

CITY OF SKIATOOK, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

**THE CITY OF SKIATOOK,
OKLAHOMA**

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

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

**CITY OF SKIATOOK, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Skiatook, Oklahoma (the "City"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to 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 City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30,

2017, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

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

Supplementary and Other Information

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

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

Management’s discussion and analysis and the budgetary comparison information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2017, on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.



November 29, 2017

**CITY OF SKIATOOK, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

The management of the City of Skiatook is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the year ended June 30, 2017. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

FINANCIAL HIGHLIGHTS

- As reported on a modified cash basis, the City's total net position decreased by \$1,847,203, and the assets of the City exceed its liabilities at June 30, 2017, by \$10,399,264 (net position). Of this amount, \$2,451,096 (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2017, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$8,195,935.
- For the fiscal year ended June 30, 2017, unassigned fund balance on a modified cash basis for the General Fund was \$612,638 or 11.0% of General Fund revenues.

ABOUT THE CITY

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

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

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

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

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The City's Financial Reporting Entity

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

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

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

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

Fund Financial Statements

The fund financial statements provide detailed information about the City's most significant (major) funds -- not the City as a whole. Some funds are required to be established by State law and by debt covenants. However, the City Council may also establish certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City uses two kinds of funds – *governmental and proprietary*.

Governmental funds - All of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds report their activities on a modified cash basis of accounting. For example, these funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary funds - When the City, through the Public Works Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are also reported on the modified cash basis of accounting. For example, these funds report the acquisition of capital assets and payments for debt principal as expenses and not as changes to asset and debt balances. The City's proprietary fund is the Skiatook Public Works Authority that accounts for the operation of the electric, water, wastewater and sanitation activities.

Notes to the Financial Statements

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

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Other Information

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

THE CITY AS A WHOLE

Net Position

For the year ended June 30, 2017, net position on a modified cash basis for the governmental and business-type activities decreased \$1,847,203.

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

Net Position (Modified Cash Basis)
June 30, 2017
(In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2017	2016		2017	2016		2017	2016	
Assets	\$ 8,265	\$ 9,163	-10%	\$ 2,788	\$ 3,687	-24%	\$ 11,053	\$ 12,850	-14%
Total assets	<u>8,265</u>	<u>9,163</u>	-10%	<u>2,788</u>	<u>3,687</u>	-24%	<u>11,053</u>	<u>12,850</u>	-14%
Liabilities	69	35	97%	585	569	3%	654	604	8%
Total liabilities	<u>69</u>	<u>35</u>	97%	<u>585</u>	<u>569</u>	3%	<u>654</u>	<u>604</u>	8%
Net position									
Restricted	7,007	8,000	-12%	941	2,418	-61%	7,948	10,418	-24%
Unrestricted	1,189	1,128	5%	1,262	700	80%	2,451	1,828	34%
Total net position	<u>\$ 8,196</u>	<u>\$ 9,128</u>	-10%	<u>\$ 2,203</u>	<u>\$ 3,118</u>	-29%	<u>\$ 10,399</u>	<u>\$ 12,246</u>	-15%

Governmental and Business-type assets and restricted net position decreased in the current year due to prior year loan proceeds spent on current year capital projects.

A portion of the City's net position, approximately \$7.9 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, approximately \$2.5 million, may be used to meet the government's ongoing needs.

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Changes in Net Position

For the year ended June 30, 2017, net position of the primary government changed as follows:

Changes in Net Position (Modified Cash Basis)
June 30, 2017
(In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2017	2016		2017	2016		2017	2016	
Revenues:									
Program revenues:									
Charges for Services	\$ 1,611	\$ 1,547	4%	\$ 10,258	\$ 9,964	3%	\$11,869	\$11,511	3%
Grants & Contributions	72	91	-21%	-	-	-	72	91	-21%
Capital Grants, Debt Proceeds & Contributions	428	8,297	-95%	454	77	488%	883	8,376	-89%
General Revenues:									
Sales Tax	3,657	3,243	13%	-	-	-	3,657	3,243	13%
Intergovernmental	64	56	14%	-	-	-	64	56	14%
Other General Revenues	270	309	-13%	141	258	-45%	411	567	-28%
Total Revenues	<u>6,102</u>	<u>13,543</u>	<u>-55%</u>	<u>10,854</u>	<u>10,299</u>	<u>5%</u>	<u>16,956</u>	<u>23,844</u>	<u>-29%</u>
Program Expenses:									
Town clerk	\$ 5	\$ 5	3%	-	-	-	5	5	3%
Judge	22	20	15%	-	-	-	22	20	15%
Police	1,759	1,745	1%	-	-	-	1,759	1,745	1%
Fire	1,774	1,626	9%	-	-	-	1,774	1,626	9%
Community development	165	105	56%	-	-	-	165	105	56%
Streets	1,608	926	74%	-	-	-	1,608	926	74%
Parks	321	267	20%	-	-	-	321	267	20%
General government	1,801	1,014	78%	-	-	-	1,801	1,014	78%
Senior Citizens	82	262	-69%	-	-	-	82	262	-69%
Economic development	18	23	-21%	-	-	-	18	23	-21%
Vehicle maintenance	146	138	5%	-	-	-	146	138	5%
Cemetery	69	82	-15%	-	-	-	69	82	-15%
Airport	545	187	192%	-	-	-	545	187	192%
Electric	-	-	-	5,689	5,141	11%	5,689	5,141	11%
Water	-	-	-	3,625	4,199	-14%	3,625	4,199	-14%
Wastewater	-	-	-	810	390	108%	810	390	108%
Sanitation	-	-	-	363	613	-	363	613	-
Total Expenses	<u>8,315</u>	<u>6,400</u>	<u>30%</u>	<u>10,487</u>	<u>10,342</u>	<u>1%</u>	<u>18,803</u>	<u>16,744</u>	<u>12%</u>
Excess (Deficiency)	(2,214)	7,143	-131%	366	(43)	-951%	(1,847)	7,100	-126%
Net Transfers	<u>1,281</u>	<u>964</u>	<u>33%</u>	<u>(1,281)</u>	<u>(964)</u>	<u>-33%</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	\$ (933)	\$ 8,106	-112%	\$ (915)	\$ (1,007)	-9%	\$ (1,847)	\$ 7,100	-126%
Beginning Net Position	<u>9,129</u>	<u>1,023</u>	<u>792%</u>	<u>3,118</u>	<u>4,125</u>	<u>-24%</u>	<u>12,246</u>	<u>5,146</u>	<u>138%</u>
Ending Net Position	<u>\$ 8,196</u>	<u>\$ 9,129</u>	<u>-10%</u>	<u>\$ 2,203</u>	<u>\$ 3,118</u>	<u>-29%</u>	<u>\$10,399</u>	<u>\$12,246</u>	<u>-15%</u>

Governmental activities capital grants, debt proceeds and contributions decreased approximately \$7,900,000 or 95% due to 2016 Sales Tax Revenue Note proceeds in prior year.

