



THE CITY OF EL RENO, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2013**

**CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of El Reno, Oklahoma

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 City of El Reno, Oklahoma, as of and for the year ended June 30, 2013, 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of El Reno, Oklahoma, as of June 30, 2013, 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 and budgetary comparison information on pages 7-16 and 60-61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of El Reno, Oklahoma's basic financial statements. The combining and individual nonmajor fund financial statements, combining general fund accounts financial statements, combining enterprise fund accounts financial statements, combining internal service fund financial statements and the schedule of expenditures of federal and state awards and related footnotes 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, combining general fund accounts financial statements, combining enterprise fund accounts financial statements, combining internal service fund financial statements and the schedule of expenditures of federal and state awards and related footnotes 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, combining and individual nonmajor fund financial statements, combining general fund accounts financial statements, combining enterprise fund accounts financial statements, combining internal service fund financial statements and the schedule of expenditures of federal and state awards and related footnotes 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 February 14, 2014, on our consideration of the City of El Reno, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of El Reno, Oklahoma's internal control over financial reporting and compliance.

HBC CPA & Advisors

Yukon, Oklahoma
February 14, 2014

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MANAGEMENT DISCUSSION AND ANALYSIS

CITY OF EL RENO, OKLAHOMA
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Our discussion and analysis of the City of El Reno's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2013. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2013, the City's total net position increased by \$2.9 million or 7.5% from the prior year.
- During the year, the City's expenses for governmental activities were \$13.9 million and were funded by program revenues of \$1.9 million and further funded with taxes and other general revenues and transfers that totaled \$8.3 million.
- In the City's business-type activities, such as utilities, hospital, airport, and golf program revenues excluding transfers exceeded expenditures by \$1,317,839.
- Sales and use taxes decreased by approximately \$395,000 or 3.6% under the prior fiscal year. This translates into a decrease in taxable sales of \$9.9 million from the prior year.
- At June 30, 2013, the General Fund reported an unassigned, fund balance of \$2.1 million, which is a decrease of 9% from the prior year.
- For budgetary reporting purposes, the General Fund reported revenues under estimates of \$1,486,583 or 11%, while expenditures were under the final appropriations by approximately \$2,462,219 or 16%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of El Reno (the "City") and its component units using the integrated approach as prescribed by GASB Statements No. 14, 34, and 39 and 61. Included in this report are governmental-wide statements for each of two categories of activities – governmental and business-type, along with one discretely-presented component unit. 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 capital assets and deferred outflows) as well as all liabilities (including all long-term debt and deferred inflows).

About the City

The City of El Reno is a municipality with a population of approximately 16,749 located in central Oklahoma. The City is a Council-Manager form of government that provides for three branches of government:

- Legislative – the City Council is the governing body elected by the citizens
- Executive – the City Manager is the Chief Executive Officer and is appointed by the City Council
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Manager

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

(Unaudited. See accompanying auditor's report.)

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The City's Financial Reporting Entity

This annual report includes all activities for which the City of El Reno City Council is fiscally responsible. These activities, defined as the City's financial reporting entity, are operated within separate legal entities that make up the primary government.

The City's financial reporting entity includes the primary government (City of El Reno), four blended component units and one discretely presented component unit as follows:

- **The City of El Reno** – that operates the public safety, streets, culture, parks and recreation, and administrative activities
- **The El Reno Municipal Trust Authority** – that operates the water, sewer, and sanitation services of the City (blended component unit)
- **The City of El Reno Hospital Authority** – that operates the hospital which serves the citizens of El Reno and the surrounding communities (blended component unit)
- **The El Reno Airpark Authority** – that operates the local non-commercial airport activities (blended component unit)
- **The El Reno Recreation Authority** – that was established to construct and operate the municipal golf course (blended component unit)
- **The El Reno Economic Development Authority** – that promotes and subsidizes efforts to create economic development within the City (discretely presented component unit).

Using This Annual Report

This annual report is presented in a format that substantially meets the presentation requirements of the Governmental Accounting Standards Board (GASB) in accordance with generally accepted accounting principles. The presentation includes financial statements that communicate the City's financial condition and changes therein on the accrual basis of accounting at two distinct levels:

- **The City as a Whole** (a government-wide presentation)
- **The City's Funds** (a presentation of the City's major and aggregate non-major funds)

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

One of the most frequently asked questions about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady over the past year?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

(Unaudited. See accompanying auditor's report.)

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These two government-wide statements report the City's net position and changes in it from the prior year. You can think of the City's net position – the difference between assets, deferred outflows, liabilities and deferred inflows – as one way to measure the City's financial condition, or position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving, deteriorating, or remaining steady. However, you must consider other nonfinancial factors, such as changes in the City's tax base, the condition of the City's roads, and the quality of services to assess the overall health and performance of the City.

As mentioned above, in the Statement of Net Position and the Statement of Activities, we divide the City into three 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, fines, and state and federal grants finance most of these activities.
- **Business-type activities** – The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's water, wastewater, sanitation, hospital, airpark and recreation activities are reported here.
- **Discretely-presented component unit** – This accounts for activities of the City's reporting entity that does not meet the criteria for blending, specifically the El Reno Economic Development Authority.

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

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 service 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, the Statement of Revenues, Expenses and Changes in Fund Net Position and Statement of Cash Flows. In fact, the City's enterprise funds are essentially the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

(Unaudited. See accompanying auditor's report.)

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Fiduciary funds – When the City is responsible for assets that – because of a trust arrangement or other fiduciary requirement – can be used only for trust beneficiaries or others parties, these activities are reported as fiduciary funds, such as the Employee Retirement Trust Fund. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose. All of the City’s fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the City’s government-wide financial statements because the City cannot use these assets to finance operations.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the primary government, assets and deferred outflows exceeded liabilities and deferred inflows by \$41 million at the close of the most recent fiscal year.

TABLE 1
NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2013	2012		2013	Restated 2012		2013	Restated 2012	
Current assets	\$ 7,936	\$ 13,111	-39%	\$ 6,690	\$ 8,303	-19%	\$ 14,626	\$ 21,414	-32%
Capital assets, net	35,651	34,320	4%	31,085	27,187	14%	66,736	61,507	9%
Other non-current assets	-	-	0%	-	29	-100%	-	29	-100%
Total assets	43,587	47,431	-8%	37,775	35,519	6%	81,362	82,950	-2%
Deferred outflow of resources	-	-	0%	55	63	-13%	55	63	-13%
Current liabilities	901	998	-10%	3,509	4,750	-26%	4,410	5,748	-23%
Non-current liabilities	1,286	1,346	-4%	34,037	37,130	-8%	35,323	38,476	-8%
Total liabilities	2,187	2,344	-7%	37,546	41,880	-10%	39,733	44,224	-10%
Net position									
Net investment in capital assets	35,334	33,885	4%	19,750	15,057	31%	30,548	21,714	41%
Restricted	2,798	7,926	-65%	1,460	1,961	-26%	4,258	9,887	-57%
Unrestricted	3,268	3,276	0%	(20,927)	(23,316)	10%	6,877	7,188	-4%
Total net position	\$41,400	\$45,087	-8%	\$ 283	\$ (6,298)	104%	\$41,683	\$38,789	7%

The largest portion of the City’s net position reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment). For 2013, this net investment in capital assets amounted to \$30.5 million. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the current fiscal year, the City is able to report positive balances in all categories of net position: for the government as a whole, the governmental activities and the business-type activities.

(Unaudited. See accompanying auditor’s report.)

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The decrease in governmental activities current assets of approximately \$5 million or 39% is due to the decrease in cash and cash equivalents in the 2011 Sales Tax Revenue cash account of approximately \$4.1 million or 92%. These funds were spent on waterline and street improvements in accordance with the purpose of the revenue bond.

The decrease in business-type activities current assets of approximately \$1.6 million or 19% is primarily due to the decrease in cash and cash equivalents in the 2001 Bond Revenue Fund cash account of approximately \$1.1 million or 100%. These funds went to pay off the 2001 revenue bond debt.

The decrease in business-type activities current liabilities of approximately \$1.2 million or 26% is due to paying off the 2001 Sales Tax Bonds of \$1,115,000 and the 2002 Sales Tax Revenue Bonds of \$605,000.

Changes in Net Position

For the year ended June 30, 2013, net position of the primary government changed as follows:

TABLE 2 CHANGES IN NET POSITION (In Thousands)									
	<u>Governmental Activities</u>		<u>% Inc. (Dec.)</u>	<u>Business-Type Activities</u>		<u>% Inc. (Dec.)</u>	<u>Total</u>		<u>% Inc. (Dec.)</u>
	<u>2013</u>	<u>2012</u>		<u>2013</u>	<u>Restated 2012</u>		<u>2013</u>	<u>Restated 2012</u>	
Revenues									
Charges for service	\$ 949	\$ 928	2%	\$ 7,089	\$ 6,991	1%	\$ 8,018	\$ 7,919	1%
Operating grants and contributions	888	857	4%	1	1		889	858	4%
Capital grants and contributions	67	112	-40%	704	30	2247%	771	142	443%
Taxes	11,680	12,038	-3%	-	-		11,680	12,038	-3%
Intergovernmental revenue	184	208	-12%	-	-		184	208	-12%
Investment income	64	64	-	36	31	16%	100	95	5%
Miscellaneous	1,603	341	370%	-	-	-	1,603	341	370%
Total revenues	15,415	14,548	6%	7,810	7,053	11%	23,225	21,601	8%
Expenses									
General government	2,406	2,424	-1%	-	-		2,406	2,424	-1%
Public safety	6,883	5,822	18%	-	-		6,883	5,822	18%
Streets	1,729	1,577	10%	-	-		1,729	1,577	10%
Culture, parks and recreation	1,771	1,567	13%	-	-		1,771	1,567	13%
Interest on long-term debt	1,085	1,096	-1%	-	-		1,085	1,096	-1%
Water	-	-		2,375	2,122	12%	2,375	2,122	12%
Wastewater	-	-		1,434	1,294	11%	1,434	1,294	11%
Sanitation	-	-		710	716	-1%	710	716	-1%
Golf	-	-		770	650	18%	770	650	18%
Airport	-	-		586	687	-15%	586	687	-15%
Hospital	-	-		581	1,054	-45%	581	1,054	-45%
Total expenses	13,874	12,486	11%	6,456	6,523	-1%	20,330	19,009	7%
Excess (deficiency) before transfers	1,541	2,062	-25%	1,354	530	155%	2,895	2,592	12%
Transfers	(5,228)	2,325	-325%	5,228	(2,325)	325%	-	-	-
Loss on disposal	-	(21)	100%	-	-		-	(21)	100%
Increase (decrease) in net position	\$ (3,687)	\$ 4,366	-184%	\$ 6,582	\$ (1,795)	467%	\$ 2,895	\$ 2,571	13%

(Unaudited. See accompanying auditor's report.)

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The increase in miscellaneous revenue for governmental activities of approximately \$1.3 million or 370% is due to insurance reimbursements related to the 5/31/13 tornado of approximately \$913,908, an increase in royalties of approximately \$185,000 for a producing well, and an increase in other reimbursements of approximately \$100,000 due to the receipt of \$75,000 from the County for road repairs. The increase in capital grants and contributions for business-type activities is due to reimbursements from companies of approximately \$704,000 for their share of sewer improvements.

The significant change in transfers and net position in both business-type and governmental activities is a result of the 2011 bond issue which was transferred to the 2011 STRN Fund from the ERMA in the amount of \$5.1 million in FY 2012. The City also transferred capital assets of \$2,444,428 from governmental activities to business-type activities in FY 2013 in order to properly classify the assets by function.

The increase in public safety expense of approximately \$1,061,000 or 18% is due to construction costs associated with the new public safety offices. The decrease in hospital expense is due to a prior year recording of claims liabilities in the amount of \$312,982 for two litigation cases pending in FY 2012. See Note 13 to the financial statements for more detail information on these cases.

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note all taxes are classified as general revenue even if restricted for a specific purpose.

TABLE 3
Net Revenue (Expense) of Governmental Activities
(In Thousands)

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	<u>2013</u>	<u>2012</u>		<u>2013</u>	<u>2012</u>	
General government	\$ 2,406	\$ 2,424	-1%	\$ (2,026)	\$ (2,080)	-2%
Public safety	6,883	5,822	18%	(5,719)	(4,659)	23%
Streets	1,729	1,577	10%	(1,558)	(1,359)	15%
Culture, parks and recreation	1,771	1,567	13%	(1,583)	(1,416)	12%
Interest on long-term debt	1,085	1,096	-1%	(1,085)	(1,095)	-1%
Total	\$ 13,874	\$ 12,486	11%	\$ (11,971)	\$ (10,589)	13%

For the year ended June 30, 2013, total expenses for governmental activities amounted to \$13.8 million which is an increase of approximately \$1,388,000 from the prior year. Some of the more significant changes are noted above.

(Unaudited. See accompanying auditor's report.)

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Business-type Activities

TABLE 4
Net Revenue (Expense) of Business-Type Activities
(In Thousands)

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	<u>2013</u>	<u>2012</u>		<u>2013</u>	<u>2012</u>	
Water	\$ 2,375	\$ 2,122	12%	\$ 670	\$ 1,033	-35%
Wastewater	1,434	1,294	11%	598	(34)	1859%
Sanitation	710	716	-1%	328	318	3%
Golf	770	650	18%	(246)	(210)	-17%
Airport	586	687	-15%	(299)	(242)	-24%
Hospital	581	1,054	-45%	269	(366)	173%
Total	\$ 6,456	\$ 6,523	-1%	\$ 1,318	\$ 499	164%

The City's business-type activities include utility services for water, wastewater, and sanitation. It also includes the Hospital Authority, Airpark Authority and Recreation Authority.

