

CITY OF JENKS, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

**CITY OF JENKS
Jenks, Oklahoma**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Jenks, Oklahoma, (the "City"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



December 20, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2016

Unaudited

Introduction

Our discussion and analysis of the City of Jenks financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the transmittal letter and the City's financial statements, which follow.

Overview of Financial Statements and Financial Analysis

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

Government-wide Financial Statements

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

- The **Statement of Net Position** presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Jenks is improving or deteriorating.
- The **Statement of Activities** presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues for uncollected taxes and expenses for future general obligation debt payments. The statement includes the annual depreciation for infrastructure and governmental assets.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2016

Unaudited

Reporting the City's Most Significant Funds

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

- **Governmental funds** – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.
- **Proprietary funds** – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position. In fact, the City's enterprise funds, along with certain capital project funds, are the same as the business-type activities we report in the government-wide statements but provide more details and additional information, such as cash flows.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2016

Unaudited

The City of Jenks' Net Position

The following table reflects a summary statement of net position compared to the prior year:

	Governmental Activities		Business-Type Activities		Total	
	6/30/16	6/30/15	6/30/16	6/30/15	6/30/16	6/30/15
Current and other assets	\$ 31,351,241	\$ 37,073,112	\$ 44,195,596	\$ 41,703,238	\$ 75,546,837	\$ 78,776,350
Capital assets	28,960,502	25,233,534	23,634,416	23,835,943	52,594,918	49,069,477
Total assets	<u>60,311,743</u>	<u>62,306,646</u>	<u>67,830,012</u>	<u>65,539,181</u>	<u>128,141,755</u>	<u>127,845,827</u>
Deferred outflows	<u>979,051</u>	<u>355,883</u>	<u>967,409</u>	<u>1,021,154</u>	<u>1,946,460</u>	<u>1,377,037</u>
Long-term liabilities	30,426,562	32,715,014	18,221,349	19,305,000	48,647,911	52,020,014
Other liabilities	5,139,536	7,141,232	4,585,981	3,595,421	9,725,517	10,736,653
Total liabilities	<u>35,566,098</u>	<u>39,856,246</u>	<u>22,807,330</u>	<u>22,900,421</u>	<u>58,373,428</u>	<u>62,756,667</u>
Deferred inflows	<u>812,962</u>	<u>961,282</u>	<u>-</u>	<u>-</u>	<u>812,962</u>	<u>961,282</u>
Net position:						
Net investment in capital assets	(1,380,904)	(6,770,733)	4,549,959	3,706,277	3,169,055	(3,064,456)
Restricted	24,208,966	27,160,789	1,286,964	1,314,707	25,495,930	28,475,496
Unrestricted	2,083,672	1,454,945	40,153,168	38,638,930	42,236,840	40,093,875
Total net position	<u>\$ 24,911,734</u>	<u>\$ 21,845,001</u>	<u>\$ 45,990,091</u>	<u>\$ 43,659,914</u>	<u>\$ 70,901,825</u>	<u>\$ 65,504,915</u>

The City's combined net position increased \$5,396,910 or 8.24% over the previous fiscal year. The total net position of governmental activities increased \$3,066,733 or 14.04% and the net position for business-type activities increased \$2,330,177 or 5.34%.

Total governmental activities assets and deferred outflows decreased by \$1,371,735 or 2.19% in the current fiscal year compared to the prior fiscal year. Liabilities and deferred inflows decreased by \$4,438,468 or 10.87%.

Total Business-type activities assets and deferred outflows increased by \$2,237,086 or 3.36% in the current fiscal year compared to the prior fiscal year. Liabilities decreased by \$93,091 or .41%.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2016

Unaudited

City of Jenks' Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/16</u>	<u>6/30/15</u>
Revenues:						
Program revenues						
Charges for services	\$ 830,190	\$ 819,105	\$ 16,215,385	\$ 15,275,253	\$ 17,045,575	\$ 16,094,358
Operating grants and contributions	255,304	108,313	1,151,938	1,953,488	1,407,242	2,061,801
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Sales, use and cigarette taxes	6,570,743	6,021,333	-	-	6,570,743	6,021,333
Franchise fees	945,638	942,490	-	-	945,638	942,490
Property taxes	4,124,601	4,178,713	-	-	4,124,601	4,178,713
Intergovernmental	794,239	328,316	-	-	794,239	328,316
Investment earnings	53,984	95,165	59,802	70,094	113,786	165,259
Miscellaneous	57,698	556,366	107,396	24,331	165,094	580,697
Sale of property	120,083	264,639	-	-	120,083	264,639
Rental receipts	600	-	4,700	3,300	5,300	3,300
Total revenues	<u>13,753,080</u>	<u>13,314,440</u>	<u>17,539,221</u>	<u>17,326,466</u>	<u>31,292,301</u>	<u>30,640,906</u>
Expenses:						
General government	900,656	561,624	-	-	900,656	561,624
Public safety and judiciary	4,722,339	4,472,351	-	-	4,722,339	4,472,351
Transportation	397,685	323,422	-	-	397,685	323,422
Cultural, parks and recreation	284,703	263,956	-	-	284,703	263,956
Economic development	415,825	228,384	-	-	415,825	228,384
Unallocated depreciation	1,514,223	1,530,818	749,027	620,977	2,263,250	2,151,795
Aquarium	-	-	4,507,794	4,112,063	4,507,794	4,112,063
Public works	-	-	10,550,035	9,545,705	10,550,035	9,545,705
Industrial Authority	-	-	17,218	17,219	17,218	17,219
Financing	1,130,420	1,180,362	705,466	785,297	1,835,886	1,965,659
Total expenses	<u>9,365,851</u>	<u>8,560,917</u>	<u>16,529,540</u>	<u>15,081,261</u>	<u>25,895,391</u>	<u>23,642,178</u>
Increases in net position						
before transfers	4,387,229	4,753,523	1,009,681	2,245,205	5,396,910	6,998,728
Transfers	(1,320,496)	(1,586,565)	1,320,496	1,586,565	-	-
Increase in net position	3,066,733	3,166,958	2,330,177	3,831,770	5,396,910	6,998,728
Net position - beginning of year	21,845,001	18,678,043	43,659,914	39,828,144	65,504,915	58,506,187
Net position - end of year	<u>\$ 24,911,734</u>	<u>\$ 21,845,001</u>	<u>\$ 45,990,091</u>	<u>\$ 43,659,914</u>	<u>\$ 70,901,825</u>	<u>\$ 65,504,915</u>

Governmental -Type Activities

- Total revenues in governmental activities increased 3.29% during the year, while operating expenditures increased 9.4% due in large part to substantial increases in General Government.
- Total revenues before transfers exceeded expenditures by \$4,387,229.

Business-Type Activities

- Total revenues in business-type activities increased 1.23% during the year, while operating expenditures increased 9.60%.
- Business type activities revenue exceeded all related expenses in the amount of \$1,009,681 before transfers.
- Included in expenses of the Business-Type Activities are expenses related to debt service requirements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2016

Unaudited

Business-Type Activities (continued)

- The Jenks Aquarium Authority received the 13th and final annual payment in the amount of \$923,076 from Vision 2025 funds for aquarium debt service in June of 2016. Future debt payments will be funded through Jenks Aquarium Authority operations revenue or through transfers from the Jenks Public Works Authority. By City Council resolution Industrial Water Sales revenue is restricted for operations deficit, and/or retirement of Jenks Aquarium Authority deficit and debt for the Oklahoma Aquarium.
- Sales taxes are received by the Public Works Authority from the General Fund as a requirement for debt coverage and are classified as transfers from the Governmental Activities to the Business Activities on the Statement of Activities. Sales tax is recorded in the General Fund for general operations, if available, and one third is transferred to the JPWA Sinking Fund for debt payments and the remainder is transferred to the One Cent Capital Fund for additional capital improvements.

Budgetary Highlights

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

Capital Assets at Year-end

As of June 30, 2016, the City had a little over \$80 million invested in capital assets including police and fire equipment, buildings, water and sewer lines, roads and park facilities.

	Governmental Activities		Business-Type Activities		Total	
	6/30/16	6/30/15	6/30/16	6/30/15	6/30/16	6/30/15
Land	\$ 2,172,392	\$ 2,045,504	\$ 1,737,561	\$ 1,737,561	\$ 3,909,953	\$ 3,783,065
Construction in progress	9,675,452	4,718,566	589,162	765,459	10,264,614	5,484,025
Buildings & Improvement	7,152,021	7,103,489	20,042,122	20,000,672	27,194,143	27,104,161
Property & Equipment	1,471,845	1,917,363	2,752,481	2,517,013	4,224,326	4,434,376
Exhibits	-	-	6,560,618	6,082,446	6,560,618	6,082,446
Vehicles	2,917,209	2,773,821	-	-	2,917,209	2,773,821
Infrastructure	17,237,935	17,148,656	8,073,633	7,514,854	25,311,568	24,663,510
Total capital assets	40,626,854	\$ 35,707,399	\$ 39,755,577	\$ 38,618,005	\$ 80,382,431	\$ 74,325,404
Less: Depreciation	(11,666,352)	(10,473,865)	(16,121,161)	(14,782,062)	(27,787,513)	(25,255,927)
Total	\$ 28,960,502	\$ 25,233,534	\$ 23,634,416	\$ 23,835,943	\$ 52,594,918	\$ 49,069,477

Debt Administration

At the end of June 30, 2016, the City had over \$50 million in outstanding notes, bonds, and capital leases. These debts are further detailed below:

	Governmental Activities		Business-Type Activities		Total	
	6/30/16	6/30/15	6/30/16	6/30/15	6/30/16	6/30/15
General obligation bonds	\$ 27,890,000	\$ 30,240,000	\$ -	\$ -	\$ 27,890,000	\$ 30,240,000
Revenue bonds payable	-	-	19,305,000	20,350,000	19,305,000	20,350,000
Notes payable	2,355,727	1,692,358	700,000	800,000	3,055,727	2,492,358
Capital leases payable	95,679	71,909	46,866	820	142,545	72,729
Total	\$ 30,341,406	\$ 32,004,267	\$ 20,051,866	\$ 21,150,820	\$ 50,393,272	\$ 53,155,087

Additionally, the City had \$906,372 in accrued compensated absences, benefits payable and utility deposits.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2016

Unaudited

Operations Concerns and Anticipated Actions - City of Jenks

The City has been very conservative in its management practices over a long period of time. The City has contained personnel growth and other operational expenses which reflect the realities of its revenue streams. Evidence of such undertakings are reflected in higher than average cash reserves and investments for cities of similar circumstances. Also, public employee productivity and operational innovation have been maintained at high levels allowing for service levels which might be associated with additional increments of funding. In addition, the City has joined with the private sector to achieve a high level of housing and industrial development which have contributed to a strong ad valorem base, again at a strong relative level of population compared to similar cities of size and circumstance. Finally, within this context in calendar 2016, the City received a G.O. Bond Rating of AA+ from Standard & Poor's Financial Services.