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Community Development, Street, General Government, Senior Citizen and Airport expense increased due to capital projects in current year.

Business-type activities capital grants, debt proceeds and contributions revenue increased approximately \$377,000 or 488% due to loan proceeds received in the current year.

Business-type activities wastewater expenses increased in the current year due to wastewater capital project expenses paid.

Transfers increased in the current year due to Governmental expenses paid by the Business-type activities.

Governmental Activities

The City's governmental activities had a decrease in net position of approximately \$0.9 million. This is a 10.2% decrease from beginning net position.

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

	<u>Total Expense of Services</u>		<u>% Inc. (Dec.)</u>	<u>Net Revenue (Expense) of Services</u>		<u>% Inc. (Dec.)</u>
	<u>2017</u>	<u>2016</u>		<u>2017</u>	<u>2016</u>	
	General government	\$ 1,801	\$ 1,014	78%	\$ (1,670)	\$ 7,208
Town clerk	5	5	0%	(5)	(5)	-
Judge	22	20	19%	(22)	(21)	9%
Police	1,759	1,745	1%	(1,366)	(1,372)	-
Fire	1,774	1,626	9%	(995)	(902)	10%
Community development	165	105	56%	(126)	(46)	175%
Streets	1,608	926	74%	(1,540)	(854)	80%
Parks	321	267	20%	(321)	(258)	24%
Senior citizens	82	262	-69%	(79)	(184)	-57%
Economic development	18	23	-18%	103	109	-6%
Vehicle maintenance	146	138	4%	(146)	(138)	6%
Cemetery	69	82	-15%	(18)	(16)	16%
Airport	545	187	192%	(18)	13	-241%
Total	<u>\$ 8,315</u>	<u>\$ 6,400</u>	30%	<u>\$ (6,205)</u>	<u>\$ 3,534</u>	-276%

Business-type Activities

The business-type activities had a decrease in net position of approximately \$0.9 million. This is a 29.3% decrease from beginning net position. The decrease is due to an increase in capital transfers to government activities at the government-wide level.

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Net Revenue (Expense) of Business-Type Activities

	<u>Total Expense of Services</u>		<u>% Inc. (Dec.)</u>	<u>Net Revenue (Expense) of Services</u>		<u>% Inc. (Dec.)</u>
	<u>2017</u>	<u>2016</u>		<u>2017</u>	<u>2016</u>	
	Water	\$ 3,625		\$ 4,199	-14%	
Wastewater	810	390	108%	106	432	-75%
Sanitation	363	613	-41%	150	143	5%
Electric	<u>5,689</u>	<u>5,141</u>	11%	<u>1,236</u>	<u>1,360</u>	-9%
Total	<u>\$ 10,487</u>	<u>\$ 10,343</u>	1%	<u>\$ 225</u>	<u>\$ (301)</u>	-175%

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2017 fiscal year, the governmental funds reported a combined fund balance of \$8,195,935. For the year ended June 30, 2017, the General Fund's total fund balance increased by \$172,890 to \$1,120,478 which is the equivalent of 20.2% of annual revenues.

Budgetary Highlights

For the year ended June 30, 2017, the General Fund reported actual budgetary basis revenues over final estimates by \$2,326 or a 0.03% positive variance. General Fund actual expenditures were under final appropriations by \$365,386 or a 4.95% positive variance.

Economic Factors and Next Year's Budget and Rates

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

- For the upcoming fiscal year ending June 30, 2018, the City's adopted budget is fairly consistent with the prior year.

Contacting the City's Financial Management

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

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BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

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Statement of Net Position (Modified Cash Basis) – June 30, 2017

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>	<u>Skiatook Economic</u> <u>Development</u> <u>Authority</u>
ASSETS				
Cash and equivalents	\$ 604,661	\$ 1,861,127	\$ 2,465,788	\$ -
Investments	7,660,073	926,983	8,587,056	-
Total Assets	<u>8,264,734</u>	<u>2,788,110</u>	<u>11,052,844</u>	<u>-</u>
LIABILITIES				
Due to other governments	762	-	762	-
Due to bond holders	13,925	-	13,925	-
Unearned revenue	54,112	-	54,112	-
Due to depositors	-	584,781	584,781	-
Total liabilities	<u>68,799</u>	<u>584,781</u>	<u>653,580</u>	<u>-</u>
NET POSITION				
Restricted for:				
E-911	40,939	-	40,939	-
Cemetery	28,722	-	28,722	-
Police	6,796	-	6,796	-
Capital projects	6,783,420	-	6,783,420	-
Airport	146,915	-	146,915	-
Debt service	-	941,376	941,376	-
Unrestricted	1,189,143	1,261,953	2,451,096	-
Total net position	<u>\$ 8,195,935</u>	<u>\$ 2,203,329</u>	<u>\$ 10,399,264</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

CITY OF SKIATOOK, OKLAHOMA
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Statement of Activities (Modified Cash Basis)–Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants, Debt Proceeds and Contributions	Primary Government		Total	Skiatook Economic Development Authority
Primary government					Governmental Activities	Business-type Activities		
Governmental Activities:								
General government	\$ 1,800,581	\$ 130,594	\$ -	\$ -	\$ (1,669,987)	\$ -	\$ (1,669,987)	\$ -
Town clerk	4,966	-	-	-	(4,966)	-	(4,966)	-
Judge	22,483	-	-	-	(22,483)	-	(22,483)	-
Police	1,758,973	393,263	-	-	(1,365,710)	-	(1,365,710)	-
Fire	1,774,466	775,344	3,817	-	(995,305)	-	(995,305)	-
Community development	164,659	38,277	-	-	(126,382)	-	(126,382)	-
Streets	1,607,727	-	67,842	-	(1,539,885)	-	(1,539,885)	-
Parks	321,093	-	-	-	(321,093)	-	(321,093)	-
Senior citizens	82,390	-	-	3,159	(79,231)	-	(79,231)	-
Economic development	17,770	120,680	-	-	102,910	-	102,910	-
Vehicle maintenance	145,770	-	-	-	(145,770)	-	(145,770)	-
Cemetery	69,365	50,930	-	-	(18,435)	-	(18,435)	-
Airport	545,096	101,587	-	425,184	(18,325)	-	(18,325)	-
Total governmental activities	8,315,339	1,610,675	71,659	428,343	(6,204,662)	-	(6,204,662)	-
Business-type activities								
Water	3,625,082	1,903,485	-	454,462	-	(1,267,135)	(1,267,135)	-
Wastewater	810,354	916,782	-	-	-	106,428	106,428	-
Sanitation	363,222	513,079	-	-	-	149,857	149,857	-
Electric	5,688,753	6,924,737	-	-	-	1,235,984	1,235,984	-
Total business-type activities	10,487,411	10,258,083	-	454,462	-	225,134	225,134	-
Total primary government	\$ 18,802,750	\$ 11,868,758	\$ 71,659	\$ 882,805	(6,204,662)	225,134	(5,979,528)	-
Component Units								
Economic Development Authority	4,150	-	-	-	-	-	-	(4,150)
Total component units	4,150	-	-	-	-	-	-	(4,150)
General revenues:								
Taxes:								
Sales tax and use tax					3,657,330	-	3,657,330	-
Franchise and public service taxes					39,155	-	39,155	-
Intergovernmental revenue not restricted to specific programs					64,083	-	64,083	-
Investment income					26,220	10,226	36,446	-
Miscellaneous					204,321	130,990	335,311	-
Transfers - internal activity					1,280,959	(1,280,959)	-	-
Total general revenues and transfers					5,272,068	(1,139,743)	4,132,325	-
Change in net position					(932,594)	(914,609)	(1,847,203)	(4,150)
Net position - beginning					9,128,529	3,117,938	12,246,467	4,150
Net position - ending					\$ 8,195,935	\$ 2,203,329	\$ 10,399,264	\$ -