In reviewing the business-type activities net (expense)/revenue, the following highlights should be noted:

- Total business-type activities reported net (expense)/revenue of \$1,317,839 for the year ended June 30, 2013.
- Water, wastewater, Sanitation and Hospital activities reported net revenue for the year ended June 30, 2013 and the Golf, and Airport reported net expense.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2013 fiscal year, the governmental funds reported a combined fund balance of \$6 million or a 49% decrease from the prior year. The enterprise funds reported combined net position of \$283,230 or a 105% increase from 2012.

Other fund highlights include:

- For the year ended June 30, 2013, the 2011 Series STRN Bond Fund total fund balance decreased by \$3.9 million or 92% due to the decrease in cash and the increase in expenditures for the 2011 bond series capital projects.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the General Fund budget various times. The revised budget included a decrease in overall revenue projections of 2% or \$272,660 and an increase in appropriations of 1% or \$164,954. Actual revenues were under estimates by \$1,486,583 or 11%, while expenditures were under final appropriations by \$2,462,219 or 16%.

(Unaudited. See accompanying auditor's report.)

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CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2013, the City had \$67 million invested in capital assets, net of depreciation, including police and fire equipment, buildings, park facilities, streets, water lines, sewer lines and the hospital assets. (See Table 5). This represents a net increase of \$5.2 million over last year.

TABLE 5
Primary Government Capital Assets
(In Thousands)
(Net of accumulated depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 927	\$ 927	\$ 825	\$ 825	\$ 1,752	\$ 1,752
Buildings	15,559	10,774	2,370	2,558	17,929	13,332
Imp. other than buildings	5,439	4,600	4,937	5,378	10,376	9,978
Machinery, furniture and equipment	1,717	1,556	2,605	2,398	4,322	3,954
Infrastructure	11,951	11,271	-	-	11,951	11,271
Intangible water rights	-	-	162	166	162	166
Utility property	-	-	17,835	15,856	17,835	15,856
Construction in progress	57	5,192	2,551	6	2,608	5,198
Totals	\$ 35,650	\$ 34,320	\$ 31,085	\$ 27,187	\$ 66,735	\$ 61,507

This year's more significant capital asset additions included:

Public Safety Facility
Waterline Improvements and Extensions
Street Drainage Projects

See Note 6 to the financial statements for more detail information on the City's capital assets and changes therein.

Long- Term Debt

At year-end, the City had \$38 million in long-term debt outstanding which represents a \$4.7 million or 11% decrease from the prior year. The City's changes in long-term debt by type of debt are as follows:

(Unaudited. See accompanying auditor's report.)

CITY OF EL RENO, OKLAHOMA
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As of and for the Year Ended June 30, 2013

TABLE 6
Primary Government Long-Term Debt
(In Thousands)

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>		<u>Total</u> <u>Percentage</u> <u>Change</u>
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2012-2013</u>
Accrued absences	\$ 832	\$ 733	\$ 108	\$ 98	\$ 940	\$ 831	13%
Insurance claims liability	434	701			434	701	-38%
Judgment claims liability			100	313	100	313	-
Revenue bonds			30,248	33,724	30,248	33,724	-10%
Notes payable			5,619	6,350	5,619	6,350	-12%
Refundable grant obligation			56	70	56	70	-20%
Deposits subject to refund		-	307	293	307	293	5%
Capital leases	317	435	72	98	389	533	-27%
Totals	\$ 1,583	\$ 1,869	\$ 36,510	\$ 40,946	\$ 38,093	\$ 42,815	-11%

See Note 7 to the financial statements for more detail information on the City's long-term debt and changes therein.

The Upcoming Year

- The City is going to continue to move forward with the CIP bond issues by issuing a revenue bond mid-year to continue capital improvement projects to meet the needs of the citizens.
- The City will be issuing bonds to meet DEQ requirements regarding their wastewater needs, with the process to start mid-year.

Contacting the City's Financial Management

This report is designed to provide our citizens, taxpayers, customers and creditors with an understanding of the City's finances and to demonstrate the City's accountability for the resources it receives. If you have questions about this report or need additional financial information, contact the City's Finance Director at 101 North Choctaw, El Reno, Oklahoma 73036-0700 or telephone at 405-262-4070.

(Unaudited. See accompanying auditor's report.)

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013

Statement of Net Position– June 30, 2013

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 4,506,058	\$ 4,340,883	\$ 8,846,941
Investments	989,125	1,071,729	2,060,854
Accounts receivable, net of allowance	914,361	811,350	1,725,711
Franchise tax receivable	97,507	-	97,507
Court fine receivable, net of allowance	393,912	-	393,912
Internal balances	(417,654)	417,654	-
Due from other governments	1,452,769	-	1,452,769
Inventory	-	39,910	39,910
Prepaid expense	-	875	875
Restricted investments	-	7,862	7,862
Capital assets			
Land and construction in progress	984,236	3,375,445	4,359,681
Other capital assets, net of depreciation	34,666,511	27,709,409	62,375,920
Total Capital Assets	<u>35,650,747</u>	<u>31,084,854</u>	<u>66,735,601</u>
Total Assets	<u>43,586,825</u>	<u>37,775,117</u>	<u>81,361,942</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	<u>-</u>	<u>55,234</u>	<u>55,234</u>
LIABILITIES			
Accounts payable	468,965	412,584	881,549
Accrued payroll liabilities	126,073	30,294	156,367
Accrued interest payable	1,462	613,198	614,660
Due to other governments	2,322	-	2,322
Refundable court bonds	3,885	-	3,885
Unearned revenue	1,394	736	2,130
Long-term liabilities			
Due within one year	296,425	2,452,528	2,748,953
Due in more than one year	1,285,949	34,037,781	35,323,730
Total liabilities	<u>2,186,475</u>	<u>37,547,121</u>	<u>39,733,596</u>
NET POSITION			
Net investment in capital assets (see note 8.G concerning total column)	35,334,112	19,749,997	30,548,359
Restricted by:			
Enabling legislation	55,181	-	55,181
External contracts and groups:			
Permanent fund - nonexpendable	182,939	-	182,939
Permanent fund - expendable	6,390	-	6,390
Other contracts/groups	2,553,492	1,459,898	4,013,390
Unrestricted deficit	3,268,236	(20,926,665)	6,877,321
Total net position	<u>\$ 41,400,350</u>	<u>\$ 283,230</u>	<u>\$ 41,683,580</u>

See accompanying notes to the financial statements.

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013

Statement of Activities –Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government							
Governmental Activities							
General Government	\$ 2,408,215	\$ 350,186	\$ 19,922	\$ 9,974	\$ (2,028,133)	\$ -	\$ (2,028,133)
Public Safety	6,883,412	473,841	682,950	7,212	(5,719,409)	-	(5,719,409)
Streets	1,729,211	-	165,739	5,475	(1,557,997)	-	(1,557,997)
Culture, parks and recreation	1,771,079	124,551	19,408	44,096	(1,583,024)	-	(1,583,024)
Interest on long-term debt	1,084,575	-	-	-	(1,084,575)	-	(1,084,575)
Total governmental activities	<u>13,874,492</u>	<u>948,578</u>	<u>888,019</u>	<u>66,757</u>	<u>(11,971,138)</u>	<u>-</u>	<u>(11,971,138)</u>
Business-type activities							
Water	2,375,098	3,044,655	588	-	-	670,145	670,145
Wastewater	1,434,273	1,327,857	-	704,427	-	598,011	598,011
Sanitation	710,215	1,035,902	-	-	-	325,687	325,687
Golf	769,567	523,349	-	-	-	(248,218)	(248,218)
Airport	585,908	287,532	-	-	-	(298,376)	(298,376)
Hospital	581,411	850,001	-	-	-	268,590	268,590
Total business-type activities	<u>6,458,472</u>	<u>7,069,296</u>	<u>588</u>	<u>704,427</u>	<u>-</u>	<u>1,317,839</u>	<u>1,317,839</u>
Total primary government	<u>20,332,964</u>	<u>8,017,874</u>	<u>888,607</u>	<u>771,184</u>	<u>(11,971,138)</u>	<u>1,317,839</u>	<u>(10,653,299)</u>
General revenues:							
Taxes:							
Sales and use taxes					10,526,593	-	10,526,593
Property taxes					44,028	-	44,028
Franchise and public service taxes					812,101	-	812,101
Hotel/motel taxes					277,883	-	277,883
Intergovernmental revenue not restricted to specific programs					184,292	-	184,292
Investment income					64,344	35,801	100,145
Miscellaneous					1,802,770	-	1,802,770
Transfers - Internal activity					(5,228,040)	5,228,040	-
Total general revenues and transfers					<u>8,283,871</u>	<u>5,283,841</u>	<u>13,547,812</u>
Change in net position					<u>(3,687,167)</u>	<u>6,581,680</u>	<u>2,894,513</u>
Net position (deficit) - beginning, restated					<u>45,087,517</u>	<u>(6,298,450)</u>	<u>38,789,067</u>
Net position - ending					<u>\$ 41,400,350</u>	<u>\$ 283,230</u>	<u>\$ 41,683,580</u>

See accompanying notes to the financial statements.

**CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013

Governmental Funds Balance Sheet - June 30, 2013

	<u>General Fund</u>	<u>2011 Series STRN Bond Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 2,983,580	\$ 350,837	\$ 1,095,557	\$ 4,429,974
Investments	347,659	-	641,466	989,125
Due from other funds	33,969	-	-	33,969
Due from other governments	1,377,498	-	75,271	1,452,769
Franchise tax receivable	96,777	-	730	97,507
Court fine receivable, net	393,912	-	-	393,912
Other receivables	914,361	-	-	914,361
Total assets	<u>6,147,756</u>	<u>350,837</u>	<u>1,813,024</u>	<u>8,311,617</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE				
Liabilities:				
Accounts payable	193,843	7,914	269,530	471,287
Accrued payroll payable	123,709	-	2,364	126,073
Due to other funds	451,623	-	-	451,623
Refundable court bonds	3,885	-	-	3,885
Total liabilities	<u>773,060</u>	<u>7,914</u>	<u>271,894</u>	<u>1,052,868</u>
Deferred inflows of resources:				
Deferred revenue	<u>1,169,640</u>	<u>-</u>	<u>-</u>	<u>1,169,640</u>
Fund balances:				
Nonspendable	-	-	182,939	182,939
Restricted	1,096,759	342,923	1,175,381	2,615,063
Committed	-	-	38,658	38,658
Assigned	1,048,299	-	144,152	1,192,451
Unassigned	2,059,998	-	-	2,059,998
Total fund balance	<u>4,205,056</u>	<u>342,923</u>	<u>1,541,130</u>	<u>6,089,109</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 6,147,756</u>	<u>\$ 350,837</u>	<u>\$ 1,813,024</u>	<u>\$ 8,311,617</u>

See accompanying notes to the financial statements.

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance – Year Ended June 30, 2013

	General Fund	2011 Series STRN Bond Fund (411)	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 10,738,361	\$ -	\$ 918,780	\$ 11,657,141
Intergovernmental	1,097,906	-	-	1,097,906
Licenses and permits	289,385	-	-	289,385
Charges for services	68,175	-	86,350	154,525
Fines and forfeitures	340,812	-	33,870	374,682
Investment income	47,685	164	14,929	62,778
Royalties	216,702	-	-	216,702
Miscellaneous	672,459	-	200	672,659
Total revenues	<u>13,471,485</u>	<u>164</u>	<u>1,054,129</u>	<u>14,525,778</u>
EXPENDITURES				
Current:				
General government	2,079,186	1,951	308,301	2,389,438
Public safety	6,101,263	-	331,113	6,432,376
Streets	806,826	-	11,331	818,157
Culture, parks, and recreation	1,175,994	-	-	1,175,994
Capital outlay	489,491	3,898,717	1,334,029	5,722,237
Debt service:				
Principal	61,407	-	57,071	118,478
Interest	6,740	-	5,816	12,556
Total Expenditures	<u>10,720,907</u>	<u>3,900,668</u>	<u>2,047,661</u>	<u>16,669,236</u>
Excess (deficiency) of revenues over expenditures	<u>2,750,578</u>	<u>(3,900,504)</u>	<u>(993,532)</u>	<u>(2,143,458)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	608,656	-	753,671	1,362,327
Transfers out	(4,971,197)	-	(174,218)	(5,145,415)
Total other financing sources and uses	<u>(4,362,541)</u>	<u>-</u>	<u>579,453</u>	<u>(3,783,088)</u>
Net change in fund balance	(1,611,963)	(3,900,504)	(414,079)	(5,926,546)
Fund balance - beginning	5,817,019	4,243,427	1,955,209	12,015,655
Fund balance - ending	<u>\$ 4,205,056</u>	<u>\$ 342,923</u>	<u>\$ 1,541,130</u>	<u>\$ 6,089,109</u>

See accompanying notes to the financial statements

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance - Net Position Reconciliation:	\$ 6,089,109
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$13,752,122	35,650,747
Internal service funds are used by management to charge costs of certain activities that benefit multiple funds, such as self-insurance costs, to individual funds. The assets and liabilities of these internal service funds are reported in the governmental activities of the Statement of Net Position:	
Internal service funds' net position	(357,614)
Certain long-term liabilities are not due and payable from current financial resources and, therefore are not reported in the funds:	
Deferred revenue	1,168,246
Accrued interest payable	(1,462)
Capital lease obligation	(316,635)
Accrued compensated absences	(832,041)
	<u>18,108</u>
Net Position of Governmental Activities in the Statement of Net Position	\$ <u>41,400,350</u>

See accompanying notes to the financial statements.

