

**CITY OF YUKON OKLAHOMA  
YUKON, OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS  
AND ACCOMPANYING  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2015**

**The City of Yukon, Oklahoma**  
**Table of Contents**  
**Year Ended June 30, 2015**

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-10
<b>BASIC FINANCIAL STATEMENTS</b>	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position	11
Statement of Activities	12
<i>Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	16
Statement of Net Position – Proprietary Funds	17
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	18
Statement of Cash Flows – Proprietary Funds	19
Statement of Net Position – Fiduciary Funds	20
Notes to Financial Statements	21-48
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	49
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) – 96 Sales Tax Capital Projects	50
Combining Balance Sheet – Nonmajor Governmental Funds	51
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	52
Combining Statement of Fiduciary Net Position	53
Schedule of the City's Proportionate Share of the Net Pension Liability - Oklahoma Police Pension Retirement Plan	54
Schedule of the City's Proportionate Share of the Net Pension Liability - Oklahoma Fire Pension Retirement Plan	55
Schedule of the City's Net Pension Liability and Related Ratios - Oklahoma Municipal Retirement System	56
Schedule of the City's Proportionate Share of the Net Pension Liability - Oklahoma Municipal Retirement System	57
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS	58-59

## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Yukon, 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 Yukon, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Yukon, Oklahoma'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 of Yukon, Oklahoma, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 5 to the financial statements, in the current fiscal year the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB No 27*. The implementation of GASB Statement No. 68 resulted in the restatement of beginning year net position. 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, budgetary comparison information, and pension schedules on pages 3–10 and 49–55 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 of Yukon, Oklahoma'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 November 24, 2015, on our consideration of the City of Yukon, Oklahoma'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 Yukon, Oklahoma's internal control over financial reporting and compliance.

***FSW&B CPAs-PLLC***

FSW&B CPAs-PLLC  
Woodward, Oklahoma  
November 24, 2015

Within this section, the City of Yukon's ("City") management provides narrative discussion and analysis of the financial performance of the City's for the fiscal year ended June 30, 2015. The City's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. Please read it in conjunction with the City's financial statements, which follow this section.

### FINANCIAL SUMMARY

- At June 30, 2015, the assets of the City exceeded its liabilities by \$13,223,647 (net position). This compared to the previous year when assets exceeded liabilities by \$15,762,746, as restated for the implementation of GASB No. 68 Accounting and Financial Reporting for Pensions.
- The City's total net assets are comprised of the following:
  - (1) Invested in capital assets, net of related debt of \$37,296,059 includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase of construction of capital assets. Business-type activities report debt in excess of capital assets of \$8,693,878 due to revenue bonds issued under the Yukon Municipal Authority whose proceeds used to fund assets that are governmental in nature, specifically street and infrastructure improvements.
  - (2) Restricted net assets of \$3,853,080 which includes assets that are restricted for payment on debt obligations.
  - (3) Unrestricted net assets deficit of \$27,925,492 represent the portion available to maintain the City's continuing obligations to citizens and creditors. Due to the large amount of capital assets and pension obligations held by the City, unrestricted net assets are reported as a negative.
- Total liabilities of the City increased \$6,290,687 during the fiscal year from \$58,873,797 to \$65,264,484. This increase is a result of reporting the net pension obligation of the City totaling \$13,359,387 offset by payments made on outstanding debt and current obligations. Additional information on the calculation and reporting of the pension obligation and the repayment of debt is detailed in the footnotes of the financial statements.
- The City's governmental funds reported total ending fund balance of \$1,643,824 this year. This compared to the prior year ending fund balance of \$6,204,168, showing decrease of \$4,560,344 during the current year. During the fiscal year, the City purchased \$5,013,807 in governmental capital assets, which were funded with debt proceeds issued by the Yukon Municipal Authority. Governmental activities reflect the purchase of capital assets as expenses in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Proceeds from Series 2015A and 2015B debt issued by YMA are reflected as a liquid asset for Business-type Activities on the Statement of Net Position.

### OVERVIEW OF THE FINANCIAL STATEMENTS

*Management's Discussion and Analysis* introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

#### ***Government-wide Financial Statements***

The City's annual reporting includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status and are presented to demonstrate the extent the City has met its operating objective efficiently and effectively using all the resourced available and whether the City can continue to meet it objectives in the foreseeable future. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Position*. This is the City-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve

as a useful indication of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other financial factors such as diversification of the taxpayer base or the condition of the City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net position changed during the current fiscal year and can be used to assess the City's operating results in its entirety and analyze how the City's programs are financed. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinctively report governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, and business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities includes general government; public safety and judiciary; transportation; and cultural, parks, and recreation. Business-types activities include utility services, including water and sanitation, provided by the City.

The City's financial reporting entity includes the funds of the City (primary government) and organization for which the City is accountable (component units). Comprehensive information about the City's component units can be found in footnotes.

#### ***Fund Financial Statements***

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole.

The City has three kinds of funds:

*Governmental funds* are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is different with fund statements reporting short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statement is included in the basic financial statement for governmental funds deemed as major. This statement demonstrates compliance with the City's adopted and final revised budget.

*Proprietary funds* are reported in the fund financial statements and generally report services for which the City charges customers a fee. The City has one type of proprietary fund, enterprise funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization such as water, sanitation, and electric utilities.

Proprietary fund statements and statements for discretely presented component units (reporting similarly to proprietary funds) provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail.

*Fiduciary funds* are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund City programs. Fiduciary fund financial statements report similarly to proprietary funds.

**Notes to the financial statements**

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. Those notes to the financial statement begin immediately following the basic financial statements.

**Other information**

In addition to the basic financial statements and accompanying notes, this report presents certain *Required Supplementary Information* concerning the City's compliance with the approved and revised budget for major governmental funds.

**A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

**Net Position**

The City's combined net position at June 30, 2015 was \$13,223,647. This is a \$2,539,099 decrease over June 30, 2014 net assets of \$15,762,746, as restated.

	Summary of Net Position in thousands							
	Governmental Activities		Business-Type Activities		Total		\$ Change	% Change
	2015	2014	2015	2014	2015	2014		
Current assets	\$ 6,902	\$ 10,678	\$ 7,280	\$ 13,705	\$ 14,182	\$ 24,383	\$ (10,201)	-42%
Capital assets, net	54,139	53,320	13,818	13,580	67,957	66,900	1,057	2%
<b>Total assets</b>	<b>61,041</b>	<b>63,998</b>	<b>21,098</b>	<b>27,285</b>	<b>82,139</b>	<b>91,283</b>	<b>(9,144)</b>	<b>-10%</b>
Deferred outflows	212	-	-	-	212	-	212	100%
Current liabilities	2,747	15,560	4,242	4,595	6,989	20,155	(13,166)	-65%
Non-current liabilities	33,897	8,146	24,378	30,573	58,275	38,719	19,556	51%
<b>Total liabilities</b>	<b>36,644</b>	<b>23,706</b>	<b>28,620</b>	<b>35,168</b>	<b>65,264</b>	<b>58,874</b>	<b>6,390</b>	<b>11%</b>
Deferred inflows	3,864	-	-	-	3,864	-	3,864	100%
<b>Net position</b>								
Invested in capital assets, net of related debt	45,990	43,796	(8,694)	(8,158)	37,296	35,638	1,658	5%
Restricted	883	(5,094)	2,969	359	3,852	(4,735)	8,587	-181%
Unrestricted	(26,128)	(15,056)	(1,797)	(84)	(27,925)	(15,140)	(12,785)	84%
<b>Total net position</b>	<b>\$ 20,745</b>	<b>\$ 23,646</b>	<b>\$ (7,522)</b>	<b>\$ (7,883)</b>	<b>\$ 13,223</b>	<b>\$ 15,763</b>	<b>\$ (2,540)</b>	<b>-16%</b>

The City reported positive balances in total net position for governmental activities. In business-type activities, the City reported negative net position, which is a function of the issuance of debt whose proceeds were used to fund governmental assets. In the statement of Net Position, debt used to fund governmental capital assets is recorded as a liability of the YMA, which is a business-type activity. The assets purchased from the proceeds of that debt are reported as a governmental assets based upon their purpose.

The City's total assets decreased 10% when compared year over year. This decrease was noted mainly in current assets related to bond proceeds spent during the fiscal year for the purchase of capital assets. Capital assets noted an increase of 2% due to the additions, less depreciation taken in the current year.

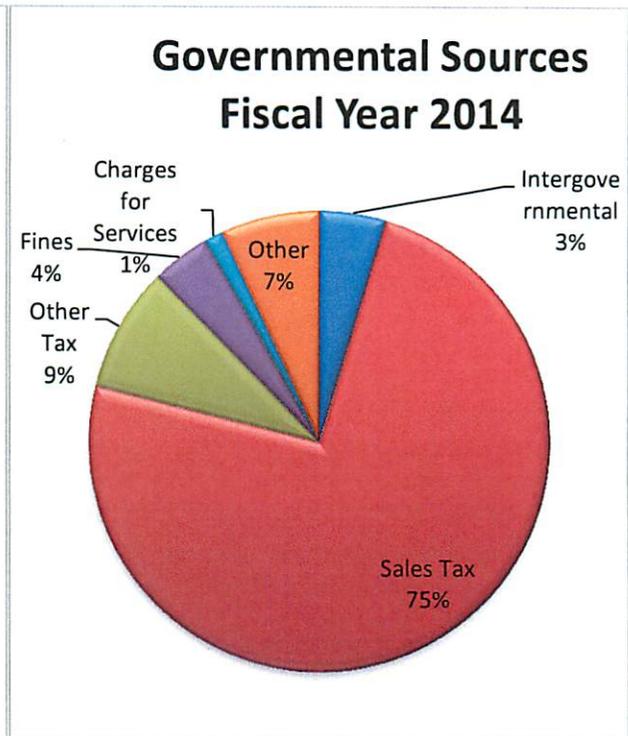
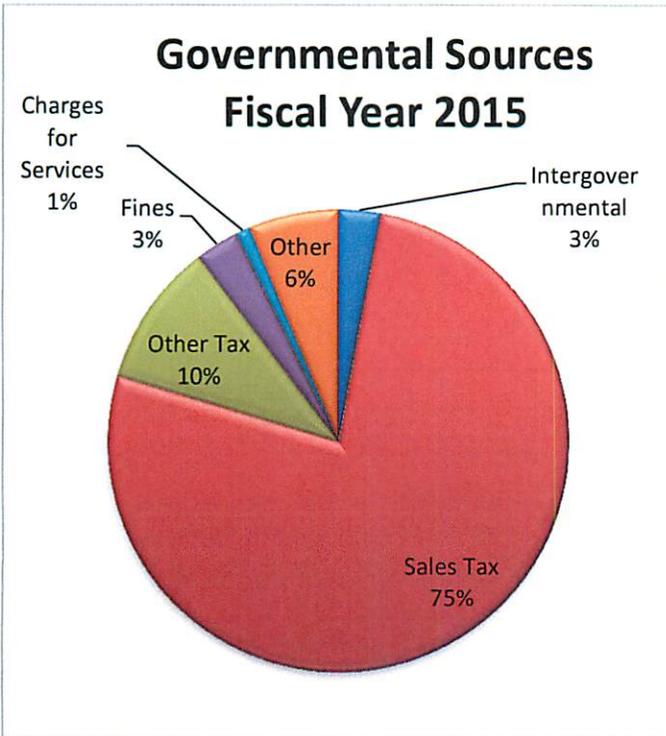
Increase in liabilities of 11% is directly related to pension liabilities. Overall, the City's net position decreased 16% when compared to fiscal year 2014. Refer to chart below.