The expenses associated with the City's general fund are primarily associated with public safety (police and fire functions). With current funding sources and their current and projected growth, it is unlikely that the City could sustain additional expenses in this area at any significant level without a significant increase in operating revenue. A .55 percent sales and use tax increase on qualifying sales was approved by voters in 2016 in order to help fund a low water dam on the Arkansas River as well as fund capital improvement projects. However, these funds may not be used for operating expenditures. The City's primary focus is to continue to encourage growth in existing sources of public income by expansion of private sector entrepreneurship.

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

The financial portfolios of the cities of the state of Oklahoma are substandard compared to similar cities in other states in the nation. The City will continue to work with the State Legislature to strengthen City revenues. Preliminary research would appear to indicate that cities and towns in Oklahoma have broad legal authority to "enterprise" other areas of municipal operations not currently operated in an enterprise manner. Therefore, the City of Jenks through the Jenks Public Works Authority could consider reclassifying additional services for cost recovery as a utility function in the future—in the absence of other, additional revenue generating authority from the Legislature, e.g., ad valorem taxation authority for operations. Another option for greater operating revenue would be an increase in the current city voter authorized sales tax.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2016

Unaudited

Economic Factors and Next Year's Budget

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

The City continues to grow both residentially and commercially with better than average quality developments currently underway. The City's population grew by 77% during the last decade. At the beginning of calendar 2016, the City's sales tax collections were flat compared to the previous year's reporting period. However, through 2016 the sales tax collected has improved incrementally over the previous period. Overall, it is anticipated that sales tax and most other revenue streams will continue to see further improvement.

While revenue is expected to increase in the short term, due to economic development initiatives it is anticipated that related fund balances will diminish in the short term in order to facilitate private sector business investments in the community. However, in some cases the economic investment from fund balances are contingent on a form of payback agreement. Fund balances required by resolutions as contingencies will be maintained.

Operations Concerns and Anticipated Actions - Jenks Public Works Authority (JPWA)

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

Historically, any wholesale water increases by the City of Tulsa to the JPWA have been passed through by rate increases to the Jenks rate payers when these costs have been increased by the wholesale provider. This has been the long-standing policy practice of the policy bodies to do so. It is anticipated that the City of Tulsa will continue to follow its system wide potable water improvement plan which will result in continued rate increases to JPWA over the next 2-3 years. Given that the JPWA does not own its own water supply, rate elasticity is limited.

In comparison, sanitary sewer rates have higher elasticity at this time. The remaining enterprise functions have low to moderate rate elasticity. Because so much of Jenks residential development is relatively recent (over three decades), the overall infrastructure quality of water and sanitary sewer systems are considered to be above average at this time. JPWA initiated facility plan studies and evaluations for the Waste Water Treatment Plant and the Sanitary Sewer collection system – lines and lift stations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2016

Unaudited

Economic Factors and Next Year's Budget

The primary factors that affect the health of the water enterprise function of the Jenks Public Works Authority are rates and the weather. Rates elasticity is at least partially influenced by overall economic health within the City and by the size of any rate increases. As mentioned previously, it is anticipated that the Tulsa Water System wholesale supplier will increase its wholesale rate to the JPWA over the next 2-3 years. No additional city rate increase is anticipated at this time.

It is anticipated that the emergency medical services rate structure will be increased at a low to moderate level to reflect the continued subsidy of that function metro-wide. No other adjustments to rate functions within the JPWA are known or projected at this time.

Weather impacts on water rate are unpredictable, but past patterns of weather as they relate to water customer usage are reviewed annually. No water rate adjustments relative to weather trends are anticipated at this time. Generally, as of 2016, it is estimated that overall rate elasticity for all sources of services is low to moderate.

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

Operations Concerns and Anticipated Actions - Jenks Aquarium Authority (JAA)

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

No operating subsidy has been necessary as of this date, although the City of Jenks and its related entities do provide indirect costs to the Jenks Aquarium Authority operations, primarily in the areas of accounting, legal, and human resources support. Aquarium operating revenues have limited elasticity to be achieved from charges in the form of gate receipts. Therefore, JAA management has been identifying additional revenue opportunities in addition to growth in attendance, catering sales, and special programming sales, in order to expand revenue streams. A small operation subsidies may be required from retained earnings (fund balance) over the next several years while the aforementioned endeavors yield improved financial results.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2016

Unaudited

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

Economic Outlook

The three core markets for the Oklahoma Aquarium are the Tulsa, Oklahoma metropolitan area, the Oklahoma City metropolitan area, and the Springdale/Bentonville, Arkansas metropolitan area. Other geographic markets include South and Southeast Kansas, Southwest Missouri, and North Central Texas. The Aquarium is attracting significant attendance from all of these areas, and it is anticipated that these markets offer substantial additional opportunities for revenue growth.

The region enjoys relatively low unemployment compared to the Nation. Individual and family income growth is expected to continue incremental improvement. This will translate into slow incremental growth for the Aquarium in the absence of dramatic benefits from marketing or other programming efforts. The Oklahoma Aquarium remains a major cultural, recreational, entertainment, and educational point of destination for the Tulsa metropolitan area, the state of Oklahoma, and the Northeast Oklahoma multi-state region. Greater market penetration should be feasible regardless of slow to moderate overall economic growth in these geographic areas.

Contacting the City's Financial Management

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

CITY OF JENKS
STATEMENT OF NET POSITION
June 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments:			
Cash & cash equivalents	\$ 14,578,993	\$ 23,978,176	\$ 38,557,169
Investments	14,947,916	16,623,282	31,571,198
Receivables (net of allowance for uncollectibles):			
Services	208,244	2,253,369	2,461,613
Taxes	1,143,846	-	1,143,846
Interest	12,582	27,129	39,711
Due to/from other funds	458,870	(458,870)	-
Restricted assets:			
Investments	-	485,546	485,546
Bond fund/cash & investments	-	1,286,964	1,286,964
Cash, insurance deposit	790	-	790
Capital assets:			
Land and construction in progress	11,847,844	2,326,723	14,174,567
Depreciable buildings, property, equipment and infrastructure, net of depreciation	17,112,658	21,307,693	38,420,351
Total assets	60,311,743	67,830,012	128,141,755
Deferred outflows of resources:			
Deferred amounts related to pensions	979,051	-	979,051
Deferred loss	-	967,409	967,409
Total deferred outflows	979,051	967,409	1,946,460
Liabilities:			
Current liabilities:			
Accounts payable	584,905	1,746,569	2,331,474
Accrued compensated absences payable	225,243	96,173	321,416
Unearned membership revenues	-	141,867	141,867
Accrued interest payable	397,235	-	397,235
Interest payable	-	285,309	285,309
Security deposits	-	485,546	485,546
Leases payable	52,844	20,517	73,361
Notes payable	1,514,309	700,000	2,214,309
Revenue bonds payable	2,365,000	1,110,000	3,475,000
Non-current liabilities:			
OPEB liability	99,410	-	99,410
Net pension liability	3,917,899	-	3,917,899
Leases payable	42,835	26,349	69,184
Notes payable	841,418	-	841,418
Revenue bonds payable	25,525,000	18,195,000	43,720,000
Total liabilities	35,566,098	22,807,330	58,373,428
Deferred inflows of resources:			
Deferred amounts related to pensions	812,962	-	812,962
Total deferred inflows	812,962	-	812,962
Net position:			
Net investment in capital assets	(1,380,904)	4,549,959	3,169,055
Restricted	24,208,966	1,286,964	25,495,930
Unrestricted	2,083,672	40,153,168	42,236,840
Total net position	\$ 24,911,734	\$ 45,990,091	\$ 70,901,825