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013

City of El Reno
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2013

Changes in Fund Balance - Changes in Net Position Reconciliation: **\$ (5,926,546)**

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures while governmental activities report depreciation and amortization expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	5,766,311
Capital assets transferred to Enterprise Fund	(2,444,428)
Book value of disposed capital assets	(453)
Depreciation expense	<u>(1,990,738)</u>
	<u>1,330,692</u>

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Deferred revenue	847,587
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Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:

Principal payment on capital lease obligation	118,478
Proceeds of capital leases	<u>118,478</u>

Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Change in accrued interest payable	1,008
Change in accrued compensated absences	<u>(98,563)</u>
	<u>(97,555)</u>

Internal service fund activity is reported as a proprietary fund in the fund financial statements, but certain net revenues are reported in governmental activities on the Statement of Activities

Change in net position for internal service funds	40,177
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Change in net position of governmental activities	<u><u>\$ (3,687,167)</u></u>
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See accompanying notes to the financial statements.

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013

BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013

Proprietary Funds Statement of Net Position - June 30, 2013

	ENTERPRISE FUNDS				Totals	Internal Service Funds
	El Reno Municipal Trust Authority	The City of El Reno Hospital Authority	The City of El Reno Airpark Authority	The City of El Reno Recreational Authority		
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 1,825,184	\$ 347,709	\$ 77,760	\$ 16,345	\$ 2,266,998	\$ 76,084
Restricted cash and cash equivalents	2,073,096	-	-	-	2,073,096	-
Investments	1,071,729	-	-	-	1,071,729	-
Due from other funds	451,623	-	-	-	451,623	-
Inventory	-	-	18,750	21,160	39,910	-
Prepaid expenses	-	-	-	875	875	-
Accounts receivable, net	813,788	-	(1,649)	-	812,139	-
Total current assets	6,235,420	347,709	94,861	38,380	6,716,370	76,084
Non-current assets:						
Restricted investments	7,862	-	-	-	7,862	-
Capital assets:						
Land and construction in progress	3,304,511	5,000	65,934	-	3,375,445	-
Other capital assets, net of accumulated depreciation	20,063,102	2,774,083	3,373,929	1,498,295	27,709,409	-
Total non-current assets	23,375,475	2,779,083	3,439,863	1,498,295	31,092,716	-
Total assets	29,610,895	3,126,792	3,534,724	1,536,675	37,809,086	76,084
DEFERRED OUTFLOW OF RESOURCES:						
Deferred amount on refunding	55,234	-	-	-	55,234	-
LIABILITIES						
Current liabilities:						
Accounts payable	358,706	9,275	1,034	43,569	412,584	-
Accrued payroll payable	21,241	-	674	8,379	30,294	-
Accrued interest payable	613,198	-	-	-	613,198	-
Unearned revenue	-	-	736	-	736	-
Due to other funds	-	-	-	33,969	33,969	-
Current portion of:						
Claims liability	-	100,000	-	-	100,000	91,111
Refundable grant obligation	13,873	-	-	-	13,873	-
Notes payable	356,817	84,131	42,433	-	483,381	-
Revenue bonds payable, net	1,822,300	-	-	-	1,822,300	-
Capital lease obligations	22,155	0	-	-	22,155	-
Accrued compensated absences	9,980	-	88	751	10,819	-
Total current liabilities	3,218,270	193,406	44,965	86,668	3,543,309	91,111
Non-current liabilities:						
Claims liability	-	-	-	-	-	342,587
Deposits subject to refund	306,663	-	-	-	306,663	-
Refundable grant obligation	42,410	-	-	-	42,410	-
Notes payable	4,276,149	217,219	641,829	-	5,135,197	-
Revenue bonds payable	28,406,250	-	-	-	28,406,250	-
Capital lease obligations	49,892	-	-	-	49,892	-
Accrued compensated absences	89,818	-	791	6,760	97,369	-
Total non-current liabilities	33,171,182	217,219	642,620	6,760	34,037,781	342,587
Total liabilities	36,389,452	410,625	687,585	93,428	37,581,090	433,698
NET POSITION						
Net investment in capital assets	13,018,368	2,477,733	2,755,601	1,498,295	19,749,997	-
Restricted for debt service	1,459,898	-	-	-	1,459,898	-
Unrestricted (deficit)	(21,201,589)	238,434	91,538	(55,048)	(20,926,665)	(357,614)
Total net position (deficit)	\$ (6,723,323)	\$ 2,716,167	\$ 2,847,139	\$ 1,443,247	\$ 283,230	\$ (357,614)

See accompanying notes to the financial statements

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013

Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Position - Year Ended June 30, 2013

ENTERPRISE FUNDS						
	<u>El Reno Municipal Trust Authority</u>	<u>The City of El Reno Hospital Authority</u>	<u>The City of El Reno Airpark Authority</u>	<u>The City of El Reno Recreational Authority</u>	<u>Totals</u>	<u>Internal Service Funds</u>
OPERATING REVENUES						
Water charges	\$ 2,892,236	\$ -	\$ -	\$ -	\$ 2,892,236	\$ -
Sewer charges	1,259,674	-	-	-	1,259,674	-
Sanitation charges	981,294	-	-	-	981,294	-
Airport charges	-	-	243,972	-	243,972	-
Golf Course charges	-	-	-	519,109	519,109	-
Water and sewer taps	6,375	-	-	-	6,375	-
Transfer fees	3,975	-	-	-	3,975	-
Returned check charges	2,175	-	-	-	2,175	-
Cut off charges	34,200	-	-	-	34,200	-
Penalties and interest	67,132	-	-	-	67,132	-
Miscellaneous	161,941	226,889	43,560	4,240	436,630	-
Rental	-	623,112	-	-	623,112	-
Self insurance charges	-	-	-	-	-	1,137,700
Total operating revenues	<u>5,409,002</u>	<u>850,001</u>	<u>287,532</u>	<u>523,349</u>	<u>7,069,884</u>	<u>1,137,700</u>
OPERATING EXPENSES						
Managerial	168,094	-	-	-	168,094	-
Administration	153,844	-	-	-	153,844	-
Billing	770,842	-	-	-	770,842	-
Water Plant	1,109,982	-	-	-	1,109,982	-
Wastewater	523,767	-	-	-	523,767	-
Utility Lines	486,556	-	-	-	486,556	-
Hospital	-	121,768	-	-	121,768	-
Airport	-	-	208,679	-	208,679	-
Golf	-	-	-	519,367	519,367	-
Claims Expense	-	-	-	-	-	1,062,805
Depreciation expense	947,803	435,971	337,846	176,440	1,898,060	-
Total Operating Expenses	<u>4,160,888</u>	<u>557,739</u>	<u>546,525</u>	<u>695,807</u>	<u>5,960,959</u>	<u>1,062,805</u>
Operating income (loss)	<u>1,248,114</u>	<u>292,262</u>	<u>(258,993)</u>	<u>(172,458)</u>	<u>1,108,925</u>	<u>74,895</u>
NON-OPERATING REVENUES (EXPENSES)						
Investment income	33,728	1,351	552	170	35,801	2,617
Gain (loss) on sale of land	(7,969)	-	-	-	(7,969)	-
Loss on early extinguishment of debt	-	-	-	(40,750)	(40,750)	-
Interest expense and fiscal charges	(1,387,540)	(23,672)	(39,383)	(33,010)	(1,483,605)	-
Total non-operating revenue (expenses)	<u>(1,361,781)</u>	<u>(22,321)</u>	<u>(38,831)</u>	<u>(73,590)</u>	<u>(1,496,523)</u>	<u>2,617</u>
Income (loss) before contributions and transfers	(113,667)	269,941	(297,824)	(246,048)	(387,598)	77,512
Capital contributions	704,427	-	-	-	704,427	-
Transfers in	10,901,878	107,564	61,127	1,169,680	12,240,249	100,000
Transfers out	(5,975,397)	-	(1)	-	(5,975,398)	(137,335)
Change in net position	5,617,241	377,505	(236,698)	923,632	6,581,680	40,177
Total net position (deficit) - beginning, restated	(12,240,564)	2,338,662	3,083,837	519,615	(6,298,450)	(397,791)
Total net position (deficit) - ending	<u>\$ (6,723,323)</u>	<u>\$ 2,716,167</u>	<u>\$ 2,847,139</u>	<u>\$ 1,443,247</u>	<u>\$ 283,230</u>	<u>\$ (357,614)</u>

See accompanying notes to the financial statements.

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Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2013

	ENTERPRISE FUNDS				Total	Internal Service Funds
	El Reno Municipal Trust Authority Enterprise Fund	City of El Reno Hospital Authority	City of El Reno Airport Authority	City of El Reno Recreational Authority		
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 5,436,636	\$ 637,019	\$ 280,300	\$ 525,984	\$ 6,879,939	\$ -
Payments to suppliers	(1,873,410)	(114,330)	(169,643)	(295,740)	(2,453,123)	(1,332,142)
Payments to employees	(1,165,878)	-	(33,594)	(220,008)	(1,419,480)	-
Receipts of customer meter deposits	62,975	-	-	-	62,975	-
Refunds of customer meter deposits	(49,239)	-	-	-	(49,239)	-
Interfund receipts/payments	146,239	-	(61,126)	(144,719)	(59,606)	-
Other income	-	-	-	-	-	1,137,700
Net cash provided by (used in) operating activities	2,557,323	522,689	15,937	(134,483)	2,961,466	(194,442)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers from other funds	10,901,878	107,564	61,127	1,169,680	12,240,249	100,000
Transfers to other funds	(5,975,397)	-	-	-	(5,975,397)	(137,335)
Net cash provided by (used in) noncapital financing activities	4,926,481	107,564	61,127	1,169,680	6,264,852	(37,335)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchases of capital assets	(5,673,173)	(115,295)	-	(15,108)	(5,803,576)	-
Principal paid on capital debt	(2,873,386)	(251,034)	(708,679)	(1,098,511)	(4,931,610)	-
Proceeds from capital debt	-	-	684,262	-	684,262	-
Interest and fiscal agent fees paid on capital debt	(1,430,932)	(23,672)	(39,383)	(58,638)	(1,552,625)	-
Capital grants and contribution	704,427	-	-	-	704,427	-
Net cash provided by (used in) capital and related financing activities	(9,273,064)	(390,001)	(63,800)	(1,172,257)	(10,899,122)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	916,080	-	-	-	916,080	-
Interest and dividends	34,024	1,351	550	-	35,925	2,618
Net cash provided by investing activities	950,104	1,351	550	-	952,005	2,618
Net increase (decrease) in cash and cash equivalents	(839,156)	241,603	13,814	(137,060)	(720,799)	(229,159)
Balances - beginning of year	4,737,436	106,106	63,946	153,405	5,060,893	305,243
Balances - end of year	\$ 3,898,280	\$ 347,709	\$ 77,760	\$ 16,345	\$ 4,340,094	\$ 76,084
Reconciliation to Statement of Net Position:						
Cash and cash equivalents	\$ 1,825,184	\$ 347,709	\$ 77,760	\$ 16,345	\$ 2,266,998	\$ 76,084
Restricted cash and cash equivalents - current	2,073,096	-	-	-	2,073,096	-
Total cash and cash equivalents, end of year	\$ 3,898,280	\$ 347,709	\$ 77,760	\$ 16,345	\$ 4,340,094	\$ 76,084

(Continued)

See accompanying notes to the financial statements.

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Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2013, (continued)

	El Reno Municipal Trust Authority Enterprise Fund	City of El Reno Hospital Authority	City of El Reno Airport Authority	City of El Reno Recreational Authority	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ 1,248,114	\$ 292,262	\$ (258,993)	\$ (172,458)	\$ 1,108,925	\$ 74,895
Depreciation expense	947,803	435,971	337,846	176,440	1,898,060	-
Change in assets and liabilities:						
Due from other funds	146,239	-	-	-	146,239	-
Due from other governments	423	-	-	-	423	-
Accounts receivable	28,328	-	7,426	2,635	38,389	-
Inventory	-	-	8,697	(10,640)	(3,943)	-
Accounts payable	170,962	7,438	330	5,169	183,899	(2,495)
Accrued payroll payable	(4,294)	-	(76)	4,799	429	-
Due to other funds	-	-	(61,128)	(144,719)	(205,845)	-
Unearned revenue	(1,117)	-	(14,658)	-	(15,775)	-
Claims liability	-	(212,982)	-	-	(212,982)	(266,842)
Deposits subject to refund	13,736	-	-	-	13,736	-
Accrued compensated absences	7,139	-	(1,509)	4,291	9,921	-
Net cash provided by (used in) operating activities	\$ 2,557,323	\$ 522,689	\$ 15,937	\$ (134,483)	\$ 2,961,466	\$ (194,442)

See accompanying notes to the financial statements.

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FIDUCIARY FUND

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Fiduciary Fund Statement of Net Position – Pension Trust Fund (El Reno Employee Retirement System Reassure America Life Insurance Company) - June 30, 2013

ASSETS:

Investments at contract value:

Insurance contracts	\$ 314,701
Accrued interest receivable	<u>9,363</u>
Total Assets	<u>324,064</u>

NET POSITION:

Net position held in trust for pension benefits	<u>\$ 324,064</u>
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Fiduciary Fund Statement of Changes in Fiduciary Net Position – Pension Trust Fund (El Reno Employee Retirement System Reassure America Life Insurance Company) - Year Ended June 30, 2013

ADDITIONS:

Investment Income:

Contract investment income	<u>\$ 18,343</u>
Total Additions	<u>18,343</u>

DEDUCTIONS:

Annuity purchases	<u>-</u>
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Change in net position held in trust for employees' pension benefits	18,343
Net position--beginning	<u>305,721</u>
Net position--ending	<u>\$ 324,064</u>

See accompanying notes to the financial statements

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FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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Footnotes to the Basic Financial Statements:

1. Financial Reporting Entity

The City's financial reporting entity includes the primary government (City of El Reno), four blended component units, and one discretely presented component unit as noted below. This annual report includes all activities for which the City of El Reno City Council/Manager is fiscally responsible.