See accompanying notes to the basic financial statements.

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

CITY OF SKIATOOK, OKLAHOMA
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Governmental Funds Balance Sheet (Modified Cash Basis) - June 30, 2017

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 362,624	\$ 7,037,137	\$ 242,037	\$ 7,641,798
Investments	572,936	-	50,000	622,936
Due from other funds	253,717	-	-	253,717
Total assets	<u>\$ 1,189,277</u>	<u>\$ 7,037,137</u>	<u>\$ 292,037</u>	<u>\$ 8,518,451</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ -	\$ 253,717	\$ -	\$ 253,717
Due to bondholders	762	-	-	762
Due to other governments	13,925	-	-	13,925
Unearned revenue	54,112	-	-	54,112
Total liabilities	<u>68,799</u>	<u>253,717</u>	<u>-</u>	<u>322,516</u>
Fund balances:				
Restricted:				
For E-911	40,939	-	-	40,939
For police	6,796	-	-	6,796
For airport	-	-	146,915	146,915
For cemetery care	-	-	28,722	28,722
Committed for cemetery care	-	-	116,400	116,400
Assigned to economic development	453,688	-	-	453,688
Assigned to cemetery	6,417	-	-	6,417
Assigned to capital projects	-	6,783,420	-	6,783,420
Unassigned	612,638	-	-	612,638
Total fund balances	<u>1,120,478</u>	<u>6,783,420</u>	<u>292,037</u>	<u>8,195,935</u>
Total liabilities and fund balances	<u>\$ 1,189,277</u>	<u>\$ 7,037,137</u>	<u>\$ 292,037</u>	<u>\$ 8,518,451</u>

See accompanying notes to the basic financial statements.

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Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances
(Modified Cash Basis) – Year Ended June 30, 2017

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 3,696,485	\$ -	\$ -	\$ 3,696,485
Intergovernmental	138,901	-	425,184	564,085
Licenses and permits	33,482	-	-	33,482
Charges for services	1,275,964	-	114,292	1,390,256
Fines and forfeitures	188,486	-	-	188,486
Investment income	14,912	11,308	-	26,220
Miscellaneous	202,670	-	102	202,772
Total Revenues	<u>5,550,900</u>	<u>11,308</u>	<u>539,578</u>	<u>6,101,786</u>
EXPENDITURES				
Current:				
Town clerk	4,966	-	-	4,966
General government	1,051,066	-	-	1,051,066
Judge	22,483	-	-	22,483
Police	1,593,752	635,605	-	2,229,357
Fire	1,618,623	-	-	1,618,623
Community development	85,116	-	-	85,116
Senior citizens	82,390	-	-	82,390
Swimming pool/park	108,028	-	-	108,028
Street	483,275	-	-	483,275
Vehicle maintenance	142,660	-	-	142,660
Economic development	17,770	-	-	17,770
Airport	-	-	83,557	83,557
Cemetery	66,945	-	-	66,945
Capital Outlay	334,220	594,276	463,959	1,392,455
Debt Service:				
Interest and other charges	-	283,108	-	283,108
Total Expenditures	<u>5,611,294</u>	<u>1,512,989</u>	<u>547,516</u>	<u>7,671,799</u>
Excess (deficiency) of revenues over expenditures	<u>(60,394)</u>	<u>(1,501,681)</u>	<u>(7,938)</u>	<u>(1,570,013)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,712,000	404,135	-	2,116,135
Transfers out	(1,478,716)	-	-	(1,478,716)
Total other financing sources and uses	<u>233,284</u>	<u>404,135</u>	<u>-</u>	<u>637,419</u>
Net change in fund balances	172,890	(1,097,546)	(7,938)	(932,594)
Fund balances - beginning	947,588	7,880,966	299,975	9,128,529
Fund balances - ending	<u>\$ 1,120,478</u>	<u>\$ 6,783,420</u>	<u>\$ 292,037</u>	<u>\$ 8,195,935</u>

See accompanying notes to the basic financial statements.

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

**CITY OF SKIATOOK, OKLAHOMA
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Proprietary Fund Statement of Net Position (Modified Cash Basis) - June 30, 2017

	SPWA ENTERPRISE FUND
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 786,996
Investments	462,760
Restricted:	
Cash and cash equivalents	1,074,131
Investments	464,223
Total assets	2,788,110
 LIABILITIES	
Due to depositors	584,781
Total liabilities	584,781
 NET POSITION	
Restricted for debt service	941,376
Unrestricted	1,261,953
Total net position	\$ 2,203,329

See accompanying notes to the basic financial statements.

CITY OF SKIATOOK, OKLAHOMA
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Proprietary Fund Statement of Revenues, Expenses, and Changes in Net Position (Modified Cash Basis) - Year Ended June 30, 2017

	SPWA ENTERPRISE FUND
REVENUES	
Charges for Services:	
Electric	\$ 6,612,112
Water	1,881,831
Sewer	912,032
Sanitation	513,079
Sales tax on utility sales	312,625
Water taps	21,654
Sewer taps	4,750
Other	129,256
Total operating revenues	10,387,339
OPERATING EXPENSES	
Electric	5,682,861
Water	2,482,907
Sewer	696,046
Sanitation	336,904
Other	555,230
Total Operating Expenses	9,753,948
Operating income	633,391
NON-OPERATING REVENUES (EXPENSES)	
Interest income	10,226
Loan proceeds	454,462
Debt service:	
Principal retirement	(987,250)
Interest expense and fiscal agent fees	(389,753)
Other	1,734
Total non-operating revenue (expenses)	(910,581)
Income (loss) before transfers	(277,190)
Transfers in	1,074,581
Transfers out	(1,712,000)
Change in net position	(914,609)
Total net position - beginning	3,117,938
Total net position - ending	\$ 2,203,329

See accompanying notes to the basic financial statements.

