | | |
| Cash and investments: | | | | | |
| Cash & cash equivalents (Note 1) | \$ 3,628,828 | \$ 1,214,167 | \$ 333,487 | \$ 3,804,778 | \$ 8,981,260 |
| Investments | 3,422,542 | 852,370 | 12,243,828 | 9,709,036 | 26,227,776 |
| Receivables (net of allowance for uncollectibles): | | | | | |
| Accounts receivable | 48,812 | - | - | 46,493 | 95,305 |
| Taxes | 682,555 | 48,709 | - | - | 731,264 |
| Interest | 2,634 | 106 | 484 | 5,643 | 8,867 |
| Due from other funds (Note 2D) | 245,913 | 15,918 | - | 371,351 | 633,182 |
| Total assets | \$ 8,031,284 | \$ 2,131,270 | \$ 12,577,799 | \$ 13,937,301 | \$ 36,677,654 |
| Liabilities: | | | | | |
| Accounts payable | \$ 75,320 | \$ - | \$ - | \$ 113,889 | \$ 189,209 |
| Due to other funds (Note 2D) | 14,051 | - | - | 150,000 | 164,051 |
| Total liabilities | 89,371 | - | - | 263,889 | 353,260 |
| Fund balance: | | | | | |
| Restricted for: | | | | | |
| Municipal improvement projects | - | - | 12,567,273 | - | 12,567,273 |
| GO bond issues | 2,810,312 | - | - | - | 2,810,312 |
| Debt service | - | 2,125,334 | - | - | 2,125,334 |
| Other purposes | - | - | - | 13,618,118 | 13,618,118 |
| Committed to: | | | | | |
| Municipal improvement projects | - | - | 10,526 | - | 10,526 |
| Debt service | - | 5,936 | - | - | 5,936 |
| Future budget years | 294,314 | - | - | - | 294,314 |
| Other purposes | - | - | - | 58,623 | 58,623 |
| Unassigned | 4,837,287 | - | - | (3,329) | 4,833,958 |
| Total fund balance | 7,941,913 | 2,131,270 | 12,577,799 | 13,673,412 | 36,324,394 |
| Total liabilities and fund equity | \$ 8,031,284 | \$ 2,131,270 | \$ 12,577,799 | \$ 13,937,301 | \$ 36,677,654 |

The accompanying notes are an integral part of the basic financial statements.

CITY OF JENKS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT
OF NET POSITION
June 30, 2014

Total Fund Balances - Total Governmental Funds \$ 36,324,394

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

| | |
|--------------------------------------|-----------|
| Notes receivable | 1,938,529 |
| Accrued compensated absences payable | (157,143) |
| OPEB liability | (102,633) |

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:

| | | |
|--------------------------|--------------|--------------|
| Leases payable | (128,829) | |
| Notes payable | (1,938,529) | |
| Revenue bonds payable | (31,880,000) | |
| Accrued interest payable | (463,504) | |
| Total | (34,410,862) | (34,410,862) |

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

| | | |
|--------------------------|--------------|------------|
| Land | \$ 1,995,504 | |
| Construction in process | 160,507 | |
| Buildings & Improvements | 7,103,487 | |
| Furniture and equipment | 1,420,694 | |
| Vehicles | 2,888,432 | |
| Infrastructure | 16,723,911 | |
| Accumulated depreciation | (8,943,047) | |
| Total | 21,349,488 | 21,349,488 |

Net position of governmental activities **\$ 24,941,773**

The accompanying notes are an integral part of the basic financial statements.

CITY OF JENKS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

| | <u>General Fund</u> | <u>Debt Service Sinking Fund</u> | <u>Capital Projects 2014 GO Bond Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|--|---|---|---|
| Revenues: | | | | | |
| Charges for services | \$ 88,259 | \$ - | \$ - | \$ - | \$ 88,259 |
| Licenses and permits | 256,915 | - | - | - | 256,915 |
| Interest | 14,286 | 2,128 | 10,526 | 24,769 | 51,709 |
| Franchise fees | 896,964 | - | - | - | 896,964 |
| Intergovernmental programs | 31,327 | - | - | 267,571 | 298,898 |
| Fines and forfeits | 312,477 | - | - | - | 312,477 |
| Rental receipts | 1,240 | - | - | - | 1,240 |
| Miscellaneous revenue | 87,160 | - | - | 66,198 | 153,358 |
| Taxes | 3,584,518 | - | - | 466,045 | 4,050,563 |
| Property taxes | - | 2,449,142 | - | - | 2,449,142 |
| Sale of property | 14,150 | - | - | - | 14,150 |
| Donations and other | - | - | - | 62,669 | 62,669 |
| Total revenues | <u>5,287,296</u> | <u>2,451,270</u> | <u>10,526</u> | <u>887,252</u> | <u>8,636,344</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | 600,175 | 1,600 | 295,443 | 235,356 | 1,132,574 |
| Economic development | - | - | - | 228,548 | 228,548 |
| Public safety | 4,165,468 | - | - | 63,492 | 4,228,960 |
| Highways and roads | 226,407 | - | - | 81,301 | 307,708 |
| Cultural and recreational | 259,304 | - | - | 19,613 | 278,917 |
| Debt Service: | | | | | |
| Principal | 58,656 | 1,640,000 | - | - | 1,698,656 |
| Interest expense | 2,533 | 835,034 | - | - | 837,567 |
| Capital outlay | 160,017 | - | - | 1,062,025 | 1,222,042 |
| Total expenditures | <u>5,472,560</u> | <u>2,476,634</u> | <u>295,443</u> | <u>1,690,335</u> | <u>9,934,972</u> |
| Excess of revenues over (under) expenditures | (185,264) | (25,364) | (284,917) | (803,083) | (1,298,628) |
| Other financing uses: | | | | | |
| Lease proceeds | 102,615 | - | - | - | 102,615 |
| Bond proceeds | - | - | 13,760,000 | - | 13,760,000 |
| Operating transfers in (out) | 523,367 | - | (897,284) | 551,822 | 177,905 |
| Total other financing uses | <u>625,982</u> | <u>-</u> | <u>12,862,716</u> | <u>551,822</u> | <u>14,040,520</u> |
| Excess of revenues over (under) expenditures & transfers | 440,718 | (25,364) | 12,577,799 | (251,261) | 12,741,892 |
| Fund balance - beginning of year | <u>7,501,195</u> | <u>2,156,634</u> | <u>-</u> | <u>13,924,673</u> | <u>23,582,502</u> |
| Fund balance - end of year | <u>\$ 7,941,913</u> | <u>\$ 2,131,270</u> | <u>\$ 12,577,799</u> | <u>\$ 13,673,412</u> | <u>\$ 36,324,394</u> |

The accompanying notes are an integral part of the basic financial statements.

CITY OF JENKS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
Year Ended June 30, 2014

| | |
|---|---------------------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ 12,741,892 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | |
| Government-Wide Statement of Activities and Changes in Net Position report OPEB liabilities in the period incurred. However, Governmental Funds do not pay on this liability. The amount of the change for the OPEB liability recorded in the current period. | 120,521 |
| Governmental Funds report note and lease proceeds as income. However, in the Government-Wide Statement of Activities and Changes in Net Position, the proceeds received are reported as a liability. This is the amount of proceeds received in the current period. | (13,862,615) |
| Governmental Funds report note and lease payments as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Position, the principal paid on that liability is applied against the liability. This is the amount of principal recorded in the current period. | 1,698,656 |
| Government-Wide Statement of Activities and Changes in Net Position report accrued compensated absences in the period incurred. However, Governmental Funds do not pay on this liability until the employee has left employment. The amount of the change in accrued absences recorded in the current period. | 98,654 |
| The interest paid on notes and leases is recorded as an expense in governmental funds and not as a payment against the accrual. However, in the Government-Wide Statement of Activities and Changes in Net Position, the interest is recorded against the payable. This is the amount of interest paid in the current period. | (157,829) |
| Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. | 1,222,042 |
| Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds. | <u>(1,450,921)</u> |
| Change in Net Position of Governmental Activities | \$ <u><u>410,400</u></u> |

The accompanying notes are an integral part of the basic financial statements.

