

JENKS AQUARIUM AUTHORITY
ANNUAL FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEARS ENDED
JUNE 30, 2016 AND 2015

JENKS AQUARIUM AUTHORITY
Jenks, Oklahoma

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INDEPENDENT AUDITOR'S REPORT

To the Trustees of the
Jenks Aquarium Authority

Report on the Financial Statements

We have audited the accompanying financial statements of Jenks Aquarium Authority (the "Authority"), a component unit of the City of Jenks, Oklahoma, as of and for the year ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2016 and 2015, and the changes in its financial position and its cash flows for the years 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, 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 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 Authority'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 Authority's internal control over financial reporting and compliance.

Arlidge & Associates, P.C.

December 20, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2016

Unaudited

Introduction

The mission of the Oklahoma Aquarium is to educate and inspire conservation of our aquatic world through interactive discovery. Through partnerships with the Oklahoma Aquarium Foundation, the Oklahoma Department of Wildlife Conservation (ODWC), the State Department of Education, private foundations, individual and corporate sponsors, we are able to provide a learning atmosphere that is full of wonder and mystery for children, as well as adults.

Additionally, leaders from partner organizations are able to work cohesively on the identification and prioritization of programs; including but not limited to, the development of field research programs regarding aquatic animal and plant ecology, animal medicine, physiology, behavior, environment management and conservation studies. The educational and research facilities at the Oklahoma Aquarium are available to students and researchers of all levels of study as part of our mission to foster "Conservation through Education".

Overview of Financial Statements and Financial Analysis

The financial statements of the Oklahoma Aquarium are presented for the fiscal years ended June 30, 2016, 2015, and 2014 respectively.

Statement of Net Position

The Statement of Net Position presents assets, deferred outflows, liabilities, and net position (assets plus deferred outflows minus liabilities) as of the end of the fiscal year. The purpose of the Statement of Net Position is to present a fiscal snapshot of the Aquarium. From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the Aquarium. They are also able to determine how much the Aquarium owes vendors and lending institutions. Finally, the Statement of Net Position shows the net position (assets plus deferred outflows minus liabilities) and their availability for expenditure by the Aquarium.

Statement of Net Position

	6/30/16	6/30/15	6/30/14
Current and other assets	\$ 7,676,970	\$ 7,361,723	\$ 5,318,188
Capital assets	12,916,421	13,233,425	13,503,309
Total assets	<u>20,593,391</u>	<u>20,595,148</u>	<u>18,821,497</u>
Deferred outflows	<u>967,409</u>	<u>1,021,154</u>	<u>1,074,899</u>
Long-term liabilities	17,210,000	17,915,000	17,915,000
Other liabilities	954,733	925,424	597,848
Total liabilities	<u>18,164,733</u>	<u>18,840,424</u>	<u>18,512,848</u>
Net position:			
Invested in capital assets, net of related debt	(3,326,170)	(3,660,421)	(3,336,792)
Restricted	1,244,976	1,272,588	358,842
Unrestricted	5,477,261	5,163,711	4,361,498
Total net position	<u>\$ 3,396,067</u>	<u>\$ 2,775,878</u>	<u>\$ 1,383,548</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2016

Unaudited

The total assets and deferred outflows of the Aquarium have decreased by \$55,502. Within this amount current assets increased \$315,247, deferred charges decreased by \$53,745 and capital assets decreased \$317,004. The major contributor to the current asset increase was the cash profit realized during the year. Total liabilities decreased \$675,691. The major contributor to the liability decrease was the principal payments on the notes payable during the year. Decreases in total assets and decreases in total liabilities combine to create an increase in total net position of \$620,189.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position display the sources and uses of funds of the Aquarium during the fiscal year. This information must be looked at over a period of time to determine if the goals of the Aquarium are being met.