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity", as amended by Statement 61 and includes all component units for which the City is financially accountable.

The City of El Reno – that provides the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities.

The City of El Reno has a population of approximately 16,749 located in central Oklahoma. The City is a Council/Manager form of government that provides for three branches of government:

- **Legislative** – the City Council is the governing body elected by the citizens
- **Executive** – the City Manager is the Chief Executive Officer and is appointed by the City Council
- **Judicial** – the Municipal Judge is a practicing attorney appointed by the City Manager

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

Blended Component Units:

The El Reno Municipal Trust Authority – that operates the water, sewer, and sanitation services of the City – City Council serves as Authority trustees.

The City of El Reno Hospital Authority – that operates the hospital which serves the citizens of El Reno and the surrounding communities. City Council serves as Authority trustees.

The El Reno Airpark Authority – that operates the local non-commercial airport activities. City Council serves as Authority trustees.

The El Reno Recreation Authority – that was established to construct and operate the municipal golf course. City Council serves as Authority trustees.

Discretely Presented Component Unit:

The El Reno Economic Development Authority – that promotes and subsidizes efforts to create economic development within the City. City Council appoints trustees.

Each of these component units are Public Trusts established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. The Authorities

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generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. In addition, the City has leased certain existing assets at the creation for the Authorities to the Trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

2. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statements of net position and activities are reported on the accrual basis of accounting and economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized when earned and expenses (including depreciation and amortization) are recorded when the liability is incurred or economic asset used.

Program revenues in the Statement of Activities, are revenues that are derived directly from each activity or from parties outside of the City's taxpayers. The City has the following program revenues in each activity:

- Public Safety – Fire, Police, Ambulance – fines and forfeitures, restricted operating grants, and restricted capital grants
- Streets – Commercial vehicle and gasoline excise tax shared by the State and other restricted operating grants.
- Culture, parks, and recreation – cemetery revenues, pool fees, operating and capital grants
- General Government – license and permits, plat and abatement fees, demolition fees, and restricted operating grants
- Water – water service charges
- Wastewater – wastewater service charges
- Sanitation – sanitation service charges
- Golf – golf course fees, restaurant services fees
- Airport – hangar rental income, fuel sales, and royalties
- Hospital – rental income

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

The funds of the financial reporting entity are described below.

Governmental Funds:

The City's governmental funds include:

Major Funds:

- General Fund – accounts for all activities not accounted for in other special-purpose funds. For financial statement reporting purposes the General Fund contains the following combining accounts:
 - Gift and Contribution Account (previously Park Improvement Account)
 - Sales Tax ¼ cent Account
 - Lake Account

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- NWCC Repair and Maintenance Account
 - Cemetery Everlasting Care Account
 - Sales Tax Reserve Account
- 2011 Sales Tax Revenue Note Fund (reported as a capital project fund) – accounts for 2011 Sales Tax Revenue Note Construction.

Aggregated Non-Major Funds (reported as Other Governmental Funds):

Special Revenue Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

- Police Fund (Previously 911 Emergency Fund) – accounts for the following restricted revenues for public safety: 911 admin fee, police forfeitures, juvenile fee, drug and alcohol fees, impound fee, and any miscellaneous restricted fees.
- CDGB Fund – accounts for CDGB grant activity.
- Hotel Motel Occupancy Surcharge Fund – accounts for the Hotel/Motel tax collections and related expenditures; this was removed from the General Fund after the January 2008 election which restricts these funds to 40% for tourism and 60% for capital.
- Safety Sales Tax ¼ Cent Fund – accounts for the New Public Safety Sales Tax which was approved by voters in January 2008.
- Tax Increment Fund – accounts for revenues received from the two new Tax Increment Fund Districts.

Debt Service Fund:

- Sinking Fund – accounts for ad-valorem taxes levied by the City for use in retiring court-assessed judgments and their related interest expenses.

Capital Project Funds:

- Drainage Improvement Fund – accounts for revenues and expenses for the purpose of creating and/or improving drainage basins.
- Capital Improvement Fund – accounts for an increase in Municipal Court fines. Funds are to be used for capital improvements in general.
- Infrastructure Fund - accounts for various construction projects funded through interfund transfers.
- Cemetery Care Fund – accounts for cemetery fees restricted for cemetery care

Permanent Funds:

- Library Endowment Fund – accounts for funds which are restricted for library purposes.
- Cemetery Perpetual Care Fund – accounts for funds restricted for the maintenance or improvement of graves, lots, or perpetual care of the cemetery.

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The governmental funds are reported on the modified accrual basis of accounting. On the modified accrual basis of accounting revenues are recorded when earned and measurable and available to pay current financial obligations, while expenditures are recorded when incurred and payable from current financial resources. The City defines revenue availability as collected within 60 days of period end.

The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of the accrual basis of accounting and economic resources measurement focus at the government-wide level.

The General Fund, and the 2011 Sales Tax Revenue Note Fund are considered major funds and are therefore displayed in separate columns. All other governmental funds are considered non-major funds and are aggregated under the column Other Governmental Funds. The fund balances, reported on the modified accrual basis for these aggregated non-major funds changed as follows for the year ended June 30, 2013.

<u>Fund</u>	<u>Fund Balance 7/1/2012</u>	<u>Changes in Fund Balance</u>	<u>Fund Balance 6/30/2013</u>
Special Revenue Funds:			
Police Fund	\$ 24,635	\$ 26,417	\$ 51,052
CDBG Fund	1	75,875	75,876
Cemetery Care	260,919	(42,413)	218,506
Hotel Motel Occupancy Surcharge	444,312	(38,161)	406,151
Safety Sales Tax 1/4 Cent	504,232	(276,041)	228,191
Tax Increment Fund	7,317	(3,188)	4,129
Capital Project Funds:			
Infrastructure	290,565	(73,682)	216,883
Drainage Improvement	28,607	(26,925)	1,682
Capital Improvement	206,425	(57,318)	149,107
Permanent Funds:			
Library Endowment	31,252	224	31,476
Cemetery Perpetual Care	156,944	1,133	158,077
Total	<u>\$ 1,955,209</u>	<u>\$ (414,079)</u>	<u>\$ 1,541,130</u>

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Proprietary Funds:

The City's proprietary funds include:

Enterprise Funds

- El Reno Municipal Trust Authority Fund that accounts for the activities of the public trust in providing water, sewer, and sanitation services to the public.
- City of El Reno Hospital Authority Fund that accounts for the activities of the public trust which operates the hospital that serves the citizens of El Reno and the surrounding communities.
- El Reno Airpark Authority Fund that operates the local non-commercial airport activities.
- El Reno Recreation Authority that was established to construct and operate the municipal golf course.

Internal Service Funds (combined for reporting purposes)

- Self-Insurance Workers' Comp
- Self-Insurance Health

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

Fiduciary Fund

The City's fiduciary fund is used to report net position and changes therein of assets held by the City in a trustee or fiduciary capacity. These funds are not available for operations of the City. The City reports one type of fiduciary fund:

- Pension Trust Fund – used to account for the net position and changes therein of the El Reno Employee Retirement System (Reassure America Life Insurance Company).

New Accounting Pronouncements

The City implemented the following accounting standards during fiscal year ended June 30, 2013:

- *Governmental Accounting Standards Board Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangements* – This had no impact on the city's financial report.
- *Governmental Accounting Standards Board Statement No. 61 – The Financial Reporting Entity: Omnibus*– This had no impact on the city's financial report.
- *Governmental Accounting Standards Board Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* – A few sentences were removed from "Section B – Proprietary Funds" note disclosure to eliminate references to FASB pronouncements and APB opinions issued on or before November 30, 1989.
- *Governmental Accounting Standards Board Statement No. 63 – Financial Reporting of Deferred*

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- *Outflows of Resources, Deferred Inflows of Resources, and Net Position* – The only change required from the implementation of this statement are changing the Statement of Net Assets to a Statement of Net Position by creating two new financial statement elements.
- *Governmental Accounting Standards Board Statement No. 65 – Items Previously Reported as Assets and Liabilities* – This was early implemented, and required the reporting of deferred inflows and deferred outflows.

3. Cash, Cash Equivalents, and Investments

For the purpose of the statements of net position, balance sheets, and statement of cash flows, cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three-months or less. Trust account investments in open-ended mutual fund shares are also considered cash equivalents for reporting purposes.

At June 30, 2013, the reporting entity held the following deposits and investments:

Primary Government:

Type	Maturities	Credit Rating	Carrying Value
Deposits:			
Demand deposits			\$ 6,714,886
Cash on hand			3,850
Time deposits	Due within one year		2,068,715
			<u>\$ 8,787,451</u>
Investments:			
Trustee money market accounts		AAAm	2,128,206
Guaranteed insurance contracts			314,701
			<u>2,442,907</u>
Total deposits and investments			<u><u>\$ 11,230,358</u></u>
Reconciliation to Statement of Net Position:			
Cash and cash equivalents			\$ 8,846,941
Investments			2,060,854
Restricted investments			7,862
Fiduciary Fund investments			314,701
			<u><u>\$ 11,230,358</u></u>

Custodial Credit Risk – Exposure to custodial credit risk related to deposits exists when the City holds deposits that are uninsured and uncollateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the City holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

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The City's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 110% of the uninsured deposits and accrued interest thereon. At June 30, 2013, 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 an investment. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk - The City is currently working with the City Attorney to revise the investment policy for adaptation during the new re-codification. The City has limited its investment choices to state law as follows:

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

Concentration of Investment Credit Risk – Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The City places no limit on the amount it may invest in any one issuer. The City has the following concentration of credit risk: 88% (or \$2,128,206) invested in Federated Treasury Obligations money market accounts at Bancfirst.

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Restricted cash and Investments – The amounts reported as restricted assets of the Statement of Net Position are comprised of amounts restricted for debt service, debt reserve, or construction purposes. The restricted assets as of June 30, 2013 are as follows:

	Current Cash and cash Equivalents	Noncurrent Investments
2005 Sales Tax Revenue Bond Revenue Fund	\$ 116,173	\$ -
2008 Sales Tax Revenue Bond Principal Fund	435,029	-
2008 Sales Tax Revenue Bond Interest Fund	201,817	-
2008 MA Sales Tax Revenue Bond Construction Fund	9	-
2008 Revenue Bond Construction Fund	9,854	-
2009 Revenue Bond Principal Fund	320,715	-
2009 Clean Water SRF Debt Service	8,090	-
2010 Sales Tax Revenue Bond Principal Fund	406,478	-
2010 Drinking Water SRF Debt Service	42,859	-
2011 Sales Tax Revenue Bond Revenue Fund	233,271	-
Utility Deposits	298,801	7,862
Total	<u>\$ 2,073,096</u>	<u>\$ 7,862</u>

Component Unit:

All deposits and investments of the component unit were not exposed to custodial credit risk as defined above. No other cash and investment disclosures were available for the discretely presented component unit.

4. Accounts Receivable

Accounts receivable of the business-type activities consist of customers utilities services provided, both billed and unbilled, due at year end, reported net of allowance for uncollectible amounts. The governmental activities receivables include fines receivables.

Primary Government

	Court Fines Receivable	Utilities Receivable	Airpark Receivable
Accounts receivable	\$ 1,313,040	\$ 1,605,263	\$ (1,649)
Less: allowance for uncollectible accounts	(919,128)	(791,475)	-
Accounts receivable, net of allowance	<u>\$ 393,912</u>	<u>\$ 813,788</u>	<u>\$ (1,649)</u>

5. Inventories

The inventories for the blended component units – El Reno Recreation Authority and the El Reno Airpark Authority – are valued at lower of cost or market using first-in, first-out or market.