**CITY OF JENKS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014**

| | Business-type Activities - Enterprise Funds | | | Totals |
|---|--|---|---|----------------------|
| | Public Works Authority (Major) | Aquarium Authority (Major) | Industrial Authority (Non-major) | |
| Assets: | | | | |
| Cash and investments: | | | | |
| Cash & cash equivalents (Note 1) | \$ 16,527,736 | \$ 3,737,501 | \$ 559 | \$ 20,265,796 |
| Investments, at cost | 14,089,958 | 1,141,805 | - | 15,231,763 |
| Receivables (net of allowance for uncollectibles): | | | | |
| Accounts receivable | 1,661,543 | 79,408 | - | 1,740,951 |
| Interest | 10,716 | 632 | - | 11,348 |
| Due from other funds | 505,893 | - | - | 505,893 |
| Restricted assets: | | | | |
| Investments, at cost | 426,904 | - | - | 426,904 |
| Bond fund/cash & investments (Note 1) | 42,005 | 358,842 | - | 400,847 |
| Capital assets: | | | | |
| Land and construction in progress | 1,844,562 | 18,469 | - | 1,863,031 |
| Depreciable buildings, property, equipment & infrastructure, net of depreciation (Notes 1 & 2) | 8,414,483 | 13,484,840 | 411,140 | 22,310,463 |
| Total assets | 43,523,800 | 18,821,497 | 411,699 | 62,756,996 |
| Deferred outflows of resources: | | | | |
| Deferred loss | - | 1,074,899 | - | 1,074,899 |
| Total deferred outflows | - | 1,074,899 | - | 1,074,899 |
| Liabilities: | | | | |
| Current liabilities: | | | | |
| Accounts payable | 706,051 | 72,463 | - | 778,514 |
| Due to other funds | 633,182 | 341,842 | - | 975,024 |
| Unearned membership revenue | - | 136,403 | - | 136,403 |
| Accrued compensated absences payable (Note 1) | 37,954 | 42,239 | - | 80,193 |
| Interest payable | 5,976 | 4,901 | - | 10,877 |
| Security deposits | 426,904 | - | - | 426,904 |
| Revenue bonds payable (Note 2) | 430,000 | - | - | 430,000 |
| Leases payable (Note 2) | 15,835 | - | - | 15,835 |
| Non-current liabilities: | | | | |
| Notes payable (Note 2) | - | 800,000 | - | 800,000 |
| Revenue bonds payable (Note 2) | 3,235,000 | 17,115,000 | - | 20,350,000 |
| Total liabilities | 5,490,902 | 18,512,848 | - | 24,003,750 |
| Net position: | | | | |
| Invested in capital assets, net of related debt | 6,578,210 | (4,411,691) | 411,140 | 2,577,659 |
| Restricted | 42,005 | 358,842 | - | 400,847 |
| Unrestricted | 31,412,683 | 5,436,397 | 559 | 36,849,639 |
| Total net position | \$ 38,032,898 | \$ 1,383,548 | \$ 411,699 | \$ 39,828,145 |

The accompanying notes are an integral part of the basic financial statements.

CITY OF JENKS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2014

| | Business-type Activities - Enterprise Funds | | | Totals |
|---|--|---|---|----------------------|
| | Public Works Authority (Major) | Aquarium Authority (Major) | Industrial Authority (Non-major) | |
| Revenues: | | | | |
| Water revenue | \$ 7,304,022 | \$ - | \$ - | \$ 7,304,022 |
| Sewer revenue | 1,465,435 | - | - | 1,465,435 |
| Solid waste revenues | 908,606 | - | - | 908,606 |
| Licenses and permits | 103,592 | - | - | 103,592 |
| Rental receipts | 3,345 | - | - | 3,345 |
| Fees | - | 2,816,265 | - | 2,816,265 |
| Catering | - | 283,782 | - | 283,782 |
| Gift shop | - | 188,195 | - | 188,195 |
| Other charges | 420,916 | 258,546 | - | 679,462 |
| Miscellaneous | 121,123 | 539,187 | 5,204 | 665,514 |
| Total revenues | 10,327,039 | 4,085,975 | 5,204 | 14,418,218 |
| Operating expenses: | | | | |
| General and administrative | 1,809,525 | - | - | 1,809,525 |
| Economic development | 337,962 | - | - | 337,962 |
| Cultural and recreational | 42,298 | - | - | 42,298 |
| Water service | 4,881,416 | - | - | 4,881,416 |
| Sewer service | 695,421 | - | - | 695,421 |
| Solid waste service | 914,354 | - | - | 914,354 |
| Aquarium operations | - | 3,534,293 | - | 3,534,293 |
| Depreciation | 597,567 | 538,130 | 17,218 | 1,152,915 |
| Total operating expenses | 9,278,543 | 4,072,423 | 17,218 | 13,368,184 |
| Income before non-operating revenues, expenses & transfers | 1,048,496 | 13,552 | (12,014) | 1,050,034 |
| Non-operating revenues (expenses): | | | | |
| Interest revenue | 37,586 | 34,458 | - | 72,044 |
| Interest expense | (79,394) | (645,960) | - | (725,354) |
| Sales and use tax | 1,784,338 | - | - | 1,784,338 |
| Loan costs | - | (468,175) | - | (468,175) |
| Grants and contributions | - | 1,429,885 | - | 1,429,885 |
| Trustee fees | (3,500) | (7,500) | - | (11,000) |
| Total | 1,739,030 | 342,708 | - | 2,081,738 |
| Income (loss) before operating transfers | 2,787,526 | 356,260 | (12,014) | 3,131,772 |
| Transfers in (out) | (200,517) | 7,000 | 15,612 | (177,905) |
| Change in net position | 2,587,009 | 363,260 | 3,598 | 2,953,867 |
| Net position at beginning of year - restated | 35,445,889 | 1,020,288 | 408,101 | 36,874,278 |
| Net position at end of year | \$ 38,032,898 | \$ 1,383,548 | \$ 411,699 | \$ 39,828,145 |

The accompanying notes are an integral part of the basic financial statements.

CITY OF JENKS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2014

Business-type Activities - Enterprise Funds

| | Public Works Authority (Major) | Aquarium Authority (Major) | Industrial Authority (Non-major) | Totals |
|--|---|---|---|----------------------|
| Cash flows from operating activities: | | | | |
| Cash received from customers & service users | \$ 9,901,633 | \$ 4,041,632 | \$ 5,204 | \$ 13,948,469 |
| Cash payments for goods & services & employees | (8,856,198) | (3,603,579) | - | (12,459,777) |
| Other operating revenues | 121,123 | - | - | 121,123 |
| Net cash provided by operating activities | 1,166,558 | 438,053 | 5,204 | 1,609,815 |
| Cash flows from noncapital financing activities: | | | | |
| Contributions | - | 1,429,885 | - | 1,429,885 |
| Change in due to/from accounts | (3,684) | 341,842 | - | 338,158 |
| Sales and use tax | 1,784,338 | - | - | 1,784,338 |
| Operating transfers out to other funds | (2,481,563) | - | - | (2,481,563) |
| Operating transfers in from other funds | 2,281,047 | 7,000 | 15,612 | 2,303,659 |
| Net cash provided (used) for noncapital financing activities | 1,580,138 | 1,778,727 | 15,612 | 3,374,477 |
| Cash flows from capital and related financing activities: | | | | |
| Acquisition & construction of capital assets | (277,054) | (350,018) | - | (627,072) |
| Principal paid on debt | (452,719) | (18,410,001) | (20,816) | (18,883,536) |
| Proceeds from new debt issue | - | 16,461,122 | - | 16,461,122 |
| Interest paid on debt | (79,986) | (1,084,746) | - | (1,164,732) |
| Bond issue costs | - | (468,175) | - | (468,175) |
| Trustee fees | (3,500) | (7,500) | - | (11,000) |
| Net cash provided (used) for capital and related financing activities | (813,259) | (3,859,318) | (20,816) | (4,693,393) |
| Cash flows from investing activities: | | | | |
| (Purchase) liquidation of investments - unrestricted | (6,573) | (1,736) | - | (8,309) |
| Interest on investments | 39,595 | 33,826 | - | 73,421 |
| Net cash provided by investing activities | 33,022 | 32,090 | - | 65,112 |
| Net increase (decrease) in cash & cash equivalents | 1,966,459 | (1,610,448) | - | 356,011 |
| Cash and cash equivalents - beginning of year | 14,603,282 | 5,706,791 | 559 | 20,310,632 |
| Cash and cash equivalents - end of year | \$ 16,569,741 | \$ 4,096,343 | \$ 559 | \$ 20,666,643 |
| Reconciliation of cash: | | | | |
| Unrestricted cash & cash equivalents | 16,527,736 | 3,737,501 | 559 | 20,265,796 |
| Restricted bond fund/cash | 42,005 | 358,842 | - | 400,847 |
| Total | \$ 16,569,741 | \$ 4,096,343 | \$ 559 | \$ 20,666,643 |
| Reconciliation of operating income to net cash provided by operating activities: | | | | |
| Operating income | \$ 1,048,496 | \$ 13,552 | \$ (12,014) | \$ 1,050,034 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | |
| Depreciation | 597,567 | 538,130 | 17,218 | 1,152,915 |
| Change in assets and liabilities: | | | | |
| (Increase) decrease in accounts receivable | (304,283) | (48,541) | - | (352,824) |
| (Increase) decrease in prepaid expense | - | 1,039 | - | 1,039 |
| Increase (decrease) in accounts payable | (175,309) | (75,613) | - | (250,922) |
| Increase (decrease) in unearned revenues | - | 4,198 | - | 4,198 |
| Increase (decrease) in accrued expenses | 87 | 5,288 | - | 5,375 |
| Total adjustments | 118,062 | 424,501 | 17,218 | 559,781 |
| Net cash provided by operating activities | \$ 1,166,558 | \$ 438,053 | \$ 5,204 | \$ 1,609,815 |

The accompanying notes are an integral part of the basic financial statements.

**CITY OF JENKS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2014**

| | Agency Funds |
|--------------------------|--------------------------------|
| Assets: | |
| Cash & cash equivalents | \$ 78,373 |
| Investments | <u>12,413</u> |
| Total assets | \$ <u><u>90,786</u></u> |
| Liabilities: | |
| Due to others | <u>\$ 90,786</u> |
| Total liabilities | \$ <u><u>90,786</u></u> |

The accompanying notes are an integral part of the basic financial statements.

**CITY OF JENKS
Jenks, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Jenks, Oklahoma (the "City") complies with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Reporting Entity

The City of Jenks, Oklahoma is organized under Title 11, Chapter 17 of the State of Oklahoma statutes. The City operates under a council-manager form of government and is governed by a seven-member council. The City provides the following services as authorized by its charter: general government, public safety (fire and police), highways and streets, utility service (water, sewer, and sanitation), welfare, culture, parks and recreation, public improvements, planning and zoning.