	6/30/16	6/30/15	6/30/14
Operating revenues	\$ 4,422,012	\$ 4,160,018	\$ 4,085,975
Operating expenses:			
Salaries, wages and benefits	1,958,649	1,738,904	1,682,246
Other operating expenses	1,964,058	1,830,780	1,852,047
Depreciation	585,087	542,379	538,130
Total operating expenses	4,507,794	4,112,063	4,072,423
Operating income (loss)	(85,782)	47,955	13,552
Non-operating revenues (expenses):			
Interest revenue	2,797	4,606	34,458
Interest expense	(632,938)	(695,087)	(645,960)
Loan costs	-	-	(468,175)
Trustee fees	(7,500)	(16,875)	(7,500)
Grants and contributions	1,151,938	1,953,488	1,429,885
Total non-operating revenues (expenses)	514,297	1,246,132	342,708
Capital Contributions	98,476	-	-
Transfers in	93,198	98,243	7,000
Change in net position	620,189	1,392,330	363,260
Net position at beginning of year	2,775,878	1,383,548	1,020,288
Net position at end of year	\$ 3,396,067	\$ 2,775,878	\$ 1,383,548

While the current and previous year comparisons are indicators of activity during the year under audit, it is important to look at some of the operating and non-operating categories over time. One of the important measures of an Aquarium's fiscal stability is how operating revenues compare to operating expenses.

Operating revenue includes gate admissions and fees, catering, gift shop and other miscellaneous charges. Gate admissions and fees account for \$3,438,197 of the operating revenue. Although depreciation expense is considered an operating expense for GAAP purposes, if depreciation were excluded from the calculation of operating income (loss) the bottom line operating income would be adjusted to \$499,305.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2016

Unaudited

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about cash receipts and disbursements of the Aquarium during the year. The statement is divided into five parts.

The first section deals with operating cash flows and shows the net cash used by the operating activities of the Aquarium.

The second section reflects cash flows from non-capital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and non-capital financing purposes. The primary source of non-capital financing activities is from donations.

The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items.

The fourth section reflects the cash flows from investing activities and shows the purchase, proceeds, and interest received from investing activities.

The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

	6/30/16	6/30/15	6/30/14
Cash provided (used) by:			
Operating activities	\$ 524,365	\$ 714,233	\$ 779,895
Non-capital financing activities	1,245,136	2,051,731	1,436,885
Capital and related financing activities	(1,468,569)	(647,627)	(3,859,318)
Investing activities	(1,733,174)	301,040	32,090
Net increase (decrease) in cash & cash equivalents	(1,432,242)	2,419,377	(1,610,448)
Cash & cash equivalents at beginning of year	6,515,720	4,096,343	5,706,791
Cash & cash equivalents at end of year	\$ 5,083,478	\$ 6,515,720	\$ 4,096,343

The net decrease in cash of \$1,432,242 during fiscal year 2016 is primarily attributable to the increase in operating activities, payment of note payables and the increase in investments made.

Operations Concerns and Anticipated Actions

The Oklahoma Aquarium has not realized anticipated growth post the 2008 Great Recession commensurate with local and State of Oklahoma economies, therefore, a revised marketing approach was initiated during this audit period. 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. The incremental attendance charges implemented by the Jenks Aquarium Authority in FY 2015-2016 were critical to a balance of income and expenditures for the audit period.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2016

Unaudited

Small operation subsidies may be required from retained earnings (fund balance) over the next several years while the aforementioned endeavors yield improved financial results. Other cost containment measures have been to relocate the small animal holding facility to the Aquarium campus, the consolidation of small exhibits into larger presentations, and the partial retro-fitting of Aquarium HVAC to geo-thermal systems. Management continues to look for cost saving measures without reducing the quality of the facility.

The financial contributions by Tulsa County voters toward debt retirement costs have provided a needed bridge debt financing. Tulsa County funds 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. In the short term the beneficiary, the City of Jenks, acting through City Council has authorized by Resolution a dedicated revenue source from its related entity, the Jenks Public Works Authority, to provide the equivalent debt financing upon the expiration of the County funding.

Finally, 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. However, the overall strategic planning for the Aquarium has focused on improvement regarding these issues. Both the Jenks Aquarium Authority and the Oklahoma Aquarium Foundation continue to work closely on capital improvements and effective debt management.

Economic Outlook

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

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

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Aquarium's finances. If you have questions about this report or need any additional information, contact Josh McCorkle, Finance Director, P.O. Box 2007, Jenks, OK 74037, or call 918-299-5883.