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6. Capital Assets and Depreciation

Capital Assets:

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. Capital assets are reported at actual or estimated historical cost. Donated capital assets are recorded at their fair value at the date of donation. For the year ended June 30, 2013, capital assets balances changed as follows:

	Balance at July 01, 2012	Additions	Disposals	Transfers	Balance at June 30, 2013
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 926,927	\$ -	\$ -	\$ -	\$ 926,927
Construction in progress	5,191,987	57,309	5,191,987	-	57,309
Total capital assets not being depreciated	6,118,914	57,309	5,191,987	-	984,236
Other capital assets:					
Buildings	12,636,816	5,147,096	-	-	17,783,912
Improvements	5,237,465	1,233,778	-	-	6,471,243
Machinery, furniture and equipment	4,943,369	554,010	210,240	(19,993)	5,267,146
Infrastructure	17,374,655	1,521,678	-	-	18,896,333
Total other capital assets at historical cost	40,192,304	8,456,562	210,240	(19,993)	48,418,633
Less accumulated depreciation for:					
Buildings	1,862,941	361,476	-	-	2,224,417
Improvements	637,100	394,716	-	-	1,031,816
Machinery, furniture and equipment	3,387,285	392,612	207,749	(22,031)	3,550,116
Infrastructure	6,103,836	841,937	-	-	6,945,773
Total accumulated depreciation	11,991,162	1,990,741	207,749	(22,031)	13,752,122
Other capital assets, net	28,201,142	6,465,821	2,491	2,039	34,666,511
Governmental activities capital assets, net	\$ 34,320,056	\$ 6,523,130	\$ 5,194,478	\$ 2,039	\$ 35,650,747
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 824,573	\$ -	\$ -	\$ -	\$ 824,573
Construction in progress	5,874	2,544,998	-	-	2,550,872
Total capital assets not being depreciated	830,447	2,544,998	-	-	3,375,445
Other capital assets:					
Buildings	6,539,959	-	-	-	6,539,958
Improvements	10,956,144	-	-	-	10,956,144
Machinery, furniture and equipment	15,600,239	726,789	18,509	20,311	16,328,829
Intangible water rights	207,657	-	-	-	207,657
Utility property improvements	27,384,543	2,531,472	86,510	-	29,829,505
Total other capital assets at historical cost	60,688,541	3,258,261	105,019	20,311	63,862,094
Less accumulated depreciation for:					
Buildings	3,982,133	187,538	-	-	4,169,670
Improvements	5,577,880	441,613	-	-	6,019,492
Machinery, furniture and equipment	13,201,857	512,373	12,898	22,350	13,723,682
Intangible water rights	41,670	3,909	-	-	45,579
Utility property improvements	11,528,143	752,628	86,510	-	12,194,261
Total accumulated depreciation	34,331,681	1,898,060	99,408	22,350	36,152,684
Other capital assets, net	26,356,860	1,360,201	5,611	(2,039)	27,709,409
Business-type activities capital assets, net	\$ 27,187,307	\$ 3,905,199	\$ 5,611	\$ (2,039)	\$ 31,084,854

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Depreciation:

Depreciable capital assets are depreciated on a straight-line basis over their estimated useful lives. The capitalization threshold and range of estimated useful lives by type of asset is as follows:

Category	Threshold	Lives in Years
Buildings	\$100,000	20 - 50
Improvements Other than Buildings	100,000	20 - 50
Machinery and Equipment	5,000	5 - 20
Infrastructure	500,000	20 - 50

Depreciation of capital assets is included in total expenses and is charged or allocated to the activities primarily benefiting from the use of the specific asset. Depreciation expense has been allocated as follows:

Governmental Activities:

General Government	\$ 127,794
Public Safety	359,353
Highways and Streets	909,599
Culture & Recreation	593,995
	<u>\$ 1,990,741</u>

Business-Type Activities:

Water	\$ 475,856
Wastewater	471,947
Hospital	435,971
Airpark	337,846
Recreation	176,440
	<u>\$ 1,898,060</u>

7. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2013, the reporting entity's long-term debt changed as follows:

Type of Debt	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Amounts Due Within One Year
Governmental Activities:					
Insurance claims liability	\$ 700,540	\$ 337,537	\$ 604,379	\$ 433,698	\$ 91,111
Capital lease obligation	435,113	-	118,478	316,635	122,110
Accrued compensated absences	733,479	5,417,300	5,318,738	832,041	83,204
Total Governmental Activities	<u>\$ 1,869,132</u>	<u>\$ 5,754,837</u>	<u>\$ 6,041,595</u>	<u>\$ 1,582,374</u>	<u>\$ 296,425</u>
Business-Type Activities:					
Notes payable	\$ 6,350,100	\$ 684,263	\$ 1,415,785	\$ 5,618,578	\$ 483,381
Revenue bonds payable	33,723,800	-	3,476,000	30,247,800	1,822,300
Refundable grant obligation	70,156	-	13,873	56,283	13,873
Judgment claims liability	312,982	-	212,982	100,000	100,000
Deposits subject to refund	292,927	62,975	49,239	306,663	-
Capital lease obligation	97,999	-	25,953	72,046	22,155
Accrued compensated absences	98,267	632,920	622,999	108,188	10,819
Total Business-Type Activities	<u>\$ 40,946,231</u>	<u>\$ 1,380,158</u>	<u>\$ 5,816,830</u>	<u>\$ 36,509,559</u>	<u>\$ 2,452,528</u>

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Governmental activities long-term debt:

Capital Lease Obligations:

\$279,650 Lease with Farmers & Merchants Bank for the purchase of a 2005 Rescue Pumper Fire Truck, issued December 2005 with an interest rate of 5.00% and maturing November 2016	\$ 63,982
\$92,328 lease with Welch State Bank for the purchase of a New Holland Tractor, issued May 2012 with an interest rate of 2.71% and maturing May 2016.	68,238
\$40,162 lease with El Reno R.I.L Credit Union for the purchase of a Bobcat Loader S185 Skid-Steer, issued March 2012 with an interest rate of 2.95% and maturing March 2017.	30,611
\$121,002 lease with El Reno R.I.L Credit Union for the purchase of a John Deere Loader 444K 4-Wheel, issued April 2012 with an interest rate of 2.95% and maturing April 2017.	94,352
\$26,329 lease with El Reno R.I.L Credit Union for the purchase of a Ford F-250, issued June 2012 with an interest rate of 1.95% and maturing June 2015.	17,703
\$82,312 lease with El Reno R.I.L Credit Union for the purchase of 2 Chevy Tahoes, issued October 2011 with an interest rate of 1.95% and maturing October 2014.	<u>41,748</u>
Total Capital Lease Obligations	<u>\$ 316,634</u>
Current portion	\$ 122,110
Non-current portion	<u>194,524</u>
Total	<u>\$ 316,634</u>

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Business-type activities long-term debt:

Notes Payable:

El Reno Municipal Authority:

Series 2000 OWRB Clean Water SRF Promissory Note, original amount of \$504,193, issued by the El Reno Municipal Authority, due in semi-annual installments, matures in March 2020, non-interest bearing. \$ 180,992

Series 2002A OWRB Drinking Water SRF Promissory Note dated May 30, 2002, original amount of \$1,829,323, issued by the El Reno Municipal Authority, due in semi-annual installments each March 15 and September 15, beginning March 2003, final installment due September 15, 2021 with an administrative fee of .5% and 0% interest 797,397

Series 2002C OWRB Clean Water SRF Promissory Note, original amount of \$767,998, issued by the El Reno Municipal Authority due in semi-annual installments each March 15 and September 15, through 2022, non-interest bearing 354,461

Series 2003A OWRB SRF Promissory Note dated December 22, 2003, original amount of \$643,154, issued by the El Reno Municipal Authority due in semi-annual installments each March 15 and September 15, beginning March 2010, final installment due September 15, 2023, with an administrative fee of .5% and 0% interest 337,655

Series 2008 MA Utility System Revenue Note dated July 1, 2008, original amount of \$760,000, issued by the El Reno Municipal Authority due in monthly installments of \$2,300 to \$5,000, beginning July 2010, final installment due June 1, 2028, with a variable interest rate equal to the BBA LIBOR daily floating rate plus 125 basis points but not to exceed 14% per annum 670,000

Series 2009 OWRB Clean Water SRF Promissory Note dated December 1, 2009, original amount of \$205,000, issued by the El Reno Municipal Authority due in semi-annual installments each March 15 and September 15, beginning March 2010, final installment due September 15, 2014 with an administrative fee of .5% and 1.53% interest 46,759

Series 2010 OWRB Drinking Water SRF Promissory Note dated February 1, 2010, original amount of \$2,405,000, issued by the El Reno Municipal Authority, due in semi-annual installments each March 15 and September 15, beginning September 2010, final installment due March 15, 2030 with an administrative fee of .5% and 3.09% interest, remaining funds to be drawn down at June 30, 2012 are \$562 2,245,702

Total Municipal Authority \$ 4,632,966

Current portion \$ 356,817

Non-current portion 4,276,149

Total \$ 4,632,966

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El Reno Hospital Authority:

Note payable to bank in monthly installments issued by the City of El Reno Hospital Authority, with interest rate of 4.99% collateralized by all inventory, equipment and fixtures. \$ 228,556

\$176,559 note payable issued by the City of El Reno Hospital Authority with InterBank for the construction of a clinic, due in monthly principal and interest payments beginning November 2010 with an interest rate of 1.00%, maturing October 2015. 72,794

Total Hospital Authority \$ 301,350

Current portion	\$ 84,131
Non-current portion	217,219
Total	<u>\$ 301,350</u>

El Reno Airpark Authority:

Note payable to bank dated June 11, 2013 in the amount of \$684,262, due in 144 monthly principal and interest payments in the amount of \$5,795 beginning August 1, 2013, with an interest rate of 3.389%, maturing July 1, 2025. The note is secured by all assets and revenues for the Authority. \$ 684,262

Current portion	\$ 42,433
Non-current portion	641,829
Total	<u>\$ 684,262</u>

Total Notes Payable:

Current portion	\$ 483,381
Non-current portion	5,135,197
Total	<u>\$ 5,618,578</u>

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Revenue Bonds Payable:

El Reno Municipal Authority:

Series 2005 Sales Tax and Utility Revenue Bonds. Original amount of \$5,220,000 issued by the El Reno Municipal Authority, due in annual installments of \$265,000 to \$455,000 through 2020, interest at 4.05%	\$ 2,815,000
Series 2008 Sales Tax and Utility Revenue Bonds. Original amount of \$9,600,000 issued by the El Reno Municipal Authority, due in annual installments of \$435,000 to \$805,000 through 2029, interest at 4.20%	9,600,000
Series 2009 Sales Tax and Utility Revenue Bonds. Original amount of \$4,920,000 issued by the El Reno Municipal Authority, due in annual installments of \$195,000 to \$405,000 through 2029, interest at 5.10%	4,920,000
Series 2010 Sales Tax and Utility Revenue Bonds. Original amount of \$8,000,000 issued by the El Reno Municipal Authority, due in annual installments of \$255,000 to \$395,000 through 2025, interest at 3.76%	7,745,000
Series 2011 Hotel/Motel Revenue Bonds. Original amount of \$305,000 issued by the El Reno Municipal Authority, due in monthly installments of \$3,258 through 2021, interest at 5.0%	207,800
Series 2011 Sales Tax and Utility Revenue Bonds. Original amount of \$5,100,000 issued by the El Reno Municipal Authority, due in annual installments of \$140,000 to \$455,000 through 2027, interest at 3.75%	<u>4,960,000</u>
Total Revenue Bonds Payable	\$ 30,247,800
Less Unamortized Bond Discount	<u>(19,250)</u>
Net Revenue Bonds Payable	<u>\$ 30,228,550</u>
Current portion	\$ 1,822,300
Non-current portion	<u>28,425,500</u>
Total	<u>\$ 30,247,800</u>

Refundable Grant Obligation:

El Reno Municipal Authority:

Oklahoma Department of Commerce obligation payable, original amount of \$277,462, issued by the El Reno Municipal Authority, due in monthly installments of \$1,154 through 2018, non-interest bearing.	<u>\$ 56,283</u>
Current portion	\$ 13,873
Non-current portion	<u>42,410</u>
Total	<u>\$ 56,283</u>

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Capital Lease Obligations:

ERMA:

\$71,137 lease with El Reno R.I.L. Credit Union for the purchase of a International Dump Truck, issued April 2012 with an interest rate of 2.95%, maturing April 2017. \$ 55,358

\$24,823 lease with El Reno R.I.L. Credit Union for the purchase of a Ford F-350, issued June 2012 with an interest rate of 1.95%, maturing June 2015. 16,688

Total ERMA \$ 72,046

Current portion \$ 22,155

Non-current portion 49,891

Total \$ 72,046

Debt Service Requirements to Maturity:

Year Ending June 30,	GOVERNMENTAL ACTIVITY DEBT	
	Capital Lease Obligations	
	Principal	Interest
2014	122,110	8,923
2015	111,417	5,109
2016	55,347	1,656
2017	27,761	381
Totals	<u>\$ 316,635</u>	<u>\$ 16,069</u>

Year Ending June 30,	BUSINESS-TYPE ACTIVITY DEBT							
	Revenue Bonds Payable		Notes Payable		Capital Lease Obligations		Refundable Grant Obligation	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	1,822,300	1,236,958	483,381	128,966	22,155	1,701	13,873	-
2015	1,883,600	1,168,652	466,911	98,786	22,712	1,124	13,873	-
2016	1,970,300	1,097,439	430,576	90,205	14,717	607	13,873	-
2017	2,051,700	1,022,425	439,099	82,563	12,462	175	13,873	-
2018	2,133,200	944,069	451,443	-	-	-	791	-
2019-2023	10,436,700	3,486,552	1,849,600	312,797	-	-	-	-
2024-2028	8,350,000	1,424,595	1,167,745	164,018	-	-	-	-
2029-2032	1,600,000	57,833	329,823	27,994	-	-	-	-
Totals	<u>\$ 30,247,800</u>	<u>\$ 10,438,523</u>	<u>\$ 5,618,578</u>	<u>\$ 905,329</u>	<u>\$ 72,046</u>	<u>\$ 3,607</u>	<u>\$ 56,283</u>	<u>\$ -</u>

Non-Commitment Debt:

Original Debt	Project	Remaining Principal
El Reno Municipal Authority: \$450,000	(1) Coronado Development Corporation Tax Apportionment Note dated September 1, 2007	\$374,968

(1) Crimson Creek Increment District Project Tax Apportionment Note

The Tax Apportionment Note was issued to fund the construction of the Crimson Creek North Addition. The City and Authority are not liable for this debt since payments are made solely with lease agreement proceeds from El Reno Municipal Authority primarily and Coronado Development Corporation, secondarily. In the event of default, the City or Authority only becomes liable if they are negligent in carrying out debt administration responsibilities.

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Pledge of Future Revenues

Sales Tax Pledge - The City has pledged two and ½ cents (or 63%) of future sales tax revenues to repay \$30,247,800 of Series 2005, 2008, 2009, 2010, and 2011 Sales Tax Revenue Bonds. Proceeds from the bonds provided financing for utility capital assets. The bonds are payable through 2020, 2029, 2029, 2025, and 2027 respectively. The total principal and interest payable for the remainder of the life of these notes is \$40,427,878. Total pledged sales taxes received in the current fiscal year were \$5,835,042. Debt service payments for the current fiscal year of \$3,770,170 were 65.2% of the pledged sales taxes.