As required by accounting principles generally accepted in the United States of America, these financial statements present the activities of the City and its component units and trusts, entities for which the City is considered to be financially accountable. Blended component units and trusts, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with the data of the primary government.

Blended Component Units/Trusts:

The Jenks Public Works Authority (JPWA) was created pursuant to a Trust Indenture, for the benefit of the City of Jenks, Oklahoma. JPWA was established to acquire, construct, develop, equip, operate, maintain, repair, enlarge and remodel water and sanitary sewer facilities for the City of Jenks. The water, sanitary sewer and solid waste disposal systems owned by the City have been leased to JPWA until such date that all indebtedness of the Authority is retired or provided for. JPWA is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes 1991, Section 176, et seq., and is governed by a board consisting of seven council members identical with the City Council. JPWA is exempt from State and Federal Income taxes. JPWA is reported as an enterprise fund.

The Jenks Aquarium Authority (JAA) is a public trust created under and pursuant to the provisions of Title 60, Oklahoma Statutes 1991, Section 176, et seq., for the use and benefit of the City of Jenks, Oklahoma. The JAA was created to finance, develop and operate the Oklahoma Aquarium. Four City Council members and three members of the Oklahoma Aquarium Foundation serve as the governing body (Trustees). JAA is exempt from State and Federal Income taxes. JAA is reported as an enterprise fund.

The Jenks Industrial Authority (JIA) is a public trust created under and pursuant to the provisions of Title 60, Oklahoma Statutes 1951, Section 176, et seq., for the use and benefit of the City of Jenks, Oklahoma. JIA was created to promote the development of industry and to provide additional employment in the Jenks, Oklahoma, area. JIA is exempt from State and Federal Income taxes. JIA is reported as an enterprise fund.

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

**CITY OF JENKS
Jenks, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City’s governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on program revenues are presented as general revenues of the city, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements – During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Major funds represent 10% of assets, liabilities, revenues, or expenditures of the corresponding element for all funds of that category *and* are at least 5% of the corresponding element total for all governmental and enterprise funds combined *or* is a fund that the government believes is important enough for financial statement users to be reported as a major fund. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

Fund Accounting – The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds – are used to account for the government’s general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

**CITY OF JENKS
Jenks, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)

Sales taxes, use taxes, gasoline excise taxes and motor vehicle taxes collected and held by the state and county at year-end on behalf of the City are susceptible to accrual and are recognized as revenue. Other receipts and taxes (franchise taxes, licenses, etc.) become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The following are the City's major governmental funds:

General Fund – is the general operating fund of the City. It accounts and reports for all financial resources not required to be reported in another fund.

Debt Service Fund – accounts for and report financial resources that are restricted, committed, or assigned to principal and interest payments. At balance sheet date there is no known bond, coupon, or judgment indebtedness outstanding.

2014 GO Bond Fund – which accounts for and reports resources that are restricted, committed, or assigned to expenditure for the acquisition or construction of major capital facilities, other than those activities financed by proprietary activities or held in trust for individuals, private organizations or other governments.

Other governmental funds of the City that are considered non-major funds include:

Special Revenue Funds – account for specific revenue sources that are legally restricted or committed to expenditures for specific purposes (not including major capital projects). The following are the City's Special Revenue Funds: Street and Alley, Skyline Improvement, E-911, Police Seizure, Senior Citizens, Home Rebate, City Risk Management, Community Service, Economic Development, Economic Development Accommodation, TIF District #1, Police General Receipts and Park Recreation Funds.

Capital Projects Funds – which accounts for and reports resources that are restricted, committed, or assigned to expenditure for the acquisition or construction of major capital facilities, other than those activities financed by proprietary activities or held in trust for individuals, private organizations or other governments. Capital Project Funds of the City include the 1978 Sanitary Sewer, 2002 GO Bond, 1991 GO Bond, 2006 GO Bond, 2010 GO Bond, CDBG and 1998 Roadway Improvement WWTP Funds.

Permanent Funds – account for and report resources that are restricted to the extent that only earnings (not principal) may be used for purposes that support the reporting government's programs, excluding private-purpose trusts. The fund is accounted for using the modified accrual basis of accounting and the measurement focus is essentially the flow of current financial resources. The City's permanent funds are composed of the Riverwalk Improvement District and the TIF District #1.

**CITY OF JENKS
Jenks, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)

Proprietary Funds – are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds are classified as enterprise.

Enterprise Funds – are used to account for those operations that are financed and operated in a manner similar to private business where the intent of the governing body is that the 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 or where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for capital maintenance, public policy or management accountability.

The following are the City's major enterprise funds:

Jenks Public Works Authority – accounts for the operations of providing public works (water, sewer and sanitation) to the City.

Jenks Aquarium Authority – accounts for the operations of the Oklahoma Aquarium.

The other enterprise fund of the City that is considered a non-major fund includes:

Jenks Industrial Authority – accounts for promotion of the development of industry and provides additional employment in the Jenks, Oklahoma area.

Fiduciary Funds – account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement. Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity. The City's only fiduciary funds are agency funds that are composed of the Municipal Court Fund.

C. Assets, Liabilities and Equity

1. Deposits and Investments

Oklahoma Statutes authorize the City to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the City can invest in direct debt securities of the United States unless law expressly prohibits such an investment.

For financial statement presentation and for purposes of the statement of cash flows, the City's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with maturity date of three months or less. Debt instruments with a maturity date of more than three months from date of issue are considered to be investments. Investments are stated at cost, which approximate market value.

**CITY OF JENKS
Jenks, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

2. Restricted Cash and Investments

The restricted bond fund cash and investments are the result of financial requirements of bond issues and consist of funds held in Bond Fund Reserve Accounts, Bond Fund Principal Accounts, Bond Fund Interest Accounts, Construction Accounts, and Sales Tax Revenue Accounts. Under the terms and provisions of the Bond Indenture, these special accounts and reserve funds are maintained with the Trustee bank for the benefit of the holders of the bonds and are not subject to lien or attachment by any other creditors. These accounts and reserve funds are to be maintained so long as any bonds are outstanding. Monies contained in the accounts and reserve funds held by the Trustee are required to be continuously invested in authorized securities that mature not later than the respective dates when the funds shall be required for the purpose intended by the trust indenture.

3. Fair Value of Financial Instruments

The City's financial instruments include cash and cash equivalents, investments, accounts receivable and accounts payable. The City's estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

4. Estimates

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

5. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from other/due to other funds".

6. Inventories

Inventories in both governmental funds and proprietary funds normally consist of minimal amounts of expendable supplies held for consumption. The costs of such inventories are recorded as expenditures when purchased rather than when consumed.

7. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in the business-type activities column of the government-wide statement of net position and in the respective funds. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$1,000 for the governmental and proprietary funds.

**CITY OF JENKS
Jenks, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

7. Capital Assets (Continued)

The City's infrastructure consists of roads, bridges, culverts, curbs and gutter, streets and sidewalks, drainage system, lighting systems and similar assets that are immovable and of value only to the City. Such infrastructure assets acquired are capitalized in accordance with the requirements of GASB 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value of the asset or materially extend an asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement.

Depreciation is computed using the straight-line method over the following estimated useful lives:

| Description | Governmental Activities Estimated Lives | Business-Type Activities Estimated Lives |
|------------------------|---|--|
| Buildings | 10 - 40 years | 10 - 40 years |
| Other improvements | 5 - 40 years | 5 - 40 years |
| Equipment and vehicles | 3 - 30 years | 3 - 30 years |
| Infrastructure | 5 - 50 years | 5 - 50 years |

8. Compensated Absences

Employees are granted vacation and sick leave based upon length of employment. In the event of termination, the employee is paid for accumulated vacation leave. Payment of sick leave is restricted to those with more than 60 days of accumulated benefits and is limited to a maximum of \$500. Vacation and sick leave is recorded when incurred and sick leave is recorded when vested. The expense and related liability for vested vacation benefits and sick leave is recorded in the respective funds of the City or component unit. The liability is computed based on pay rates in effect as of June 30, 2014.

9. Long-term Obligations

The accounting and reporting treatment applied to long-term liabilities associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Therefore, long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

CITY OF JENKS
Jenks, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

10. Deferred Outflow/Inflow of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

11. Net position/Fund Balance

In the government-wide financial statement, net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation.

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e., fund balance associated with assets that are *not in spendable form*, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

Restricted fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

Committed fund balance represents amount that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment. The City Ordinance is the highest level of decision-making authority of the City.

Assigned fund balance represents amounts that are *intended* to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund*, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

**CITY OF JENKS
Jenks, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

11. Net position/Fund Balance (Continued)

Unassigned fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

12. Resource Use Policy

It is in the City's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the City considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the City's policy that when an expenditure/expense is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available, the City considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

2. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments

Custodial Credit Risk

At June 30, 2014, the City held deposits of approximately \$71,625,132 at financial institutions. These institutions are required by law to pledge securities in addition to Federal Deposit Insurance Corporation (FDIC) insurance at least equal to the amount on deposit at all times. As of June 30, 2014, the balances in cash and certificates of deposit were fully secured.

Investment Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The City has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.

**CITY OF JENKS
Jenks, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014**

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

A. Deposits and Investments (Continued)

- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

Concentration of Investment Credit Risk

Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are excluded from this consideration. The City was not exposed to this risk as defined above.