**Summary of Changes in Net Position in thousands**

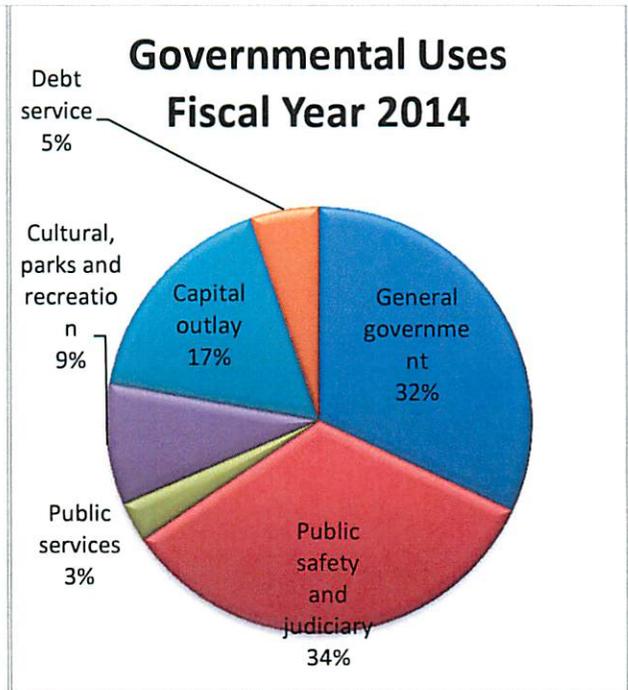
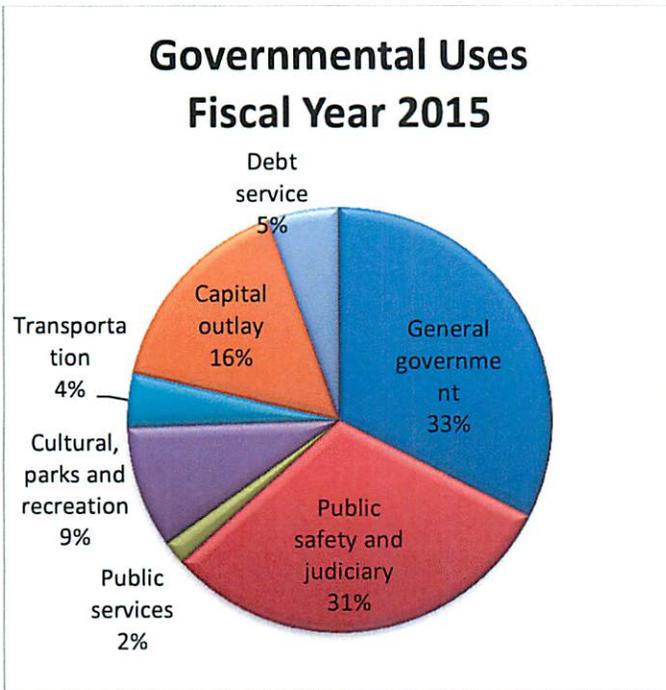
	Governmental Activities		Business-type Activities		Total		\$ Change	% Change
	2015	2014	2015	2014	2015	2014		
<b>Revenues</b>								
Program revenues	\$ 2,793	\$ 3,658	\$ 9,092	\$ 8,517	\$ 11,885	\$ 12,175	\$ (290)	-2%
Taxes and other general revenues	24,744	23,584	278	245	25,022	23,829	1,193	5%
<b>Total revenues</b>	<b>27,537</b>	<b>27,242</b>	<b>9,370</b>	<b>8,762</b>	<b>36,907</b>	<b>36,004</b>	<b>903</b>	<b>3%</b>
<b>Expenses</b>								
General government	10,967	10,402	-	-	10,967	10,402	565	5%
Public safety and judiciary	11,022	11,956	-	-	11,022	11,956	(934)	-8%
Public services	2,465	1,814	-	-	2,465	1,814	651	36%
Cultural, parks, and recreation	3,431	3,416	-	-	3,431	3,416	15	0%
Transportation	1,293	949	-	-	1,293	949	344	36%
Interest on debt	514	467	878	1,115	1,392	1,582	(190)	-12%
Water	-	-	1,974	1,959	1,974	1,959	15	1%
Sewer	-	-	3,121	3,180	3,121	3,180	(59)	-2%
Sanitation	-	-	1,745	1,448	1,745	1,448	297	21%
Administration	-	-	1,790	668	1,790	668	1,122	168%
Economic development	-	-	247	-	247	-	247	100%
<b>Total expenses</b>	<b>29,692</b>	<b>29,004</b>	<b>9,755</b>	<b>8,370</b>	<b>39,447</b>	<b>37,374</b>	<b>2,073</b>	<b>6%</b>
Excess (deficiency) before transfers	\$ (2,155)	\$ (1,762)	\$ (385)	\$ 392	\$ (2,540)	\$ (1,370)	\$ (1,170)	85%
Transfers	(746)	2,373	746	(2,373)	-	-	-	0%
<b>Increase (decrease) in net position</b>	<b>\$ (2,901)</b>	<b>\$ 611</b>	<b>\$ 361</b>	<b>\$ (1,981)</b>	<b>\$ (2,540)</b>	<b>\$ (1,370)</b>	<b>\$ (1,170)</b>	<b>85%</b>

Revenues for the City increased 3% year over year. This increase in revenues is attributable to tax revenues and insurance reimbursement for governmental activities. Correspondingly, operating expenses noted an overall increase over fiscal year 2014 of 6%. Expenses shifted between departments based upon depreciation and overtime of departments. During the fiscal year, Yukon Economic Development Authority became active and began incurring costs associated with the development of the City. Administrative expenses in the business-type activities noted the most significant increase based upon the amortization and recognition of bond issuance cost related to the debt issued in the current year.

Graphic presentations of selected data from the summary table follow to assist in the analysis of the City's activities.



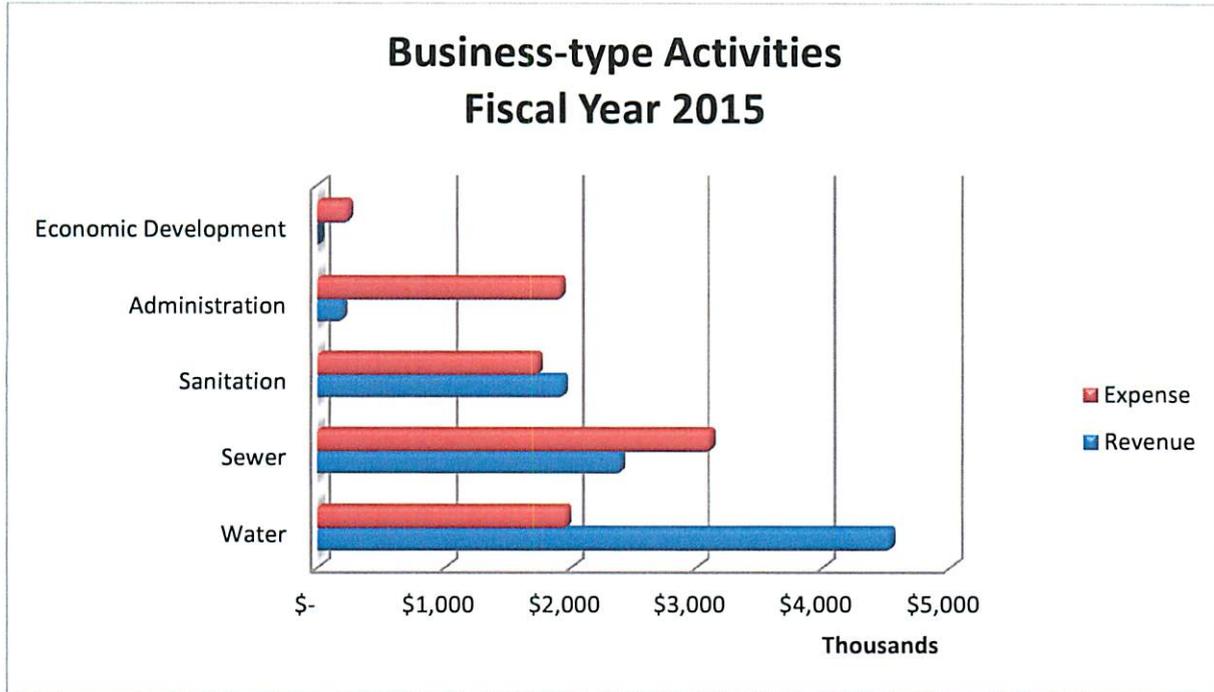
Taxes provided 75% of the City's governmental revenues in fiscal year 2015 which is consistent with fiscal year 2014. Other governmental sources remained consistent year over year.



For the year ended June 30, 2015, total expenses for governmental activities were \$31,434,032 compared to \$31,731,953. Of this amount, general government with \$10,215,033 (33%) was the largest operating department, compared to 32% in prior year. Public safety and judiciary at \$9,687,173 was a close second at 31% of the total cost of services for the City government, which is consistent with prior

year. These costs, as well as all other governmental activity expenses, were primarily funded by tax revenues. It should be noted that governmental expenses are adjusted from the fund statements to the government-wide statements for the purchase and construction of capital assets. Government-wide statement is full accrual; capital outlay expenses are eliminated and capital assets are reported.

**Business-type Activities**



Business-type activities are shown comparing costs to revenues generated by the related services. Sanitation, Sewer, and Water activities are intended to be self-supporting with user charges.

**General Fund Budgetary Highlights**

The original adopted General Fund budget for fiscal year 2015 was \$24,154,384, as amended, compared to \$22,230,230 in fiscal year 2014. The budget was amended once during the fiscal year. For the year ended June 30, 2015, the City spent within budgeted amounts.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2015, the City had \$37,296,059 invested in capital assets, net of related debt, including vehicles and equipment for police and fire operations, street improvements, and park facilities, in governmental activities and water lines, sewer lines, and utility equipment in business-type activities. Refer to the table below for a summary of assets owned by the City.

**Primary Government Capital Assets (net of accumulated depreciation)  
in thousands**

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Land	\$ 3,858	\$ 2,974	\$ 91	\$ 91	\$ 3,949	\$ 3,065
Construction in process	484	190	76	76	560	266
Buildings	13,160	13,381	1,236	70	14,396	13,451
Machinery & equipment	2,944	3,385	1,823	2,137	4,767	5,522
Infrastructure	33,693	33,390	10,592	10,754	44,285	44,144
<b>Totals</b>	<b>\$ 54,139</b>	<b>\$ 53,320</b>	<b>\$ 13,818</b>	<b>\$ 13,128</b>	<b>\$ 67,957</b>	<b>\$ 66,448</b>

The most significant additions included:

- Wastewater treatment rehabilitation
- Street improvements
- Cisco network upgrade
- Water tower upgrades

**Long-Term Debt**

The City's summary of long-term debt by type of debt is as follows:

**Primary Government Long-Term Debt**

	<b>Governmental</b>	<b>Business-type</b>	<b>Total</b>
	<b>Activities</b>	<b>Activities</b>	<b>June 30, 2015</b>
Lease payable	\$ 1,264,396	\$ -	\$ 1,264,396
Notes payable	-	617,900	617,900
Bonds payable	6,885,000	27,110,000	33,995,000
less current portion	(1,504,897)	(3,722,543)	(5,227,440)
<b>Total</b>	<b>\$ 6,644,499</b>	<b>\$ 24,005,357</b>	<b>\$ 30,649,856</b>

**ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES**

The City's budget for the next fiscal year includes the following highlights:

- Overall, a 3% increase in sales tax revenues has been proposed for the upcoming 2015-2016 fiscal year.
- An additional factored increase in sales tax revenues has also been proposed based upon the City's experienced sales tax collections resulting from certain retail developments that occurred during the 2014- 2015 fiscal year.
- As per ordinance, an increase of 5% has been included for water service revenues primarily to offset the City's anticipated increases in water purchases during upcoming year in addition to an included increase of 20% for sewer service revenues.

- The compensation increases proposed for all permanent City employees includes either:
  - 1) the employees' scheduled step adjustment, or
  - 2) a 2% cost of living adjustment for employees that have previously maximized Step due to their employment longevity with the City
- Overall net increase of 4 new employees (3 full and 1 part-time) City employees across all City departments.
- Approximately \$1.4 million has been proposed for various capital improvement items the upcoming fiscal year
- The financial budget for the 2015- 2016 fiscal year includes a utilization of prior reserves totaling approximately \$1,360,000 in order to balance overall revenues expenditures.