Hotel/Motel Tax Pledge - The City has pledged 60% of the amount of money generated pursuant to the hotel/motel tax ordinance (Ordinance 5024) to repay \$305,000 of Series 2011 Hotel/Motel Tax Revenue Bond. Proceeds from the bond provided financing for economic development and tourism capital projects. The bond is payable through 2021. The total principal and interest payable for the remainder of the life of this note is \$258,444. Total pledged hotel/motel taxes received in the current fiscal year was \$166,731. Debt service payments for the current fiscal year of \$37,101 were 22.3% of the pledged sales taxes.

Utility Net Revenues Pledge - The City has also pledged future water and sewer net revenues to repay \$7,114,668 of 2000, 2002A, 2002C, 2003A, 2008, 2009 and 2010 Series Oklahoma Water Resources Board Notes Payable and \$760,000 of the 2008 MA Utility System Revenue Note. Proceeds from the bonds and notes provided financing for utility system capital assets. The bonds are payable through 2020, 2021, 2022, 2023, 2028, 2014 and 2030. The total principal and interest payable for the remainder of the life of these notes is \$5,342,167. The notes are payable from the above-mentioned utility net revenues. The debt service payments on the notes this year were \$444,827 which was 25% of pledged net utility revenues of \$1,288,515.

8. Net Position and Fund Balances

Fund Statements:

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

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

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It is the City's policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The City's policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. The only exception to this policy is for assigned interest income in governmental funds other than the General Fund. In those funds, interest income is used first before other revenues.

The following tables show the fund balance classifications as shown on the Governmental Funds Balance Sheet:

	General Fund	Major Capital Project Fund 2011 Sales Tax Revenue Note Fund	Other Governmental Funds	TOTAL
Fund Balances:				
Nonspendable:				
Library Endowment	\$ -	\$ -	\$ 31,050	\$ 31,050
Cemetery Perpetual Care	-	-	151,889	151,889
Sub-total Nonspendable	-	-	182,939	182,939
Restricted for:				
Capital outlay	-	342,923	302,500	645,423
Watershed construction	-	-	1,682	1,682
Cemetery capital	-	-	144,794	144,794
E-911	-	-	13,771	13,771
Police	-	-	37,281	37,281
Library	-	-	202	202
Cemetery	85,607	-	6,188	91,795
Public Health and Safety	-	-	228,191	228,191
Care and Share Program	423	-	-	423
Recreational Facilities, Public Health and Safety	-	-	-	-
Facilities, Public Works Infrastructure capital outlay or debt service for said capital outlay	272,865	-	-	272,865
Emergencies	723,177	-	-	723,177
Animal Shelter	602	-	-	602
Fire Department	2,151	-	-	2,151
Storm	11,934	-	-	11,934
CDBG Grant	-	-	75,875	75,875
Tourism	-	-	52,384	52,384
Economic development and capital	-	-	312,513	312,513
Ad valorem tax levies, constructing public buildings or other permanent improvements	-	-	-	-
Sub-total Restricted	1,096,759	342,923	1,175,381	2,615,063
Committed to:				
Cemetery capital	-	-	38,658	38,658
Assigned to:				
Fiscal Year 13 budget	1,045,961	-	-	1,045,961
Cemetery Capital	-	-	35,054	35,054
Library	-	-	224	224
Cemetery	2,338	-	-	2,338
CDBG Grant	-	-	1	1
Tourism	-	-	41,254	41,254
Capital outlay	-	-	67,619	67,619
Sub-total Assigned	1,048,299	-	144,152	1,192,451
Unassigned:	2,059,998	-	-	2,059,998
TOTAL FUND BALANCES	\$ 4,205,056	\$ 342,923	\$ 1,541,130	\$ 6,089,109

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Equity is classified as net position and displayed in three components:

- f. *Net investment in capital assets* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- g. *Net investment in capital assets (Government Wide Financial Statements Total Column)* - The 2008, 2009, and 2010 sales tax and utility revenue bonds and the 2011 Hotel/Motel Tax Revenue Note series were used to fund governmental capital assets. The “net investment in capital assets” in the business-type activities therefore does not include the amounts related to these debt issues as the assets are in the governmental activities. This explains the large negative balance of unrestricted net position in the business-type activities. The capital assets related to this debt are reported in the governmental activities and are also reported in “net investment in capital assets.” The total column for the “net investment in capital assets” on the *Statement of Net Position* does include the amounts related to this debt of \$24,535,750, therefore explaining why this amount does not total across.
- h. *Restricted net position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

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The restrictions are as follows:

Governmental Activities

External Contracts and Groups:

Cemetery Care	\$ 144,794
Cemetery Everlasting Care	85,607
Drainage Improvement	1,682
CDBG	75,875
Library Endowment	31,252
Cemetery Perpetual Care	158,077
Capital Improvement	81,488
2011 Sales Tax Revenue Note	342,923
Safety Sales Tax 1/4 Cent	228,191
Sales Tax 1/4 Cent	272,865
Gifts and Contributions	15,110
Infrastructure Improvement	216,883
Sales Tax Reserve	723,177
Hotel Motel Occupancy Surcharge	364,897
	<u>\$ 2,742,821</u>

Enabling legislation:

Police	\$ 51,052
Tax Increment	4,129
	<u>\$ 55,181</u>

El Reno Municipal Authority

Contractual agreements:

Cash and investments	\$ 2,073,096
Less: Accrued Interest Payable	(613,198)
	<u>\$ 1,459,898</u>

- i. *Unrestricted net position* - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

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

Prior Period Adjustments:

	<u>El Reno Municipal Trust Authority</u>	<u>El Reno Recreational Authority</u>	<u>Government-Wide Business-type Activities</u>
Beginning net position, as previously reported	\$ (15,366,379)	\$ 541,615	\$ (5,714,965)
Removal of unamortized debt issuance costs due to the early implementation of GASB Statement 65	(561,485)	(22,000)	(583,485)
Beginning net position, restated	<u>\$ (15,927,864)</u>	<u>\$ 519,615</u>	<u>\$ (6,298,450)</u>

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9. Internal and Interfund Balances and Transfers

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

Transfers:

Internal transfers between funds and activities for the year ended June 30, 2013 were as follows:

Transfer From	Transfer To	Amount	Purpose of Transfer
ERMA	General Fund	\$ 442,950	Operating subsidy
General Fund	Capital Improvement Fund	116,500	Sales proceeds
Public Safety 1/4 Sales Tax	General Fund	50,000	Reimbursement
General Fund	ERMA Sales Tax	3,528,612	Sales tax transfer
Hotel Motel Surcharge	ERMA	37,343	Debt payment
Infrastructure Improvement	CDBG Grants	75,875	Grant match
Tax Increment Fund	Recreation Authority	11,000	Operating subsidy
ERMA Sales Tax	Capital Improvement Fund	20,716	Transfer of Assets
ERMA Sales Tax	Capital Improvement Fund	518,600	Operating subsidy
NWCC Repair and Maintenance	General Fund	2,182	Close Fund
Gifts and Contributions Fund	General Fund	43,008	Transfer unrestricted funds back
Lake Fund	General Fund	33,182	Close Fund
Airport Authority	ERMA	1	To complete interfund loan
General Fund	Police Fund	42,696	To process restricted amount in separate fund
General Fund	Recreation Authority	217,719	Purchase of capital assets
ERMA Sales Tax	ERMA	2,573,357	Debt service payments
ERMA Sales Tax	ERMA	2,419,774	Transfer of assets
General Fund	Airpark Authority	61,127	Transfer to pay back interfund debt to ERMA
Sales Tax 1/4	Recreation Authority	926,171	Debt payments
Total		<u>\$ 11,120,813</u>	

Reconciliation to Fund Financial Statements:

	Transfers In	Transfers Out	Net Transfers
Governmental Funds	\$ 1,362,327	\$ (5,145,415)	\$ (3,783,088)
Proprietary Funds	12,240,249	(5,975,398)	6,264,851
	<u>\$ 13,602,576</u>	<u>\$ (11,120,813)</u>	<u>\$ 2,481,763</u>

Reconciliation to Statement of Activities:

Net Transfers	\$ 2,481,763
Transfer of business-type activity expenses to governmental:	
Capital assets to business type activities	(2,444,428)
Internal service funds net transfers	(37,335)
Transfers - internal activity	<u>\$ -</u>

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Balances:

Interfund receivable and payables at June 30, 2013 were comprised of the following:

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>	<u>Nature of Interfund Balance</u>
General Fund	ERMA Sales Tax	\$ 451,623	Sales tax transfer receivable
Recreation Authority	General Fund	33,969	Loan to Recreation Authority
		<u>\$ 485,592</u>	

Reconciliation to Fund Financial Statements:

	<u>Due to</u>	<u>Due From</u>	<u>Net Interfund Balances</u>
Governmental Funds	\$ (451,623)	\$ 33,969	\$ (417,654)
Proprietary Funds	(33,969)	451,623	417,654
	<u>\$ (485,592)</u>	<u>\$ 485,592</u>	<u>\$ -</u>

10. Sales Tax

Sales tax revenue represents a 4 cents tax on each dollar of taxable sales of which is recorded as follows:

- 2 cents is recorded in the General Fund. ½ cent of the 2 cents is pledged for El Reno Recreational Authority debt service on golf course capital debt and ½ cent is pledged for the 2005 Series Sales Tax Bonds.
- 1.5 cents is recorded in the General fund and then transferred to the El Reno Municipal Authority for debt service per debt agreement.
- .25 cents is recorded in the Sales Tax ¼ Cent Fund to be transferred to the El Reno Recreation Authority for debt service on golf course capital debt.
- .25 cents is recorded in the Safety Sales Tax ¼ Cent Fund to pay for costs pertaining to the provision of emergency services.

11. Insurance Recovery

During the fiscal year ended June 30, 2013 several city assets were damaged as a result of a hail storm. Insurance recovery proceeds of \$913,908 are recorded in miscellaneous revenue in the governmental activities.

12. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City manages these various risks of loss as follows:

- General Liability and Physical Property – Covered through participation in Oklahoma Municipal Assurance Group risk entity pool
- Workers' Compensation – Self-insured within limits of Oklahoma worker's compensation laws. 100% risk of loss retained.
- Employee's Group Medical –Covered through participation in Coventry.

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The City's risk is transferred to the risk entity pool except for claim deductible amounts. The risk pool maintains deposits for claims reserves and other purposes for the benefit of the City. The portion of the reserves to which the City has access is reported as Deposits with Insurance Pool. Management believes the insurance coverage listed above 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.

For the internal service self-insurance funds, changes in the worker's comp claims liability for the City from July 1, 2010, to June 30, 2013, are as follows:

	<u>Workers'</u> <u>Compensation</u>	<u>Health</u> <u>Care</u>	<u>Total</u>
Claim liability, June 30, 2010	\$ 155,644	\$ -	\$ 155,644
Claims and changes in estimates	238,886	1,017,578	1,256,464
Claims payments	(161,412)	(1,017,578)	(1,178,990)
Claim liability, June 30, 2011	233,118	-	233,118
Claims and changes in estimates	654,622	1,048,004	1,702,626
Claims payments	(187,200)	(1,048,004)	(1,235,204)
Claim liability, June 30, 2012	700,540	-	700,540
Claims and changes in estimates	(604,379)	(1,019,762)	(1,624,141)
Claims payments	337,537	1,019,762	1,357,299
Claim liability, June 30, 2013	<u>\$ 433,698</u>	<u>\$ -</u>	<u>\$ 433,698</u>

Reconciliation to Statement of Net Position:

Current portion	\$ 91,111
Noncurrent portion	342,587
Total	<u>\$ 433,698</u>

13. Commitments and Contingencies

Litigation:

The City is currently involved in a lawsuit, related to the City Council's denial of a Conditional Use Permit (CUP). The probability of a favorable outcome is at least reasonably possible. The dollar amount of and adverse outcome (if any) in this issue is undeterminable at this time, and no provision for a loss contingency has been recognized in the financial statements. Any judgment in this case against the City would not be covered by liability insurance and would be paid out of the budget or by placing the judgment on the judgment roles and paying out over three years.

The City of El Reno Hospital Authority is currently involved in a lawsuit regarding an accident involving one of their ambulances. The City's insurance coverage through Oklahoma Municipal Assurance Group will not cover this claim but Cimarron Insurance Exchange has acknowledged that this was a covered claim. There is a \$25,000 per occurrence deductible which has not been met yet, however it is still undetermined if the Hospital Authority will be responsible for the deductible. A favorable outcome is now determined probable and the liability recorded in the previous year has been removed as of June 30, 2013.

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The City of El Reno Hospital Authority is currently involved in a breach of contract lawsuit on a Physicians agreement. The judge found that the contract was breached, and the Authority paid this claim in the amount of \$100,000 shortly after year-end when an agreement was met in mediation. This amount has been accrued as a claims payable at the end of the fiscal year.

Sales Tax:

The City has been notified by the Oklahoma Tax Commission of a potential sales tax refund filed by a vendor, which may require the City to return a portion of sales tax revenue previously remitted to the City by the Tax Commission. The amount of the potential refund request is \$974,901. The Tax Commission is currently scrutinizing the paperwork filed for this type of transaction, and no decision has been made by the Tax Commission to either approve or deny the refund request, with no probability of the approval or denial given.

Federal and State Award Programs:

The City of El Reno participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Construction Commitments:

At June 30, 2013 the City had awarded construction contracts totaling approximately \$2,709,737 and of this amount, \$976,071 was still outstanding and payable.