**JENKS AQUARIUM AUTHORITY
STATEMENT OF NET POSITION
June 30, 2016 and 2015**

	June 30, 2016	June 30, 2015
Assets:		
Cash and investments:		
Cash & cash equivalents	\$ 3,838,502	\$ 5,243,132
Investments	2,575,983	844,895
Receivables:		
Accounts receivable	11,518	-
Interest	5,991	1,108
Restricted assets:		
Bond fund/cash	1,244,976	1,272,588
Capital assets:		
Land and construction in progress	77,839	259,340
Depreciable buildings, property, equipment and infrastructure, net of depreciation	12,838,582	12,974,085
Total assets	20,593,391	20,595,148
Deferred outflows of resources:		
Deferred loss	967,409	1,021,154
Total deferred outflows	967,409	1,021,154
Liabilities:		
Current liabilities:		
Accounts payable	135,646	101,454
Accrued compensated absences payable	54,661	47,463
Due to City of Jenks	341,842	341,842
Unearned membership revenue	141,867	146,679
Interest payable	280,717	287,986
Notes payable	700,000	800,000
Revenue bonds payable	665,000	605,000
Non-current liabilities:		
Revenue bonds payable	15,845,000	16,510,000
Total liabilities	18,164,733	18,840,424
Net position:		
Invested in capital assets, net of related debt	(3,326,170)	(3,660,421)
Restricted	1,244,976	1,272,588
Unrestricted	5,477,261	5,163,711
Total net position	\$ 3,396,067	\$ 2,775,878

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

JENKS AQUARIUM AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2016 and 2015

	June 30, 2016	June 30, 2015
Revenues:		
Fees	\$ 3,438,197	\$ 3,210,678
Catering	250,851	298,036
Gift shop	205,106	174,022
Memberships	301,264	304,322
Miscellaneous	226,594	172,960
Total revenues	4,422,012	4,160,018
Operating expenses:		
Salaries, wages and benefits	1,958,649	1,738,904
Utilities	604,587	603,654
Contract services	218,607	218,808
Materials and supplies	481,407	397,028
Professional services	148,109	140,756
Insurance	101,982	98,283
Repairs and maintenance	382,949	354,443
Miscellaneous	26,417	17,808
Depreciation	585,087	542,379
Total operating expenses	4,507,794	4,112,063
Income before non-operating revenues, expenses & transfers	(85,782)	47,955
Non-operating revenues (expenses):		
Interest revenue	2,797	4,606
Interest expense	(632,938)	(695,087)
Trustee fees	(7,500)	(16,875)
Grants and contributions	1,151,938	1,953,488
Total	514,297	1,246,132
Income (loss) before operating transfers	428,515	1,294,087
Capital contributions	98,476	-
Transfers to (from) City of Jenks	93,198	98,243
Change in net position	620,189	1,392,330
Net position at beginning of year	2,775,878	1,383,548
Net position at end of year	\$ 3,396,067	\$ 2,775,878

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

JENKS AQUARIUM AUTHORITY
STATEMENT OF CASH FLOWS
Years Ended June 30, 2016 and 2015

	June 30, 2016	June 30, 2015
Cash flows from operating activities:		
Cash received from customers & service users	\$ 4,405,682	\$ 4,249,702
Cash payments for goods & services & employees	(3,881,317)	(3,535,469)
Net cash provided by operating activities	524,365	714,233
Cash flows from noncapital financing activities:		
Operating transfers in (out) to other funds	93,198	98,243
Contributions	1,151,938	1,953,488
Net cash provided (used) for noncapital financing activities	1,245,136	2,051,731
Cash flows from capital and related financing activities:		
Acquisition & construction of capital assets	(169,607)	(272,495)
Principal paid on debt	(705,000)	-
Interest paid on debt	(586,462)	(358,257)
Trustee fees	(7,500)	(16,875)
Net cash provided (used) for capital and related financing activities	(1,468,569)	(647,627)
Cash flows from investing activities:		
(Purchase) liquidation of investments - unrestricted	(1,731,088)	296,910
Gain/Loss on investments	(2,086)	4,130
Interest on investments	(1,733,174)	301,040
Net cash provided by investing activities	(1,733,174)	301,040
Net increase (decrease) in cash & cash equivalents	(1,432,242)	2,419,377
Cash and cash equivalents - beginning of year	6,515,720	4,096,343
Cash and cash equivalents - end of year	\$ 5,083,478	\$ 6,515,720
Reconciliation of cash:		
Unrestricted cash & cash equivalents	\$ 3,838,502	\$ 5,243,132
Restricted bond fund/cash	1,244,976	1,272,588
Total	\$ 5,083,478	\$ 6,515,720
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ (85,782)	\$ 47,955
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	585,087	542,379
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(11,518)	79,408
Increase (decrease) in accounts payable	34,192	28,991
Increase (decrease) in unearned revenues	(4,812)	10,276
Increase (decrease) in accrued expenses	7,198	5,224
Total adjustments	610,147	666,278
Net cash provided by operating activities	\$ 524,365	\$ 714,233
Noncash activities:		
Contributed capital assets	\$ 98,476	\$ -