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

CITY OF JENKS
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government:					
City clerk	\$ 154,130	\$ -	\$ -	\$ -	\$ (154,130)
City manager	92,858	-	-	-	(92,858)
City treasurer	49,829	-	-	-	(49,829)
General government	603,839	368,363	194,785	-	(40,691)
Total general government	900,656	368,363	194,785	-	(337,508)
Public safety and judiciary:					
City attorney	79,451	-	-	-	(79,451)
Inspections	57,912	-	-	-	(57,912)
Fire	2,106,494	-	-	-	(2,106,494)
Municipal court	70,906	409,971	-	-	339,065
Police	2,219,741	-	-	-	(2,219,741)
911 services	113,415	-	-	-	(113,415)
Animal control	74,420	-	-	-	(74,420)
Total public safety and judiciary	4,722,339	409,971	-	-	(4,312,368)
Transportation:					
Parking	34,580	51,856	-	-	17,276
Streets	363,105	-	-	-	(363,105)
Total transportation	397,685	51,856	-	-	(345,829)
Cultural and recreation:					
Parks	284,703	-	60,519	-	(224,184)
Total cultural and recreation	284,703	-	60,519	-	(224,184)
Economic development					
Economic development	415,825	-	-	-	(415,825)
Total economic development	415,825	-	-	-	(415,825)
Financing costs	1,130,420	-	-	-	(1,130,420)
Unallocated depreciation*	1,514,223	-	-	-	(1,514,223)
Total governmental activities	9,365,851	830,190	255,304	-	(8,280,357)
Business-type activities					
Aquarium	4,507,794	4,422,012	1,151,938	-	1,066,156
General operations	2,567,389	773,329	-	-	(1,794,060)
Industrial Authority	17,218	-	-	-	(17,218)
Water	6,143,645	8,414,608	-	-	2,270,963
Sewer	833,265	1,578,413	-	-	745,148
Solid waste	1,005,736	1,027,023	-	-	21,287
Financing costs	705,466	-	-	-	(705,466)
Unallocated depreciation*	749,027	-	-	-	(749,027)
Total business-type activities	16,529,540	16,215,385	1,151,938	-	837,783
Total	\$ 25,895,391	\$ 17,045,575	\$ 1,407,242	\$ -	\$ (7,442,574)

(continued on following page)

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

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

CITY OF JENKS
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Net (expense)/revenue	(8,280,357)	837,783	(7,442,574)
General revenues:			
Taxes:			
Sales, use, hotel, gross receipts and cigarette taxes	6,570,743	-	6,570,743
Franchise taxes	945,638	-	945,638
Property taxes	4,124,601	-	4,124,601
Intergovernmental	794,239	-	794,239
Investment earnings	53,984	59,802	113,786
Miscellaneous	57,698	107,396	165,094
Sale of property	120,083	-	120,083
Rental receipts	600	4,700	5,300
Transfers	(1,320,496)	1,320,496	-
Total general revenues and transfers	11,347,090	1,492,394	12,839,484
Change in net position	3,066,733	2,330,177	5,396,910
Net position - beginning of year	21,845,001	43,659,914	65,504,915
Net position - end of year	\$ 24,911,734	\$ 45,990,091	\$ 70,901,825

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

**CITY OF JENKS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016**

	<u>General Fund</u>	<u>Debt Service Sinking Fund</u>	<u>Capital Projects 2014 GO Bond Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Cash and investments:					
Cash & cash equivalents	\$ 6,065,058	\$ 2,673,219	\$ 851,880	\$ 4,988,836	\$ 14,578,993
Investments	2,415,838	263,952	4,731,637	7,536,489	14,947,916
Receivables (net of allowance for uncollectibles):					
Accounts receivable	125,277	-	-	82,967	208,244
Taxes	1,093,306	50,540	-	-	1,143,846
Interest	2,997	-	5,115	4,470	12,582
Restricted assets:					
Cash, insurance deposit	790	-	-	-	790
Due from other funds	245,913	15,918	-	364,736	626,567
Total assets	<u>\$ 9,949,179</u>	<u>\$ 3,003,629</u>	<u>\$ 5,588,632</u>	<u>\$ 12,977,498</u>	<u>\$ 31,518,938</u>
Liabilities:					
Accounts payable	\$ 259,592	\$ -	\$ 162,421	\$ 162,892	\$ 584,905
Due to other funds	17,697	-	-	150,000	167,697
Total liabilities	<u>277,289</u>	<u>-</u>	<u>162,421</u>	<u>312,892</u>	<u>752,602</u>
Fund balance:					
Restricted for:					
Municipal improvement projects	-	-	5,415,493	-	5,415,493
GO bond issues	2,810,312	-	-	-	2,810,312
Debt service	-	2,994,726	-	-	2,994,726
Other purposes	-	-	-	12,545,263	12,545,263
Committed to:					
Municipal improvement projects	-	-	10,718	-	10,718
Debt service	-	8,903	-	-	8,903
Future budget years	294,314	-	-	-	294,314
Other purposes	-	-	-	129,237	129,237
Unassigned	<u>6,567,264</u>	<u>-</u>	<u>-</u>	<u>(9,894)</u>	<u>6,557,370</u>
Total fund balance	<u>9,671,890</u>	<u>3,003,629</u>	<u>5,426,211</u>	<u>12,664,606</u>	<u>30,766,336</u>
Total liabilities and fund equity	<u>\$ 9,949,179</u>	<u>\$ 3,003,629</u>	<u>\$ 5,588,632</u>	<u>\$ 12,977,498</u>	<u>\$ 31,518,938</u>

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

CITY OF JENKS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT
OF NET POSITION
June 30, 2016

Total Fund Balances - Total Governmental Funds \$ 30,766,336

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

Certain other long-term assets are not available to pay current fund liabilities and, therefore are deferred in the funds:

Pension related deferred outflows	979,051
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Some liabilities are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position:

Accrued compensated absences payable	(225,243)	
Net pension liability	(3,917,899)	
Pension related deferred inflows	(812,962)	
OPEB liability	(99,410)	
Total	(5,055,514)	(5,055,514)

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

Leases payable	(95,679)	
Notes payable	(2,355,727)	
Revenue bonds payable	(27,890,000)	
Accrued interest payable	(397,235)	
Total	(30,738,641)	(30,738,641)

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

Land	\$ 2,172,392	
Construction in process	9,675,452	
Buildings & Improvements	7,152,021	
Furniture and equipment	1,471,845	
Vehicles	2,917,209	
Infrastructure	17,237,935	
Accumulated depreciation	(11,666,352)	
Total	28,960,502	28,960,502

Net position of governmental activities **\$ 24,911,734**

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

CITY OF JENKS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	<u>General Fund</u>	<u>Debt Service Sinking Fund</u>	<u>Capital Projects 2014 GO Bond Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Charges for services	\$ 135,161	\$ -	\$ -	\$ -	\$ 135,161
Licenses and permits	285,058	-	-	-	285,058
Interest	10,085	2,967	10,718	30,214	53,984
Franchise fees	945,638	-	-	-	945,638
Intergovernmental programs	170,579	-	-	441,460	612,039
Fines and forfeits	409,971	-	-	-	409,971
Grant revenue	-	-	-	60,519	60,519
Rental receipts	600	-	-	-	600
Miscellaneous revenue	65,887	-	-	44,510	110,397
Taxes	6,570,743	-	-	182,200	6,752,943
Property taxes	-	3,531,633	-	592,968	4,124,601
Sale of property	141,750	-	-	-	141,750
Donations and other	126,908	-	-	67,877	194,785
Total revenues	<u>8,862,380</u>	<u>3,534,600</u>	<u>10,718</u>	<u>1,419,748</u>	<u>13,827,446</u>
Expenditures:					
Current:					
General government	567,868	2,100	-	97,837	667,805
Economic development	3,434	-	-	412,391	415,825
Public safety	4,763,258	-	-	128,155	4,891,413
Highways and roads	253,686	-	-	143,999	397,685
Cultural and recreational	262,728	-	-	21,975	284,703
Debt Service:					
Principal	48,283	2,350,000	-	359,204	2,757,487
Interest expense	2,040	1,140,169	-	19,306	1,161,515
Capital outlay	424,180	-	3,168,402	1,768,751	5,361,333
Total expenditures	<u>6,325,477</u>	<u>3,492,269</u>	<u>3,168,402</u>	<u>2,951,618</u>	<u>15,937,766</u>
Excess of revenues over (under) expenditures	2,536,903	42,331	(3,157,684)	(1,531,870)	(2,110,320)
Other financing uses:					
Loan proceeds	-	-	-	1,022,573	1,022,573
Operating transfers in (out)	(1,449,572)	-	-	227,552	(1,222,020)
Total other financing uses	<u>(1,449,572)</u>	<u>-</u>	<u>-</u>	<u>1,250,125</u>	<u>(199,447)</u>
Excess of revenues over (under) expenditures & transfers	1,087,331	42,331	(3,157,684)	(281,745)	(2,309,767)
Fund balance - beginning of year	<u>8,584,559</u>	<u>2,961,298</u>	<u>8,583,895</u>	<u>12,946,351</u>	<u>33,076,103</u>
Fund balance - end of year	<u>\$ 9,671,890</u>	<u>\$ 3,003,629</u>	<u>\$ 5,426,211</u>	<u>\$ 12,664,606</u>	<u>\$ 30,766,336</u>

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

CITY OF JENKS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds	\$ (2,309,767)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report property sales as income. However, in the Government-Wide Statement of Activities and Changes in Net Position, the proceeds are netted with any basis left in the assets sold. This is the amount of basis left in the assets in the current period.	(21,661)
Government-Wide Statement of Activities 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.	(14,683)
Government-Wide Statement of Activities report the cost of pension benefits earned net of employee contributions is reported as an element of pension expense. The fund financial statements report pension contributions as expenditures.	292,756
Governmental Funds report note and lease proceeds as income. However, in the Government-Wide Statement of Activities, the proceeds received are reported as a liability. This is the amount of proceeds received in the current period.	(1,094,626)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Government-Wide Statement of Activities when earned. This is the amount of the change recorded in the current period.	(328,157)
Governmental Funds report note and lease payments as expenditures. However, in the Government-Wide Statement of Activities, the principal paid on that liability is applied against the liability. This is the amount of principal recorded in the current period.	2,757,487
Government-Wide Statement of Activities report accrued compensated absences in the period incurred. However, Governmental Funds do not pay on this liability until the employee has left employment. The amount of the change in accrued absences recorded in the current period.	5,655
The interest paid on notes and leases is recorded as an expense in governmental funds and not as a payment against the accrual. However, in the Government-Wide Statement of Activities, the interest is recorded against the payable. This is the amount of interest paid in the current period.	31,095
Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	5,262,857
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.	<u>(1,514,223)</u>
Change in Net Position of Governmental Activities	\$ <u><u>3,066,733</u></u>

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

CITY OF JENKS
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
June 30, 2016