**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, report contact the City Treasurer's Office at Yukon City Hall, 500 West Main Street in Yukon, Oklahoma.

**CITY OF YUKON  
STATEMENT OF NET POSITION  
JUNE 30, 2015**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 3,190,128	\$ 667,763	\$ 3,857,891
Investments	260,834	-	260,834
Accounts receivables (net)	-	1,260,062	1,260,062
Taxes receivables	1,936,043	-	1,936,043
Fines receivable	43,697	-	43,697
Grants receivable	203,152	-	203,152
Due to/from other funds	78,695	-	78,695
Restricted assets:			
Cash	(4,722,992)	-	(4,722,992)
Investments	5,548,198	5,215,724	10,763,922
Other assets	-	136,307	136,307
Pension asset	364,234	-	364,234
Capital assets (net)	54,139,333	13,818,298	67,957,631
<b>Total assets</b>	<u>61,041,322</u>	<u>21,098,154</u>	<u>82,139,476</u>
<b>Deferred outflows of Resources</b>			
Deferred charges on pension obligations	\$ 212,258	\$ -	\$ 212,258
<b>Liabilities:</b>			
<b><u>Current Liabilities</u></b>			
Accounts payable	675,106	90,028	765,134
Accrued salaries	413,816	57,355	471,171
Accrued compensated absences, current	-	232,373	232,373
Accrued interest payable	2,607	139,893	142,500
Capital lease obligation, current	719,897	-	719,897
Deferred revenue	92,000	-	92,000
Notes payable, current	-	297,543	297,543
General obligation bond payable, current	785,000	-	785,000
Bond premium, current	59,057	-	59,057
Revenue bonds payable, current	-	3,425,000	3,425,000
<b><u>Non-Current Liabilities</u></b>			
Customer deposits payable	-	372,175	372,175
Capital lease obligation, non-current	544,499	-	544,499
Notes payable, non-current	-	320,357	320,357
General obligation bonds payable, non-current	6,100,000	-	6,100,000
Revenue bonds payable, non-current	-	23,685,000	23,685,000
Bond premium, net of amortization	635,571	-	635,571
Pension liability	13,359,387	-	13,359,387
OPEB liability	13,257,820	-	13,257,820
<b>Total liabilities</b>	<u>36,644,760</u>	<u>28,619,724</u>	<u>65,264,484</u>
<b>Deferred Inflows of Resources</b>			
Deferred charges on pension obligations	3,863,603	-	3,863,603
<b>Net position:</b>			
Net investment in capital assets	45,989,937	(8,693,878)	37,296,059
Restricted			
Debt obligations	883,620	2,969,460	3,853,080
Unrestricted	(26,128,340)	(1,797,152)	(27,925,492)
<b>Total net position</b>	<u>\$ 20,745,217</u>	<u>\$ (7,521,570)</u>	<u>\$ 13,223,647</u>

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

**CITY OF YUKON  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015**

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
<b>Governmental activities:</b>					
General government	\$ 10,966,500	\$ 504,561	\$ 498,656	\$ 359,374	\$ (9,603,909)
Public safety:					
Police	6,011,497	835,194	100,788	-	(5,075,515)
Municipal court	349,121	-	-	-	(349,121)
Fire	4,649,688	-	-	-	(4,649,688)
Animal control	11,670	-	-	-	(11,670)
Public services	2,464,806	-	-	-	(2,464,806)
Cultural and recreation	3,430,888	269,384	225,024	-	(2,936,480)
Transportation	1,293,391	-	-	-	(1,293,391)
Interest on long term debt	513,938	-	-	-	(513,938)
<b>Total Governmental activities</b>	<b>29,691,499</b>	<b>1,609,139</b>	<b>824,468</b>	<b>359,374</b>	<b>(26,898,518)</b>
<b>Business-type activities:</b>					
Water	1,974,380	4,541,570	-	-	2,567,190
Sewer	3,121,093	2,402,453	-	-	(718,640)
Sanitation	1,744,851	1,946,346	-	-	201,495
Administration	1,790,033	-	201,983	-	(1,588,050)
Economic Development	247,282	-	-	-	(247,282)
Interest on long term debt	878,184	-	-	-	(878,184)
<b>Total Business-type activities</b>	<b>9,755,823</b>	<b>8,890,369</b>	<b>201,983</b>	<b>-</b>	<b>(663,471)</b>
<b>Total</b>	<b>\$ 39,447,322</b>	<b>\$ 10,499,508</b>	<b>\$ 1,026,451</b>	<b>\$ 359,374</b>	<b>\$ (27,561,989)</b>

Net (expense) revenue	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
		\$ (26,898,518)	\$ (663,471)
<b>General revenues:</b>			
<b>Taxes:</b>			
Sales and use taxes	21,017,397	-	21,017,397
Property taxes	989,224	-	989,224
Hotel/Motel taxes	334,767	-	334,767
Franchise taxes	1,203,763	-	1,203,763
Other taxes	605,985	-	605,985
Investment income	42,503	6,513	49,016
Gain on sale of property	35,744	-	35,744
Miscellaneous	514,429	272,565	786,994
Transfers	(745,796)	745,796	-
<b>Total general revenues and transfers</b>	<b>23,998,016</b>	<b>1,024,874</b>	<b>25,022,890</b>
<b>Change in net position</b>	<b>(2,900,502)</b>	<b>361,403</b>	<b>(2,539,099)</b>
<b>Net position - beginning of year, restated</b>	<b>23,645,719</b>	<b>(7,882,973)</b>	<b>15,762,746</b>
<b>Net position - end of year</b>	<b>\$ 20,745,217</b>	<b>\$ (7,521,570)</b>	<b>\$ 13,223,647</b>

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

**CITY OF YUKON  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015**

	General Fund	Capital Projects Fund	96 Sales Tax Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash and cash equivalents	\$ (3,282,541)	\$ -	\$ -	\$ 6,472,669	\$ 3,190,128
Investments	260,834				260,834
Taxes receivable	1,486,181		444,326	5,536	1,936,043
Fines receivable, net of allowance	43,697				43,697
Other receivables	90,210			112,942	203,152
Due from other funds	260,787		1,099,911		1,360,698
Restricted cash:					
Cash	134,367	128,293	(4,985,652)		(4,722,992)
Investments	5,100,000		448,198		5,548,198
<b>Total assets</b>	<u>4,093,535</u>	<u>128,293</u>	<u>(2,993,217)</u>	<u>6,591,147</u>	<u>7,819,758</u>
<b>Deferred Outflows of Resources</b>					
Deferred charges on pension obligations	<u>\$ 212,258</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 212,258</u>
<b>Liabilities:</b>					
Accounts payable	\$ 373,644	\$ -	\$ 134,950	\$ 166,512	\$ 675,106
Accrued salaries	409,029		4,787		413,816
Interest payable	2,607				2,607
Deferred revenue				92,000	92,000
GO Bond premium			59,057		59,057
Due to other funds	1,099,911		182,092		1,282,003
<b>Total liabilities</b>	<u>1,885,191</u>	<u>-</u>	<u>380,886</u>	<u>258,512</u>	<u>2,524,589</u>
<b>Deferred Inflows of Resources</b>					
Deferred charges on pension obligations	<u>3,863,603</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,863,603</u>
<b>Fund balance:</b>					
Restricted	316,970	-	(3,315,046)	331,771	(2,666,305)
Committed	292,113	128,293		643,488	1,063,894
Assigned				5,357,376	5,357,376
Unassigned	(2,052,084)		(59,057)		(2,111,141)
<b>Total fund balances</b>	<u>(1,443,001)</u>	<u>128,293</u>	<u>(3,374,103)</u>	<u>6,332,635</u>	<u>1,643,824</u>
<b>Total liabilities and fund balances</b>	<u>\$ 442,190</u>	<u>\$ 128,293</u>	<u>\$ (2,993,217)</u>	<u>\$ 6,591,147</u>	<u>\$ 4,168,413</u>

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

**CITY OF YUKON  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015**

---

**Total fund balance - all governmental funds**

Amounts reported for governmental activities in the statement of net assets are different because: \$ 1,643,824

Land and capital assets, net of accumulated depreciation, are not financial resources and, therefore, are not reported in the funds.

Land and construction in process	4,341,580	
Capital assets	110,632,103	
Less: Accumulated depreciation	(60,834,350)	54,139,333

Long-term liabilities are not due and payable in the current period and are not reported in the funds.

	<i>Current</i>	<i>Non-Current</i>	
Bonds payable	\$ (785,000)	\$ (6,100,000)	
Capital leases payable	(719,897)	(544,499)	
Premium on GO Bonds		(635,571)	
OPEB liability	-	(13,257,820)	
Net pension obligation	-	(12,995,153)	(35,037,940)

**Net position of governmental activities**

**\$ 20,745,217**

**CITY OF YUKON**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2015**

	General Fund	Capital Projects Fund	96 Sales Tax Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Sales and use tax	\$ 16,032,133	\$ -	\$ 4,985,264	\$ -	\$ 21,017,397
Taxes	232,616	-	334,767	989,224	1,556,607
Intergovernmental	373,368	-	-	427,354	800,722
Franchise tax	1,203,763	-	-	-	1,203,763
Charges for services	261,397	-	-	17,396	278,793
Fines and forfeitures	839,603	-	-	-	839,603
Licenses and permits	436,409	-	-	-	436,409
Investment income	40,120	61	-	2,322	42,503
Rental and royalty income	53,900	8,237	-	440	62,577
Donations	-	-	-	388,872	388,872
Sale of property	35,744	-	-	-	35,744
Miscellaneous	341,047	-	-	417,228	758,275
<b>Total revenues</b>	<b>19,850,100</b>	<b>8,298</b>	<b>5,320,031</b>	<b>2,242,836</b>	<b>27,421,265</b>
<b>Expenditures:</b>					
General government	9,269,881	-	707,693	513,866	10,491,440
Public safety:					
Police	5,316,176	-	-	120,881	5,437,057
Municipal court	349,121	-	-	-	349,121
Fire	3,900,995	-	-	-	3,900,995
Animal control	-	-	-	-	-
Public services	569,366	-	-	-	569,366
Cultural and recreation	2,941,701	-	-	-	2,941,701
Transportation	1,091,576	-	-	201,815	1,293,391
Debt service	-	-	729,974	983,587	1,713,561
Capital outlay	1,328,108	-	3,582,732	102,967	5,013,807
<b>Total expenditures</b>	<b>24,766,924</b>	<b>-</b>	<b>5,020,399</b>	<b>1,923,116</b>	<b>31,710,439</b>
<b>Excess revenues over (under) expenditures</b>	<b>(4,916,824)</b>	<b>8,298</b>	<b>299,632</b>	<b>319,720</b>	<b>(4,289,174)</b>
<b>Other financing sources (uses):</b>					
Proceeds from issuance of bonds	-	-	7,534,628	-	7,534,628
Payment to refund bonds	-	-	(7,060,002)	-	(7,060,002)
Transfers in	7,863,488	-	-	2,947,374	10,810,862
Transfers out	(6,500,768)	-	(4,854,616)	(201,274)	(11,556,658)
<b>Total other financing sources and uses</b>	<b>1,362,720</b>	<b>-</b>	<b>(4,379,990)</b>	<b>2,746,100</b>	<b>(271,170)</b>
<b>Net change in fund balances</b>	<b>(3,554,104)</b>	<b>8,298</b>	<b>(4,080,358)</b>	<b>3,065,820</b>	<b>(4,560,344)</b>
<b>Fund balance - beginning of year, restated</b>	<b>2,111,103</b>	<b>119,995</b>	<b>706,255</b>	<b>3,266,815</b>	<b>6,204,168</b>
<b>Fund balance - end of year</b>	<b>\$ (1,443,001)</b>	<b>\$ 128,293</b>	<b>\$ (3,374,103)</b>	<b>\$ 6,332,635</b>	<b>\$ 1,643,824</b>

**CITY OF YUKON  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015**

---

**Net change in fund balances - total governmental funds** **\$ (4,560,344)**

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	5,013,807	
Depreciation expense	<u>(4,194,490)</u>	819,317

Proceeds from capital lease agreements provide current financial resources to governmental funds, but issuing capital leases increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Capital lease repayment	694,623	
Proceeds from bond issuance	(7,419,100)	
GO bonds principle repayment	505,000	
Escrow payment for bond defeasance	<u>7,060,002</u>	840,525

Government-Wide Statement of Activities and Changes in Net Assets 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.