CITY OF SKIATOOK, OKLAHOMA
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Proprietary Fund Statement of Cash Flows (Modified Cash Basis) - Year Ended June 30, 2017

	SPWA ENTERPRISE FUND
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 10,387,339
Payments to suppliers and employees	(8,125,300)
Payments to employees	(1,628,648)
Receipts of customer utility deposits	123,900
Refunds of customer utility deposits	(108,605)
Other income	1,734
Net cash provided by operating activities	650,420
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	1,074,581
Transfers to other funds	(1,712,000)
Net cash provided by (used in) noncapital financing activities	(637,419)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on capital debt	(987,250)
Interest and fiscal agent fees paid on debt	(389,753)
Proceeds from loan	454,462
Net cash provided by (used in) capital and related financing activities	(922,541)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	10,226
Sale (purchase) of investments	(259,619)
Net cash provided by (used in) investing activities	(249,393)
Net increase (decrease) in cash and cash equivalents	(1,158,933)
Balances - beginning of year	3,020,060
Balances - end of year	\$ 1,861,127
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 1,861,127
Total cash and cash equivalents, end of year	\$ 1,861,127
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 633,391
Adjustments to reconcile operating income to net cash provided by operating activities:	
Other income	1,734
Change in assets and liabilities:	
Customer deposits	15,295
Net cash provided by operating activities	\$ 650,420

See accompanying notes to the basic financial statements.

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

Footnotes to the Basic Financial Statements:

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

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

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

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

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

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

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

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

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

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

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

Governmental Funds:

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

Major Funds:

- General Fund - accounts for all activities not accounted for in other special-purpose funds. The Cemetery Maintenance account is combined with the General Fund for reporting purposes.
- Capital Improvement Fund – accounts for resources restricted for the acquisition or construction of specific projects or items.

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

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

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

Proprietary Funds:

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

Enterprise Fund:

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

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

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

C. Cash, Cash Equivalents, and Investments

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

D. Compensated Absences

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due employees upon termination is reported as a commitment in Note 9.

E. Fund Balances and Net Position

Fund Balances:

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

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

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

Net Position:

Net position is displayed in two components:

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

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

Deficit Prohibition:

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

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F. Internal and Interfund Balances and Transfers

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

2. Deposits and Investments

For the year ended June 30, 2017, the City recognized \$36,446 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City's deposits are in demand and short-term time deposits.

At June 30, 2017, the primary government held the following deposits and investments:

<u>Type of Deposits and Investments</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
Deposits:		
Petty cash		\$ 2,490
Demand deposits		1,521,921
Time deposits		1,549,919
		<u>3,074,330</u>
Investments:		
Invesco Treasury - Cash Mngmt and Premier Funds	AAAm	7,978,514
		<u>7,978,514</u>
Total deposits and investments		<u><u>\$ 11,052,844</u></u>
 Reconciliation to Statement of Net Position:		
Cash and cash equivalents		\$ 2,465,788
Investments		8,587,056
		<u><u>\$ 11,052,844</u></u>

Custody Credit Risk

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

As of June 30, 2017, the City had \$3,412,958 of bank deposits that were adequately secured and not exposed to credit risk.

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Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has no investment policy that limits investments based on maturity. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments, where applicable. The City's only investments with maturity dates are non-negotiable certificates of deposit with maturities no later than June 2018.

Investment Credit Risk

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

Concentration of Investment Credit Risk

Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The City has no investment policy regarding concentration of credit risk.

At June 30, 2017, the City had no concentration of credit risk as defined above.

Restricted Cash and Investments – The amounts reported as restricted assets on the proprietary fund statement of net position are comprised of amounts held for utility deposits, restricted for debt service, debt reserve, or construction purposes. The restricted assets as of June 30, 2017 are as follows:

	Current Cash and cash equivalents	Investments
Utility deposits	\$ 132,755	\$ 464,223
Trustee accounts:		
Debt service:		
2003 series	131,545	-
2010 series	95,164	-
2012 series	108,084	-
2013 series	139,098	-
2014 series	467,485	-
 Total	<u>\$ 1,074,131</u>	<u>\$ 464,223</u>

3. Sales Tax Revenue

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

Tax Abatements

The City enters into sales tax rebate agreements with local businesses as allowed in the Oklahoma State Constitution, Article 10, Section 14. Under this law, the City may establish economic development programs and provide sales tax increments for development as part of its economic development plan.

The sales tax rebate program allows a retail store business or developer to receive rebated sales tax in an amount equal to 50% of the incremental increase over a baseline sales tax amount determined at the beginning of the project and adjusted up (but not down) each year during the term of the agreement by the annual change in the Consumer Price Index for All Urban Customers. To be eligible for this program, the project area should be occupied by occupants operating a retail store of a requisite quality which are either existing businesses or new businesses. The sales tax rebate period varies with each agreement.

Due to confidentiality laws in Oklahoma statutes Title 68, Section 1354.11, the amounts of sales taxes rebated will not be disclosed. The following businesses had rebate agreements with the City as of June 30, 2017:

An LLC entered into a sales tax agreement on May 12, 2015. The sales tax rebated cannot exceed the lesser of (i) \$75,000, or (ii) 75% of sales tax collected from business. This sales tax rebate period is for forty-five months. For the business to be eligible for the sales tax rebate, the business must generate annual retail sales exceeding \$1,000,000 annually. This agreement will terminate no later than January 31, 2020.

Another LLC entered into a sales tax rebate agreement on March 26, 2013 for a project to accommodate specific retail businesses. This sales tax rebate period is for 120 months. The sales tax rebated cannot exceed the lesser of (i) \$165,300, or (ii) 75% - 30% (rates vary over the term of the agreement) of sales tax collected from two specific businesses located in the project area. The Sales Tax Contribution Commencement date will be when the City receives the first sales tax from one of the named businesses and will continue for 120 months.