The investments held at June 30, 2014 are as follows:

| Type | Weighted Average Maturity (Months) | Credit Rating | Market Value | Cost |
|------------------------|---|------------------|----------------------|----------------------|
| Investments | | | | |
| Money Market | N/A | AAAm | \$ 15,327,537 | \$ 15,327,537 |
| Certificate of deposit | 10.59 | N/A | 26,571,319 | 26,620,814 |
| Total investments | | | <u>\$ 41,898,856</u> | <u>\$ 41,948,351</u> |

| Reconciliation to Statement of Net Position | |
|---|-------------------|
| Governmental activities | \$ 26,227,776 |
| Business-type activities | 15,658,667 |
| Agency funds | 12,413 |
| | <u>41,898,856</u> |

B. Uncollectible Accounts

The City's estimate of uncollectible accounts receivable by fund and activity is as follows:

| | General Fund | Jenks Public Works Authority |
|-----------|-------------------|------------------------------------|
| Fines | \$ 364,155 | \$ - |
| Utilities | - | 296,616 |
| | <u>\$ 364,155</u> | <u>\$ 296,616</u> |

**CITY OF JENKS
Jenks, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014**

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

C. Capital Assets

Primary Government capital asset activity for the year ended is as follows:

| Governmental Activities: | Balance 6/30/13 | Additions | Disposals | Balance 6/30/14 |
|--|----------------------|---------------------|-------------|----------------------|
| Non-depreciable assets: | | | | |
| Land | \$ 1,650,504 | \$ 345,000 | \$ - | \$ 1,995,504 |
| Construction in progress | 57,631 | 102,876 | - | 160,507 |
| Total non-depreciable assets | <u>1,708,135</u> | <u>447,876</u> | <u>-</u> | <u>2,156,011</u> |
| Depreciable assets: | | | | |
| Buildings and improvements | 7,103,489 | - | - | 7,103,489 |
| Furniture, fixtures and equipment | 3,903,440 | 405,685 | - | 4,309,125 |
| Infrastructure | 16,355,429 | 368,481 | - | 16,723,910 |
| Total depreciable assets | <u>27,362,358</u> | <u>774,166</u> | <u>-</u> | <u>28,136,524</u> |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | (2,437,998) | (349,005) | - | (2,787,003) |
| Furniture, fixtures and equipment | (2,884,256) | (249,772) | - | (3,134,028) |
| Infrastructure | (2,169,872) | (852,144) | - | (3,022,016) |
| Total accumulated depreciation | <u>(7,492,126)</u> | <u>(1,450,921)</u> | <u>-</u> | <u>(8,943,047)</u> |
| Net depreciable assets | <u>19,870,232</u> | <u>(676,755)</u> | <u>-</u> | <u>19,193,477</u> |
| Net governmental activities capital assets | <u>\$ 21,578,367</u> | <u>\$ (228,879)</u> | <u>\$ -</u> | <u>\$ 21,349,488</u> |

CITY OF JENKS
Jenks, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

C. Capital Assets (Continued)

| Business-Type Activities: | <u>Balance 6/30/13</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance 6/30/14</u> |
|---|----------------------------|--------------------|---------------------|----------------------------|
| Non-depreciable assets: | | | | |
| Land | \$ 1,737,561 | \$ - | \$ - | \$ 1,737,561 |
| Construction in progress | 1,091,922 | - | (966,452) | 125,470 |
| Total non-depreciable assets | <u>2,829,483</u> | <u>-</u> | <u>(966,452)</u> | <u>1,863,031</u> |
| Depreciable assets: | | | | |
| Buildings and improvements | 19,539,504 | 461,168 | - | 20,000,672 |
| Furniture, fixtures and equipment | 2,138,524 | 175,454 | - | 2,313,978 |
| Exhibits | 5,232,626 | 849,820 | - | 6,082,446 |
| Infrastructure | 7,407,772 | 107,082 | - | 7,514,854 |
| Total depreciable assets | <u>34,318,426</u> | <u>1,593,524</u> | <u>-</u> | <u>35,911,950</u> |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | (6,235,255) | (529,491) | - | (6,764,746) |
| Furniture, fixtures and equipment | (1,527,379) | (152,013) | - | (1,679,392) |
| Exhibits | (1,144,149) | (225,604) | - | (1,369,753) |
| Infrastructure | (3,541,789) | (245,807) | - | (3,787,596) |
| Total accumulated depreciation | <u>(12,448,572)</u> | <u>(1,152,915)</u> | <u>-</u> | <u>(13,601,487)</u> |
| Net depreciable assets | <u>21,869,854</u> | <u>440,609</u> | <u>-</u> | <u>22,310,463</u> |
| Net business-type activities capital assets | <u>\$ 24,699,337</u> | <u>\$ 440,609</u> | <u>\$ (966,452)</u> | <u>\$ 24,173,494</u> |

Depreciation expense was charged as a direct expense of the various programs.

**CITY OF JENKS
Jenks, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014**

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

D. Inter-fund balances and activities

Inter-fund receivables and payables at June 30, 2014, were as follows:

| Payable To | Receivable From | Amount |
|-----------------------------------|------------------------|----------------------------|
| General Fund | Public Works Authority | \$ 245,913 |
| Public Works Authority | General Fund | 14,051 |
| Public Works Authority | Skyline | 50,000 |
| Skyline | Public Works Authority | 24,509 |
| City Risk Management | Public Works Authority | 5,000 |
| Economic Development Accomodation | Public Works Authority | 341,842 |
| Public Works Authority | 2010 G.O. Fund | 100,000 |
| G.O. Sinking Fund | Public Works Authority | 15,918 |
| Public Works Authority | Aquarium Authority | 341,842 |
| | | <u><u>\$ 1,139,075</u></u> |

Reconciliation to Fund Financial Statements:

| | Due To | Due From | Net Inter-fund Balances |
|--------------------|----------------------------|------------------------------|-------------------------|
| Governmental Funds | \$ 633,182 | \$ (164,051) | \$ 469,131 |
| Proprietary Funds | 505,893 | (975,024) | (469,131) |
| | <u><u>\$ 1,139,075</u></u> | <u><u>\$ (1,139,075)</u></u> | <u><u>\$ -</u></u> |

Interfund transfers for the year ended June 30, 2014, were as follows:

| Transfer From | Transfer To | Amount |
|-----------------------------------|-------------------------|----------------------------|
| Public Works Authority | General Fund | \$ 184,905 |
| 2014 G.O. Bond | General Fund | 91,733 |
| Economic Development | General Fund | 249,136 |
| Economic Development Accomodation | General Fund | 593 |
| General Fund | Police General Receipts | 3,000 |
| 2014 G.O. Bond | Economic Development | 805,551 |
| Economic Development Accomodation | Aquarium Authority | 7,000 |
| Public Works Authority | Industrial Authority | 15,612 |
| | | <u><u>\$ 1,357,530</u></u> |

Reconciliation to Fund Financial Statements/Statement of Activities:

| | Transfers In | Transfers Out | Net Transfers |
|--------------------|----------------------------|------------------------------|--------------------|
| Governmental Funds | \$ 1,334,918 | \$ (1,157,013) | \$ 177,905 |
| Proprietary Funds | 22,612 | (200,517) | (177,905) |
| | <u><u>\$ 1,357,530</u></u> | <u><u>\$ (1,357,530)</u></u> | <u><u>\$ -</u></u> |

**CITY OF JENKS
Jenks, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014**

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

E. Capitalized Leases

The City has entered into a capitalized lease for the acquisition of police cars. The lease agreements met the criteria of a capital lease as defined by *FASB Accounting Standards Codification (ASC) 840-10*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as expenditures on the fund financial statements.

Lease payable to BancFirst, dated October 25, 2010, in the original amount of \$140,800, payable in 36 monthly installments of \$4,161, including interest at 4.0% for the purchase of 5 police vehicles. This lease was paid off in the current year.

Lease payable to BancFirst, dated September 21, 2011, in the original amount of \$53,895, payable in 36 monthly installments of \$1,593, including interest at 4.0% for the purchase of 2 police vehicles.

Lease payable to BancFirst, dated October 5, 2012, in the original amount of \$25,955, payable in 36 monthly installments of \$764, including interest at 3.75% for the purchase of 2013 Ford Explorer.

Lease payable to BancFirst, dated December 18, 2012, in the original amount of \$29,370, payable in 36 monthly installments of \$858, including interest at 3.25% for the purchase of 2013 Ford F150 truck.

Lease payable to BancFirst, dated April 28, 2014, in the original amount of \$102,615, payable in 36 monthly installments of \$2,986, including interest at 2.99% for the purchase of 3 2014 Ford Explorers.

The following is a summary of capitalized lease transactions for the year:

| | Balance 6/30/2013 | Additions | Deductions | Balance 6/30/2014 | Current Portion 6/30/2014 |
|---------------------------|----------------------|------------|------------|----------------------|---------------------------------|
| Capital lease obligations | \$ 84,870 | \$ 102,615 | \$ 58,656 | \$ 128,829 | \$ 56,883 |

F. Long-term Debt

The City's long-term debt is described below, segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

The governmental long-term debt of the financial reporting entity consisted of the following:

Note payable to BancFirst, dated November 6, 2010, in the original amount of \$2,000,000, payable in quarterly installments of \$136,048.55 for 4 years, including interest at 4.089% for the construction of a public infrastructure. Note payments are set to begin January 6, 2014. A note receivable has also been issued by the City of Jenks with Village on Main who takes control of the public infrastructure upon completion and is responsible for paying to the City a special assessment fee monthly. Only \$1,938,529 has been drawn at this time.