	Business-type Activities - Enterprise Funds			
	Public Works Authority	Aquarium Authority	Industrial Authority	Totals
Assets:				
Cash and investments:				
Cash & cash equivalents	\$ 20,139,115	\$ 3,838,502	\$ 559	\$ 23,978,176
Investments, at cost	14,047,299	2,575,983	-	16,623,282
Receivables (net of allowance for uncollectibles):				
Accounts receivable	2,241,851	11,518	-	2,253,369
Interest	21,138	5,991	-	27,129
Due from other funds	509,539	-	-	509,539
Restricted assets:				
Investments, at cost	485,546	-	-	485,546
Bond fund/cash & investments	41,988	1,244,976	-	1,286,964
Capital assets:				
Land and construction in progress	2,248,884	77,839	-	2,326,723
Depreciable buildings, property, equipment & infrastructure, net of depreciation	8,092,408	12,838,582	376,703	21,307,693
Total assets	47,827,768	20,593,391	377,262	68,798,421
Deferred outflows of resources:				
Deferred loss	-	967,409	-	967,409
Total deferred outflows	-	967,409	-	967,409
Liabilities:				
Current liabilities:				
Accounts payable	1,610,923	135,646	-	1,746,569
Due to other funds	626,567	341,842	-	968,409
Unearned membership revenue	-	141,867	-	141,867
Accrued compensated absences payable	41,512	54,661	-	96,173
Interest payable	4,592	280,717	-	285,309
Security deposits	485,546	-	-	485,546
Revenue bonds payable	445,000	665,000	-	1,110,000
Notes payable	-	700,000	-	700,000
Leases payable	20,517	-	-	20,517
Non-current liabilities:				
Leases payable	26,349	-	-	26,349
Revenue bonds payable	2,350,000	15,845,000	-	18,195,000
Total liabilities	5,611,006	18,164,733	-	23,775,739
Net position:				
Net investment in capital assets	7,499,426	(3,326,170)	376,703	4,549,959
Restricted	41,988	1,244,976	-	1,286,964
Unrestricted	34,675,348	5,477,261	559	40,153,168
Total net position	\$ 42,216,762	\$ 3,396,067	\$ 377,262	\$ 45,990,091

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

CITY OF JENKS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds			
	Public Works Authority	Aquarium Authority	Industrial Authority	Totals
Revenues:				
Water revenue	\$ 8,414,608	\$ -	\$ -	\$ 8,414,608
Sewer revenue	1,578,413	-	-	1,578,413
Solid waste revenues	1,027,023	-	-	1,027,023
Licenses and permits	159,686	-	-	159,686
Rental receipts	4,700	-	-	4,700
Fees	-	3,438,197	-	3,438,197
Catering	-	250,851	-	250,851
Gift shop	-	205,106	-	205,106
Other charges	613,643	301,264	-	914,907
Miscellaneous	107,396	226,594	-	333,990
Total revenues	11,905,469	4,422,012	-	16,327,481
Operating expenses:				
General and administrative	2,101,852	-	-	2,101,852
Economic development	417,273	-	-	417,273
Cultural and recreational	48,264	-	-	48,264
Water service	6,143,645	-	-	6,143,645
Sewer service	833,265	-	-	833,265
Solid waste service	1,005,736	-	-	1,005,736
Aquarium operations	-	3,922,707	-	3,922,707
Depreciation	749,027	585,087	17,218	1,351,332
Total operating expenses	11,299,062	4,507,794	17,218	15,824,074
Income before non-operating revenues, expenses & transfers	606,407	(85,782)	(17,218)	503,407
Non-operating revenues (expenses):				
Interest revenue	57,005	2,797	-	59,802
Interest expense	(61,549)	(632,938)	-	(694,487)
Grants and contributions	-	1,151,938	-	1,151,938
Trustee fees	(3,479)	(7,500)	-	(10,979)
Total	(8,023)	514,297	-	506,274
Income (loss) before operating transfers	598,384	428,515	(17,218)	1,009,681
Capital Contributions	-	98,476	-	98,476
Transfers in (out)	1,128,822	93,198	-	1,222,020
Change in net position	1,727,206	620,189	(17,218)	2,330,177
Net position at beginning of year	40,489,556	2,775,878	394,480	43,659,914
Net position at end of year	\$ 42,216,762	\$ 3,396,067	\$ 377,262	\$ 45,990,091

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

CITY OF JENKS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2016

Business-type Activities - Enterprise Funds

	<u>Public Works Authority</u>	<u>Aquarium Authority</u>	<u>Industrial Authority</u>	<u>Totals</u>
Cash flows from operating activities:				
Cash received from customers & service users	\$ 10,878,755	\$ 4,405,682	\$ -	\$ 15,284,437
Cash payments for goods & services & employees	(9,608,764)	(3,881,317)	-	(13,490,081)
Other operating revenues	107,396	-	-	107,396
Net cash provided by operating activities	<u>1,377,387</u>	<u>524,365</u>	<u>-</u>	<u>1,901,752</u>
Cash flows from noncapital financing activities:				
Contributions	-	1,151,938	-	1,151,938
Change in due to/from accounts	315,333	-	-	315,333
Operating transfers out to other funds	(3,091,971)	-	-	(3,091,971)
Operating transfers in from other funds	4,220,794	93,198	-	4,313,992
Net cash provided (used) for noncapital financing activities	<u>1,444,156</u>	<u>1,245,136</u>	<u>-</u>	<u>2,689,292</u>
Cash flows from capital and related financing activities:				
Acquisition & construction of capital assets	(881,722)	(169,607)	-	(1,051,329)
Principal paid on debt	(455,938)	(705,000)	-	(1,160,938)
Proceeds from new debt issue	61,984	-	-	61,984
Interest paid on debt	(62,099)	(586,462)	-	(648,561)
Trustee fees	(3,479)	(7,500)	-	(10,979)
Net cash provided (used) for capital and related financing activities	<u>(1,341,254)</u>	<u>(1,468,569)</u>	<u>-</u>	<u>(2,809,823)</u>
Cash flows from investing activities:				
(Purchase) liquidation of investments - unrestricted	(6,636,393)	(1,731,088)	-	(8,367,481)
Interest on investments	52,364	(2,086)	-	50,278
Net cash provided by investing activities	<u>(6,584,029)</u>	<u>(1,733,174)</u>	<u>-</u>	<u>(8,317,203)</u>
Net increase (decrease) in cash & cash equivalents	(5,103,740)	(1,432,242)	-	(6,535,982)
Cash and cash equivalents - beginning of year	<u>25,284,843</u>	<u>6,515,720</u>	<u>559</u>	<u>31,801,122</u>
Cash and cash equivalents - end of year	<u>\$ 20,181,103</u>	<u>\$ 5,083,478</u>	<u>\$ 559</u>	<u>\$ 25,265,140</u>
Reconciliation of cash:				
Unrestricted cash & cash equivalents	20,139,115	3,838,502	559	23,978,176
Restricted bond fund/cash	41,988	1,244,976	-	1,286,964
Total	<u>\$ 20,181,103</u>	<u>\$ 5,083,478</u>	<u>\$ 559</u>	<u>\$ 25,265,140</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 606,407	\$ (85,782)	\$ (17,218)	\$ 503,407
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	749,027	585,087	17,218	1,351,332
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(919,318)	(11,518)	-	(930,836)
Increase (decrease) in accounts payable	940,452	34,192	-	974,644
Increase (decrease) in unearned revenues	-	(4,812)	-	(4,812)
Increase (decrease) in accrued expenses	819	7,198	-	8,017
Total adjustments	<u>770,980</u>	<u>610,147</u>	<u>17,218</u>	<u>1,398,345</u>
Net cash provided by operating activities	<u>\$ 1,377,387</u>	<u>\$ 524,365</u>	<u>\$ -</u>	<u>\$ 1,901,752</u>
Noncash activities:				
Contributed capital assets	\$ -	\$ 98,476	\$ -	\$ 98,476

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

**CITY OF JENKS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2016**

	<u>Agency Funds</u>
Assets:	
Cash & cash equivalents	\$ <u>96,219</u>
Total assets	\$ <u><u>96,219</u></u>
Liabilities:	
Due to others	\$ <u>96,219</u>
Total liabilities	\$ <u><u>96,219</u></u>

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

**CITY OF JENKS
Jenks, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

Blended Component Units/Trusts:

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

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

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

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

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

**CITY OF JENKS
Jenks, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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

Fund Financial Statements – During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

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

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

**CITY OF JENKS
Jenks, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

The following are the City's major governmental funds:

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

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

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

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

Special Revenue Funds – account for specific revenue sources that are legally restricted or committed to expenditures for specific purposes (not including major capital projects). The following are the City's Special Revenue Funds: Street and Alley, Skyline Improvement, E-911, Police Seizure, Senior Citizens, Home Rebate, City Risk Management, Community Service, Economic Development, Economic Development Accommodation, Riverwalk Improvement District, TIF District #1, TIF District #4, Police General Receipts, Public Parking Assessment and Park Recreation Funds.

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

**CITY OF JENKS
Jenks, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Enterprise Funds – are used to account for those operations that are financed and operated in a manner similar to private business where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for capital maintenance, public policy or management accountability.

The following are the City's major enterprise funds:

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

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

The other enterprise fund of the City does not meet the percentage criteria for major funds but the City has elected to treat the following non-major fund as though it were a major fund for purposes of presentation within the proprietary funds of the financial statements rather than aggregating this information separately solely for the benefit of user understandability of the financial statements.

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

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

C. Assets, Liabilities and Equity

1. Deposits and Investments

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

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

**CITY OF JENKS
Jenks, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

2. Restricted Cash and Investments

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

3. 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.

4. Receivables and Payables

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

5. Inventories

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

6. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in the business-type activities column of the government-wide statement of net position and in the respective funds. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair value as of the date received. The City maintains a capitalization threshold of \$5,000 for the governmental and proprietary funds.