4. Amount Due From Third Party

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

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5. Property Tax Levy

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

6. Internal and Interfund Transfers

Internal transfers between funds and activities for the year ended June 30, 2017, were as follows:

Transfers:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
General Fund	SPWA	\$ 1,074,581	Required sales tax transfer
SPWA	General Fund	1,712,000	Transfer for operations and return of sales tax
General Fund	Capital Improvement Fund	404,135	To fund purchase of capital assets
Business-type activities	Governmental activities	643,540	Transfer of governmental activity expenses
Total		<u>\$ 3,834,256</u>	
Reconciliation to Fund Financial Statements:			
	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 2,116,135	\$ (1,478,716)	\$ 637,419
Proprietary Funds	1,074,581	(1,712,000)	(637,419)
Fund Totals	<u>\$ 3,190,716</u>	<u>\$ (3,190,716)</u>	<u>\$ -</u>
Transfer of governmental activity expenses	643,540	(643,540)	-
Government-wide Totals	<u>\$ 3,834,256</u>	<u>\$ (3,834,256)</u>	<u>\$ -</u>
Reconciliation to Statement of Activities:			
		\$ (637,419)	
Net Transfers		(643,540)	
Transfer of expenses to governmental activity		<u>\$ (1,280,959)</u>	
Transfers - internal activity			

7. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City manages these various risks of loss by securing commercial insurance for all risks, except for participation in the Oklahoma Municipal Assurance Group risk entity pool for certain coverage. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

8. Employee Retirement Plan Participation

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

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

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OFPRS:

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

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

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

The OFPRS contributions are as follows:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2015	\$115,148	\$115,148
2016	\$120,213	\$120,213
2017	\$123,738	\$123,738

OPPRS:

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

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

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

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

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2015	\$85,398	\$85,398
2016	\$91,292	\$91,292
2017	\$94,616	\$94,616

OMRF Defined Contribution Plan:

Plan Summary Information. The City has provided a defined contribution plan and trust known as the City of Skiatook Plan and Trust (the “Plan”) in the form of The Oklahoma Municipal Retirement System Master Defined Contribution Plan (OMRF). OMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. The plan is administered by JP Morgan Chase of Oklahoma City. The defined contribution plan is available to all full-time employees except those participating in the state fire or police programs. Benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after completion of three months of service to the City.

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

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

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2015	\$174,918	\$174,918
2016	\$156,646	\$156,646
2017	\$187,633	\$187,633

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9. Commitments and Contingencies

For the year ended June 30, 2017, the reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	<u>Balance</u> <u>July 01, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Notes payable	\$ 8,100,000	\$ -	\$ 80,000	\$ 8,020,000	\$ 390,000
Total Governmental Activities	<u>\$ 8,100,000</u>	<u>\$ -</u>	<u>\$ 80,000</u>	<u>\$ 8,020,000</u>	<u>\$ 390,000</u>
Business-Type Activities:					
Notes payable	\$ 11,288,546	\$ 454,462	\$ 837,250	\$ 10,905,758	\$ 1,438,881
Revenue bonds payable	305,000	-	150,000	155,000	155,000
Total Business-Type Activities	<u>\$ 11,593,546</u>	<u>\$ 454,462</u>	<u>\$ 987,250</u>	<u>\$ 11,060,758</u>	<u>\$ 1,593,881</u>

Governmental activities long-term debt payable from pledged sales tax include the following:

2016 Sales Tax Revenue Note dated April 7, 2016, original amount \$8,100,000, due in semi-annual principal installments each April 1 and October 1, beginning April 2017, final installment due April 2031 with a 2.55% interest rate payable semi-annually based on principal outstanding.

	<u>\$ 8,020,000</u>
Current portion	390,000
Noncurrent portion	<u>7,630,000</u>
Total Revenue Bonds Payable	<u>\$ 8,020,000</u>

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

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Notes Payable:

2014 OWRB CWSRF Promissory Note dated February 12, 2014, original amount \$520,000, due in semi-annual principal installments each March 15 and September 15, beginning September 2015, final installment due March 15, 2035 with an administration fee of 0.5% and interest a 2.13% payable semi-annually based on principal outstanding.	\$ 448,537
2013 Sales Tax Revenue Note dated December 13, 2013, original amount \$4,510,000, due in semi-annual principal installments each March 1 and September 1, beginning March 1, 2014, final installment due September 1, 2023 with interest at 2.62% payable semi-annually based on principal outstanding. The Note is secured by pledged sales tax.	3,330,000
Promissory Note dated January 1, 2001, original amount \$125,000, due in monthly installments of \$521 beginning February 1, 2001, final installment due January 1, 2021.	22,396
2010 Sales Tax Revenue Note dated March 31, 2010, original amount \$4,000,000, due in semi-annual principal installments each April 1 and October 1, beginning October 1, 2010, final installment due April 1, 2025 with interest at 4.85% payable semi-annually based on principal outstanding. The Note is secured by pledged sales tax.	2,485,000
2014 Sales Tax Revenue Note dated February 1, 2014, original amount \$3,905,000, due in semi-annual principal installments each March 1 and September 1, beginning March 1, 2015, final installment due March 1, 2026 with interest at 2.90% payable semi-annually based on principal outstanding. The Note is secured by pledged sales tax.	3,475,000
2016 OWRB Promissory Note dated December 20, 2016, original amount \$12,453,000, due in semi-annual principal installments each September 15 and March 15, beginning September 2017, final installment due March 15, 2038 with interest at 2.01% payable semi-annually based on principal outstanding.	319,825
2012 OWRB Promissory Note dated March 28, 2012, original amount \$975,000, due in semi-annual principal installments each September 15 and March 15, beginning September 2012, final installment due September 15, 2032 with interest at 3.44% payable semi-annually based on principal outstanding.	825,000
Total Notes Payable	<u>\$ 10,905,758</u>
Current portion	1,438,881
Noncurrent portion	9,466,877
Total Notes Payable	<u>\$ 10,905,758</u>

Revenue Bonds:

2003 Utility Refunding Revenue Bonds, original issue amount of \$1,730,000 dated May 13, 2003, issued by the Skiatook Public Works Authority secured by utility revenue and pledged sales tax, interest rates of 4.45%, final maturity September 1, 2017.	<u>155,000</u>
Total Revenue Bonds Payable	<u>\$ 155,000</u>
Current portion	155,000
Total Revenue Bonds Payable	<u>\$ 155,000</u>

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

		Governmental Activities			
<u>Year Ending June 30,</u>		Sales Tax Revenue Note			
		<u>Principal</u>	<u>Interest</u>		
	2018	390,000	202,024		
	2019	400,000	192,015		
	2020	415,000	181,752		
	2021	425,000	171,105		
	2022	440,000	160,140		
	2021-2027	2,835,000	615,760		
	2028-2031	3,115,000	181,815		
	Totals	\$ 8,020,000	\$ 1,704,611		
SPWA					
<u>Year Ending June 30,</u>		Notes Payable		Revenue Bonds Payable	
		<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
	2018	1,438,881	478,959	155,000	6,898
	2019	1,569,773	449,581	-	-
	2020	1,610,888	418,194	-	-
	2021	1,659,629	386,257	-	-
	2022	1,702,559	353,314	-	-
	2023-2027	7,639,939	1,221,287	-	-
	2028-2032	3,692,168	606,488	-	-
	2033-2037	3,755,915	207,310	-	-
	Totals	\$ 23,069,752	\$ 4,121,390	\$ 155,000	\$ 6,898
	Less: Amount not yet drawn	(12,163,994)			
	Outstanding balance	\$ 10,905,758			

Pledge of Future Revenues

Sales Tax Revenues Pledge

The City has pledged one cent (or 33.3%) of future sales tax revenues to repay the 2003 Utility System Refunding Revenue Bonds of \$1,730,000, the 2012 OWRB Promissory Note of \$975,000, the 2013 Sales Tax Revenue Note of \$4,510,000, the 2014 OWRB Promissory Note of \$520,000, the 2014 Sales Tax Revenue Note of \$3,905,000 and the 2016 OWRB Promissory Note of \$12,453,000. Proceeds from the bonds and notes were used for capital assets. The bonds and notes are payable from pledged sales tax revenues transferred to the SPWA and are payable through 2018, 2033, 2024, 2035, 2026 and 2037 respectively. The total principal and interest payable for the remainder of the life of these bonds is \$24,785,383 including \$12,163,994 remaining to be drawn. Pledged sales taxes received in the current year were \$1,074,581. Debt service payments of \$989,637 for the current fiscal year were 92.1% of pledged sales taxes.