	<u>Prior Year</u>	<u>Current Year</u>
OPEB liability	13,257,820	13,257,820
		<u>-</u>

**Change in net position of governmental activities** **\$ (2,900,502)**

**CITY OF YUKON  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2015**

	Yukon Municipal Authority	Sanitation Fund	Stormwater Fund	Yukon Economic Development Authority	Total Proprietary Funds
<b>Assets:</b>					
Cash and cash equivalents	\$ 62,325	\$ 290,114	\$ 113,126	\$ 202,198	\$ 667,763
Accounts receivable, net	837,942	381,104	22,901	18,115	1,260,062
<b>Restricted assets:</b>					
Cash	-	-	-	-	-
Investments	5,215,724	-	-	-	5,215,724
<b>Capital assets:</b>					
Land	91,005	6,735	-	-	97,740
Construction in progress	327,401	79,234	-	-	406,635
Capital assets, net	12,175,114	1,138,809	-	-	13,313,923
<b>Other assets:</b>					
Bond discount, net of amortization	136,307	-	-	-	136,307
<b>Total assets</b>	<b>\$ 18,845,818</b>	<b>\$ 1,895,996</b>	<b>\$ 136,027</b>	<b>\$ 220,313</b>	<b>\$ 21,098,154</b>
<b>Liabilities:</b>					
Accounts payable	\$ 52,063	\$ 36,780	\$ 1,185	\$ -	\$ 90,028
Accrued salaries	35,302	19,492	2,561	-	57,355
Accrued compensated absences, current	145,851	67,288	19,234	-	232,373
Notes payable, current	297,543	-	-	-	297,543
<b>Payable from restricted assets:</b>					
Bond interest payable, current	139,893	-	-	-	139,893
Bonds payable, current	3,425,000	-	-	-	3,425,000
Customer deposits payable	372,175	-	-	-	372,175
Notes payable, non-current	320,357	-	-	-	320,357
Bonds payable, non-current	23,685,000	-	-	-	23,685,000
<b>Total liabilities</b>	<b>28,473,184</b>	<b>123,560</b>	<b>22,980</b>	<b>-</b>	<b>28,619,724</b>
<b>Net position:</b>					
Net investment in capital assets	(9,922,242)	1,138,809	-	-	(8,783,433)
Restricted	361,194	-	-	-	361,194
Unrestricted	(66,318)	633,627	113,047	220,313	900,669
<b>Total net position</b>	<b>(9,627,366)</b>	<b>1,772,436</b>	<b>113,047</b>	<b>220,313</b>	<b>(7,521,570)</b>
<b>Total liabilities and net position</b>	<b>\$ 18,845,818</b>	<b>\$ 1,895,996</b>	<b>\$ 136,027</b>	<b>\$ 220,313</b>	<b>\$ 21,098,154</b>

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

**CITY OF YUKON**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2015**

	Yukon Municipal Authority	Sanitation Funds	Stormwater Funds	Yukon Economic Development Authority	Total Proprietary Funds
<b>Operating revenues:</b>					
Water revenues	\$ 4,541,570	\$ -	\$ -	\$ -	\$ 4,541,570
Sewer revenues	2,157,739	-	244,714	-	2,402,453
Sanitation revenues	-	1,946,346	-	-	1,946,346
<b>Total operating revenues</b>	<b>6,699,309</b>	<b>1,946,346</b>	<b>244,714</b>	<b>-</b>	<b>8,890,369</b>
<b>Operating expense:</b>					
Personal services	1,723,889	764,893	128,231	205,661	2,822,674
Materials and supplies	512,513	182,724	9,377	1,263	705,877
Other charges and services	3,144,778	327,128	62,497	40,358	3,574,761
Depreciation and amortization	1,539,274	235,053	-	-	1,774,327
<b>Total operating expenses</b>	<b>6,920,454</b>	<b>1,509,798</b>	<b>200,105</b>	<b>247,282</b>	<b>8,877,639</b>
<b>Operating income before non-operating revenues, expenses and transfers</b>	<b>(221,145)</b>	<b>436,548</b>	<b>44,609</b>	<b>(247,282)</b>	<b>12,730</b>
<b>Non-operating revenues (expenses)</b>					
Investment income	6,352	-	161	-	6,513
Penalty revenue	201,983	-	-	-	201,983
Interest expense	(878,184)	-	-	-	(878,184)
Other revenues (expense)	26,380	25,871	-	220,314	272,565
<b>Total nonoperating revenues (expenses)</b>	<b>(643,469)</b>	<b>25,871</b>	<b>161</b>	<b>220,314</b>	<b>(397,123)</b>
<b>Income (loss) before operating transfers</b>	<b>(864,614)</b>	<b>462,419</b>	<b>44,770</b>	<b>(26,968)</b>	<b>(384,393)</b>
Transfers in	7,901,501	252,530	6,698	247,281	8,408,010
Transfers out	(7,110,553)	(460,009)	(91,652)	-	(7,662,214)
<b>Change in net position</b>	<b>(73,666)</b>	<b>254,940</b>	<b>(40,184)</b>	<b>220,313</b>	<b>361,403</b>
<b>Net position - beginning of year</b>	<b>(9,553,700)</b>	<b>1,517,496</b>	<b>153,231</b>	<b>-</b>	<b>(7,882,973)</b>
<b>Net position at end of year</b>	<b>\$ (9,627,366)</b>	<b>\$ 1,772,436</b>	<b>\$ 113,047</b>	<b>\$ 220,313</b>	<b>\$ (7,521,570)</b>

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

**CITY OF YUKON  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2015**

	Yukon Municipal Authority	Sanitation Fund	Stormwater Fund	Yukon Economic Development Authority	Total Proprietary Funds
<b>Cash flows operating activities:</b>					
Cash received from customers	\$ 6,808,230	\$ 1,936,505	\$ 244,354	\$ (18,115)	\$ 8,768,974
Cash payments to suppliers	(3,950,803)	(508,838)	(71,350)	(41,621)	(4,572,612)
Cash payments to employees	(1,728,226)	(778,260)	(123,623)	(205,661)	(2,835,770)
<b>Net cash provided (used) by operating activities</b>	<b>927,201</b>	<b>649,407</b>	<b>49,381</b>	<b>(265,397)</b>	<b>1,360,592</b>
<b>Cash flows from non-capital financing activities:</b>					
Non-capital contributions	-	25,871	-	220,314	246,185
Transfers from other funds	7,901,501	252,530	6,698	247,281	8,408,010
Transfers to other funds	(7,110,553)	(460,009)	(91,652)	-	(7,662,214)
<b>Net cash provided (used) by non-capital financing activities</b>	<b>790,948</b>	<b>(181,608)</b>	<b>(84,954)</b>	<b>467,595</b>	<b>991,981</b>
<b>Cash flows from capital and related financing activities:</b>					
Acquisition and construction of capital assets	(2,073,291)	(196,010)	-	-	(2,269,301)
Principal paid on bonds, notes and lease obligations	(21,376,804)	-	-	-	(21,376,804)
Interest paid on bonds, notes, and lease obligations	(612,835)	-	-	-	(612,835)
Proceeds from issuance of bonds, notes and lease obligations	15,382,024	-	-	-	15,382,024
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(8,680,706)</b>	<b>(196,010)</b>	<b>-</b>	<b>-</b>	<b>(8,876,716)</b>
<b>Cash flows from investing activities:</b>					
Purchase of investments	7,015,420	-	-	-	7,015,420
Investment income	6,352	-	161	-	6,513
<b>Net cash provided (used) by investing activities</b>	<b>7,021,772</b>	<b>-</b>	<b>161</b>	<b>-</b>	<b>7,021,933</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>59,215</b>	<b>271,789</b>	<b>(35,412)</b>	<b>202,198</b>	<b>497,790</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>3,110</b>	<b>18,325</b>	<b>148,538</b>	<b>-</b>	<b>169,973</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 62,325</b>	<b>\$ 290,114</b>	<b>\$ 113,126</b>	<b>\$ 202,198</b>	<b>\$ 667,763</b>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position</b>					
Cash and cash equivalents	\$ 62,325	\$ 290,114	\$ 113,126	\$ 202,198	\$ 667,763
<b>Cash and cash equivalents at end of year</b>	<b>\$ 62,325</b>	<b>\$ 290,114</b>	<b>\$ 113,126</b>	<b>\$ 202,198</b>	<b>\$ 667,763</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ (221,145)	\$ 436,548	\$ 44,809	\$ (247,282)	\$ 12,730
<b>Adjustments to reconcile operating income (loss) to Net cash provided (used) by operating activities</b>					
Depreciation and amortization	1,539,274	235,053	-	-	1,774,327
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(93,079)	(9,841)	(360)	(18,115)	(121,395)
Increase (decrease) in accounts payable	(293,512)	1,014	524	-	(291,974)
Increase (decrease) in accrued salaries	2,479	3,330	1,096	-	6,905
Increase (decrease) in compensated absences	(8,816)	(16,697)	3,512	-	(20,001)
<b>Total adjustments</b>	<b>1,148,346</b>	<b>212,859</b>	<b>4,772</b>	<b>(18,115)</b>	<b>1,347,862</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 927,201</b>	<b>\$ 649,407</b>	<b>\$ 49,381</b>	<b>\$ (265,397)</b>	<b>\$ 1,360,592</b>

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

**CITY OF YUKON  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2015**

---

	<b>Total Agency Funds</b>
<b>Assets:</b>	
Cash and cash equivalents	\$ 175,484
<b>Total assets</b>	<u>175,484</u>
<b>Liabilities:</b>	
Escrow liability	96,789
Due to other funds	78,695
<b>Total liabilities</b>	<u>\$ 175,484</u>

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

**CITY OF YUKON  
Yukon, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting framework and the more significant accounting principles and practices of the City of Yukon, Oklahoma ("City") are discussed in subsequent section of this note. The remainder of the notes is organized to provide explanations, including required disclosures of the City's financial activities for the fiscal year ended June 30, 2015. The City operates under a charter with a Council-Manager form of government.

**A. Reporting Entity**

The government is a municipal corporation governed by an elected five-member council. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government.

*Fund Types and Major Funds*

**Major Governmental Funds**

**General Fund**

Reported as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

**Capital Projects Fund**

Accounts for the capital expenditures funded from a variety of sources, including bond proceeds and federal or state grants

**96 Sales Tax Capital Projects Fund**

Accounts for capital expenditures using the proceeds of the 1996 Sales Tax and related debt service on outstanding governmental issues

**Non-Major Governmental Funds**

**Debt Service Funds**

Accounts for the accumulation of resources for, and the payment of, governmental activities debt principal, interest and related costs.

**Special Revenue Funds**

Accounts for revenues derived from specific taxes or other sources that are designated to finance particular functions or activities of the City.

**Yukon Community Support Fund**

Accounts for funds for community activities and events. This fund operates on a calendar year basis.

**Community Development Block Grant Fund**

Accounts for CDBG funds received by the City.

**Major Proprietary Funds**

**Sanitation Enterprise Fund**

Collects all revenues and pays all expenses associated with providing sanitation services.

**Yukon Municipal Authority**

Collects the revenues and pays all expenses related to water and sewer operations. The Authority also issues debt for capital acquisitions related to water and sewer operations.

**CITY OF YUKON**  
**Yukon, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2015**

**Stormwater Fund**

Accounts for operating expenses related to stormwater operating activities.