14. Pension Plan Participation

The City of El Reno participates in three pension or retirement plans:

- Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
- Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
- Oklahoma Municipal Retirement Fund – an agent multiple-employer defined benefit plan

Firefighters' Plan:

Pursuant to the requirements of Title 11, section 49-102, the City of El Reno participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Firefighters Pension Board on behalf of both paid and volunteer firefighters. The paid firefighter contributes 8% to the plan. The City is required by state law to contribute 13% per year per paid firefighter to the statewide plan. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The contribution requirements of the plan member and the city are established by state statute and may be amended by the legislature. The state made on-behalf contributions to the Fire pension plan of \$422,572.

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A copy of the Firefighters Statewide Pension Plan financial statements can be obtained from the Oklahoma Firefighters Pension System, 4545 Lincoln Blvd. Suite 263, Oklahoma City, OK, 73105-3707.

Police Plan:

Pursuant to the requirements of Title 11, section 50-102, the City of El Reno participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). The paid police person contributes 8% to the plan. The City is required by state law to contribute 13% per year per paid police person to the statewide plan. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The contribution requirements of the plan member and the city are established by state statute and may be amended by the legislature. The state made on-behalf contributions to the Police pension plan of \$166,657.

The OPPRS issues a publicly available report that includes financial statements, which can be obtained from the Oklahoma Police Pension and Retirement System, 1001 N.W. 63rd Street, Oklahoma City, OK, 73116-7335.

Summary of Contributions – Cost Sharing Plans:

Oklahoma Police Pension and Retirement System			Oklahoma Firefighter's Pension and Retirement System		
Fiscal Year	Required Contribution	Percentage Contributed	Fiscal Year	Required Contribution	Percentage Contributed
2011	\$ 134,697	100%	2011	\$ 158,096	100%
2012	158,433	100%	2012	173,595	100%
2013	183,691	100%	2013	183,115	100%

Employee Plan:

The City provides a pension benefit for all of its full-time employees with the exception of the police and fire departments, through the Oklahoma Municipal Retirement Fund (OMRF).

1. Plan Description

Effective January 1, 1967, the City began contributing to the City of El Reno Plan and Trust in the form of a guaranteed annuity contract with Reassure America Life Insurance Company. The group annuity contract purchased under the plan is fully funded. On February 1, 2005, the City began participating in the agent multiple-employer plan—Oklahoma Municipal Retirement Fund (OMRF). Under the terms of the new retirement system with OMRF, the benefits payable from Reassure America Life for existing employees will be a portion of the total benefits calculated under the OMRF plan. When all employees previously participating in Reassure America Life have retired, all benefit payments will be paid by OMRF. At June 30, 2013, the Reassure America Life plan had total reserves of \$421,571 and a fund balance of \$324,065.

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2. Eligibility Factors, Contribution Methods and Benefit Provisions

<u>Provision</u>	<u>OMRF Plan</u>
a. Eligible to Participate	Full-time, non-uniformed employees of the City or Authority six months following hire date except for City Manager, Assistant City Manager, Finance Director, Public Works Director, and Police Chief.
b. Contribution Requirements:	
- Authorization	By City ordinance
- Actuarially Determined	Yes
- Employer Rate	8.67%
- Employee Rate	4.50%
c. Period Required to Vest	10 years Cliff vesting schedule
d. Eligibility for Distribution	- Normal retirement at age 65 with 10 years of service - Early retirement at age 55 with a 5% reduction in benefits for each year of service less than 10 years - Disability retirement available for vested employees - Death benefit of 50% for five years certain for a non-spouse beneficiary; and 50% pension for lifetime or remarriage for a spouse beneficiary
e. Benefit Determination Base	Final average salary – the average of the five highest consecutive annual salaries out of the last 10 calendar years of service
f. Benefit Determination Methods:	
- Normal Retirement	2.25% of final average salary multiplied by credited years of service
- Early Retirement	Actuarially reduced benefit based upon age and years of service at termination.
- Disability Retirement	Yes
- Death Benefit	Yes
- Prior to 10 Years Service	Return of employee contributions with interest.
g. Form of Benefit Payments	Employee may elect optional form of benefit payments.

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Schedule of Contributions - OMRF Defined Benefit Plan

<u>Period Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2011	\$ 186,906	100%	-
June 30, 2012	219,484	100%	-
June 30, 2013	225,014	100%	-

Funded Status and Funding Progress

As of January 1, 2013, the funded status of the OMRF agent multiple employer defined benefit plan is as follows:

Actuarial accrued liability (AAL)	\$3,897,388
Actuarial value of plan assets	<u>2,503,128</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$1,394,260</u>
Funded ratio (actuarial value of plan assets/AAL)	60%
Annual covered payroll (active plan members)	\$2,425,301
UAAL as a percentage of covered payroll	57%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

OMRF issues separate plan financial statements which may be obtained by contacting the Oklahoma Municipal Retirement Fund, 525 Central Park Drive, Suite 320, Oklahoma City, Oklahoma, 73105.

15. Use of Estimates

Certain estimates are made in the preparation of the financial statements, such as estimated lives for capital assets depreciation. Estimates are based on management's best judgments and may vary from actual results.

16. Subsequent Event

In December 2013 The Public Works Authority approved to issue the 2013 ERMA Sales Tax Revenue Note in the amount of \$4.5 million.

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REQUIRED SUPPLEMENTARY INFORMATION

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Budgetary Comparison Schedule – Year Ended June 30, 2013

	GENERAL FUND			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts, Budgetary Basis	
	Original	Final		
REVENUES				
Taxes	\$ 11,143,724	\$ 11,143,724	\$ 10,022,331	\$ (1,121,393)
Fees and fines	392,800	387,300	322,478	(64,822)
Licenses and permits	187,702	187,702	289,385	101,683
Intergovernmental	799,236	605,716	510,159	(95,557)
Charges for services	59,384	33,104	58,245	25,141
Investment earnings	38,200	38,200	34,885	(3,315)
Miscellaneous	376,086	638,586	726,847	88,261
Transfers from Other Funds	935,900	626,040	571,321	(54,719)
Total revenues	13,933,032	13,660,372	12,173,789	(1,486,583)
EXPENDITURES				
Mayor and Council	426,570	273,050	267,512	5,538
Administration	510,880	507,880	499,980	7,900
Finance	841,215	916,315	819,503	96,812
Police	3,295,945	3,269,145	3,062,572	206,573
Fire	2,156,490	2,175,390	2,175,270	120
Library	232,895	243,675	224,644	19,031
Community Development	400,824	413,644	342,554	71,090
Senior Citizens	57,890	63,890	44,311	19,579
Municipal Garage	129,530	151,930	145,661	6,269
Streets	1,068,424	1,159,325	843,375	315,950
Municipal Court	200,310	205,110	177,600	27,510
Legal	43,000	43,000	30,919	12,081
Parks and Recreation	774,643	792,393	619,616	172,777
Swimming Pool	180,090	180,090	14,416	165,674
Cemetery	202,740	202,740	192,762	9,978
Transfers to Other Funds	4,957,862	5,046,685	3,721,348	1,325,337
Total Expenditures	15,479,308	15,644,262	13,182,043	2,462,219
Excess (deficiency) of revenues over expenditures	(1,546,276)	(1,983,890)	(1,008,254)	975,636
Net change in fund balances	(1,546,276)	(1,983,890)	(1,008,254)	975,636
Fund balances - beginning	2,630,015	3,147,010	3,051,379	(95,631)
Fund balances - ending	\$ 1,083,739	\$ 1,163,120	\$ 2,043,125	\$ 880,005

See accompanying footnotes to this schedule.

Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedule is reported on a non-GAAP budgetary basis that report revenues and expenditures on a modified cash basis. For budgetary purposes expenditures are recorded in the period the invoice is received, except for payroll expenditures that are recorded when paid.
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require the approval of the City Manager. All supplemental appropriations require the approval of the City Council. Supplemental appropriations must be filed with the Office of the State Auditor and Inspector.

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3. The budgetary basis differs from the modified accrual basis as shown in the schedule below:

	General Fund
Total revenue- budgetary basis	\$ 12,173,789
Total expense- budgetary basis	(13,182,043)
Change in fund balance-budgetary basis	(1,008,254)
Revenue Accruals	115,364
Expenditures accruals	66,087
Change in fund balance-GAAP basis	\$ (826,803)

Schedule of Pension Plan Funding Progress – OMRF Defined Benefit and El Reno Employee Retirement System Plans

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Actuarial Method	Unfunded (Overfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
1/1/2003	\$ 1,326,838	\$ 1,326,838	*	-	100%	*	0%
1/1/2004	1,485,412	1,485,412	*	-	100%	\$ 1,502,485	0%
7/1/2005	1,310,269	1,310,269	*	-	100%	1,445,530	0%
1/1/2006 **	1,296,605	2,497,077	EAN	\$ 1,200,472	52%	1,703,897	70%
1/1/2007	1,328,271	2,520,993	EAN	1,192,722	53%	1,850,824	64%
1/1/2008	1,590,439	2,800,036	EAN	1,209,597	57%	2,014,499	60%
1/1/2009	1,604,085	3,005,996	EAN	1,401,911	53%	2,029,556	68%
1/1/2010	1,939,263	3,418,721	EAN	1,479,458	57%	2,341,710	63%
1/1/2011	2,312,185	3,683,643	EAN	1,371,458	63%	1,983,683	69%
1/1/2012	2,369,078	3,781,560	EAN	1,412,482	63%	2,257,802	63%
1/1/2013	2,503,128	3,897,388	EAN	1,394,260	64%	2,425,301	57%

Covered payroll is the total annualized rate of pay as of the valuation date based on actual pay for the preceding year.

Actuarial Method – EAN refers to “Entry Age Normal”

* - Information unavailable

** - First actuarial valuation for OMRF plan. Prior years represent information for Reassure America Life Insurance Annuity Contract, formally Southwest Life.

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OTHER SUPPLEMENTARY INFORMATION

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Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2013

	<u>Police Fund (204)</u>	<u>CDBG Fund (211)</u>	<u>Cemetery Care Fund (208)</u>	<u>Hotel Motel Occupancy Surcharge Fund</u>	<u>Safety Sales Tax 1/4 Cent Fund (616)</u>	<u>Infrastructure Fund (420)</u>
ASSETS						
Cash and cash equivalents	\$ 50,322	\$ 75,876	\$ 86,512	\$ 345,474	\$ 381,601	\$ 70
Investments	-	-	151,994	64,321	21,319	216,813
Due from other governments	-	-	-	-	75,271	-
Franchise tax receivable	730	-	-	-	-	-
Total assets	<u>51,052</u>	<u>75,876</u>	<u>218,506</u>	<u>409,795</u>	<u>478,191</u>	<u>216,883</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	-	-	-	1,280	250,000	-
Accrued payroll payable	-	-	-	2,364	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,644</u>	<u>250,000</u>	<u>-</u>
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	51,052	75,876	144,794	364,897	228,191	216,883
Committed	-	-	38,658	-	-	-
Assigned	-	1	35,054	41,254	-	-
Total fund balance	<u>51,052</u>	<u>75,876</u>	<u>218,506</u>	<u>406,151</u>	<u>228,191</u>	<u>216,883</u>
Total liabilities and fund balance	<u>\$ 51,052</u>	<u>\$ 75,876</u>	<u>\$ 218,506</u>	<u>\$ 409,795</u>	<u>\$ 478,191</u>	<u>\$ 216,883</u>

	<u>Drainage Improvement Fund (422)</u>	<u>Capital Improvement Fund (425)</u>	<u>Tax Increment Fund (217)</u>	<u>Library Endowment (215)</u>	<u>Cemetery Perpetual (820)</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 1,682	\$ 167,357	\$ 4,129	\$ 105	\$ 2,429	\$ 1,095,557
Investments	-	-	-	31,371	155,648	641,466
Due from other governments	-	-	-	-	-	75,271
Franchise tax receivable	-	-	-	-	-	730
Total assets	<u>1,682</u>	<u>167,357</u>	<u>4,129</u>	<u>31,476</u>	<u>158,077</u>	<u>1,813,024</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	-	18,250	-	-	-	269,530
Accrued payroll payable	-	-	-	-	-	2,364
Total liabilities	<u>-</u>	<u>18,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>271,894</u>
Fund balances:						
Nonspendable	-	-	-	31,050	151,889	182,939
Restricted	1,682	81,488	4,129	202	6,188	1,175,381
Committed	-	-	-	-	-	38,658
Assigned	-	87,619	-	224	-	144,152
Total fund balance	<u>1,682</u>	<u>149,107</u>	<u>4,129</u>	<u>31,476</u>	<u>158,077</u>	<u>1,541,130</u>
Total liabilities and fund balance	<u>\$ 1,682</u>	<u>\$ 167,357</u>	<u>\$ 4,129</u>	<u>\$ 31,476</u>	<u>\$ 158,077</u>	<u>\$ 1,813,024</u>

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Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds – For the Year Ended June 30, 2013