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

**CITY OF JENKS
Jenks, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

6. Capital Assets (Continued)

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

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

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

7. Compensated Absences

Employees are granted vacation and sick leave based upon length of employment. In the event of termination, the employee is paid for accumulated vacation leave. Payment of sick leave is restricted to those with more than 60 days of accumulated benefits and is limited to a maximum of \$500. Vacation and sick leave is recorded when incurred and sick leave is recorded when vested. The expense and related liability for vested vacation benefits and sick leave is recorded in the respective funds of the City or component unit. The liability is computed based on pay rates in effect as of June 30, 2016.

8. Long-term Obligations

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

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

9. Deferred Outflow/Inflow of Resources

In addition to assets and liabilities, the statement of financial position reports a separate section for 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.

CITY OF JENKS
Jenks, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

10. Net Position/Fund Balance

In the government-wide financial statement and proprietary fund financial statements, 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 its 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.

**CITY OF JENKS
Jenks, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

11. Resource Use Policy

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

2. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments

Custodial Credit Risk

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 Deposits 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 a counterparty or a counterparty's trust department or agent, but not in the government's name. As of June 30, 2016, the City was not exposed to custodial credit risk as defined above.

Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investment. The City does not have a formal investment risk policy. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments.

Investment Credit Risk

Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations-rating agencies-as of year-end. Investments of the City (excluding Public Trusts) are limited by state law to the following:

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

**CITY OF JENKS
Jenks, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016**

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

A. Deposits and Investments (Continued)

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

Public trusts created under O.S. Title 60, are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures. The City complied, in all material respects, with the above noted investment restrictions.

Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Concentration of Investment Credit Risk

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

The City implemented GASB Statement No. 72, *Fair Value Measurement and Application*, during the fiscal year ended June 30, 2016. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City did not hold investments that were measured at fair value as of June 30, 2016.

The City held the following deposits and investments at June 30, 2016:

Type	Months	Rating	Value
Demand deposits and cash on hand	N/A	(1)	\$ 34,327,585
Money market funds	N/A	AAA	4,761,687
Certificates of deposit	Less than one year	(1)	32,056,744
Repurchase agreements	Less than one year	(1)	851,870
			<u>\$ 71,997,886</u>

(1) Not subject to rating

Reconciliation to Statement of Net Position

Cash and cash equivalents	\$ 38,557,169
Investments	31,571,198
Restricted investments	485,546
Restricted bond fund/cash and investments	1,286,964
Restricted cash, insurance deposit	790
Agency fund cash and investments	96,219
	<u>\$ 71,997,886</u>

CITY OF JENKS
Jenks, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

B. Uncollectible Accounts

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

	Accounts Receivable	Less: Allowance for Uncollectible Accounts	Net Accounts Receivable
Governmental Activities			
Fines receivables	\$ 680,092	\$ 554,815	\$ 125,277
Other receivables	82,967	-	82,967
Total Governmental Activities	<u>\$ 763,059</u>	<u>\$ 554,815</u>	<u>\$ 208,244</u>
Business Activities			
Utilities	\$ 2,582,050	\$ 340,199	\$ 2,241,851
Aquarium	11,518	-	11,518
Total Business Activities	<u>\$ 2,593,568</u>	<u>\$ 340,199</u>	<u>\$ 2,253,369</u>

C. Capital Assets

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

	Balance 6/30/15	Additions	Disposals	Balance 6/30/16
Governmental Activities:				
Non-depreciable assets:				
Land	\$ 2,045,504	\$ 126,888	\$ -	\$ 2,172,392
Construction in progress	4,718,566	5,055,362	(98,476)	9,675,452
Total non-depreciable assets	<u>6,764,070</u>	<u>5,182,250</u>	<u>(98,476)</u>	<u>11,847,844</u>
Depreciable assets:				
Buildings and improvements	7,103,489	48,532	-	7,152,021
Furniture, fixtures and equipment	4,691,184	41,272	343,402	4,389,054
Infrastructure	17,148,656	89,279	-	17,237,935
Total depreciable assets	<u>28,943,329</u>	<u>179,083</u>	<u>343,402</u>	<u>28,779,010</u>
Less accumulated depreciation:				
Buildings and improvements	(3,136,008)	(341,757)	-	(3,477,765)
Furniture, fixtures and equipment	(3,440,937)	(297,625)	(321,736)	(3,416,826)
Infrastructure	(3,896,920)	(874,841)	-	(4,771,761)
Total accumulated depreciation	<u>(10,473,865)</u>	<u>(1,514,223)</u>	<u>(321,736)</u>	<u>(11,666,352)</u>
Net depreciable assets	<u>18,469,464</u>	<u>(1,335,140)</u>	<u>21,666</u>	<u>17,112,658</u>
Net governmental activities capital assets	<u>\$ 25,233,534</u>	<u>\$ 3,847,110</u>	<u>\$ (120,142)</u>	<u>\$ 28,960,502</u>

CITY OF JENKS
Jenks, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

C. Capital Assets (Continued)

Business-Type Activities:	<u>Balance 6/30/15</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/16</u>
Non-depreciable assets:				
Land	\$ 1,737,561	\$ -	\$ -	\$ 1,737,561
Construction in progress	<u>765,459</u>	<u>525,950</u>	<u>(702,247)</u>	<u>589,162</u>
Total non-depreciable assets	<u>2,503,020</u>	<u>525,950</u>	<u>(702,247)</u>	<u>2,326,723</u>
Depreciable assets:				
Buildings and improvements	20,000,672	41,450	-	20,042,122
Furniture, fixtures and equipment	2,517,013	247,701	(12,233)	2,752,481
Exhibits	6,082,446	478,172	-	6,560,618
Infrastructure	<u>7,514,854</u>	<u>558,779</u>	<u>-</u>	<u>8,073,633</u>
Total depreciable assets	<u>36,114,985</u>	<u>1,326,102</u>	<u>(12,233)</u>	<u>37,428,854</u>
Less accumulated depreciation:				
Buildings and improvements	(7,315,989)	(560,334)	-	(7,876,323)
Furniture, fixtures and equipment	(1,850,377)	(173,348)	(12,233)	(2,011,492)
Exhibits	(1,595,499)	(267,740)	-	(1,863,239)
Infrastructure	<u>(4,020,197)</u>	<u>(349,910)</u>	<u>-</u>	<u>(4,370,107)</u>
Total accumulated depreciation	<u>(14,782,062)</u>	<u>(1,351,332)</u>	<u>(12,233)</u>	<u>(16,121,161)</u>
Net depreciable assets	<u>21,332,923</u>	<u>(25,230)</u>	<u>-</u>	<u>21,307,693</u>
Net business-type activities capital assets	<u>\$ 23,835,943</u>	<u>\$ 500,720</u>	<u>\$ (702,247)</u>	<u>\$ 23,634,416</u>

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

**CITY OF JENKS
Jenks, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016**

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

D. Inter-fund balances and activities

Inter-fund receivables and payables at June 30, 2016, were as follows:

Payable To	Receivable From	Amount
General Fund	Public Works Authority	\$ 245,913
Public Works Authority	General Fund	17,697
Public Works Authority	Skyline	50,000
Skyline	Public Works Authority	17,894
City Risk Management	Public Works Authority	5,000
Economic Development Accomodation	Public Works Authority	341,842
Public Works Authority	2010 G.O. Fund	100,000
G.O. Sinking Fund	Public Works Authority	15,918
Public Works Authority	Aquarium Authority	341,842
		<u>\$ 1,136,106</u>

Reconciliation to Fund Financial Statements:

	Due To	Due From	Net Inter-fund Balances
Governmental Funds	\$ 626,567	\$ (167,697)	\$ 458,870
Proprietary Funds	509,539	(968,409)	(458,870)
	<u>\$ 1,136,106</u>	<u>\$ (1,136,106)</u>	<u>\$ -</u>

Interfund transfers for the year ended June 30, 2016, were as follows:

Transfer From	Transfer To	Amount
General Fund	Public Works Authority	\$ 6,570,743
General Fund	Economic Development	100,000
Public Works Authority	Radio Communications	210,000
General Fund	Police General Receipts	10,750
2006 G.O. Bond	Aquarium Authority	93,198
Public Works Authority	General Fund	5,231,921
		<u>\$ 12,216,612</u>

Reconciliation to Fund Financial Statements/Statement of Activities:

	Transfers In	Transfers Out	Contributed Capital Transfer	Net Transfers
Governmental Funds	\$ 5,552,671	\$ (6,774,691)	\$ (98,476)	\$ (1,320,496)
Proprietary Funds	6,663,941	(5,441,921)	98,476	1,320,496
	<u>\$ 12,216,612</u>	<u>\$ (12,216,612)</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF JENKS
Jenks, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016**

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

E. Capitalized Leases

The governmental activities capital lease obligations consisted of the following.

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

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

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

Lease payable to BancFirst, dated April 1, 2016, in the original amount of \$72,053, payable in 36 monthly installments of \$2,097, including interest at 2.99% for the purchase of 2 police vehicles.

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

	Balance 6/30/2015	Additions	Deductions	Balance 6/30/2016	Current Portion 6/30/2016
Capital lease obligations	\$ <u>71,909</u>	\$ <u>72,053</u>	\$ <u>48,283</u>	\$ <u>95,679</u>	\$ <u>52,844</u>

F. Long-term Debt

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

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

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

Note payable to BancFirst, dated June 22, 2015, in the original amount of \$1,272,573, payable in monthly installments of \$22,321.52 for 5 years, including interest at 2.0% for radio communication. Payments began October, 2015.