**Yukon Economic Development Authority**

Established in August 2013 to account for the economic development and redevelopment activities of the City

Fiduciary Component Units (reported in fiduciary financial statements)

**Agency Fund**

Accounts for fiduciary assets held by the City in a custodial capacity as an agent on behalf of others. The City's Agency Fund is used to account for meter deposits and bail bonds.

Due to restrictions of the state constitution relating to the issuance of municipal debt, public trusts are created to finance City services with revenue bonds or other non-general obligation financing and provide for multi-year contracting. Financing services provided by these public trusts are solely for the benefit of the City. Public trusts created to provide financing services are blended into the City's primary government as an integral part of City operations although retaining separate legal identity. Component units that do not meet the criteria for blending are reported discretely. The City blends all component units.

**B. Basic Financial Statements**

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.

**Government-wide Financial Statements**

The government-wide financial statements include the statement of net position and statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities. The statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. Individual funds are not displayed by the statements.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services with usage fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. Taxes and other revenues sources not properly included with program revenues are reported as general revenues.

**Fund Financial Statements**

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**CITY OF YUKON**  
**Yukon, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2015**

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurements focus and the accrual basis of accounting. Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements and financial statements of the City's component units also report using the same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considered revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenses are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales and use taxes and intergovernmental revenues. In general, other revenues are recognized when cash is received.

Operating income reported in the proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of provided goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

**C. Budget Policy and Practice**

*Budget Approval*

The City Manager submits an annual budget to the City Council in accordance with the Oklahoma Municipal Budget Act. The budget is presented to the Commission for review, and public hearings are held to address priorities and the allocation of resources. In June, the Council adopts the annual fiscal year budgets for City's operating funds. Budget amendments or supplements may be made during the year when unexpected modifications are required in estimated revenues and appropriations. Budget amendments are recommended by the City Manager and must be approved by the Council. Public trusts submit budgets and other planning documents to their respective governing bodies. Other funds budgeted on a project-length basis are also subjected to the Council review and approval process.

*Basis of Budgeting*

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and object class as follows: personal services, other services and charges, supplies, capital outlay, transfers, and debt service. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations without Commission approval. Revisions to the budget were made throughout the year.

The budgets for operating funds and proprietary funds are prepared on the cash basis. Revenues are budgeted in the year they are expected to be received. Expenses are budgeted in the year they are expected to be paid.

**CITY OF YUKON  
Yukon, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2015**

**D. Policies Related to Assets, Liabilities and Equity**

**1. Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

For purposes of the statement of cash flows, cash and cash equivalents include restricted assets in revenue bond and restricted construction fund accounts at the trustee bank.

Investments are stated at cost, which approximates market unless otherwise indicated.

**2. Restricted Assets**

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

**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. Accounts Receivable**

Significant receivables for governmental activities include sales and use tax receivables and property tax receivables. Business-type receivables consist mainly of amount due from customers for utility services. Certain enterprise funds report accounts receivable net of an allowance for uncollectible accounts. The allowance amount is estimated using accounts receivable past due more than 60 to 90 days. At June 30, 2015, the business-type activities reported an allowance for doubtful accounts of \$19,982.

**6. Capital Assets and Depreciation**

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost, or estimated historical cost if actual is unavailable, and comprehensively reported in the government-wide financial statements. Prior to July 1, 2002,

**CITY OF YUKON**  
**Yukon, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2015**

governmental funds' infrastructure assets were not capitalized. These assets (back to July 1, 1980) are valued at estimated historical cost. The City capitalized some of the infrastructure assets in the fiscal year June 30, 2005; while the remaining infrastructure assets were valued and capitalized in the fiscal year June 30, 2007, complying with GASB 34 standards.

Proprietary and component unit capital assets are also reported in their respective fund and combining component units' financial statements.

Donated assets are stated at fair value on the date donated. The City capitalizes assets with cost in excess of \$5,000 as purchases and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized.

Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	40 years
Building Improvements	20-40 years
Vehicles	5 years
Office Equipment	7 - 10 years
Computer Equipment	5 years
Infrastructure	25 - 50 years

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service.

**7. Compensated Absences**

City 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 (maximum 500 hours). Payment of sick leave is restricted to retiring employees who can be paid up to 120 days of accumulated benefits and are limited to maximum compensation equivalent of 33 to 68 days. Compensated absences are reported as accrued in the government-wide, proprietary, and fiduciary financial statements. Governmental funds report compensated absences payable to employees within one year.

**8. Long-term Obligations**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable, accrued compensated absences, and a court-assessed judgment.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as revenue and payment of principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

**CITY OF YUKON**  
**Yukon, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2015**

**9. Net Position/Fund Balance**

In the government-wide financial statement, net position represents the difference between assets and liabilities. Net investment in capital assets, 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.

***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.

**10. 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 OF YUKON  
Yukon, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2015**

City considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

**11. Interfund Balances**

Generally, outstanding balances between funds reported as due to/due from other funds include outstanding charges by one fund to another for services or goods or miscellaneous receivables/payables between funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year and are described as due to/due from other funds.

**12. Deferred Outflows of Resources and Deferred Inflows of Resources**

In addition to assets and liabilities, the statement of financial position and the governmental fund balance sheet may report separate sections of deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period which will not be recognized as an outflow of resources until that time. Deferred inflows of resources represent an acquisition of net position that applies to a future period which will not be recognized as an inflow of resources until that time.

**E. Policies Related to Revenues and Expenses**

**1. Program Revenues**

Program revenues consist of Charges for Services and Grants and Contributions.

Program revenues reported with governmental activities include charges for services like permits and fees, parks charges, and fines and forfeitures. Business-type activity charges for services include all operating income of proprietary funds.

Grants and Contributions primarily consist of grants from Federal and state agencies. The nature of the grant determines if it is reported as operating or capital program revenues. Business-type activities grants and contributions include restricted investment income, donations from others, as well as grants from Federal and state agencies.

**2. General Revenues**

General revenues reported with governmental activities include tax revenues. Both governmental and business-type activities report unrestricted investment income as general revenues.

**2. ASSETS AND LIABILITIES**

**A. Deposits and Investments**

*Custodial Credit Risk*

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's deposits are secured by collateral values at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service.

**CITY OF YUKON**  
**Yukon, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2015**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes

The investments held at June 30, 2015 are as follows:

Type	Weighted Average Maturity (Months)	Credit Rating	Market Value	Cost
Investments				
Money Market	N/A	AAAm	\$ 5,633,412	\$ 5,633,412
Certificate of deposit	2.40	N/A	5,391,344	5,391,344
<b>Total investments</b>			<u>\$ 11,024,756</u>	<u>\$ 11,024,756</u>

Reconciliation to Statement of Net Position	
Governmental activities	\$ 5,809,032
Business-type activities	5,215,724
	<u>\$ 11,024,756</u>

**B. Capital Assets**

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

*Governmental Activities*

	Balance July 1, 2014	Additions	Retirements/ Adjustments	Balance June 30, 2015
<b>Capital assets</b>				
Land	\$ 2,974,338	\$ 883,526	\$ -	\$ 3,857,864
Construction in progress	8,701,987	293,737	-	8,995,724
Infrastructure	72,676,942	2,474,967	-	75,151,909
Buildings and improvements	12,635,133	438,735	-	13,073,868
Furniture, fixtures and equipment	6,332,400	672,505	-	7,004,905
Vehicles	6,639,076	250,337	-	6,889,413
<b>Total capital assets</b>	<u>109,959,876</u>	<u>5,013,807</u>	<u>-</u>	<u>114,973,683</u>
Less accumulated depreciation	(56,639,860)	(4,194,490)	-	(60,834,350)
<b>Capital assets, net</b>	<u>\$ 53,320,016</u>	<u>\$ 819,317</u>	<u>\$ -</u>	<u>\$ 54,139,333</u>

**CITY OF YUKON**  
**Yukon, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2015**

*Business-type Activities*

	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015
<b>Capital assets</b>				
Land	\$ 97,740	\$ -	\$ -	\$ 97,740
Construction in progress	406,635	-	-	406,635
Infrastructure	35,587,001	564,863	-	36,151,864
Buildings and improvements	165,114	1,243,813	-	1,408,927
Furniture, fixtures and equipment	1,943,221	222,915	-	2,166,136
Vehicles	2,500,104	41,700	-	2,541,804
<b>Total capital assets</b>	<b>40,699,815</b>	<b>2,073,291</b>	<b>-</b>	<b>42,773,106</b>
Less accumulated depreciation	(27,571,114)	(1,383,694)	-	(28,954,808)
<b>Capital assets, net</b>	<b>\$ 13,128,701</b>	<b>\$ 689,597</b>	<b>\$ -</b>	<b>\$ 13,818,298</b>

**Business-type Activities by Fund**  
**June 30, 2015**

	Yukon Municipal Authority	Sanitation Fund	Total
<b>Capital assets</b>			
Land	\$ 91,005	\$ 6,735	\$ 97,740
Construction in progress	327,401	79,234	406,635
Infrastructure	36,035,384	116,480	36,151,864
Buildings and improvements	1,408,927	-	1,408,927
Furniture, fixtures and equipment	428,085	1,738,051	2,166,136
Vehicles	1,719,772	822,032	2,541,804
<b>Total capital assets</b>	<b>40,010,574</b>	<b>2,762,532</b>	<b>42,773,106</b>
Less accumulated depreciation	(27,417,054)	(1,537,754)	(28,954,808)
<b>Capital assets, net</b>	<b>\$ 12,593,520</b>	<b>\$ 1,224,778</b>	<b>\$ 13,818,298</b>

**CITY OF YUKON  
Yukon, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2015**

*Depreciation expense*

Depreciation expense was charged to functions of the primary government as follows:

<b>Governmental activities:</b>	
General government	\$ 475,060
Public safety:	
Police	574,440
Fire	748,693
Animal control	11,670
Public service	1,895,440
Culture and recreation	489,187
	<hr/>
<b>Governmental activities depreciation expense</b>	<b>4,194,490</b>
<b>Business-type activities:</b>	
Water and sewer	1,148,641
Sanitation	235,053
	<hr/>
<b>Business-type activities depreciation expense</b>	<b>1,383,694</b>
	<hr/>
<b>Total depreciation expense</b>	<b>\$ 5,578,184</b>

**C. Long-term Debt and Capitalized Leases**

The City has entered into general obligation bonds payable, revenue bonds payable and capitalized leases. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds.

**CITY OF YUKON  
Yukon, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2015**

Governmental Activities

**Capitalized Leases**

In March 2012, the City entered into a master lease agreement payable to Arvest bank, original amount \$1,568,555, for the purchase of equipment. Terms of the lease are 60 monthly installments of \$28,359.49 at a stated interest of 3.25%. \$ 579,735

In March 2012, the City entered into a capital lease agreement payable in the amount of \$1,700,000 for the purchase of sanitation equipment. Terms of the lease are 60 monthly installments of \$30,736 at a stated interest rate of 3.25%. 628,317

In May 2012, the City entered into a capital lease for the purchase of a new street sweeper. The total cost of the equipment was \$159,950, The City made an \$80,000 down payment. The remaining balance is financed over four years with annual payments at 2.75%. 20,862

Effective June 25, 2014, the City entered into a capital lease with Arvest Bank for the purchase of a brush truck. The truck was purchased for \$60,803 and funded with a 10% down payment by the City and the capital lease obligation of \$54,723. The lease carries an interest rate of 3.25%, maturing March 2017. 35,482

Total Governmental Capital Leases Payable \$ 1,264,396

**Bonds Payable**

In June 2015, the City issued \$6.885 million of City of Yukon General Obligation Refunding Bonds, Series 2015. Proceeds were used to refunding the City's outstanding GO Bonds, Series 2004, Series 2005, Series 2006 as well as generate funding for capital projects. The Series 2015 Bonds carry a lower interest rate than prior GO issues, reducing interest cost of the City. Interest on the bonds is payable semi-annually on March 1<sup>st</sup> and September 1<sup>st</sup> commencing on September 1, 2015, at rates ranging from 1 to 5%. The bonds will be repaid with ad valorem taxes collected on real property of taxpayers in the City of Yukon, Oklahoma \$ 6,885,000

Total Governmental Activities Bonds Payable \$ 6,885,000

Total Governmental Activities Long Term Debt \$ 8,149,396

**CITY OF YUKON  
Yukon, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2015**

**Business-type Activities**

**Notes Payable**

Yukon Municipal Authority established a line of credit with Arvest Bank for the purchase of equipment. Each draw on the line is a separate borrowing of the YMA. During the year, there were four purchases issued totaling \$57,024 at a prevailing rate of 2.56% at June 30, 2015.