General obligation bonds were issued for the City of Jenks for various municipal improvements and projects. These bonds are approved by the voters and repaid with property taxes recorded in the Debt Service Fund. These bonds are required to be fully paid within 25 years from the date of issue and are backed by the full faith and credit of the City.

**CITY OF JENKS
Jenks, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014**

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

F. Long-term Debt (Continued)

The City issued General Obligation Bonds Series 1999 at an original issue amount of \$3,700,000 with varying interest rates from 3.45% to 4.40% and a maturity date of January 2019.

The City issued General Obligation Bonds Series 2002 at an original issue amount of \$5,970,000 with varying interest rates from 0.125% to 10.0% and a maturity date of January 2022.

The City issued General Obligation Bonds Series 2006 at an original issue amount of \$16,090,000 with varying interest rates from 4% to 5% and a maturity date of February 2026.

The City issued General Obligation Bonds Series 2010 at an original issue amount of \$5,200,000 with varying interest rates from 2.25% to 5.25% and a maturity date of June 2030.

The City issued General Obligation Bonds Series 2014 at an original issue amount of \$13,760,000 with varying interest rates from 1.0% to 4.0% and a maturity date of February 2034.

The following is a summary of long-term debt transactions of the Governmental Activities of the City:

| | Balance 6/30/13 | Additions | Deductions | Balance 6/30/14 | Current Portion 6/30/14 |
|--------------------------|----------------------|----------------------|-----------------------|----------------------|-------------------------------|
| Governmental Activities: | | | | | |
| Bancfirst Note Payable | \$ 1,938,529 | \$ - | \$ - | \$ 1,938,529 | \$ 232,809 |
| 2010 GO Bond | 4,675,000 | - | (275,000) | 4,400,000 | 275,000 |
| 2014 GO Bond | - | 13,760,000 | - | 13,760,000 | - |
| 1999 GO Bond | 1,200,000 | - | (200,000) | 1,000,000 | 200,000 |
| 2002 GO Bond | 2,835,000 | - | (315,000) | 2,520,000 | 315,000 |
| 2006 GO Bond | 11,050,000 | - | (850,000) | 10,200,000 | 850,000 |
| Total | <u>\$ 21,698,529</u> | <u>\$ 13,760,000</u> | <u>\$ (1,640,000)</u> | <u>\$ 33,818,529</u> | <u>\$ 1,872,809</u> |

The business-type long-term debt of the financial reporting entity consisted of the following:

Jenks Public Works Authority:

In 2002, the Jenks Public Works Authority issued \$7,240,000 in Revenue Bonds, Series 2002. The revenue bonds have interest rates varying from 1.80% to 5.15% and a maturity date of June 2022. This bond was refunded into the 2012 refunding bond below.

In 2012, the Authority issued \$4,490,000 in a Refunding Revenue Bonds, Series 2012. The revenue bonds have interest rates varying from 1.40% to 2.5% and a maturity date of June 2022.

Leases payable - The Authority has a note payable to BancFirst, dated July 17, 2012, in the original amount of \$27,479, payable in 36 monthly installments of \$809, including interest at 3.75% for the purchase of 2012 Ford F150.

Leases payable - The Authority has a note payable to BancFirst, dated September 26, 2011, in the original amount of \$26,878, payable in 36 monthly installments of \$794, including interest at 4.0% for the purchase of 2012 Ford Explorer.

**CITY OF JENKS
Jenks, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014**

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

F. Long-term Debt (Continued)

Leases payable - The Authority has a note payable to BancFirst, dated October 4, 2011, in the original amount of \$27,296, payable in 36 monthly installments of \$807, including interest at 4.0% for the purchase of 2011 Ford F150.

Jenks Aquarium Authority:

Notes payable - The Jenks Aquarium Authority has a note payable to BancFirst for \$1,400,000. The note bears an interest rate of 4.0% and maturity is extended to April 12, 2015. Aquarium revenues are pledged as collateral on this note.

Jenks Aquarium Authority Revenue Bonds, Series 2014 - The Jenks Aquarium Authority Revenue Bonds, Series 2014 were issued in April 2014 to refund the Jenks Aquarium Authority Revenue Bonds, Series 2004. The interest rates on the bonds vary from 3.2% to 4.0%.

Jenks Aquarium Authority Revenue Bonds, Series 2004 - The Jenks Aquarium Authority Revenue Bonds, Series 2004 were issued in April 2004 to refund the Jenks Aquarium Authority Revenue Bonds, Series 2000 and to repay debt owed to the Jenks Public Works Authority through refunding Jenks Public Works Authority Revenue Bonds, Series 2003. The proceeds were also used to retire outstanding promissory notes between the Jenks Public Works Authority and the Jenks Aquarium Authority. The interest rates on the bonds vary from 1.50% to 5.25%. This bond was refunded during the current year.

Jenks Industrial Authority:

Note payable to Oklahoma Department of Commerce, payable in quarterly installments of \$5,204, non-interest bearing. This note was paid off in the current year.

The following is a summary of long-term debt transactions of the Business-Type Activities of the City:

| | Balance 6/30/13 | Additions | Deductions | Balance 6/30/14 | Current Portion 6/30/14 |
|--------------------------------|----------------------|----------------------|------------------------|----------------------|-------------------------------|
| Business-type activities | | | | | |
| Notes payable | \$ 820,816 | \$ - | \$ (20,816) | \$ 800,000 | \$ - |
| Leases payable | 43,552 | - | (27,717) | 15,835 | 15,835 |
| Revenue bonds payable | 22,500,000 | 17,115,000 | (18,835,000) | 20,780,000 | 430,000 |
| Total business-type activities | <u>\$ 23,364,368</u> | <u>\$ 17,115,000</u> | <u>\$ (18,883,533)</u> | <u>\$ 21,595,835</u> | <u>\$ 445,835</u> |

The annual debt service requirements to maturity, including principal, interest and administrative fees, for long-term debt are as follows:

**CITY OF JENKS
Jenks, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014**

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

F. Long-term Debt (Continued)

| Governmental Activities | | | |
|-------------------------|----------------------|----------------------|----------------------|
| Year Ending June 30, | Principal | Interest | Total |
| 2015 | \$ 1,929,692 | \$ 1,301,038 | \$ 3,230,730 |
| 2016 | 2,872,235 | 1,154,873 | 4,027,108 |
| 2017 | 2,893,836 | 1,064,967 | 3,958,803 |
| 2018 | 2,885,055 | 971,684 | 3,856,739 |
| 2019 | 2,571,540 | 864,899 | 3,436,439 |
| 2020-2024 | 10,195,000 | 3,211,588 | 13,406,588 |
| 2025-2029 | 6,700,000 | 1,445,164 | 8,145,164 |
| 2030-2034 | 3,900,000 | 443,063 | 4,343,063 |
| Total | <u>\$ 33,947,358</u> | <u>\$ 10,457,276</u> | <u>\$ 44,404,634</u> |

| Business-Type Activities | | | |
|--------------------------|----------------------|---------------------|----------------------|
| Year Ending June 30, | Principal | Interest | Total |
| 2015 | \$ 445,835 | \$ 429,635 | \$ 875,470 |
| 2016 | 1,845,000 | 648,865 | 2,493,865 |
| 2017 | 1,110,000 | 598,363 | 1,708,363 |
| 2018 | 1,130,000 | 578,683 | 1,708,683 |
| 2019 | 1,150,000 | 557,782 | 1,707,782 |
| 2020-2024 | 5,185,000 | 2,340,638 | 7,525,638 |
| 2025-2029 | 4,355,000 | 1,649,006 | 6,004,006 |
| 2030-2034 | 5,205,000 | 770,900 | 5,975,900 |
| 2035 | 1,170,000 | 23,400 | 1,193,400 |
| Total | <u>\$ 21,595,835</u> | <u>\$ 7,597,272</u> | <u>\$ 29,193,107</u> |

G. Advanced Refunding

The Jenks Aquarium Authority issued \$17,115,000 series 2014 Revenue Bonds to advance refund \$17,975,000 of outstanding 2004 Revenue Bonds. The net proceeds of \$16,287,985 (after payment of \$468,175 of issuance costs, \$304,315 to a reserve account and \$54,527 to a sinking fund account) plus additional \$2,340,896 of 2004 Series fund monies were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2004 Series bonds. As a result, the 2004 Series bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,074,899. This difference, reported in the accompanying financial statements as a deferred outflow, is being charged to operations through the year 2034 using the straight line method. The Jenks Aquarium Authority completed the advance refunding to reduce its total debt service payments of the next 20 years by \$5,592,312 and to obtain an economic gain (the difference between the present value of the old and new debt service payments). At June 30, 2014, the remaining balance of the defeased bonds totaled \$17,975,000.

**CITY OF JENKS
Jenks, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014**

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

H. Pledge of Future Revenues

The Jenks Aquarium Authority has pledged revenues to repay \$1,400,000 of the BancFirst Promissory Note Payable. The total principal and interest payable for the remainder life of the note is \$860,917. Debt service payments of \$35,534 for the current fiscal year were paid from the Jenks Aquarium Authority's revenues.

3. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; employee health benefits; unemployment; and natural disasters. The City has established a self insurance fund to cover deductibles on claims related to destruction, theft or damage of assets. Losses related to other risks or those exceeding deductibles are covered by commercial insurance. Management believes that such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

B. Contingent Liabilities

The City is a defendant in ongoing litigation and various legal actions arising from normal governmental activities. Although most of such actions are covered by insurance, certain actions might have some degree of exposure to the City. The outcome of these lawsuits is not presently determinable, and it is not known if the resolution of these matters will have a material adverse effect on the financial condition of the City.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

C. Employee Retirement System and Plans

City employees participate in three retirement plans, which are discussed below:

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

1. Oklahoma Police Pension and Retirement Fund

All City police department employees hired before age 45 are covered by a statewide cost sharing multi-employer defined benefit plan adopted under Oklahoma Statutes. This plan is operated and administered by the Oklahoma Police Pension and Retirement System (OPPRS). Under this plan, police department personnel contribute 8.0% of base salary and the City contributes an additional 13.0%. The OPPRS issue publicly available financial reports that include financial statements and required supplementary information for the fund. These reports may be obtained by writing to the Oklahoma Police Pension and Retirement System, 101 NW 63rd Street, Suite 305, Oklahoma City, OK 73116-7335, or by calling 1-800-347-6552.

The required contribution from the City for these plans was \$118,140, \$108,858 and \$99,749 for 2014, 2013 and 2012, respectively. The required contribution was fully contributed. At June 30, 2014 the system held no related-party investments of the City or of its related entities.

**CITY OF JENKS
Jenks, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014**

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Plans (Continued)

2. Oklahoma Firefighter's Pension and Retirement Fund

All City fire department employees hired before age 45 are covered by a statewide cost sharing multi-employer defined benefit plan adopted under Oklahoma Statutes. This plan is operated and administered by the Oklahoma Firefighters Pension and Retirement System (OFPRS). Under this plan, fire department personnel contribute 9.0% of base salary and the City contributes an additional 14.0%. The OFPRS issue publicly available financial reports that include financial statements and required supplementary information for the fund. These reports may be obtained by writing to the Oklahoma Firefighters Pension and Retirement System, 4545 North Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414, or by calling 1-800-525-7461.

The required contribution from the City for these plans was \$130,553, \$106,896 and \$103,833 for 2014, 2013 and 2012, respectively. The required contribution was fully contributed. At June 30, 2014 the system held no related-party investments of the City or of its related entities.

3. Defined Contribution Plan Description

The City participates in a defined contribution plan administered by the ICMA Retirement Corporation. Plan provisions are established or amended by City Council resolution. The City and its related entities are required to contribute 6.8% of annual covered payroll. Participants may make voluntary contributions to the plan. For the fiscal year ended June 30, 2014, 2013 and 2012, actual contributions by the City and plan participants were \$186,029, \$180,007 and \$174,830, respectively. The plan participants include all employees. Participants vest after one year of service and are entitled to 100 percent of vested contributions. The plan is a variable funding option plan where the contribution may be varied from year to year by the employer.

D. Other Post-Employment Benefits

Plan Description

The City provides post-retirement benefit options for health care, prescription drug, dental and vision benefits for retired employees and their dependents that elect to make required contributions. The benefits are provided in accordance with State law, police and firefighter's union contracts and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The relationship for these benefits is not formalized in a contract or plan document, only a few sentences in the administrative policy. These benefits are considered for accounting purposes to be provided in accordance with a single employer substantive plan. A substantive plan is one in which the plan terms are understood by the city and plan members. This understanding is based on communications between the employers and plan member and the historical pattern of practice with regard to the sharing of benefit costs. Substantially all of the government's employees may become eligible for those post-retirement benefits if they reach normal retirement age while working for the City. As of June 30, 2014, approximately 2 of the retired employees are receiving benefits under this plan.

**CITY OF JENKS
Jenks, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014**

3. OTHER INFORMATION (Continued)

D. Other Post-Employment Benefits (Continued)

Funding Policy

The contribution requirement of the City is an implicit subsidy. The implicit subsidy is not a direct payment from the employer on behalf of the member but rather stems from retiree contribution levels that are less than the claims cost at retiree ages. Since claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums, these retired members pay a premium based on a pool of members that, on average, are younger and healthier. There is an implicit subsidy from the employee group since the premiums paid by the retirees are lower than they would have been if the retirees were insured separately. The subsidies are valued using the difference between the age-based claims costs and the premium paid by the retiree. The amount required to fund the implicit rate is based on projected pay-as-you-go financing requirements. Plan members receiving benefits contributed \$15,866, or approximately 100 percent of the total premiums, through their required contribution of \$661.07 per month for retiree medical coverage.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. GASB 45 requires entities with over 200 employees to have the actuarial valuation performed biennially. The following table shows the components of the City's annual OPEB cost the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the year ended June 30, 2014:

Current Service Cost (\$158,349) + Amortization Amount (\$60,884) = Total Contribution (\$219,233).
OPEB obligation for retired employees as determined by Actuarial is \$102,633.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

| <u>Actuarial Valuation Date</u> | <u>Value of Assets</u> | <u>Asset Valuation Basis</u> | <u>Actuarial Accrued Liability (AAL)*</u> | <u>Unfunded AAL (UAAL)</u> | <u>Funded Ratio</u> |
|---|----------------------------|--------------------------------------|---|------------------------------------|-------------------------|
| 6/30/2014 | \$ - | Actuarial | \$ 1,094,915 | \$ 1,094,915 | 0.0% |

**CITY OF JENKS
Jenks, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014**

3. OTHER INFORMATION (Continued)

D. Other Post-Employment Benefits (Continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the June 30, 2014, actuarial valuation, since the City does not pre-fund the retiree healthcare benefits, a discount rate of 4.0% was used. There were no assets to determine the actuarial value of assets. The UAAL is being amortized over 30 years as level payments. The remaining amortization period at June 30, 2014, was thirty years.

4. ADOPTION OF NEW ACCOUNTING STANDARDS

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses) or inflows of resources (revenues), certain items that were previously recognized as assets and liabilities. This Statement was in effect July 1, 2013 and was applied retrospectively to the Authority to its fiscal 2014 financial statements

5. PRIOR PERIOD ADJUSTMENT

The following table shows the net position at June 30, 2013 as a result of the restatement due to the implementation of GASB Statement 65 as discussed in Note 4. Additionally, prior to fiscal year 2014, the Jenks Aquarium Authority recognized monthly membership as revenues at the time cash was received. The cash received for membership was determined by the Authority to be recognized over the life of the membership, instead of at the transaction date.

| | Jenks Public Works Authority | Jenks Aquarium Authority |
|--|------------------------------------|--------------------------------|
| Beginning net position, as previously reported for June 30, 2013 | \$ 35,825,461 | \$ 1,889,775 |
| Unearned membership revenues | - | (132,205) |
| Removal of debt issuance costs due to the implementation of GASB 65 | (379,572) | (737,282) |
| Beginning net position, restated for June 30, 2013 | \$ 35,445,889 | \$ 1,020,288 |

CITY OF JENKS
REQUIRED SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2014
(Unaudited)

GENERAL FUND

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Over (Under)</u> |
|--|----------------------------|-------------------------|---------------------|--|
| | <u>Original Budget</u> | <u>Final Budget</u> | | |
| Revenues: | | | | |
| Charges for services | \$ 75,900 | \$ 75,900 | \$ 88,259 | \$ 12,359 |
| Licenses and permits | 249,200 | 249,200 | 256,915 | 7,715 |
| Interest | 28,000 | 28,000 | 14,286 | (13,714) |
| Franchise fees | 1,000,000 | 1,000,000 | 896,964 | (103,036) |
| Intergovernmental programs | 32,000 | 32,000 | 31,327 | (673) |
| Fines and forfeits | 250,000 | 250,000 | 312,477 | 62,477 |
| Rental receipts | 1,400 | 1,400 | 1,240 | (160) |
| Miscellaneous revenue | 45,000 | 45,000 | 87,160 | 42,160 |
| Taxes | 3,798,726 | 3,798,726 | 3,584,518 | (214,208) |
| Sale of property | - | - | 14,150 | 14,150 |
| Total revenues | <u>5,480,226</u> | <u>5,480,226</u> | <u>5,287,296</u> | <u>(192,930)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 607,000 | 607,000 | 600,175 | 6,825 |
| Economic development | 22,100 | 22,100 | - | 22,100 |
| Public safety | 4,119,496 | 4,119,496 | 4,165,468 | (45,972) |
| Highways, roads, & airport | 249,155 | 249,155 | 226,407 | 22,748 |
| Cultural & recreational | 308,605 | 308,605 | 259,304 | 49,301 |
| Debt Service: | | | | |
| Principal | 77,000 | 77,000 | 58,656 | 18,344 |
| Interest expense | 4,200 | 4,200 | 2,533 | 1,667 |
| Capital outlay | 240,214 | 240,214 | 160,017 | 80,197 |
| Total expenditures | <u>5,627,770</u> | <u>5,627,770</u> | <u>5,472,560</u> | <u>155,210</u> |
| Excess of revenue over (under) expenditures | (147,544) | (147,544) | (185,264) | (37,720) |
| Other financing sources (uses): | | | | |
| Operating transfers in (out) | 77,460 | 77,460 | 523,367 | 445,907 |
| Total other financing sources | <u>77,460</u> | <u>77,460</u> | <u>625,982</u> | <u>548,522</u> |
| Net changes in fund balance | (70,084) | (70,084) | 440,718 | 510,802 |
| Fund balance at beginning of year | <u>7,501,195</u> | <u>7,501,195</u> | <u>7,501,195</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 7,431,111</u> | <u>\$ 7,431,111</u> | <u>\$ 7,941,913</u> | <u>\$ 510,802</u> |

The Notes to Required Supplemental Information are an integral part of this statement.