**CITY OF JENKS
Jenks, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016**

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

F. Long-term Debt (Continued)

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

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

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

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

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

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

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

	Balance 6/30/15	Additions	Deductions	Balance 6/30/16	Current Portion 6/30/16
Governmental Activities:					
Bancfirst Note Payable	\$ 1,442,358	\$ -	\$ (176,380)	\$ 1,265,978	\$ 1,265,978
Bancfirst Note Payable	250,000	1,022,573	(182,824)	1,089,749	248,331
2010 GO Bond	4,125,000	-	(275,000)	3,850,000	275,000
2014 GO Bond	13,760,000	-	(710,000)	13,050,000	725,000
1999 GO Bond	800,000	-	(200,000)	600,000	200,000
2002 GO Bond	2,205,000	-	(315,000)	1,890,000	315,000
2006 GO Bond	9,350,000	-	(850,000)	8,500,000	850,000
Total	<u>\$ 31,932,358</u>	<u>\$ 1,022,573</u>	<u>\$ (2,709,204)</u>	<u>\$ 30,245,727</u>	<u>\$ 3,879,309</u>

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

Jenks Public Works Authority:

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

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

**CITY OF JENKS
Jenks, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016**

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

F. Long-term Debt (Continued)

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

Leases payable - The Authority has a note payable to BancFirst, dated November 24, 2015, in the original amount of \$30,003, payable in 36 monthly installments of \$870, including interest at 2.79% for the purchase of 2015 Chevrolet C-2500.

Leases payable - The Authority has a note payable to BancFirst, dated July 17, 2015, in the original amount of \$31,981, payable in 36 monthly installments of \$928, including interest at 2.79% for the purchase of 2015 Chevrolet Silverado.

Jenks Aquarium Authority:

Notes payable - The Jenks Aquarium Authority has a note payable to BancFirst for \$1,400,000. The note bears an interest rate of 4.0% and matures April 12, 2017. Aquarium revenues are pledged as collateral on this note.

Jenks Aquarium Authority Revenue Bonds, Series 2014 - The Jenks Aquarium Authority Revenue Bonds, Series 2014 were issued in April 2014 to refund the Jenks Aquarium Authority Revenue Bonds, Series 2004. The interest rates on the bonds vary from 3.2% to 4.0%, with final maturity July 2034.

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

	Balance 6/30/15	Additions	Deductions	Balance 6/30/16	Current Portion 6/30/16
Business-type activities					
Notes payable	\$ 800,000	\$ -	\$ (100,000)	\$ 700,000	\$ 700,000
Leases payable	820	61,984	(15,938)	46,866	20,517
Revenue bonds payable	20,350,000	-	(1,045,000)	19,305,000	1,110,000
Total business-type activities	<u>\$ 21,150,820</u>	<u>\$ 61,984</u>	<u>\$ (1,160,938)</u>	<u>\$ 20,051,866</u>	<u>\$ 1,830,517</u>

**CITY OF JENKS
Jenks, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016**

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

F. Long-term Debt (Continued)

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

Governmental Activities			
Year Ending June 30,	Principal	Interest	Total
2017	\$ 3,932,153	\$ 1,073,154	\$ 5,005,307
2018	2,642,534	963,028	3,605,562
2019	2,642,104	870,451	3,512,555
2020	2,428,674	786,328	3,215,002
2021	2,230,941	714,694	2,945,635
2022-2026	9,565,000	2,478,220	12,043,220
2027-2031	4,725,000	950,976	5,675,976
2032-2034	2,175,000	174,000	2,349,000
Total	<u>\$ 30,341,406</u>	<u>\$ 8,010,851</u>	<u>\$ 38,352,257</u>

Business-Type Activities			
Year Ending June 30,	Principal	Interest	Total
2017	\$ 1,830,517	\$ 599,422	\$ 2,429,939
2018	1,151,103	579,156	1,730,259
2019	1,155,246	557,815	1,713,061
2020	1,175,000	531,798	1,706,798
2021	1,205,000	500,478	1,705,478
2022-2026	4,470,000	2,051,985	6,521,985
2027-2031	4,650,000	1,337,784	5,987,784
2032-2035	4,415,000	361,900	4,776,900
Total	<u>\$ 20,051,866</u>	<u>\$ 6,520,338</u>	<u>\$ 26,572,204</u>

H. Defeased Bonds Outstanding

The City has, in substance, defeased an outstanding bond issue by placing deposits in irrevocable trusts (escrow accounts) for the purchase of U.S. government securities to pay the principal and interest on the refunded bond as it becomes due and payable. For financial reporting purposes, both the defeased bond outstanding and the escrowed securities have been excluded from the financial statements. At year-end, the remaining outstanding balance for the defeased 2004 Revenue Bonds was \$17,050,000.

G. Pledge of Future Revenues

The Jenks Aquarium Authority has pledged revenues to repay \$1,400,000 of the BancFirst Promissory Note Payable. The total principal and interest payable for the remainder life of the note is \$727,300. Debt service payments of \$130,500 for the current fiscal year were paid from the Jenks Aquarium Authority's revenues.

**CITY OF JENKS
Jenks, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016**

3. OTHER INFORMATION

A. Risk Management

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

B. Contingent Liabilities

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

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

C. Employee Retirement System and Other Benefit Plans

The City participates in three employee pension systems as follows:

Oklahoma Police Pension and Retirement Plan--Cost Sharing Multiple Employer - Defined Benefit Plan

Oklahoma Firefighters Pension and Retirement Plan--Cost Sharing Multiple Employer - Defined Benefit Plan

Defined Contribution Plan

Oklahoma Police Pension and Retirement Plan

Plan description – The City of Jenks, 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.

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.

**CITY OF JENKS
Jenks, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016**

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Other Benefit Plans (Continued)

Participants' contributions are refundable, without interest, upon termination prior to 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 \$136,084. The State of Oklahoma also made on behalf contributions to OPPRS in an amount during the calendar year and this is reported as both as a revenue and an expenditure in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$123,682. These on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the City reported a liability of \$14,051 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2015. 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, 2015. Based upon this information, the City's proportion was 0.3446%.

For the year ended June 30, 2016, the City recognized pension expense of \$52,611. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**CITY OF JENKS
Jenks, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016**

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Other Benefit Plans (Continued)

	Deferred Outflows of Resources	Deferred Inflows of resources
Differences between expected and actual experience	\$ -	\$ 77,699
Changes in proportion	21,927	
Net difference between projected and actual earnings on pension plan investments	251,796	305,866
City contributions subsequent to the measurement date	<u>136,084</u>	<u>-</u>
Total	<u>\$ 409,807</u>	<u>\$ 383,565</u>

\$136,084 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. 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:	
2017	\$ (47,867)
2018	(47,867)
2019	(47,867)
2020	38,652
2021	<u>(4,893)</u>
	<u>\$ (109,842)</u>

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2015, 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, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

**CITY OF JENKS
Jenks, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016**

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Other Benefit Plans (Continued)

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, 2015, 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 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)	\$844,314	\$14,051	(\$685,917)

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.

CITY OF JENKS
Jenks, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Other Benefit Plans (Continued)

Oklahoma Firefighters Pension & Retirement Plan

Plan Description – The City of Jenks, 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.

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 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 \$129,786 (fiscal year contributions). The State of Oklahoma also made on-behalf contributions to FPRS in an amount during the calendar year and this is reported as both as a revenue and an expenditure in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$0. These on-behalf payments did not meet the criteria of a special funding situation.

CITY OF JENKS
Jenks, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Other Benefit Plans (Continued)

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the City reported a liability of \$3,903,848 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. 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, 2015. Based upon this information the City’s proportion was 0.367799%.

For the year ended June 30, 2016, the City recognized pension expense of \$373,782. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of resources</u>
Differences between expected and actual experience	\$ 77,128	\$ -
Net difference between projected and actual earnings on pension plan investments	138,393	429,397
Changes in proportion	223,937	-
City contributions subsequent to the measurement date	<u>129,786</u>	<u>-</u>
Total	<u>\$ 569,244</u>	<u>\$ 429,397</u>

\$129,786 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. 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:	
2017	\$ 4,248
2018	4,248
2019	4,248
2020	(2,486)
2021	(187)
Thereafter	<u>(10)</u>
	<u>\$ 10,061</u>

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2015, 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.

**CITY OF JENKS
Jenks, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016**

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Other Benefit Plans (Continued)

The actuarial assumptions used in the July 1, 2015, 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, 2015, 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 <u>(-6.5%)</u>	Current Discount Rate <u>(7.5%)</u>	1% Increase <u>(-8.5%)</u>
Employers' net pension liability (asset)	\$5,068,739	\$3,903,848	\$2,926,851

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.

**CITY OF JENKS
Jenks, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016**

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Other Benefit Plans (Continued)

Oklahoma Municipal Retirement Fund - Defined Contribution Plans

The City participates in a defined contribution plan administered by the ICMA Retirement Corporation. Plan provisions are established or amended by City Council resolution. The City and its related entities are required to contribute 6.8% of annual covered payroll. Participants may make voluntary contributions to the plan. The plan participants include all employees. Participants vest after one year of service and are entitled to 100 percent of vested contributions. The plan is a variable funding option plan where the contribution may be varied from year to year by the employer.

For the year ended June 30, 2016, the following amounts related to the defined contribution plan:

City total payroll	\$5,112,225
Payroll for covered employees	\$3,138,382
Employer (City) contributions made	\$213,410

D. Other Post-Employment Benefits

Plan Description

The City provides post-employment 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 provisions for these benefits are not formalized in a contract or plan document but are referenced in the administrative policy manual. 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-employment benefits if they reach normal retirement age while working for the City. As of June 30, 2016, approximately 2 of the 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. Plan members receiving benefits contributed \$15,866, or approximately 100 percent of the total premiums, through their required contribution of \$661.07 per month for retiree medical coverage.

**CITY OF JENKS
Jenks, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016**

3. OTHER INFORMATION (Continued)

D. Other Post-Employment Benefits (Continued)

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, 2016:

Current Service Cost (\$20,987) + Amortization Amount (\$13,815) = Total Contribution (\$34,802).
OPEB obligation for retired employees as determined by Actuarial is \$99,410.