\$ 617,900

Total Notes Payable

\$ 617,900

**Bonds Payable**

December 6, 2012 the City, through the Yukon Municipal Authority, issued \$6,500,000 of Sales Tax and Utility System Revenue Bonds, Series 2012. Interest on the bonds is payable semi-annually on January 1<sup>st</sup> and July 1<sup>st</sup> at a 2% coupon rate.

\$ 5,300,000

February 13, 2013 the City, through the Yukon Municipal Authority, issued \$8,500,000 of Sales Tax and Utility System Revenue Bonds, Series 2013. Interest on the bonds is payable semi-annually on January 1<sup>st</sup> and July 1<sup>st</sup> with an interest rate of 2%.

6,900,000

In March 2015, \$9,520,000 in Yukon Municipal Sales Tax Revenue Note, Series 2015A were issued by the City through the Yukon Municipal Authority. Interest on the note is payable semi-annually on June 1<sup>st</sup> and December 1<sup>st</sup> with an interest rate of 2.19%. Proceeds were used to refund outstanding debt related to Sales Tax and Utility System Revenue Bonds, Series 2005A, 2005B, and 2011 as well as capital improvements and equipment for the City and Authority. The Note is secured with sales tax and a security agreement.

9,280,000

In April 2015, \$9,520,000 in Yukon Municipal Sales Tax Revenue Note, Series 2015B were issued by the City through the Yukon Municipal Authority. Interest on the bond is payable semi-annually on June 1<sup>st</sup> and December 1<sup>st</sup> at a rate of 1.6%. Proceeds were used to refund outstanding debt related to Sales Tax and Utility System Revenue Bonds, Series 2007 and Series 2010 as well as capital improvements and equipment for the City and Authority. The Note is secured with sales tax and a security agreement.

5,630,000

Total Bonds Payable

\$ 27,110,000

Total Business-type Activities Debt Payable

\$ 27,727,900

**CITY OF YUKON  
Yukon, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2015**

**Changes in Long-Term Debt**

The following is a summary of changes in long-term debt for the year ended June 30, 2015:

	Balance July 1, 2014	Issued	Retired	Balance June 30, 2015	Current Portion
<b>Governmental Activities</b>					
General obligation bonds	\$ 7,565,000	\$ 6,855,000	\$ (7,565,000)	\$ 6,855,000	\$ 785,000
Lease obligations	1,959,019	-	(694,623)	1,264,396	719,897
<b>Total Governmental Activities</b>	<u>9,524,019</u>	<u>6,855,000</u>	<u>(8,259,623)</u>	<u>8,119,396</u>	<u>1,504,897</u>
<b>Business-type Activities</b>					
Revenue bonds	32,890,000	15,325,000	(21,105,000)	27,110,000	3,425,000
Notes payable	832,480	57,024	(271,604)	617,900	297,543
<b>Total Business-type Activities</b>	<u>33,722,480</u>	<u>15,382,024</u>	<u>(21,376,604)</u>	<u>27,727,900</u>	<u>3,722,543</u>
<b>Total Primary Government Long-term debt</b>	<u>\$ 43,246,499</u>	<u>\$ 22,237,024</u>	<u>\$ (29,636,227)</u>	<u>\$ 35,847,296</u>	<u>\$ 5,227,440</u>

Maturities of long-term debt are as follows:

Year Ending June 30,	Governmental Activities			
	Capital Leases Payable		Bonds Payable	
	Principal	Interest	Principal	Interest
2016	\$ 719,897	\$ 30,516	\$ 785,000	\$ 163,192
2017	544,499	7,341	700,000	230,000
2018	-	-	685,000	216,000
2019	-	-	675,000	202,300
2020	-	-	660,000	188,800
2021-2025	-	-	3,105,000	515,750
2026	-	-	275,000	13,750
	<u>\$ 1,264,396</u>	<u>\$ 37,857</u>	<u>\$ 6,885,000</u>	<u>\$ 1,529,792</u>

**CITY OF YUKON**  
**Yukon, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2015**

Business Type Activities

Year Ending June 30,	Notes Payable		Bond Payable	
	Principal	Interest	Principal	Interest
2016	\$ 271,443	\$ 12,242	\$ 3,425,000	\$ 512,131
2017	266,168	5,014	3,495,000	445,807
2018	74,060	1,196	3,565,000	384,725
2019	6,229	37	3,640,000	315,685
2020	-	-	3,710,000	252,698
2021-2023	-	-	9,275,000	326,754
	<u>\$ 617,900</u>	<u>\$ 18,489</u>	<u>\$ 27,110,000</u>	<u>\$ 2,237,800</u>

***Bond Defeasance***

During the fiscal year, certain outstanding bonds were defeased by placing proceeds of new bonds in an irrevocable trust or escrow account to provide for all future debt service payments on the old bonds. This results in a transfer of liability to the irrevocable trust or escrow account trustee. Accordingly, the trust or escrow accounts and the defeased bonds are not included in the financial statements.

	<b>Bond Series</b>	<b>Defeased Balance</b>	<b>Outstanding Balance</b>
General obligation bonds	2004	2,150,000	2,150,000
General obligation bonds	2005	2,055,000	2,055,000
General obligation bonds	2006	2,680,000	2,680,000
Revenue system bonds	2005A	1,777,063	1,735,000
Revenue system bonds	2005B	2,669,313	2,600,000
Revenue system bonds	2007	4,258,172	4,160,000
Revenue system bonds	2010	2,420,272	2,380,000
Revenue system bonds	2011	6,247,356	6,105,000

**CITY OF YUKON**  
**Yukon, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2015**

**D. Internal balances**

Internal balances and activity are detailed below. All internal balances and activity have been eliminated in the statements of net position and statement of activities, respectively.

	Due From	Due To
<b>Governmental activities:</b>		
<b>General Fund</b>		
96 Sales Tax Capital Projects fund	\$ 182,092	\$ 1,099,911
Municipal Court	78,695	-
<b>96 Sales Tax Capital Projects fund</b>		
General Fund	1,099,911	182,092
<b>Agency funds:</b>		
<b>Municipal Court</b>		
General Fund	-	78,695
	\$ 1,360,698	\$ 1,360,698

	Transfers From	Transfers To
<b>Governmental activities:</b>		
<b>General Fund</b>		
Special Revenue Fund	\$ 180,000	\$ 2,947,374
Community Development Block Grant	21,274	-
Sanitation	460,009	63,507
Stormwater	91,652	6,698
Yukon Municipal Authority	7,110,553	3,483,189
<b>96 Sales Tax Capital Projects fund</b>		
Yukon Municipal Authority	-	4,418,312
Sanitation	-	189,023
Yukon Economic Development Authority	-	247,281
<b>Special Revenue Fund</b>		
General Fund	2,947,374	180,000
Stormwater	-	-
<b>Community Development Block Grant</b>		
General Fund	-	21,274
<b>Business-type activities:</b>		
<b>Yukon Municipal Authority</b>		
General Fund	3,483,189	7,110,553
96 Sales Tax Capital Projects fund	4,418,312	-
Sanitation	-	-
Special Revenue Fund	-	-
<b>Sanitation</b>		
General Fund	63,507	460,009
96 Sales Tax Capital Projects fund	189,023	-
<b>Stormwater</b>		
General fund	6,698	91,652
<b>Yukon Economic Development Authority</b>		
General fund	247,281	-
	\$ 19,218,872	\$ 19,218,872

**CITY OF YUKON  
Yukon, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2015**

**3. OTHER INFORMATION**

**A. Employee Retirement System and Plan**

The City participates in three employee pension systems as follows:

<u>Name of Plan</u>	<u>Type of Plan</u>
Oklahoma Municipal Retirement Fund	Agent Multiple Employer – Defined Benefit Plan
Oklahoma Police Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan
Oklahoma Firefighter Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan

Oklahoma Municipal Retirement Fund

Plan Description

Substantially all of the City's regular, full time employees, with the exception of police officers and firefighters, participate in a defined contribution plan administered by the Oklahoma Municipal Retirement System (OMRF), a statewide fund established to administer pension plans for municipal employees. The defined contribution plan is funded through contributions as elected by each municipality. Participants are required to participate 3% of their covered compensation. The City contributed 17.48% of covered compensation for fiscal year 2015. Participants are permitted to make voluntary deductible contributions to the plan. OMRF issues a publically available financial report that can be obtained at [www.okmrf.org](http://www.okmrf.org).

The funds are credited to individual participant accounts and pooled for investment purposes through OMRF. All gains and/or losses are credited directly to each participant. Benefits vest after 10 years of service with normal retirement at age 65 and early retirement at age 55 with 10 years or more of service. Upon retirement, termination of employment, disability, or death, the vested portion of a participant's account is paid to the participant or beneficiary. This amount is based on an accumulation of employee and employer contributions, forfeitures, if applicable, and earnings or losses.

Benefits Provided

OMRF provides retirement, disability, and death benefits. Retirement benefits are determined as 3 percent of the employee's final average compensation multiplied by the employee's years of service; final average compensation is the average of the 5 highest consecutive years of salaries out of the last 10 years of service. Vesting requires 5 years of service. Members are eligible for normal retirement at the earlier of: age 65 with 5 years of vested service or age 62 with 30 years of vested service. The benefit is payable immediately. Early retirement is available after age 55 with 5 years of vested service. Early retirement benefits are paid at the normal retirement age, or reduced 5% per year for commencement prior to the normal retirement age.

Disability retirement is provided for member's total and permanent disability after 5 or more years of service. The accrued benefit is payable upon disablement without reduction for early payment.

In-service death benefits are payable after vesting at 50% of the accrued benefit until the death of the spouse or remarriage. If the member was not vested at the time of in-service death, member contributions are returned, if any, with interest.

**CITY OF YUKON  
Yukon, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2015**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OMRF**

At June 30, 2015, the City reported a liability of \$4,450,888 for its proportionate share of the net pension liability. The net pension net pension liability was measured as of July 1, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined.

Changes to the actuarial valuation between the measurement date of the net pension liability and the City's reporting dates are not expected to have a significant effect on the net pension liability.

For the year ended June 30, 2015, the City recognized pension expense of \$811,005. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ -
Changes of assumptions	-
Net difference between projected and actual earnings on pension plan investments	1,071,237
Changes in proportion and differences between City contributions and proportionate share of contributions	-
City contributions subsequent to the measurement date	-
<b>Total</b>	<b>\$ 1,071,237</b>

Other amounts reported deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2016	\$	(267,809)
2017		(267,809)
2018		(267,809)
2019		(267,809)

**Actuarial assumptions:** The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3 percent	
Salary increases	5.07 percent, average	
Investment rate of return	7.75 percent, net of pension plan investment expense and inflation	

Mortality rates were based on the UP 1994 with projected mortality improvement. Valuation rates are projected for mortality improvement by the Society of Actuaries' table AA based upon the employee's year of birth.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period ended July 1, 2007 through June 30, 2011.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns,

**CITY OF YUKON  
Yukon, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2015**

net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.0%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2014 are summarized in the following table:

	Target Allocation	Real Return	Weighted Return
Large cap stocks - S&P 500	25%	5.40%	1.35%
Small/mid cap stocks - Russell 2500	10%	7.50%	0.75%
Long/short equity - MSCI ACWI	10%	6.10%	0.61%
International stocks - MSCI EAFE	20%	5.10%	1.02%
Fixed income bonds - Barclay's Capital Aggregate	30%	2.60%	0.78%
Real estate - NCREIF	5%	4.80%	0.24%
Cash equivalents - 3 month Treasury	0%	0.00%	0.00%
	100%		
		Average Real Return	4.75%
		Inflation	3.00%
		Long term expected return	7.75%

*Discount rate:* The discount rate used to measure the total pension liability was 7.75 percent, as the plan's net fiduciary position is projected to be sufficient to make projected benefit payments. The City has adopted a funding method that is designed to fund all benefits payable to participants over the course of the member's working career. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable. Therefore, no separate cash flow projection is required to determine the sufficiency of the plan assets. The 20 year tax free bond yield of 3.29% was used in the analysis.