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The City has pledged two cents (or 66.6%) of future sales tax revenues to repay the 2010 Sales Tax Revenue Note of \$4,000,000, and the 2016 Sales Tax Revenue Note of \$8,100,000. Proceeds from the bonds and notes were used for capital assets. The bonds and notes are payable from pledged sales tax revenues transferred to the SPWA and are payable through 2025, and 2031 respectively. The total principal and interest payable for the remainder of the life of these bonds is \$12,269,872. Pledged sales taxes received in the current year were \$2,341,194. Debt service payments of \$664,224 for the current fiscal year were 28.4% of pledged sales taxes.

Utility Net Revenues Pledge

The City has pledged future water and sewer net utility revenues to repay the 2003 Utility System Refunding Revenue Bonds of \$1,730,000, the Series 2012 OWRB Promissory Note of \$975,000, the 2013 Sales Tax Revenue Note of \$4,510,000, the 2014 OWRB Promissory Note of \$520,000 and the 2016 OWRB Promissory Note. The bonds and notes are payable from pledged water and sewer utility revenues of the SPWA and are payable through 2017, 2032, 2023, 2035 and 2038, respectively. The total principal and interest payable for the remainder of the life of these bonds is \$20,672,311. Pledged water and sewer utility revenues for the current year were \$1,678,650. Debt service payments of \$953,275 for the current fiscal year were 56.8% of pledged water and sewer utility revenues.

Compensated Absences:

As a result of the City's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation, sick and comp leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2017, is summarized as follows:

- City – accrued compensated absences \$360,331
- SPWA – accrued compensated absences \$188,706

Litigation:

The City is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City "Sinking Fund" for the payment of any court assessed judgment rendered against the City. These statutory provisions do not apply to the City's public trust Authorities. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

Federal and State Award Programs:

The City of Skiatook participates in various federal or state grant/loan programs from year to year. In 2017, the City's involvement in federal and state award programs was not significant. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements.

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Capital Assets Pledged for Debt:

At June 30, 2017, the roll forward schedule to report infrastructure assets pledged as collateral for the Oklahoma Water Resource Board Series 2012 and 2014 debts, and related accumulated depreciation is as follows:

<u>DEPARTMENT</u>	<u>BALANCE JUNE 30, 2016</u>	<u>ADDITIONS</u>	<u>DISPOSALS</u>	<u>BALANCE JUNE 30, 2017</u>
SPWA:				
Utility Property Improvements				
Water	\$ 5,251,544	\$ -	\$ -	\$ 5,251,544
Sewer	<u>1,337,160</u>	<u>-</u>	<u>-</u>	<u>1,337,160</u>
Subtotal	<u>6,588,704</u>	<u>-</u>	<u>-</u>	<u>6,588,704</u>
Total Property, Plant, Equip.	6,588,704	-	-	6,588,704
Accumulated Depreciation				
Utility Property Improvements				
Water	1,002,736	137,263	-	1,139,999
Sewer	<u>295,014</u>	<u>67,308</u>	<u>-</u>	<u>362,322</u>
	<u>1,297,750</u>	<u>204,571</u>	<u>-</u>	<u>1,502,321</u>
Net Property, Plant, Equip.	<u>5,290,954</u>	<u>(204,571)</u>	<u>-</u>	<u>5,086,383</u>
Water Construction in Progress	1,949,332	1,561,857	-	3,511,189
Sewer Construction in Progress	<u>409,000</u>	<u>140,365</u>	<u>(409,000)</u>	<u>140,365</u>
Total Construction in progress	<u>2,358,332</u>	<u>1,702,222</u>	<u>(409,000)</u>	<u>3,651,554</u>
Net PPE and CIP	<u>\$ 7,649,286</u>	<u>\$ 1,497,651</u>	<u>\$ (409,000)</u>	<u>\$ 8,737,937</u>

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SUPPLEMENTARY AND OTHER INFORMATION

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Budgetary Comparison Schedule (Budgetary Basis) – Year Ended June 30, 2017

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$914,000	\$914,000	\$914,000	-
Resources (Inflows):				
Taxes	3,765,000	3,765,000	3,696,485	(68,515)
Licenses and permits	52,000	53,000	33,482	(19,518)
Intergovernmental	157,500	156,500	138,901	(17,599)
Charges for services	1,098,500	1,229,500	1,236,190	6,690
Fines and forfeitures	279,000	154,000	188,486	34,486
Miscellaneous	121,000	121,000	202,670	81,670
Interest	1,000	1,000	14,912	13,912
Total Revenue	<u>5,474,000</u>	<u>5,480,000</u>	<u>5,511,126</u>	<u>31,126</u>
Other Financing Sources:				
Transfers from other funds	1,740,800	1,740,800	1,712,000	(28,800)
Total Other Financing Sources	<u>1,740,800</u>	<u>1,740,800</u>	<u>1,712,000</u>	<u>(28,800)</u>
Total Resources	<u>7,214,800</u>	<u>7,220,800</u>	<u>7,223,126</u>	<u>2,326</u>
Amounts available for appropriation	<u>8,128,800</u>	<u>8,134,800</u>	<u>8,137,126</u>	<u>2,326</u>
Charges to Appropriations (Outflows):				
Town Clerk	4,974	4,975	4,966	9
Judge	22,500	22,499	22,483	16
Police	1,747,962	1,787,008	1,736,442	50,566
Fire	1,874,324	1,889,322	1,748,993	140,329
Community development	99,456	92,958	85,116	7,842
Street	543,805	547,796	544,435	3,361
Vehicle maintenance	136,327	142,825	142,660	165
Park	99,706	108,105	108,028	77
General government	1,060,590	1,071,180	1,051,066	20,114
Senior citizen's	80,210	83,293	82,390	903
Economic development	23,000	17,770	17,770	-
Emergency management	2,000	3,000	-	3,000
Total Charges	<u>5,694,854</u>	<u>5,770,731</u>	<u>5,544,349</u>	<u>226,382</u>
Other Financing Uses:				
Transfers to other funds	1,515,000	1,617,720	1,478,716	139,004
Total Other Financing Uses	<u>1,515,000</u>	<u>1,617,720</u>	<u>1,478,716</u>	<u>139,004</u>
Total Charges to Appropriations	<u>7,209,854</u>	<u>7,388,451</u>	<u>7,023,065</u>	<u>365,386</u>
Ending Budgetary Fund Balance	<u>\$918,946</u>	<u>\$746,349</u>	<u>\$1,114,061</u>	<u>\$367,712</u>
Reconciliation to Statement of Changes in Revenues, Expenditures and Changes in Fund Balance:				
Cemetery Maintenance Account			6,417	
			<u>\$1,120,478</u>	

See accompanying notes to this schedule.

Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedules are reported on the same modified cash basis as governmental funds within the basic financial statements.
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a department require the City Manager's approval without further City Council approval, while supplemental appropriations require City Council approval.

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Combining Balance Sheet – General Fund Accounts – June 30, 2017

	General Fund	Cemetery Maintenance Account	Total General Fund
ASSETS			
Cash and cash equivalents	\$ 356,207	\$ 6,417	\$ 362,624
Investments	572,936	-	572,936
Due from other funds	253,717	-	253,717
Total assets	1,182,860	6,417	1,189,277
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Payable to other governments	762	-	762
Due to bondholders	13,925	-	13,925
Unearned revenue	54,112	-	54,112
Total liabilities	68,799	-	68,799
 Fund balances:			
Restricted	47,735	-	47,735
Assigned to economic development	453,688	-	453,688
Assigned to cemetery	-	6,417	6,417
Unassigned	612,638	-	612,638
Total fund balances	1,114,061	6,417	1,120,478
Total liabilities and fund balances	\$ 1,182,860	\$ 6,417	\$ 1,189,277

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Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund Accounts – For the Year Ended June 30, 2017

	<u>General Fund</u>	<u>Cemetery Maintenance Account</u>	<u>Total</u>
REVENUES			
Taxes	\$ 3,696,485	\$ -	\$ 3,696,485
Licenses and permits	33,482	-	33,482
Intergovernmental	138,901	-	138,901
Charges for services	1,236,190	39,774	1,275,964
Fines and forfeitures	188,486	-	188,486
Investment income	14,912	-	14,912
Miscellaneous	202,670	-	202,670
Total Revenues	<u>5,511,126</u>	<u>39,774</u>	<u>5,550,900</u>
EXPENDITURES			
Current:			
Town clerk	4,966	-	4,966
General government	1,051,066	-	1,051,066
Judge	22,483	-	22,483
Police	1,593,752	-	1,593,752
Fire	1,618,623	-	1,618,623
Community development	85,116	-	85,116
Senior citizens	82,390	-	82,390
Swimming pool/park	108,028	-	108,028
Street	483,275	-	483,275
Vehicle Maintenance	142,660	-	142,660
Economic development	17,770	-	17,770
Cemetery	-	66,945	66,945
Capital Outlay	334,220	-	334,220
Total Expenditures	<u>5,544,349</u>	<u>66,945</u>	<u>5,611,294</u>
Excess (deficiency) of revenues over expenditures	<u>(33,223)</u>	<u>(27,171)</u>	<u>(60,394)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,712,000	-	1,712,000
Transfers out	(1,478,716)	-	(1,478,716)
Total other financing sources and uses	<u>233,284</u>	<u>-</u>	<u>233,284</u>
Net change in fund balances	200,061	(27,171)	172,890
Fund balances - beginning	914,000	33,588	947,588
Fund balances - ending	<u>\$ 1,114,061</u>	<u>\$ 6,417</u>	<u>\$ 1,120,478</u>

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Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2017

	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Total Other</u>
	<u>Airport Fund</u>	<u>Cemetery Care</u>	<u>Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 146,915	\$ 95,122	\$ 242,037
Investments	-	50,000	50,000
Total assets	<u>146,915</u>	<u>145,122</u>	<u>292,037</u>
 FUND BALANCES			
Fund balances:			
Restricted:			
For airport	146,915	-	146,915
For cemetery care	-	28,722	28,722
Committed to cemetery care	-	116,400	116,400
Total fund balances	<u>146,915</u>	<u>145,122</u>	<u>292,037</u>
Total fund balances	<u>\$ 146,915</u>	<u>\$ 145,122</u>	<u>\$ 292,037</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – For the Year Ended June 30, 2017

	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Total Other</u>
	<u>Airport Fund</u>	<u>Cemetery Care</u>	<u>Governmental Funds</u>
REVENUES			
Intergovernmental	\$ 425,184	\$ -	\$ 425,184
Charges for services	101,587	12,705	114,292
Miscellaneous	102	-	102
Total Revenues	<u>526,873</u>	<u>12,705</u>	<u>539,578</u>
 EXPENDITURES			
Airport	83,557	-	83,557
Capital Outlay	461,539	2,420	463,959
Total Expenditures	<u>545,096</u>	<u>2,420</u>	<u>547,516</u>
Excess (deficiency) of revenues over expenditures	<u>(18,223)</u>	<u>10,285</u>	<u>(7,938)</u>
 OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(18,223)	10,285	(7,938)
Fund balances - beginning	165,138	134,837	299,975
Fund balances - ending	<u>\$ 146,915</u>	<u>\$ 145,122</u>	<u>\$ 292,037</u>

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Combining Schedule of Net Position– SPWA Enterprise Fund Accounts – June 30, 2017

	<u>Enterprise Fund Accounts</u>			<u>Total</u>
	<u>SPWA</u>	<u>One Cent Capital Project</u>	<u>Meter Deposit</u>	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 593,566	\$ 193,430	\$ -	\$ 786,996
Investments	462,760	-	-	462,760
Restricted:				
Cash and cash equivalents	941,376	-	132,755	1,074,131
Investments	-	-	464,223	464,223
Total assets	<u>1,997,702</u>	<u>193,430</u>	<u>596,978</u>	<u>2,788,110</u>
LIABILITIES				
Current Liabilities:				
Due to depositors	-	-	584,781	584,781
Total liabilities	<u>-</u>	<u>-</u>	<u>584,781</u>	<u>584,781</u>
NET POSITION				
Restricted for debt service	941,376	-	-	941,376
Unrestricted	1,056,326	193,430	12,197	1,261,953
Total net position	<u>\$ 1,997,702</u>	<u>\$ 193,430</u>	<u>\$ 12,197</u>	<u>\$ 2,203,329</u>

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**Combining Schedule of Revenues, Expenses, and Changes in Net Position – SPWA Enterprise Fund
Accounts – For the Year Ended June 30, 2017**