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

<u>Actuarial Valuation Date</u>	<u>Value of Assets</u>	<u>Asset Valuation Basis</u>	<u>Actuarial Accrued Liability (AAL)*</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>
06/30/16	\$ -	Actuarial	\$ 205,260	\$ 205,260	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 the June 30, 2016, actuarial valuation, since the City does not pre-fund the retiree healthcare benefits, a discount rate of 4.0% was used. There were no assets to determine the actuarial value of assets. The UAAL is being amortized over 25 years as level payments. The remaining amortization period at June 30, 2016, was twenty-three years.

CITY OF JENKS
Jenks, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

3. OTHER INFORMATION (Continued)

D. Future Accounting Standards

The GASB has issued several new accounting pronouncements, which will be effective in subsequent years. A description of the new accounting pronouncements, the fiscal year in which they are effective, and the City's consideration of the impact of these pronouncements are described below:

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. GASB Statement No. 73 was issued in June 2015 and establishes requirements for defined benefit pensions that are not within the scope of Statement 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pensions Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirement of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. At this time the impact to the city is unknown.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. GASB Statement No. 74 was issued in June 2015, and replaces Statements No. 43 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. At this time the impact to the city is unknown.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. GASB Statement No. 75 was issued in June 2015, and addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For a defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Not disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This Statement is effective for fiscal years beginning after June 15, 2017. At this time the impact to the city is unknown.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB Statement No. 76 was issued in June 2015, and was issued to identify the context of the current governmental financial reporting environment-the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. At this time the impact to the city is unknown.

**CITY OF JENKS
Jenks, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016**

3. OTHER INFORMATION (Continued)

D. Future Accounting Standards (Continued)

GASB Statement No. 77, *Tax Abatement Disclosures*. GASB Statement No. 77 was issued in August 2015 and establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by the Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. At this time the impact to the city is unknown.

GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans* – GASB 78 was issued in December 2015, and amends the scope and applicability of Statement 68 to excluded pensions provided to employees of state or local governmental employers through a cost-sharing multiple employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The statement does not affect the City's financial statements.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* GASB 79 was issued in December 2015, and addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. At this time, the impact to the City is unknown.

GASB Statement No. 80, *Blending Requirements for Certain Component Units* – An Amendment of GASB Statement No. 14 – GASB 80 was issued in January 2016, and amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. At this time, the impact to the City is unknown.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* – GASB 81 was issued in March 2016, to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The City does not believe that GASB No. 81 will have significant impact on its financial statements.

**CITY OF JENKS
Jenks, Oklahoma**

**REQUIRED SUPPLEMENTAL INFORMATION
Year Ended June 30, 2016**

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

Defined Benefit Cost Sharing Plans:

Police

Schedule of the City's proportionate share of the net pension liability (asset)

Schedule of City contributions

Fire

Schedule of the City's proportionate share of the net pension liability (asset)

Schedule of City contributions

Budgetary Comparison Schedule – General Fund

**CITY OF JENKS
Jenks, Oklahoma**

**REQUIRED SUPPLEMENTAL INFORMATION
ON PENSION PLAN FUNDING PROGRESS
Year Ended June 30, 2016**

**Exhibit 1
Schedule of the City of Jenks Proportionate Share of the Net Pension Liability (Asset)
Oklahoma Police Pension & Retirement System
Last 10 Fiscal Years***

	<u>2014</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.318%	0.3116%
City's proportionate share of the net pension liability (asset)	(\$107,080)	\$14,051
City's covered-employee payroll	\$995,569	\$1,046,800
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(10.76%)	1.3423%
Plan fiduciary net position as a percentage of the total pension liability (asset)	101.53%	99.82%

*The amounts present for each fiscal year were determined as of 6/30

Notes to Schedule:

Only the last 2 current fiscal years are presented because 10-year data is not yet available.

**Exhibit 2
Schedule of City Contributions
Oklahoma Police Pension & Retirement System
Last 10 Fiscal Years**

	<u>2014</u>	<u>2015</u>
Statutorily required contribution	\$129,424	\$136,084
Contributions in relation to the statutorily required contribution	<u>129,424</u>	<u>136,084</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$995,569	\$1,046,800
Contributions as a percentage of covered-employee payroll	13.0%	13.0%

Notes to Schedule:

Only the last 2 current fiscal years are presented because 10-year data is not yet available.

**CITY OF JENKS
Jenks, Oklahoma**

**REQUIRED SUPPLEMENTAL INFORMATION
ON PENSION PLAN FUNDING PROGRESS
Year Ended June 30, 2016**

**Exhibit 3
Schedule of the City of Jenks's Proportionate Share of the Net Pension Liability (Asset)
Oklahoma Firefighters Pension & Retirement System
Last 10 Fiscal Years***

	<u>2014</u>	<u>2015</u>
City's proportion of the net pension liability	0.3448%	0.367799%
City's proportionate share of the net pension liability	\$3,546,247	\$3,903,848
City's covered-employee payroll	\$1,014,036	\$927,043
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	349.72%	421.11%
Plan fiduciary net position as a percentage of the total pension liability	68.12%	68.27%

*The amounts present for each fiscal year were determined as of 6/30

Notes to Schedule:

Only the last 2 current fiscal years are presented because 10-year data is not yet available.

**Exhibit 4
Schedule of City Contributions
Oklahoma Firefighters Pension & Retirement System
Last 10 Fiscal Years**

	<u>2014</u>	<u>2015</u>
Statutorily required contribution	\$141,965	\$129,786
Contributions in relation to the statutorily required contribution	<u>141,965</u>	<u>129,786</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$1,014,036	\$927,043
Contributions as a percentage of covered-employee payroll	14%	14%

Notes to Schedule:

Only the last 2 current fiscal years are presented because 10-year data is not yet available.

CITY OF JENKS
REQUIRED SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016
(Unaudited)

	GENERAL FUND			Variance with Final Budget Over (Under)
	Budgeted Amounts		Actual	
	Original Budget	Final Budget		
Revenues:				
Charges for services	\$ 41,000	\$ 41,000	\$ 135,161	\$ 94,161
Licenses and permits	271,600	271,600	285,058	13,458
Interest	16,000	16,000	10,085	(5,915)
Franchise fees	850,000	850,000	945,638	95,638
Intergovernmental programs	28,000	28,000	170,579	142,579
Fines and forfeits	280,000	280,000	409,971	129,971
Rental receipts	1,400	1,400	600	(800)
Miscellaneous revenue	130,700	130,700	65,887	(64,813)
Taxes	3,989,798	3,989,798	6,570,743	2,580,945
Sale of property	10,000	10,000	141,750	131,750
Donations and other	-	-	126,908	126,908
Total revenues	<u>5,618,498</u>	<u>5,618,498</u>	<u>8,862,380</u>	<u>3,243,882</u>
Expenditures:				
Current:				
General government	770,880	570,880	567,868	3,012
Economic development	-	3,500	3,434	66
Public safety	4,547,868	4,764,368	4,763,258	1,110
Highways, roads, & airport	347,340	257,340	253,686	3,654
Cultural & recreational	322,090	267,090	262,728	4,362
Debt Service:				
Principal	57,000	57,000	48,283	8,717
Interest expense	3,200	3,200	2,040	1,160
Capital outlay	305,212	430,212	424,180	6,032
Total expenditures	<u>6,353,590</u>	<u>6,353,590</u>	<u>6,325,477</u>	<u>28,113</u>
Excess of revenue over (under) expenditures	(735,092)	(735,092)	2,536,903	3,271,995
Other financing sources (uses):				
Operating transfers in (out)	220,000	220,000	(1,449,572)	(1,669,572)
Total other financing sources	<u>220,000</u>	<u>220,000</u>	<u>(1,449,572)</u>	<u>(1,669,572)</u>
Net changes in fund balance	(515,092)	(515,092)	1,087,331	1,602,423
Fund balance at beginning of year	<u>8,584,559</u>	<u>8,584,559</u>	<u>8,584,559</u>	<u>-</u>
Fund balance at end of year	<u>\$ 8,069,467</u>	<u>\$ 8,069,467</u>	<u>\$ 9,671,890</u>	<u>\$ 1,602,423</u>

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

CITY OF JENKS
Jenks, Oklahoma

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
For the Fiscal Year Ended June 30, 2016
(Unaudited)

BUDGETARY INFORMATION

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

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

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

**CITY OF JENKS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2016**

	Special Revenue								
	Police Seizure Fund	Street & Alley Fund	Park Recreation Fund	Senior Citizen Fund	Home Rebate Fund	City Risk Management Fund	Economic Develop- ment Fund	Skyline Improvement Fund	Economic Development Accomodation Fund
Assets:									
Cash and equivalents	\$ 37	\$ 577,501	\$ 305,950	\$ 2,834	\$ 21,282	\$ 490,992	\$ 430,456	\$ 22,212	\$ 477,087
Investments	-	159,883	199,221	-	164,690	14,936	2,574,472	-	-
Accounts receivable, net	-	30,819	-	-	-	-	-	-	7,350
Due from other funds	-	-	-	-	-	5,000	-	17,894	341,842
Interest receivable	-	24	-	-	24	11	1,240	-	-
Total assets	\$ 37	\$ 768,227	\$ 505,171	\$ 2,834	\$ 185,996	\$ 510,939	\$ 3,006,168	\$ 40,106	\$ 826,279
Liabilities:									
Accounts payable	\$ -	\$ -	\$ 1,105	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-	50,000	-
Total liabilities	-	-	1,105	-	-	-	-	50,000	-
Fund balances:									
Restricted	31	763,083	495,715	2,821	180,777	502,440	2,974,602	-	823,082
Committed	6	5,144	8,351	13	5,219	8,499	31,566	-	3,197
Unassigned	-	-	-	-	-	-	-	(9,894)	-
Total fund balances	37	768,227	504,066	2,834	185,996	510,939	3,006,168	(9,894)	826,279
Total liabilities and fund balances	\$ 37	\$ 768,227	\$ 505,171	\$ 2,834	\$ 185,996	\$ 510,939	\$ 3,006,168	\$ 40,106	\$ 826,279