**CITY OF YUKON**  
**Yukon, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2015**

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances at June 30, 2013</b>	22,958,455	16,504,317	6,454,138
<b>Changes for the year:</b>			
Service cost	728,208	-	728,208
Interest	1,792,596	-	1,792,596
Differences between expected and actual experience	-	-	-
Contributions - employer	-	1,743,018	(1,743,018)
Contributions - employee	-	70,118	(70,118)
Net investment income	-	2,751,704	(2,751,704)
Benefit payments, including refunds of employee contributions	(1,133,945)	(1,133,945)	-
Administrative expense	-	(40,786)	40,786
Other changes	-	-	-
<b>Net changes</b>	<u>1,386,859</u>	<u>3,390,109</u>	<u>(2,003,250)</u>
<b>Balances at June 30, 2014</b>	<u>\$ 24,345,314</u>	<u>\$ 19,894,426</u>	<u>\$ 4,450,888</u>

*Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate:*  
The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability	7,868,790	4,450,888	1,896,230

*Pension plan fiduciary net position:* Detailed information about the pension plan's fiduciary net position is available in the separately issued OMRF financial report.

Oklahoma Police Pension and Retirement System

*Plan description* – The City of Yukon, as the employer, participates in the Oklahoma Police Pension and Retirement Plan – a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). Title 11 of the Oklahoma State Statutes, through the Oklahoma Legislature, grants the authority to establish and amend the benefit terms to the OPPRS. OPPRS issues a publicly available financial report that can be obtained at [www.ok.gov/OPPRS](http://www.ok.gov/OPPRS).

Benefits provided – OPPRS provides retirement, disability, and death benefits to members of the plan. The normal retirement date under the Plan is the date upon which the participant completes 20 years of credited service, regardless of age. Participants become vested upon completing 10 years of credited service as a contributing participant of the Plan. No vesting occurs prior to completing 10 years of credited service. Participants' contributions are refundable, without interest, upon termination prior to

**CITY OF YUKON  
Yukon, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2015**

normal retirement. Participants who have completed 10 years of credited service may elect a vested benefit in lieu of having their accumulated contributions refunded. If the vested benefit is elected, the participant is entitled to a monthly retirement benefit commencing on the date the participant reaches 50 years of age or the date the participant would have had 20 years of credited service had employment continued uninterrupted, whichever is later.

Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered. Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participants' final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of credited service, participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service. This disability benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective July 1, 1998, once a disability benefit is granted to a participant, that participant is no longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.

Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is entitled to a pension benefit.

*Contributions* – The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% percent of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City were \$393,440.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* – At June 30, 2015, the City reported an asset of \$364,234 for its proportionate share of the net pension asset. The net pension asset was measured as of July 1, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2014. The City's proportion of the net pension asset was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2014. Based upon this information, the City's proportion was 1.0818%.

For the year ended June 30, 2015, the City recognized pension expense of \$133,506. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 163,640
Changes of assumptions	-
Net difference between projected and actual earnings on pension plan investments	1,280,223
Changes in proportion and differences between City contributions and proportionate share of contributions	-
City contributions subsequent to the measurement date	-
<b>Total</b>	<b>\$ 1,443,863</b>

**CITY OF YUKON**  
**Yukon, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2015**

Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 288,772
2017	288,772
2018	288,772
2019	288,772
2020	288,775

**Actuarial Assumptions** – The total pension liability was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	4.5% to 17.0% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense
Mortality rates:	Active employees (pre-retirement) RP-2000 Blue Collar

Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA.

Active employees (post-retirement) and nondisabled pensioners: RP-2000 Blue Collar Healthy Combined table with fully generational Improvement using scale AA.

Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward 4 years with fully generational improvement using Scale AA.

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	2.83%
Domestic equity	6.47%
International equity	6.98%
Real Estate	5.50%
Private Equity	5.96%
Other assets	3.08%

The current allocation policy is that approximately 60% of assets in equity instruments, including public equity, long-short hedge, venture capital, and private equity strategies; approximately 25% of assets in

**CITY OF YUKON  
Yukon, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2015**

fixed income to include investment grade bonds, high yield and non-dollar denominated bonds, convertible bonds, and low volatility hedge fund strategies; and 15% of assets in real assets to include real estate, commodities, and other strategies.

*Discount Rate* – The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 14% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* – The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net pension liability (asset)	\$2,167,134	(\$364,234)	(\$2,497,613)

*Pension plan fiduciary net position* – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the OPPRS; which can be located at [www.ok.gov/OPPRS](http://www.ok.gov/OPPRS).

Oklahoma Firefighters Pension and Retirement System

*Plan Description* – The City of Yukon, as the employer, participates in the Firefighters Pension & Retirement – a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension & Retirement System (FPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the FPRS. FPRS issues a publicly available financial report that can be obtained at [www.ok.gov/fprs](http://www.ok.gov/fprs).

*Benefits provided* – FPRS provides retirement, disability and death benefits to members of the plan.

Benefits for members hired prior to November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month. Benefits vest with 10 years or more service.

Benefits for members hired after November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 22 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month. Benefits vest with 11 years or more service.

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in-the-line-of-duty is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per years of service, with a maximum of 30 years of service. For disabilities not-in-the-line-of-duty, the benefit is limited to only those with less than 20 years

**CITY OF YUKON  
Yukon, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2015**

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

A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit.

**Contributions** – The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$323,776 (fiscal year contributions).

**Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – At June 30, 2015, the City reported a liability of \$8,908,499 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2014. Based upon this information the City's proportion was 0.8663%.

For the year ended June 30, 2015, the City recognized pension expense of \$800,101. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 212,258	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,348,503
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	-	-
<b>Total</b>	<b>\$ 212,258</b>	<b>\$ 1,348,503</b>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 227,249
2017	227,249
2018	227,249
2019	227,249
2020	227,249

**CITY OF YUKON  
Yukon, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2015**

**Actuarial Assumptions** – The total pension liability was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	3.5% to 9.0% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense

Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for healthy lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	20%	5.48%
Domestic equity	37%	9.61%
International equity	20%	9.24%
Real Estate	10%	7.76%
Other assets	13%	6.88%

**Discount Rate** – The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 36% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** – The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percent point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	11,632,721	8,908,499	6,624,683

**CITY OF YUKON**  
**Yukon, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2015**

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the FPRS; which can be located at [www.ok.gov/fprs](http://www.ok.gov/fprs).

**B. Other Post-Employment Benefits**

*Plan Description:* 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, 2015, 9 retired employees are receiving benefits under this plan.

*Funding Policy.* The contribution requirement of the City is an implicit subsidy. The implicit subsidy is not a direct payment from the employer on behalf of the member but rather stems from retiree contribution levels that are less than the claims cost 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. For fiscal year 2015, the City contributed 70% of premiums of 9. Plan members receiving benefits contributed \$153,115, or approximately 50 percent of the total premiums, through their required contribution of \$851 per month for retiree-only coverage and \$2,378 for retiree and family medical coverage, these amounts do not include dental and vision 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, 2011:

Current Service Cost (\$1,560,603) + Amortization Amount (\$842,919) = Total Contribution (\$2,403,522). OPEB obligation for retired employees as determined by Actuarial is \$118,856.

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.

**CITY OF YUKON  
Yukon, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2015**

<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>
6/30/2011	\$ -	Actuarial	\$ 13,257,820	\$ 13,257,820	0.0%

*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 June 30, 2011 actuarial valuation, since the City does not pre-fund the retiree healthcare benefits, a discount rate 5.25% was used. There were no assets to determine actuarial value of assets. The UAAL is being amortized over 30 years as level payments. The remaining amortization period at June 30, 2011 was twenty-eight years.

**C. 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.

The City is a member of the Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan), an organization formed for the purpose of providing workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities, including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for all claims submitted to it during the plan year.

As a member of the Plan, the City is required to pay fees set by the Plan according to an established payment schedule. A Loss Fund has been established from the proceeds of these fees for each participant in the Plan. The State Insurance Fund provides coverage in excess of the Loss Fund so the City's liability for claim loss is limited to the balance of that fund.

**D. Commitments and Contingencies**

The City in the past has participated in various grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency.

The City has certain commitments for operating leases. These leases are of immaterial amounts and are for only one-year intervals.

**CITY OF YUKON**  
**Yukon, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2015**

The City is a defendant in legal actions arising from normal governmental activities. Most of these actions are covered by insurance. Although the outcome of these lawsuits is not presently determinable, management believes that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

The City is self-insured for employee health insurance claims in excess of \$50,000. The plan is administered by a third party who determines the appropriate insurance rate on each employee. The City remits payment on a monthly basis. Claims are submitted to and processed by the third party administrator. As June 30, 2015, \$468,000 was available to pay claims.

In June 2009, the City entered into an agreement with Integris Canadian Valley Regional Hospital (the "Hospital") to pay the Hospital \$1,200,000 over a six year period in quarterly installments of \$50,000. The funds will be used for expansion construction and operation of the Hospital. The contract expires on June 30, 2015.

**4. SUBSEQUENT EVENTS**

*Date of Management's Review*

Subsequent events were evaluated through November 24, 2015, which is the date the financial statements were available to be issued.

*Other Post Retirement Employee Benefits*

Effective August 1, 2015, the City discontinued post retirement employee benefit health care, prescription drug, dental and vision benefits for retired employees and their dependents. As discussed in Note 3(B), there were 9 retired individuals participating as of June 30, 2015. The Statement of Net Position reflects a liability of \$13,257,820 at June 30, 2015. Subsequent to year end, the liability was reduced to \$0 for the extinction of the benefits.

**5. RESTATEMENT OF BEGINNING NET POSITION**

Effective July 1, 2014, the City implemented GASB No. 68, Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27. GASB No. 68 established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. The Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plans and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans and cost sharing plans, and recognition and disclosure requirements are addressed for each classification.