CITY OF JENKS
REQUIRED SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2014
(Unaudited)

SPECIAL REVENUE FUNDS

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Over (Under)</u> |
|--|----------------------------|-------------------------|---------------------|--|
| | <u>Original Budget</u> | <u>Final Budget</u> | | |
| Revenues: | | | | |
| Taxes | \$ 90,000 | \$ 90,000 | \$ 171,818 | \$ 81,818 |
| Fees and assessments | 95,000 | 95,000 | 267,571 | 172,571 |
| Licenses and permits | - | - | 62,669 | 62,669 |
| Interest | - | - | 12,254 | 12,254 |
| Miscellaneous | - | - | 66,198 | 66,198 |
| Total revenues | <u>185,000</u> | <u>185,000</u> | <u>580,510</u> | <u>395,510</u> |
| Expenditures: | | | | |
| Economic development | 565,000 | 565,000 | - | 565,000 |
| General government | 250,000 | 250,000 | 94,187 | 155,813 |
| Public safety | 236,960 | 236,960 | 63,492 | 173,468 |
| Highways, roads & airport | 120,000 | 120,000 | 81,301 | 38,699 |
| Cultural & recreation | 200,000 | 200,000 | 19,613 | 180,387 |
| Capital outlay | 955,000 | 955,000 | 366,901 | 588,099 |
| Total expenditures | <u>2,326,960</u> | <u>2,326,960</u> | <u>625,494</u> | <u>1,701,466</u> |
| Excess of revenue over (under) expenditures | (2,141,960) | (2,141,960) | (44,984) | 2,096,976 |
| Other financing sources (uses): | | | | |
| Operating transfers in (out) | (19,440) | (19,440) | 551,822 | 571,262 |
| Net changes in fund balance | (2,161,400) | (2,161,400) | 506,838 | 2,668,238 |
| Fund balance at beginning of year | <u>6,120,411</u> | <u>6,120,411</u> | <u>6,120,411</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 3,959,011</u> | <u>\$ 3,959,011</u> | <u>\$ 6,627,249</u> | <u>\$ 2,668,238</u> |

The Notes to Required Supplemental Information are an integral part of this statement.

CITY OF JENKS
REQUIRED SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2014
(Unaudited)

CAPITAL PROJECTS FUND

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Over (Under)</u> |
|--|----------------------------|-------------------------|---------------------|--|
| | <u>Original Budget</u> | <u>Final Budget</u> | | |
| Revenues: | | | | |
| Interest | \$ - | \$ - | \$ 12,311 | \$ 12,311 |
| Total revenues | <u>-</u> | <u>-</u> | <u>12,311</u> | <u>12,311</u> |
| Expenditures: | | | | |
| General government | 159,000 | 159,000 | 141,169 | 17,831 |
| Highways, roads & airport | - | - | - | - |
| Interest expense | - | - | - | - |
| Capital outlay | 1,505,540 | 1,505,540 | 695,124 | 810,416 |
| Total expenditures | <u>1,664,540</u> | <u>1,664,540</u> | <u>836,293</u> | <u>828,247</u> |
| Excess of revenue over (under) expenditures | <u>(1,664,540)</u> | <u>(1,664,540)</u> | <u>(823,982)</u> | <u>840,558</u> |
| Other financing sources (uses): | | | | |
| Operating transfers in (out) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net changes in fund balance | <u>(1,664,540)</u> | <u>(1,664,540)</u> | <u>(823,982)</u> | <u>840,558</u> |
| Fund balance at beginning of year | <u>7,302,051</u> | <u>7,302,051</u> | <u>7,302,051</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 5,637,511</u> | <u>\$ 5,637,511</u> | <u>\$ 6,478,069</u> | <u>\$ 840,558</u> |

The Notes to Required Supplemental Information are an integral part of this statement.

CITY OF JENKS
Jenks, Oklahoma

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
For the Fiscal Year Ended June 30, 2014
(Unaudited)

BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for all governmental funds. The enterprise funds and internal service fund adopt budgets on the non-GAAP basis wherein service fees, bond and note proceeds are recognized as revenue, principal payments on debt and capital expenditures are recognized as expenses, and depreciation expense is not budgeted. Annual appropriated budgets are not adopted for the agency funds. Budgetary data for enterprise funds, internal service, and permanent funds are not presented in these financial statements.

Prior to July 1, the City Manager (not an elected official) submits a proposed operating budget for the fiscal year commencing July 1, to the Council Members (elected officials). Public hearings are held at regular or special meetings to obtain taxpayer input. Prior to July 1, the budget is legally enacted through passage of a budget resolution. The operating budget, for all budgeted funds, includes proposed expenditures and the means of financing. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department which includes general government; public safety; highways, roads & airport; cultural & recreational; and administrative; and included within each department it is divided by class as follows: personal services, maintenance and operations, capital outlay, transfers, and debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. A more detailed budget is used for operating purposes. All budget revisions at the legal level are subject to final approval by the City Council. Within these control levels, management may transfer appropriations without council approval. Revisions to the budget were made during the year in accordance with the provisions of the Oklahoma Statutes. All annual appropriations lapse at year-end.

The City uses encumbrance accounting. Encumbrances are recorded when purchase orders are issued but generally are not considered expenditures until liabilities for payments are incurred pursuant to the purchase order.

**CITY OF JENKS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2014**

Special Revenue

| | Police Seizure Fund | Street & Alley Fund | Park Recreation Fund | Community Service Fund | Senior Citizen Fund | Home Rebate Fund | City Risk Management Fund | Economic Develop- ment Fund |
|--|------------------------------------|--|-------------------------------------|---------------------------------------|------------------------------------|---------------------------------|--|--|
| Assets: | | | | | | | | |
| Cash and equivalents | \$ 1,320 | \$ 461,643 | \$ 97,133 | \$ - | \$ 547 | \$ 4,282 | \$ 255,680 | \$ 652,845 |
| Investments | - | 160,240 | 463,269 | - | 2,284 | 179,285 | 285,938 | 2,605,605 |
| Accounts receivable, net | - | 29,332 | - | - | - | - | - | - |
| Due from other funds | - | - | - | - | - | - | 5,000 | - |
| Interest receivable | - | 7 | 12 | - | - | 3 | 35 | 812 |
| Total assets | \$ 1,320 | \$ 651,222 | \$ 560,414 | \$ - | \$ 2,831 | \$ 183,570 | \$ 546,653 | \$ 3,259,262 |
| Liabilities: | | | | | | | | |
| Accounts payable | \$ - | \$ 3,432 | \$ 934 | \$ - | \$ - | \$ - | \$ 420 | \$ - |
| Due to other funds | - | - | - | - | - | - | - | - |
| Total liabilities | - | 3,432 | 934 | - | - | - | 420 | - |
| Fund balances: | | | | | | | | |
| Restricted | 1,314 | 644,388 | 556,319 | - | 2,820 | 180,276 | 541,329 | 3,243,190 |
| Committed | 6 | 3,402 | 3,161 | - | 11 | 3,294 | 4,904 | 16,072 |
| Unassigned | - | - | - | - | - | - | - | - |
| Total fund balances | 1,320 | 647,790 | 559,480 | - | 2,831 | 183,570 | 546,233 | 3,259,262 |
| Total liabilities and fund balances | \$ 1,320 | \$ 651,222 | \$ 560,414 | \$ - | \$ 2,831 | \$ 183,570 | \$ 546,653 | \$ 3,259,262 |

**CITY OF JENKS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2014**

| | Special Revenue | | | | Capital Projects | | | |
|--|--------------------------------|---|----------------------------|-------------------|---------------------------------------|-----------------------------------|-------------------------|-------------------------|
| | Skyline Improvement Fund | Economic Development Accomodation Fund | TIF District #1 Fund | E-911 Fund | Police General Receipts Fund | 1978 Sanitary Sewer Fund | 2002 GO Bond Fund | 1991 GO Bond Fund |
| (Continued) | | | | | | | | |
| Assets: | | | | | | | | |
| Cash and equivalents | \$ 10,865 | \$ 270,699 | \$ 201 | \$ 473,031 | \$ 14,569 | \$ 68 | \$ 19,892 | \$ 63,868 |
| Investments | 11,297 | - | - | 313,216 | - | - | 41,942 | 8,994 |
| Accounts receivable, net | - | 7,497 | - | 9,664 | - | - | - | - |
| Due from other funds | 24,509 | 341,842 | - | - | - | - | - | - |
| Interest receivable | - | - | - | 136 | - | - | - | - |
| Total assets | \$ 46,671 | \$ 620,038 | \$ 201 | \$ 796,047 | \$ 14,569 | \$ 68 | \$ 61,834 | \$ 72,862 |
| Liabilities: | | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ 763 | \$ - | \$ - | \$ - | \$ - |
| Due to other funds | 50,000 | - | - | - | - | - | - | - |
| Total liabilities | 50,000 | - | - | 763 | - | - | - | - |
| Fund balances: | | | | | | | | |
| Restricted | - | 616,864 | - | 793,342 | 14,569 | 68 | 61,323 | 72,791 |
| Committed | - | 3,174 | 201 | 1,942 | - | - | 511 | 71 |
| Unassigned | (3,329) | - | - | - | - | - | - | - |
| Total fund balances | (3,329) | 620,038 | 201 | 795,284 | 14,569 | 68 | 61,834 | 72,862 |
| Total liabilities and fund balances | \$ 46,671 | \$ 620,038 | \$ 201 | \$ 796,047 | \$ 14,569 | \$ 68 | \$ 61,834 | \$ 72,862 |