**CITY OF JENKS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2016**

	<u>Special Revenue</u>						<u>Capital Projects</u>		
	<u>TIF District Fund</u>	<u>TIF District #4 Fund</u>	<u>E-911 Fund</u>	<u>Public Parking Assessment</u>	<u>Police General Receipts Fund</u>	<u>TIF District #1 Fund</u>	<u>Riverwalk Improvement District</u>	<u>1978 Sanitary Sewer Fund</u>	<u>2002 GO Bond Fund</u>
(Continued)									
Assets:									
Cash and equivalents	\$ -	\$ 642	\$ 793,913	\$ 17,276	\$ 6,807	\$ 438,747	\$ 19,312	\$ 68	\$ 61,983
Investments	-	-	251,528	-	-	-	-	-	-
Accounts receivable, net	-	-	44,798	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Interest receivable	-	-	10	-	-	-	-	-	-
Total assets	\$ -	\$ 642	\$ 1,090,249	\$ 17,276	\$ 6,807	\$ 438,747	\$ 19,312	\$ 68	\$ 61,983
Liabilities:									
Accounts payable	\$ -	\$ -	\$ 12,960	\$ -	\$ -	\$ 104,146	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	12,960	-	-	104,146	-	-	-
Fund balances:									
Restricted	-	642	1,072,103	17,276	6,807	333,070	18,958	68	61,322
Committed	-	-	5,186	-	-	1,531	354	-	661
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balances	-	642	1,077,289	17,276	6,807	334,601	19,312	68	61,983
Total liabilities and fund balances	\$ -	\$ 642	\$ 1,090,249	\$ 17,276	\$ 6,807	\$ 438,747	\$ 19,312	\$ 68	\$ 61,983

**CITY OF JENKS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2016**

Capital Projects

(Continued)	Capital Projects						Total Non-Major Governmental Funds
Assets:	1991 GO Bond Fund	1998 Roadway Improvement Fund	CDBG Fund	2010 GO Bond Fund	Radio Communi- cations	2006 GO Bond Fund	
Cash and equivalents	\$ 72,906	\$ 123,344	886	\$ 612,458	\$ 117,027	\$ 395,116	\$ 4,988,836
Investments	-	37,354	-	3,237,359	-	897,046	7,536,489
Accounts receivable, net	-	-	-	-	-	-	82,967
Due from other funds	-	-	-	-	-	-	364,736
Interest receivable	-	-	-	1,661	-	1,500	4,470
Total assets	\$ 72,906	\$ 160,698	886	\$ 3,851,478	\$ 117,027	\$ 1,293,662	\$ 12,977,498
Liabilities:							
Accounts payable	\$ -	\$ -	-	\$ -	\$ 44,681	\$ -	\$ 162,892
Due to other funds	-	-	-	100,000	-	-	150,000
Total liabilities	-	-	-	100,000	44,681	-	312,892
Fund balances:							
Restricted	72,791	159,990	886	3,709,845	72,335	1,276,619	12,545,263
Committed	115	708	-	41,633	11	17,043	129,237
Unassigned	-	-	-	-	-	-	(9,894)
Total fund balances	72,906	160,698	886	3,751,478	72,346	1,293,662	12,664,606
Total liabilities and fund balances	\$ 72,906	\$ 160,698	886	\$ 3,851,478	\$ 117,027	\$ 1,293,662	\$ 12,977,498

CITY OF JENKS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	Special Revenue								
	Police Seizure Fund	Street & Alley Fund	Park Recreation Fund	Senior Citizen Fund	Home Rebate Fund	City Risk Management Fund	Economic Develop- ment Fund	Skyline Improvement Fund	Economic Development Accomodation Fund
Revenues:									
Taxes	\$ -	\$ 182,200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fees and assessments	-	-	-	-	-	-	-	-	113,811
Grant revenue	-	-	60,519	-	-	-	-	-	-
Licenses and permits	-	-	67,877	-	-	-	-	-	-
Interest	-	1,093	1,339	1	256	2,858	7,870	22	13
Miscellaneous	-	-	3,500	-	-	39,010	-	-	-
Total revenues	\$ -	\$ 183,293	\$ 133,235	\$ 1	\$ 256	\$ 41,868	\$ 7,870	\$ 22	\$ 113,824
Expenditures:									
Economic development	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General government	-	-	-	-	-	66,343	-	-	-
Public safety	-	-	-	-	-	-	-	-	-
Highways, roads & airport	-	109,419	-	-	-	-	-	-	-
Cultural & recreation	-	-	21,975	-	-	-	-	-	-
Debt Service:									
Principal	-	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-	-
Capital outlay	-	46,310	4,953	-	-	-	67,766	-	-
Total expenditures	-	155,729	26,928	-	-	66,343	67,766	-	-
Excess of revenues over (under) expenditures	-	27,564	106,307	1	256	(24,475)	(59,896)	22	113,824
Other financing uses:									
Loan proceeds	-	-	-	-	-	-	-	-	-
Operating transfers in (out)	-	-	-	-	-	-	100,000	-	-
Excess of revenues over (under) expenditures & transfers	-	27,564	106,307	1	256	(24,475)	40,104	22	113,824
Fund balance-beginning of year	37	740,663	397,759	2,833	185,740	535,414	2,966,064	(9,916)	712,455
Fund balance-end of year	\$ 37	\$ 768,227	\$ 504,066	\$ 2,834	\$ 185,996	\$ 510,939	\$ 3,006,168	\$ (9,894)	\$ 826,279

CITY OF JENKS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	Special Revenue						Capital Projects		
	TIF District Fund	TIF District #4 Fund	E-911 Fund	Public Parking Assessment	Police General Receipts Fund	TIF District #1 Fund	Riverwalk Improvement District	1978 Sanitary Sewer Fund	2002 GO Bond Fund
(Continued)									
Revenues:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 592,968	\$ -	\$ -	\$ -
Fees and assessments	-	642	275,151	51,856	-	-	-	-	-
Grant revenue	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Interest	-	-	172	-	-	395	4	-	2
Miscellaneous	-	-	-	-	2,000	-	-	-	-
Total revenues	\$ -	\$ 642	\$ 275,323	\$ 51,856	\$ 2,000	\$ 593,363	\$ 4	\$ -	\$ 2
Expenditures:									
Economic development	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 412,391	\$ -	\$ -	\$ -
General government	204	-	-	-	-	-	-	-	-
Public safety	-	-	113,415	-	14,740	-	-	-	-
Highways, roads & airport	-	-	-	34,580	-	-	-	-	-
Cultural & recreation	-	-	-	-	-	-	-	-	-
Debt Service:									
Principal	-	-	-	-	-	176,380	-	-	-
Interest expense	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Total expenditures	204	-	113,415	34,580	14,740	588,771	-	-	-
Excess of revenues over (under) expenditures	(204)	642	161,908	17,276	(12,740)	4,592	4	-	2
Other financing uses:									
Loan proceeds	-	-	-	-	-	-	-	-	-
Operating transfers in (out)	-	-	-	-	10,750	-	-	-	-
Excess of revenues over (under) expenditures & transfers	(204)	642	161,908	17,276	(1,990)	4,592	4	-	2
Fund balance - beginning of year	204	-	915,381	-	8,797	330,009	19,308	68	61,981
Fund balance - end of year	\$ -	\$ 642	\$ 1,077,289	\$ 17,276	\$ 6,807	\$ 334,601	\$ 19,312	\$ 68	\$ 61,983

CITY OF JENKS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	Capital Projects						Total Non-Major Governmental Funds
	1991 GO Bond Fund	1998 Roadway Improvement Fund	CDBG Fund	2010 GO Bond Fund	Radio Communi- cations	2006 GO Bond Fund	
(Continued)							
Revenues:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 775,168
Fees and assessments	-	-	-	-	-	-	441,460
Grant revenue	-	-	-	-	-	-	60,519
Licenses and permits	-	-	-	-	-	-	67,877
Interest	24	52	-	10,486	11	5,616	30,214
Miscellaneous	-	-	-	-	-	-	44,510
Total revenues	\$ 24	\$ 52	\$ -	\$ 10,486	\$ 11	\$ 5,616	\$ 1,419,748
Expenditures:							
Economic development	\$ -	\$ -	\$ -	-	-	\$ -	\$ 412,391
General government	-	-	-	-	-	31,290	97,837
Public safety	-	-	-	-	-	-	128,155
Highways, roads & airport	-	-	-	-	-	-	143,999
Cultural & recreation	-	-	-	-	-	-	21,975
Debt Service:							
Principal	-	-	-	-	182,824	-	359,204
Interest expense	-	-	-	-	19,306	-	19,306
Capital outlay	-	-	-	458,433	1,129,926	61,363	1,768,751
Total expenditures	-	-	-	458,433	1,332,056	92,653	2,951,618
Excess of revenues over (under) expenditures	24	52	-	(447,947)	(1,332,045)	(87,037)	(1,531,870)
Other financing uses:							
Loan proceeds	-	-	-	-	1,022,573	-	1,022,573
Operating transfers in (out)	-	-	-	-	210,000	(93,198)	227,552
Excess of revenues over (under) expenditures & transfers	24	52	-	(447,947)	(99,472)	(180,235)	(281,745)
Fund balance - beginning of year	72,882	160,646	886	4,199,425	171,818	1,473,897	12,946,351
Fund balance - end of year	\$ 72,906	\$ 160,698	\$ 886	\$ 3,751,478	\$ 72,346	\$ 1,293,662	\$ 12,664,606



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Jenks, Oklahoma, (the "City"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 20, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Arlidge & Associates, P.C.

December 20, 2016