Implementation of GASB No. 68 resulted in the restatement of beginning year net position to recognize the net pension obligation of the City. The changes were as follows:

**CITY OF YUKON  
Yukon, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2015**

	<u>Governmental Activities</u>
Beginingg Net Position	\$ 40,292,217
Net pension obligations	(12,995,153)
Net deferred inflows on pension charges	(3,651,345)
<b>Restated Beginning Net Position</b>	<b><u>\$ 23,645,719</u></b>

**City of Yukon, Oklahoma**  
**General Fund**  
**Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<b>REVENUES</b>					
Sales and use tax	\$ 12,675,350	\$ -	\$ 12,675,350	\$ 16,032,133	\$ 3,356,783
Taxes	591,000	-	591,000	232,616	(358,384)
Franchise tax	1,153,500	-	1,153,500	1,203,763	50,263
Charges for services	-	-	-	261,397	261,397
Fines and forfeitures	1,257,650	-	1,257,650	839,603	(418,047)
Licenses and permits	398,000	-	398,000	436,409	38,409
Investment income	-	-	-	40,120	40,120
Rental and royalty income	87,350	-	87,350	53,900	(33,450)
Sale of property	-	-	-	35,744	35,744
Miscellaneous	680,010	-	680,010	1,469,563	789,553
Total revenues	<u>16,842,860</u>	<u>-</u>	<u>16,842,860</u>	<u>20,605,248</u>	<u>3,762,388</u>
<b>EXPENDITURES</b>					
General government	9,893,171	(192,988)	9,700,183	9,276,756	423,427
Public safety:					
Police	5,711,947	(30,000)	5,681,947	5,316,176	365,771
Municipal court	325,744	30,000	355,744	349,121	6,623
Fire	3,664,179	300,000	3,964,179	3,900,995	63,184
Public services	1,391,906	1,690,388	3,082,294	3,040,561	41,733
Cultural and recreation	3,170,417	(1,800,380)	1,370,037	1,212,695	157,342
Total expenditures	<u>24,157,364</u>	<u>(2,980)</u>	<u>24,154,384</u>	<u>23,096,304</u>	<u>1,058,080</u>
Revenue over (under) expenditures	(7,314,504)	2,980	(7,311,524)	(2,491,056)	2,704,308
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in/(out)	7,315,769	-	7,315,769	1,362,720	(5,953,049)
Net other financing sources (uses)	<u>7,315,769</u>	<u>-</u>	<u>7,315,769</u>	<u>1,362,720</u>	<u>(5,953,049)</u>
Net change in fund balance	1,265	2,980	4,245	(1,128,336)	(3,248,741)
Fund balance at beginning of year (Non-GAAP budgetary basis), restated				5,886,103	
Fund balance at end of year (Non-GAAP budgetary basis)				<u>\$ 4,757,767</u>	<u>\$ (3,248,741)</u>
<b>ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>					
Revenue and transfer accruals				(6,200,768)	
Fund balance at end of year (GAAP basis)				<u>\$ (1,443,001)</u>	

**City of Yukon, Oklahoma**  
**96 Sales Tax Capital Projects**  
**Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**Year Ended June 30, 2015**

	<u>Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<b>REVENUES</b>					
Sales and use tax	\$ 6,249,217	\$ -	\$ 6,249,217	\$ 5,320,031	\$ (929,186)
Other income	351,000	-	351,000	257,256	(93,744)
Investment income	9,000	-	9,000	-	(9,000)
Total revenues	<u>6,609,217</u>	<u>-</u>	<u>6,609,217</u>	<u>5,577,287</u>	<u>(1,031,930)</u>
<b>EXPENDITURES</b>					
Debt service	5,589,334	-	5,589,334	512,604	5,076,730
Capital outlay	3,259,440	-	3,259,440	4,290,425	(1,030,985)
Total expenditures	<u>8,848,774</u>	<u>-</u>	<u>8,848,774</u>	<u>4,803,029</u>	<u>4,045,745</u>
Revenue over (under) expenditures	(2,239,557)	-	(2,239,557)	774,258	(5,077,675)
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in/(out)	1,361,225	1,657,848	3,019,073	(4,854,616)	(7,873,689)
Net other financing sources (uses)	<u>1,361,225</u>	<u>1,657,848</u>	<u>3,019,073</u>	<u>(4,854,616)</u>	<u>(7,873,689)</u>
Net change in fund balance	<u>(878,332)</u>	<u>1,657,848</u>	<u>779,516</u>	<u>(4,080,358)</u>	<u>(12,951,364)</u>
Fund balance at beginning of year (Non-GAAP budgetary basis)				706,255	
Fund balance at end of year (Non-GAAP budgetary basis)				<u>\$ (3,374,103)</u>	
<b>ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>					
Revenue and transfer accruals				-	
Fund balance at end of year (GAAP basis)				<u>\$ (3,374,103)</u>	

**CITY OF YUKON  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2015**

	<b>Debt Service Fund</b>	<b>Special Revenue Fund</b>	<b>Yukon Community Support Fund</b>	<b>Community Development Block Grant Fund</b>	<b>Total Non-major Governmental Funds</b>
<b>Assets:</b>					
Cash and cash equivalents	\$ 878,084	\$ 5,364,494	\$ 693,033	\$ (462,942)	\$ 6,472,669
Taxes receivable	5,536	-	-	-	5,536
Grants receivable	-	-	-	112,942	112,942
<b>Total assets</b>	<b>\$ 883,620</b>	<b>\$ 5,364,494</b>	<b>\$ 693,033</b>	<b>\$ (350,000)</b>	<b>\$ 6,591,147</b>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ 7,118	\$ 49,545	\$ 109,849	\$ 166,512
Deferred revenue	-	-	-	92,000	92,000
<b>Total liabilities</b>	<b>-</b>	<b>7,118</b>	<b>49,545</b>	<b>201,849</b>	<b>258,512</b>
<b>Fund balances:</b>					
Restricted	883,620	-	-	(551,849)	331,771
Committed	-	-	643,488	-	643,488
Assigned	-	5,357,376	-	-	5,357,376
<b>Total fund balances</b>	<b>883,620</b>	<b>5,357,376</b>	<b>643,488</b>	<b>(551,849)</b>	<b>6,332,635</b>
<b>Total liabilities and fund balances</b>	<b>\$ 883,620</b>	<b>\$ 5,364,494</b>	<b>\$ 693,033</b>	<b>\$ (350,000)</b>	<b>\$ 6,591,147</b>

**CITY OF YUKON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2015**

	Debt Service Fund	Special Revenue Fund	Yukon Community Support Fund	Community Development Block Grant Fund	Total Non-major Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 989,224	\$ -	\$ -	\$ -	\$ 989,224
Charges for services	-	17,346	50	-	17,396
Investment income	2,132	25	165	-	2,322
Intergovernmental revenue	-	33,044	-	394,310	427,354
Rental income	-	440	-	-	440
Donations	-	206,870	182,002	-	388,872
Miscellaneous	-	406,201	11,027	-	417,228
<b>Total revenues</b>	<b>991,356</b>	<b>663,926</b>	<b>193,244</b>	<b>394,310</b>	<b>2,242,836</b>
<b>Expenditures:</b>					
General Government	-	264,444	-	249,422	513,866
Public Safety	-	120,881	-	-	120,881
Public Services	-	-	-	-	-
Cultural and Recreation	-	76,165	123,216	2,434	201,815
Capital Outlay	-	22,000	-	80,967	102,967
Debt Service:					
Principle and interest charges	983,587	-	-	-	983,587
<b>Total Expenditures</b>	<b>983,587</b>	<b>483,490</b>	<b>123,216</b>	<b>332,823</b>	<b>1,923,116</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>7,769</b>	<b>180,436</b>	<b>70,028</b>	<b>61,487</b>	<b>319,720</b>
<b>Other financing sources (uses):</b>					
Transfers in	-	2,947,374	-	-	2,947,374
Transfers out	-	(180,000)	-	(21,274)	(201,274)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>2,767,374</b>	<b>-</b>	<b>(21,274)</b>	<b>2,746,100</b>
<b>Net change in fund balances</b>	<b>7,769</b>	<b>2,947,810</b>	<b>70,028</b>	<b>40,213</b>	<b>3,065,820</b>
<b>Fund balance - beginning of year</b>	<b>875,851</b>	<b>2,409,566</b>	<b>573,460</b>	<b>(592,062)</b>	<b>3,266,815</b>
<b>Fund balance - end of year</b>	<b>\$ 883,620</b>	<b>\$ 5,357,376</b>	<b>\$ 643,488</b>	<b>\$ (551,849)</b>	<b>\$ 6,332,635</b>

**CITY OF YUKON  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 AGENCY FUNDS  
 YEAR ENDED JUNE 30, 2015**

---

	<b>Municipal Court Fund</b>	<b>Escrow Fund</b>	<b>Total Agency Funds</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 152,419	\$ 23,065	\$ 175,484
<b>Total assets</b>	<b>\$ 152,419</b>	<b>\$ 23,065</b>	<b>\$ 175,484</b>
<b>Liabilities:</b>			
Escrow liability	\$ 73,724	\$ 23,065	\$ 96,789
Due to other funds	78,695	-	78,695
<b>Total liabilities</b>	<b>\$ 152,419</b>	<b>\$ 23,065</b>	<b>\$ 175,484</b>

**Schedules of Required Supplementary Information**

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
Oklahoma Police Pension Retirement Plan  
Year Ended June 30, 2015**

	<u>2015*</u>
City's portion of the net pension liability (asset)	1.0818%
City's proportionate share of the net pension liability (asset)	\$ (364,231)
City's covered-employee payroll	\$ 3,025,635
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-12%
Plan fiduciary net position as a percentage of the total pension liability	251.56%

\* The amount presented for each fiscal year were determined as of the fiscal year-end that occurred previous

**SCHEDULE OF CITY CONTRIBUTIONS  
Oklahoma Police Pension Retirement Plan**

	<u>2015*</u>
Contractually required contribution	\$ 393,201
Contributions in relation to the contractually required contribution	<u>(393,201)</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered-employee payroll	\$ 3,025,635
Contributions as a percentage of covered-employee payroll	13.00%

**Schedules of Required Supplementary Information**

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
Oklahoma Fire Pension Retirement Plan  
Year Ended June 30, 2015**

	<u>2015*</u>
City's portion of the net pension liability (asset)	0.8663%
City's proportionate share of the net pension liability (asset)	\$ 8,908,499
City's covered-employee payroll	\$ 2,637,451
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	338%
Plan fiduciary net position as a percentage of the total pension liability	-6804.64%

\* The amount presented for each fiscal year were determined as of the fiscal year-end that occurred previous

**SCHEDULE OF CITY CONTRIBUTIONS  
Oklahoma Fire Pension Retirement Plan**

	<u>2015*</u>
Contractually required contribution	\$ 381,109
Contributions in relation to the contractually required contribution	<u>(381,109)</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered-employee payroll	\$ 2,637,451
Contributions as a percentage of covered-employee payroll	14.45%

**Schedules of Required Supplementary Information**

**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS  
Oklahoma Municipal Retirement Plan  
SINCE INITIAL APPLICATION**

	<u>2015*</u>
<b>Total pension liability</b>	
Service cost	\$ 728,208
Interest	1,792,596
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	<u>(1,133,945)</u>
<b>Net change in total pension liability</b>	\$ 1,386,859
<b>Total pension liability - beginning</b>	<u>22,958,455</u>
<b>Total pension liability - ending (a)</b>	<u><u>\$ 24,345,314</u></u>
<b>Plan fiduciary net position</b>	
Contributions - employer	1,743,018
Contributions - employee	70,118
Net investment income	2,751,704
Benefit payments, including refunds of employee contributions	(1,133,945)
Administrative expense	(40,786)
Other	-
<b>Net change in plan fiduciary net position</b>	<u>3,390,109</u>
<b>Plan fiduciary net position - beginning</b>	<u>16,504,317</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 19,894,426</u></u>
<b>City's net pension liability - ending (a) - (b)</b>	<u><u>\$ 4,450,888</u></u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	81.72%
<b>Covered-employee payroll</b>	\$ 6,862,798
<b>City's net pension liability as a percentage of covered-employee payroll</b>	64.86%

**Schedules of Required Supplementary Information**

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
Oklahoma Municipal Retirement Plan  
Year Ended June 30, 2015**

	<u>2015*</u>
City's portion of the net pension liability (asset)	0.9380%
City's proportionate share of the net pension liability (asset)	\$ 4,450,888
City's covered-employee payroll	\$ 6,862,798
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	64.86%
Plan fiduciary net position as a percentage of the total pension liability	-423.22%

\* The amount presented for each fiscal year were determined as of the fiscal year-end that occurred previous

**SCHEDULE OF CITY CONTRIBUTIONS  
Oklahoma Municipal Retirement Plan**

	<u>2015*</u>
Actuarially determined contribution	\$ 933,580
Contributions in relation to the actuarially determined contribution	<u>(933,580)</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered-employee payroll	\$ 6,862,798
Contributions as a percentage of covered-employee payroll	13.60%

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

To the City Council  
City of Yukon, 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 Yukon, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Yukon, Oklahoma's basic financial statements, and have issued our report thereon dated November 24, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Yukon, Oklahoma'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 of Yukon, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Yukon, Oklahoma'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 of Yukon, Oklahoma'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.

**FSW&B CPAs-PLLC**

FSW&B CPAs-PLLC  
Woodward, Oklahoma  
November 24, 2015