**CITY OF JENKS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2014**

| | <u>Capital Projects</u> | | | | <u>Permanent Funds</u> | | Total Non-Major Governmental Funds |
|--|--|----------------------|------------------------------|------------------------------|-------------------------------------|---|---|
| | 1998 Roadway Improvement Fund | CDBG Fund | 2010 GO Bond Fund | 2006 GO Bond Fund | TIF District #1 Fund | Riverwalk Improvement District | |
| (Continued) | | | | | | | |
| Assets: | | | | | | | |
| Cash and equivalents | \$ 117,156 | \$ 886 | \$ 462,657 | \$ 238,426 | \$ 639,704 | \$ 19,306 | \$ 3,804,778 |
| Investments | 43,455 | - | 3,816,958 | 1,776,553 | - | - | 9,709,036 |
| Accounts receivable, net | - | - | - | - | - | - | 46,493 |
| Due from other funds | - | - | - | - | - | - | 371,351 |
| Interest receivable | 6 | - | 3,777 | 855 | - | - | 5,643 |
| Total assets | \$ 160,617 | \$ 886 | \$ 4,283,392 | \$ 2,015,834 | \$ 639,704 | \$ 19,306 | \$ 13,937,301 |
| Liabilities: | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ 17,424 | \$ 90,916 | \$ - | \$ 113,889 |
| Due to other funds | - | - | 100,000 | - | - | - | 150,000 |
| Total liabilities | - | - | 100,000 | 17,424 | 90,916 | - | 263,889 |
| Fund balances: | | | | | | | |
| Restricted | 159,990 | 886 | 4,168,278 | 1,993,510 | 547,903 | 18,958 | 13,618,118 |
| Committed | 627 | - | 15,114 | 4,900 | 885 | 348 | 58,623 |
| Unassigned | - | - | - | - | - | - | (3,329) |
| Total fund balances | 160,617 | 886 | 4,183,392 | 1,998,410 | 548,788 | 19,306 | 13,673,412 |
| Total liabilities and fund balances | \$ 160,617 | \$ 886 | \$ 4,283,392 | \$ 2,015,834 | \$ 639,704 | \$ 19,306 | \$ 13,937,301 |

CITY OF JENKS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

Special Revenue

| | Police Seizure Fund | Street & Alley Fund | Park Recreation Fund | Community Service Fund | Senior Citizen Fund | Home Rebate Fund | City Risk Management Fund | Economic Develop- ment Fund |
|---|------------------------------------|--|-------------------------------------|---------------------------------------|------------------------------------|---------------------------------|--|--|
| Revenues: | | | | | | | | |
| Taxes | \$ - | \$ 171,818 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Fees and assessments | - | - | - | - | - | - | - | - |
| Licenses and permits | - | - | 62,669 | - | - | - | - | - |
| Interest | - | 1,535 | 481 | - | 1 | 267 | 2,101 | 6,882 |
| Miscellaneous | - | - | 5,044 | - | - | - | 61,154 | - |
| Total revenues | \$ - | \$ 173,353 | \$ 68,194 | \$ - | \$ 1 | \$ 267 | \$ 63,255 | \$ 6,882 |
| Expenditures: | | | | | | | | |
| Economic development | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| General government | - | - | - | - | - | 1,338 | 92,849 | - |
| Public safety | 1,712 | - | - | - | - | - | - | - |
| Highways, roads & airport | - | 81,301 | - | - | - | - | - | - |
| Cultural & recreation | - | - | 19,613 | - | - | - | - | - |
| Capital outlay | - | - | 4,400 | - | - | - | - | 335,581 |
| Total expenditures | 1,712 | 81,301 | 24,013 | - | - | 1,338 | 92,849 | 335,581 |
| Excess of revenues over (under) expenditures | (1,712) | 92,052 | 44,181 | - | 1 | (1,071) | (29,594) | (328,699) |
| Other financing uses: | | | | | | | | |
| Operating transfers in (out) | - | - | - | - | - | - | - | 556,415 |
| Excess of revenues over (under) expenditures & transfers | (1,712) | 92,052 | 44,181 | - | 1 | (1,071) | (29,594) | 227,716 |
| Fund balance-beginning of year | 3,032 | 555,738 | 515,299 | - | 2,830 | 184,641 | 575,827 | 3,031,546 |
| Fund balance-end of year | \$ 1,320 | \$ 647,790 | \$ 559,480 | \$ - | \$ 2,831 | \$ 183,570 | \$ 546,233 | \$ 3,259,262 |

CITY OF JENKS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

| | Special Revenue | | | | Capital Projects | | | |
|---|--------------------------------|--|----------------------------|-------------------|---------------------------------------|-----------------------------------|-------------------------|-------------------------|
| | Skyline Improvement Fund | Economic Development Accommodation Fund | TIF District #1 Fund | E-911 Fund | Police General Receipts Fund | 1978 Sanitary Sewer Fund | 2002 GO Bond Fund | 1991 GO Bond Fund |
| (Continued) | | | | | | | | |
| Revenues: | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Fees and assessments | - | 71,126 | - | 196,445 | - | - | - | - |
| Licenses and permits | - | - | - | - | - | - | - | - |
| Interest | 10 | 339 | 103 | 535 | - | - | 271 | 5 |
| Miscellaneous | - | - | - | - | - | - | - | - |
| Total revenues | \$ 10 | \$ 71,465 | \$ 103 | \$ 196,980 | \$ - | \$ - | \$ 271 | \$ 5 |
| Expenditures: | | | | | | | | |
| Economic development | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| General government | - | - | - | - | - | - | - | - |
| Public safety | - | - | - | 61,780 | - | - | - | - |
| Highways, roads & airport | - | - | - | - | - | - | - | - |
| Cultural & recreation | - | - | - | - | - | - | - | - |
| Capital outlay | - | - | - | 26,920 | - | - | - | - |
| Total expenditures | - | - | - | 88,700 | - | - | - | - |
| Excess of revenues over (under) expenditures | 10 | 71,465 | 103 | 108,280 | - | - | 271 | 5 |
| Other financing uses: | | | | | | | | |
| Operating transfers in (out) | - | (7,593) | - | - | 3,000 | - | - | - |
| Excess of revenues over (under) expenditures & transfers | 10 | 63,872 | 103 | 108,280 | 3,000 | - | 271 | 5 |
| Fund balance - beginning of year | (3,339) | 556,166 | 98 | 687,004 | 11,569 | 68 | 61,563 | 72,857 |
| Fund balance - end of year | \$ (3,329) | \$ 620,038 | \$ 201 | \$ 795,284 | \$ 14,569 | \$ 68 | \$ 61,834 | \$ 72,862 |

CITY OF JENKS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

| | <u>Capital Projects</u> | | | | <u>Permanent Funds</u> | | Total Non-Major Governmental Funds |
|---|--|----------------------|------------------------------|------------------------------|-------------------------------------|---|---|
| | 1998 Roadway Improvement Fund | CDBG Fund | 2010 GO Bond Fund | 2006 GO Bond Fund | TIF District #1 Fund | Riverwalk Improvement District | |
| (Continued) | | | | | | | |
| Revenues: | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ 294,227 | \$ - | \$ 466,045 |
| Fees and assessments | - | - | - | - | - | - | 267,571 |
| Licenses and permits | - | - | - | - | - | - | 62,669 |
| Interest | 245 | - | 7,730 | 4,060 | 201 | 3 | 24,769 |
| Miscellaneous | - | - | - | - | - | - | 66,198 |
| Total revenues | <u>\$ 245</u> | <u>\$ -</u> | <u>\$ 7,730</u> | <u>\$ 4,060</u> | <u>\$ 294,428</u> | <u>\$ 3</u> | <u>\$ 887,252</u> |
| Expenditures: | | | | | | | |
| Economic development | \$ - | \$ - | - | - | \$ 228,548 | \$ - | \$ 228,548 |
| General government | - | - | - | 141,169 | - | - | 235,356 |
| Public safety | - | - | - | - | - | - | 63,492 |
| Highways, roads & airport | - | - | - | - | - | - | 81,301 |
| Cultural & recreation | - | - | - | - | - | - | 19,613 |
| Capital outlay | - | - | 345,000 | 350,124 | - | - | 1,062,025 |
| Total expenditures | <u>-</u> | <u>-</u> | <u>345,000</u> | <u>491,293</u> | <u>228,548</u> | <u>-</u> | <u>1,690,335</u> |
| Excess of revenues over (under) expenditures | 245 | - | (337,270) | (487,233) | 65,880 | 3 | (803,083) |
| Other financing uses: | | | | | | | |
| Operating transfers in (out) | - | - | - | - | - | - | 551,822 |
| Excess of revenues over (under) expenditures & transfers | 245 | - | (337,270) | (487,233) | 65,880 | 3 | (251,261) |
| Fund balance - beginning of year | <u>160,372</u> | <u>886</u> | <u>4,520,662</u> | <u>2,485,643</u> | <u>482,908</u> | <u>19,303</u> | <u>13,924,673</u> |
| Fund balance - end of year | <u>\$ 160,617</u> | <u>\$ 886</u> | <u>\$ 4,183,392</u> | <u>\$ 1,998,410</u> | <u>\$ 548,788</u> | <u>\$ 19,306</u> | <u>\$ 13,673,412</u> |



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Jenks, Oklahoma (the "City"), as of and for the year ended June 30, 2014, 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 9, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Wedge Associates, P.C.

January 9, 2015