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

JENKS AQUARIUM AUTHORITY
Jenks, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Jenks Aquarium Authority (the "Authority") is a public trust created under Oklahoma statutes. Its purpose is to finance, develop and operate the Oklahoma Aquarium. Four members of the City of Jenks' City Council and three members of the Oklahoma Aquarium Foundation serve as the governing body (the "Trustees") of the Authority. The Authority is a blended component unit of the City of Jenks, Oklahoma (the "City").

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the Authority are described below.

B. Financial Statement Presentation

The Authority's financial statements are presented in accordance with the requirements of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments as amended*. These standards require that the Authority is required to present a statement of net position classified between current and non-current assets and liabilities, a statement of revenues, expenses and changes in net position, with separate presentation for operating and non-operating revenues and expenses, and a statement of cash flows using the direct method.

C. Basis of Accounting

For financial reporting purposes, the Authority is considered a special-purpose government engaged only in business-type activities. Accordingly, the Authority's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

D. Assets, Liabilities, Deferred Outflows, and Net Position

1. Cash and Cash Equivalents

For financial statement presentation and for purposes of the statement of cash flows, the Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with a maturity date of three months or less.

2. Investments

Investments are reported at fair value using selected bases. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value as estimated by a broker/dealer.

3. Restricted Cash and Investments

Certain proceeds of promissory notes, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable debt covenants. These assets are held in trust by the trustee banks and consist of cash and investments. Interest earnings are used to pay principal and interest on these promissory notes when due. The excess of restricted assets over liabilities payable from restricted assets is included as net position restricted for debt service.

JENKS AQUARIUM AUTHORITY
Jenks, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows, and Net Position (Continued)

4. Estimates

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

5. Capital Assets

Capital assets are stated at cost and depreciated on a straight-line basis over the estimated useful lives of the respective assets. The Authority capitalizes items over \$5,000 and with a useful life over 1 year. The following estimated useful lives, in years, are used to compute depreciation:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	10 - 40 years
Other improvements	5 - 40 years
Equipment and vehicles	3 - 10 years
Infrastructure	5 - 50 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital asset, as applicable.

6. 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. Vested or accumulated vacation leave that is expected to be liquidated with economic resources is reported as an expense and liability.

7. Deferred Outflow/Inflow of Resources

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

JENKS AQUARIUM AUTHORITY
Jenks, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows, and Net Position (Continued)

8. Net Position

Net position represents the difference between assets, deferred outflows and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred that can be paid using either restricted or unrestricted resources, the Authority's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

2. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments

Custodial Credit Risk

Exposure to custodial credit risk related to deposits exists when the Authority holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Authority's name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the Authority holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Authority's name. As of June 30, 2016 and 2015, the Authority 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 an investment. The Authority has no formal investment interest rate risk policy. The Authority discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments.

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 Authority (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 Authority was not exposed to this risk as defined above.

The Authority implemented GASB Statement No. 72, *Fair Value Measurement and Application*, during the fiscal year ended June 30, 2016. The Authority 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 Authority did not hold investments that were measured at fair value as of June 30, 2016 and 2015.