	<u>SPWA</u>	<u>One Cent Capital Project</u>	<u>Meter Deposit</u>	<u>Total</u>
REVENUES				
Charges for services:				
Electric	\$ 6,612,112	\$ -	\$ -	\$ 6,612,112
Water	1,881,831	-	-	1,881,831
Sewer	912,032	-	-	912,032
Sanitation	513,079	-	-	513,079
Sales tax on utility sales	312,625	-	-	312,625
Water taps	21,654	-	-	21,654
Sewer taps	4,750	-	-	4,750
Other	112,056	17,200	-	129,256
Total operating revenues	<u>10,370,139</u>	<u>17,200</u>	<u>-</u>	<u>10,387,339</u>
OPERATING EXPENSES				
Electric	5,479,373	203,488	-	5,682,861
Water	2,482,907	-	-	2,482,907
Sewer	696,046	-	-	696,046
Sanitation	336,904	-	-	336,904
Other	-	555,230	-	555,230
Total Operating Expenses	<u>8,995,230</u>	<u>758,718</u>	<u>-</u>	<u>9,753,948</u>
Operating income (loss)	<u>1,374,909</u>	<u>(741,518)</u>	<u>-</u>	<u>633,391</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment income	5,480	-	4,746	10,226
Loan proceeds	454,462	-	-	454,462
Debt service:				
Principal retirement	(987,250)	-	-	(987,250)
Interest expense and fiscal agent fees	(389,753)	-	-	(389,753)
Other	1,734	-	-	1,734
Total non-operating revenue (expenses)	<u>(915,327)</u>	<u>-</u>	<u>4,746</u>	<u>(910,581)</u>
Income (loss) before transfers	<u>459,582</u>	<u>(741,518)</u>	<u>4,746</u>	<u>(277,190)</u>
Transfers in	384,000	690,581	-	1,074,581
Transfers out	(1,712,000)	-	-	(1,712,000)
Change in net position	(868,418)	(50,937)	4,746	(914,609)
Total net position - beginning	2,866,120	244,367	7,451	3,117,938
Total net position - ending	<u>\$ 1,997,702</u>	<u>\$ 193,430</u>	<u>\$ 12,197</u>	<u>\$ 2,203,329</u>

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Schedule of Expenditures of Federal Awards – Year Ended June 30, 2017

<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Passed through the Oklahoma Highway Safety Patrol State and Community Highway Safety	20.600	PT-15-03-22-06	\$ 20,000	\$ 4,595
Federal Aviation Administration	20.106	AIP-3-40-0089-009-2015	131,726	9,122
Federal Aviation Administration	20.106	AIP-3-40-0089-010-2016	421,052	416,062
Subtotal 20.106			<u>552,778</u>	<u>425,184</u>
Total U.S. Department of Transportation			<u>572,778</u>	<u>429,779</u>
TOTAL FEDERAL AWARDS			<u>\$ 572,778</u>	<u>\$ 429,779</u>

Schedule of Expenditures of State Awards – Year Ended June 30, 2017

<u>State Grantor/Pass through agency Grantor/Program Title</u>	<u>Project or Award Number</u>	<u>Award Amount</u>	<u>State Expenditures</u>
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE</u>			
Fire Grant	N/A	\$ 3,817	\$ 3,817
Truck donation	N/A	25,000	25,000
		<u>28,817</u>	<u>28,817</u>
<u>INCOG:</u>			
Community Expansion of Nutrition Assistance	N/A	<u>3,159</u>	<u>3,159</u>
<u>OKLAHOMA DEPARTMENT OF HEALTH:</u>			
Hospital Preparedness Program	N/A	<u>3,690</u>	<u>3,690</u>
TOTAL STATE AWARDS		<u>\$ 35,666</u>	<u>\$ 35,666</u>

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Schedule of Debt Service Coverage Requirements and Reserve Requirements Compliance – Year Ended June 30, 2017

	<u>2003 Utility Rfd. Bond, 2013 Revenue Note, 2014 OWRB Note 2010 Revenue Note, 2012 OWRB Note, 2016 OWRB note</u>
GROSS REVENUE AVAILABLE:	
Operating revenues of leased systems (1)	\$ 2,820,267
Sales tax appropriated and transferred from the City General Fund	<u>1,074,581</u>
Total Gross Revenue Available	<u>3,894,848</u>
OPERATING EXPENSES:	
Operating expenses (1)	<u>1,141,617</u>
Net Revenue Available for Debt Service	<u><u>2,753,231</u></u>
Debt Service Requirements:	
Maximum annual debt service - 2014 OWRB Promissory Note	33,601
Maximum annual debt service - 2013 Sales Tax Revenue Note	591,572
Maximum annual debt service - 2003 Utility Rfd. Bond	161,898
Maximum annual debt service - 2010 Sales Tax Revenue Note	373,851
Maximum annual debt service - 2012 OWRB Promissory Note	70,078
Maximum annual debt service - 2016 OWRB Promissory Note	<u>379,623</u>
Annual Debt Service on all Obligations Payable From Revenues of the System	<u><u>\$ 1,610,623</u></u>
Coverage	<u><u>171%</u></u>
Coverage Requirement	<u><u>125%</u></u>

**CITY OF SKIATOOK, OKLAHOMA
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INTERNAL CONTROL AND COMPLIANCE

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Skiatook, Oklahoma (the "City") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 29, 2017. Our report included an emphasis-of-matter paragraph related to the City's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described as Finding 2017-01 in the accompanying schedule of findings, that we consider to be a significant deficiency.

Compliance and Other Matters

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

our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Skiatook, Oklahoma's Response to Finding

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

Purpose of this Report

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



November 29, 2017

CITY OF SKIATOOK, OKLAHOMA

SCHEDULE OF FINDINGS

Year Ended June 30, 2017

Finding 2017-01 – Bank Reconciliations

Criteria: One component of an effective internal control system is proper segregation of duties. Where a small office environment prevents full segregation of duties, increased monitoring is required to mitigate the risk.

Condition: In our documentation of the bank reconciliation process we noted that the City's Clerk/Treasurer has access to assets, general ledger control, and bank reconciliation responsibility.

Cause and Effect: Inadequate segregation of duties and insufficient monitoring of the bank balances exposes the City to increased risk of loss.

Recommendation: We recommend the City have a management-level individual or an elected official carefully review the bank statement before it is provided to the Clerk/Treasurer for reconciliation.

City's response: The City understands the auditor has taken a closer look with clients statewide with regards to the segregation of duties as it relates to bank reconciliations and that it has no reflection on the current Clerk/Treasurer or staff. Additionally, the City has been using the current auditor for the past three years and bank reconciliations has never been brought to the City staff's attention as being an issue, however, the City does recognize the potential for fraud or risk of loss given the right circumstances. Since this matter was brought to our attention, we have added an additional layer of protection whereas the City Manager has access to the bank statements and routinely reviews the statements for potential flags. We would recommend in the future that the auditor bring any potential issues or change in policies or procedures to the established client before any negative responses rise to the level of a written record.

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