JENKS AQUARIUM AUTHORITY
Jenks, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016 and 2015

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

A. Deposits and Investments (Continued)

The Authority held the following deposits and investments at June 30, 2016 and 2015:

Type	Maturity	Credit Rating	Market Value
<u>June 30, 2016:</u>			
Demand deposits and cash on hand	N/A	(1)	\$ 3,270,947
Money market funds	N/A	AAA	1,725,755
Certificate of deposit	Less than one year	(1)	2,575,983
Repurchase agreements	Less than one year	(1)	86,776
			<u>\$ 7,659,461</u>

(1) Not subject to rating

Reconciliation to Statement of Net Position

Cash & cash equivalents	\$ 3,838,502
Investments	2,575,983
Restricted bond fund/cash and investments	1,244,976
	<u>\$ 7,659,461</u>

<u>June 30, 2015:</u>			
Demand deposits and cash on hand	N/A	(1)	\$ 4,942,206
Money market funds	N/A	AAA	1,487,226
Certificate of deposit	Less than one year	(1)	844,895
Repurchase agreements	Less than one year	(1)	86,288
			<u>\$ 7,360,615</u>

(1) Not subject to rating

Reconciliation to Statement of Net Position

Cash & cash equivalents	\$ 5,243,132
Investments	844,895
Restricted bond fund/cash and investments	1,272,588
	<u>\$ 7,360,615</u>

JENKS AQUARIUM AUTHORITY
Jenks, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016 and 2015

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

B. Capital Assets

The Authority's capital asset activity for the years ended June 30, 2016 and 2015 are as follows:

	Balance 6/30/15	Additions	Disposals	Balance 6/30/16
Non-depreciable assets:				
Construction in progress	\$ 259,340	\$ 176,315	\$ 357,816	\$ 77,839
Total non-depreciable assets	<u>259,340</u>	<u>176,315</u>	<u>357,816</u>	<u>77,839</u>
Depreciable assets:				
Buildings and improvements	11,882,771	-	-	11,882,771
Exhibits	6,082,446	443,734	-	6,526,180
Furniture and office equipment	657,693	5,850	12,233	651,310
Motor vehicles	26,384	-	-	26,384
Total depreciable assets	<u>18,649,294</u>	<u>449,584</u>	<u>12,233</u>	<u>19,086,645</u>
Less accumulated depreciation	<u>(5,675,209)</u>	<u>(585,087)</u>	<u>(12,233)</u>	<u>(6,248,063)</u>
Net depreciable assets	<u>12,974,085</u>	<u>(135,503)</u>	<u>-</u>	<u>12,838,582</u>
Net capital assets	<u>\$ 13,233,425</u>	<u>\$ 40,812</u>	<u>\$ 357,816</u>	<u>\$ 12,916,421</u>
	Balance 6/30/14	Additions	Disposals	Balance 6/30/15
Non-depreciable assets:				
Construction in progress	\$ 18,469	\$ 240,871	-	\$ 259,340
Total non-depreciable assets	<u>18,469</u>	<u>240,871</u>	<u>-</u>	<u>259,340</u>
Depreciable assets:				
Buildings and improvements	11,882,771	-	-	11,882,771
Exhibits	6,082,446	-	-	6,082,446
Furniture and office equipment	626,069	31,624	-	657,693
Motor vehicles	26,384	-	-	26,384
Total depreciable assets	<u>18,617,670</u>	<u>31,624</u>	<u>-</u>	<u>18,649,294</u>
Less accumulated depreciation	<u>(5,132,830)</u>	<u>(542,379)</u>	<u>-</u>	<u>(5,675,209)</u>
Net depreciable assets	<u>13,484,840</u>	<u>(510,755)</u>	<u>-</u>	<u>12,974,085</u>
Net capital assets	<u>\$ 13,503,309</u>	<u>\$ (269,884)</u>	<u>\$ -</u>	<u>\$ 13,233,425</u>

JENKS AQUARIUM AUTHORITY
Jenks, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016 and 2015

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

C. Long-term Debt

The Authority's long-term debt consisted of the following:

Note payable - The Authority issued a note payable with a bank for \$1,400,000. The note bears an interest rate of 4.0% and is due April 12, 2017. Aquarium revenues are pledged as collateral on this note. At June 30, 2016 and 2015, the remaining balance of the note is \$700,000 and \$800,000, respectively.

Jenks Aquarium Authority Revenue Bonds, Series 2004 - The Jenks Aquarium Authority Revenue Bonds, Series 2004 were issued in April 2004 to refund the Jenks Aquarium Authority Revenue Bonds, Series 2000 and to repay debt owed to the Jenks Public Works Authority through refunding Jenks Public Works Authority Revenue Bonds, Series 2003. The proceeds were also used to retire outstanding promissory notes between the Jenks Public Works Authority and the Jenks Aquarium Authority. The interest rates on the bonds vary from 1.50% to 5.25%. These bonds were refunded during fiscal year 2014.

Jenks Aquarium Authority Revenue Bonds, Series 2014 - The Jenks Aquarium Authority Revenue Bonds, Series 2014 were issued in April 2014 for \$17,115,000, 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. At June 30, 2016 and 2015, the remaining balance of the bonds is \$16,510,000 and \$17,115,000, respectively.

The following is a summary of changes in long-term debt transactions of the Authority:

	Balance Outstanding 6/30/15	Additions	Deductions	Balance Outstanding 6/30/16	Current Portion 6/30/16
Notes payable	\$ 800,000	\$ -	\$ 100,000	\$ 700,000	\$ 700,000
Revenue bonds payable	17,115,000	-	605,000	16,510,000	665,000
Total	<u>\$ 17,915,000</u>	<u>\$ -</u>	<u>\$ 705,000</u>	<u>\$ 17,210,000</u>	<u>\$ 1,365,000</u>

	Balance Outstanding 6/30/14	Additions	Deductions	Balance Outstanding 6/30/15	Current Portion 6/30/15
Notes payable	\$ 800,000	\$ -	\$ -	\$ 800,000	\$ 800,000
Revenue bonds payable	17,115,000	-	-	17,115,000	605,000
Total	<u>\$ 17,915,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,915,000</u>	<u>\$ 1,405,000</u>

JENKS AQUARIUM AUTHORITY
Jenks, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016 and 2015

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

C. Long-term Debt (Continued)

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

Year Ending June 30,	Principal	Interest	Total
2017	\$ 1,365,000	\$ 543,263	\$ 1,908,263
2018	680,000	529,813	1,209,813
2019	690,000	516,113	1,206,113
2020	705,000	498,636	1,203,636
2021	725,000	477,188	1,202,188
2022-2026	3,980,000	2,039,734	6,019,734
2027-2031	4,650,000	1,337,785	5,987,785
2032-2035	4,415,000	361,900	4,776,900
Total principal & interest	<u>\$ 17,210,000</u>	<u>\$ 6,304,432</u>	<u>\$ 23,514,432</u>

E. Defeased Bonds Outstanding

The Authority 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 June 30, 2016 and 2015, the remaining outstanding balance for the defeased 2004 Revenue Bonds was \$17,050,000 and \$17,525,000, respectively.

F. Pledge of Future Revenues

The Authority has pledged revenues to repay \$1,400,000 of the promissory note payable. The total principal and interest payable for the remainder life of the note, as of June 30, 2016 and 2015 is \$727,300 and \$831,200, respectively. Debt service payments of \$130,500 and \$29,717 for fiscal years 2016 and 2015, respectively, were paid from the Authority's revenues.

3. OTHER INFORMATION

A. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; injuries to employees and natural disasters. The Authority has commercial insurance coverage for all risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past fiscal years.

JENKS AQUARIUM AUTHORITY
Jenks, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016 and 2015

3. OTHER INFORMATION (Continued)

B. Contingent Liabilities

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 Authority expects such amounts, if any, to be immaterial.

C. Employee Retirement System and Plan

1. Defined contribution plan

The Authority participates in a defined contribution plan under the City of Jenks administered by the ICMA Retirement Corporation. Plan provisions are established or amended by City Council resolution. The Authority is required to contribute 6.8 percent of annual covered payroll. Participants may make voluntary contributions to the plan. For the fiscal year ended June 30, 2016, 2015 and 2014, actual contributions by the Authority and plan participants were \$84,627, \$74,601 and \$69,399, respectively. The plan participants include all employees. Participants vest after one year of service and are entitled to 100 percent of vested contributions. The plan is a variable funding option plan where the contribution may be varied from year to year by the employer.

4. CONTRIBUTIONS

Tulsa County's campaign Vision 2025 provides sales tax for capital improvement and community enrichment within the county. The Authority is a beneficiary of Vision 2025, receiving payments of \$923,076 annually through fiscal year 2016; these payments are reported as contributions in the Authority's Statement of Revenue, Expenses and Changes in Net Position.



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 Trustees of the
Jenks Aquarium Authority

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 Jenks Aquarium Authority (the "Authority"), which is a component unit of the City of Jenks, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority'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 Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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