	<u>Police Fund (204)</u>	<u>CDBG Fund (211)</u>	<u>Cemetery Care Fund (208)</u>	<u>Hotel Motel Occupancy Surcharge (203)</u>	<u>Safety Sales Tax 1/4 Cent Fund (816)</u>	<u>Infrastructure Fund (420)</u>
REVENUES						
Taxes	\$ 8,767	\$ -	\$ -	\$ 277,883	\$ 588,102	\$ -
Charges for services	-	-	39,823	10,887	-	-
Fines and forfeitures	33,870	-	-	-	-	-
Investment income	292	-	2,004	3,713	3,067	2,193
Miscellaneous	-	-	200	-	-	-
Total revenues	<u>42,929</u>	<u>-</u>	<u>42,027</u>	<u>292,483</u>	<u>591,169</u>	<u>2,193</u>
EXPENDITURES						
Current:						
Streets	-	-	-	-	-	-
Public Safety	39,722	-	-	-	291,391	-
General government	-	-	-	272,085	-	-
Capital Outlay	19,486	-	84,440	21,216	462,832	-
Debt Service:						
Principal	-	-	-	-	57,071	-
Interest	-	-	-	-	5,816	-
Total Expenditures	<u>59,208</u>	<u>-</u>	<u>84,440</u>	<u>293,301</u>	<u>817,210</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(16,279)</u>	<u>-</u>	<u>(42,413)</u>	<u>(818)</u>	<u>(226,041)</u>	<u>2,193</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	42,696	75,875	-	-	-	-
Transfers out	-	-	-	(37,343)	(50,000)	(75,875)
Total other financing sources and uses	<u>42,696</u>	<u>75,875</u>	<u>-</u>	<u>(37,343)</u>	<u>(50,000)</u>	<u>(75,875)</u>
Net change in fund balance	26,417	75,875	(42,413)	(38,181)	(276,041)	(73,682)
Fund balance - beginning	24,635	1	260,919	444,312	504,232	290,565
Fund balance - ending	<u>\$ 51,052</u>	<u>\$ 75,876</u>	<u>\$ 218,506</u>	<u>\$ 406,151</u>	<u>\$ 228,191</u>	<u>\$ 216,883</u>

	<u>Drainage Improvement Fund (422)</u>	<u>Capital Improvement Fund (425)</u>	<u>Tax Increment Fund (217)</u>	<u>Library Endowment (215)</u>	<u>Cemetery Perpetual (820)</u>	<u>Total-Other Governmental Funds</u>
REVENUES						
Taxes	\$ -	\$ -	\$ 44,028	\$ -	\$ -	\$ 918,780
Charges for services	-	35,640	-	-	-	86,350
Fines and forfeitures	-	-	-	-	-	33,870
Investment income	-	2,303	-	224	1,133	14,929
Miscellaneous	-	-	-	-	-	200
Total revenues	<u>-</u>	<u>37,943</u>	<u>44,028</u>	<u>224</u>	<u>1,133</u>	<u>1,054,129</u>
EXPENDITURES						
Current:						
Streets	11,331	-	-	-	-	11,331
Public Safety	-	-	-	-	-	331,113
General government	-	-	36,216	-	-	308,301
Capital Outlay	15,594	730,361	-	-	-	1,334,029
Debt Service:						
Principal	-	-	-	-	-	57,071
Interest	-	-	-	-	-	5,816
Total Expenditures	<u>26,925</u>	<u>730,361</u>	<u>36,216</u>	<u>-</u>	<u>-</u>	<u>2,047,661</u>
Excess (deficiency) of revenues over expenditures	<u>(26,925)</u>	<u>(692,418)</u>	<u>7,812</u>	<u>224</u>	<u>1,133</u>	<u>(993,532)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	635,100	-	-	-	753,671
Transfers out	-	-	(11,000)	-	-	(174,218)
Total other financing sources and uses	<u>-</u>	<u>635,100</u>	<u>(11,000)</u>	<u>-</u>	<u>-</u>	<u>579,453</u>
Net change in fund balance	(26,925)	(57,318)	(3,188)	224	1,133	(414,079)
Fund balance - beginning	28,607	208,425	7,317	31,252	156,944	1,955,209
Fund balance - ending	<u>\$ 1,682</u>	<u>\$ 149,107</u>	<u>\$ 4,129</u>	<u>\$ 31,476</u>	<u>\$ 158,077</u>	<u>\$ 1,541,130</u>

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Combining Balance Sheet – General Fund Accounts – June 30, 2013

	<u>General Fund</u>	<u>NWCC Repair and Maintenance Account (209)</u>	<u>Lake Account (213)</u>	<u>Sales Tax 1/4 Cent Account (415)</u>
ASSETS				
Cash and cash equivalents	\$ 2,110,381	\$ -	\$ 208	\$ 197,593
Investments	289,552	-	-	-
Due from other funds	33,969	-	-	-
Due from other governments	1,302,226	-	-	75,272
Franchise tax receivable	96,777	-	-	-
Court fine receivable, net	393,912	-	-	-
Other receivables	453	-	-	-
Total assets	<u>4,207,250</u>	<u>-</u>	<u>208</u>	<u>272,865</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE				
Liabilities:				
Accounts payable	162,712	-	208	-
Accrued payroll payable	123,709	-	-	-
Due to other funds	451,623	-	-	-
Refundable court bonds	3,885	-	-	-
Total liabilities	<u>741,929</u>	<u>-</u>	<u>208</u>	<u>-</u>
Deferred inflows of resources:				
Deferred revenue	<u>359,362</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:				
Restricted	-	-	-	272,865
Assigned	1,045,961	-	-	-
Unassigned	<u>2,059,998</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>3,105,959</u>	<u>-</u>	<u>-</u>	<u>272,865</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 4,207,250</u>	<u>\$ -</u>	<u>\$ 208</u>	<u>\$ 272,865</u>

	<u>Sales Tax Reserve Account (612)</u>	<u>Cemetery Everlasting Care Account (821)</u>	<u>Gifts and Contributions Account (210)</u>	<u>Total General Fund Accounts</u>
ASSETS				
Cash and cash equivalents	\$ 641,384	\$ 30,073	\$ 3,961	\$ 2,983,580
Investments	33	57,872	20,202	347,659
Due from other funds	-	-	-	33,969
Due from other governments	-	-	-	1,377,498
Franchise tax receivable	-	-	-	96,777
Court fine receivable, net	-	-	-	393,912
Other receivables	-	-	-	914,361
Total assets	<u>913,908</u>	<u>-</u>	<u>-</u>	<u>914,361</u>
	<u>1,555,325</u>	<u>87,945</u>	<u>24,163</u>	<u>6,147,756</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE				
Liabilities:				
Accounts payable	21,870	-	9,053	193,843
Accrued payroll payable	-	-	-	123,709
Due to other funds	-	-	-	451,623
Refundable court bonds	-	-	-	3,885
Total liabilities	<u>21,870</u>	<u>-</u>	<u>9,053</u>	<u>773,060</u>
Deferred inflows of resources:				
Deferred revenue	<u>810,278</u>	<u>-</u>	<u>-</u>	<u>1,169,640</u>
Fund Balance:				
Restricted	723,177	85,607	15,110	1,096,759
Assigned	-	2,338	-	1,048,299
Unassigned	-	-	-	2,059,998
Total fund balance	<u>723,177</u>	<u>87,945</u>	<u>15,110</u>	<u>4,205,056</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 1,555,325</u>	<u>\$ 87,945</u>	<u>\$ 24,163</u>	<u>\$ 6,147,756</u>

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund
Accounts – For the Year Ended June 30, 2013

	<u>General Fund</u>	<u>NWCC Repair and Maintenance Account (209)</u>	<u>Lake Account (213)</u>	<u>Sales Tax 1/4 Cent Account (415)</u>
REVENUES				
Taxes	\$ 10,150,259	\$ -	\$ -	\$ 588,102
Intergovernmental	1,094,620	-	-	-
Licenses and permits	289,385	-	-	-
Charges for services	58,245	-	-	-
Fines and forfeitures	340,812	-	-	-
Investment Income	34,825	-	385	4,208
Royalties	216,702	-	-	-
Miscellaneous	510,645	2,087	4,108	-
Total revenues	<u>12,695,493</u>	<u>2,087</u>	<u>4,493</u>	<u>592,310</u>
EXPENDITURES				
Current:				
General government	1,989,995	1,447	-	-
Public Safety	8,097,714	-	-	-
Streets	806,826	-	-	-
Culture, parks, and recreation	1,139,428	-	15,004	-
Capital outlay	279,907	-	-	14,790
Debt Service:				
Principal	61,407	-	-	-
Interest	6,740	-	-	-
Total Expenditures	<u>10,382,017</u>	<u>1,447</u>	<u>15,004</u>	<u>14,790</u>
Excess (deficiency) of revenues over expenditures	<u>2,313,476</u>	<u>640</u>	<u>(10,511)</u>	<u>577,520</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	608,656	-	-	-
Transfers out	(3,748,935)	(2,182)	(33,182)	(1,143,890)
Total other financing sources and uses	<u>(3,140,279)</u>	<u>(2,182)</u>	<u>(33,182)</u>	<u>(1,143,890)</u>
Net change in fund balances	(826,803)	(1,542)	(43,693)	(566,370)
Fund balances - beginning	3,932,762	1,542	43,693	839,235
Fund balances - ending	<u>\$ 3,105,959</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 272,865</u>

	<u>Sales Tax Reserve Account (612)</u>	<u>Cemetery Everlasting Care Account (821)</u>	<u>Gifts and Contributions Account (210)</u>	<u>Total General Fund Accounts</u>
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 10,738,361
Intergovernmental	3,286	-	-	1,097,906
Licenses and permits	-	-	-	289,385
Charges for services	-	9,930	-	88,175
Fines and forfeitures	-	-	-	340,812
Investment Income	6,736	928	603	47,685
Royalties	-	-	-	216,702
Miscellaneous	103,630	-	51,989	672,459
Total revenues	<u>113,652</u>	<u>10,858</u>	<u>52,592</u>	<u>13,471,485</u>
EXPENDITURES				
Current:				
General government	87,744	-	-	2,079,186
Public Safety	-	-	3,549	6,101,263
Streets	-	-	-	806,826
Culture, parks, and recreation	-	-	21,562	1,175,994
Capital outlay	167,756	-	27,038	489,491
Debt Service:				
Principal	-	-	-	61,407
Interest	-	-	-	6,740
Total Expenditures	<u>255,500</u>	<u>-</u>	<u>52,149</u>	<u>10,720,907</u>
Excess (deficiency) of revenues over expenditures	<u>(141,848)</u>	<u>10,858</u>	<u>443</u>	<u>2,750,578</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	608,656
Transfers out	-	-	(43,008)	(4,971,197)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(43,008)</u>	<u>(4,362,541)</u>
Net change in fund balances	(141,848)	10,858	(42,565)	(1,611,963)
Fund balances - beginning	865,025	77,087	57,675	5,817,019
Fund balances - ending	<u>\$ 723,177</u>	<u>\$ 87,945</u>	<u>\$ 15,110</u>	<u>\$ 4,205,056</u>

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013

Combining Schedule of Net Position – El Reno Municipal Authority– June 30, 2013

	<u>EREF</u>	<u>ERMA Sales Tax</u>	<u>Utility Deposit</u>	<u>MA Tax Sur. PW Fac</u>	<u>SRF OWRB Loans Fund</u>	<u>Total</u>
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 695,917	\$ 1,129,267	\$ -	\$ -	\$ -	\$ 1,825,184
Restricted cash and cash equivalents	1,783,542	-	279,700	9,854	-	2,073,096
Investments	94,602	977,127	-	-	-	1,071,729
Due from other funds	-	451,623	-	-	-	451,623
Accounts Receivable, net	813,788	-	-	-	-	813,788
Total current assets	3,387,849	2,558,017	279,700	9,854	-	6,235,420
Non-current assets:						
Restricted Investments	-	-	7,862	-	-	7,862
Capital Assets:						
Land and construction in progress	3,304,511	-	-	-	-	3,304,511
Other capital assets, net of accumulated depr	20,063,102	-	-	-	-	20,063,102
Total non-current assets	23,367,613	-	7,862	-	-	23,375,475
Total assets	26,755,462	2,558,017	287,562	9,854	-	29,610,895
DEFERRED OUTFLOW OF RESOURCES						
Deferred amount on refunding	55,234	-	-	-	-	55,234
LIABILITIES						
Current Liabilities:						
Accounts payable	203,484	155,222	-	-	-	358,706
Accrued payroll payable	21,241	-	-	-	-	21,241
Accrued interest payable	613,198	-	-	-	-	613,198
Current portion of:						
Refundable grant obligation	13,873	-	-	-	-	13,873
Notes payable	356,817	-	-	-	-	356,817
Revenue bonds payable	1,822,300	-	-	-	-	1,822,300
Capital Lease Obligations	22,155	-	-	-	-	22,155
Accrued compensated absences	9,980	-	-	-	-	9,980
Total current liabilities	3,063,048	155,222	-	-	-	3,218,270
Non-current liabilities:						
Deposits subject to refund	19,959	-	286,704	-	-	306,663
Refundable grant obligation	42,410	-	-	-	-	42,410
Notes payable	4,276,149	-	-	-	-	4,276,149
Revenue bonds payable, net	28,406,250	-	-	-	-	28,406,250
Capital Lease Obligations	49,892	-	-	-	-	49,892
Accrued compensated absences	89,818	-	-	-	-	89,818
Total non-current liabilities	32,884,478	-	286,704	-	-	33,171,182
Total liabilities	35,947,526	155,222	286,704	-	-	36,389,452
NET POSITION						
Net investment in capital assets	13,018,368	-	-	-	-	13,018,368
Restricted for debt service	1,459,898	-	-	-	-	1,459,898
Unrestricted (deficit)	(23,615,096)	2,402,795	858	9,854	-	(21,201,589)
Total net position	\$ (9,136,830)	\$ 2,402,795	\$ 858	\$ 9,854	\$ -	\$ (6,723,323)

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013

Combining Schedule of Revenues, Expenses, and Changes in Net Position – El Reno Municipal Authority - Year Ended June 30, 2013

	<u>EREF</u>	<u>ERMA Sales Tax</u>	<u>Utility Deposit</u>	<u>MA Tax Sur. PW Fac</u>	<u>SRF OWRB Loans Fund (429)</u>	<u>Total</u>
OPERATING REVENUES						
Water charges	\$ 2,892,236	\$ -	\$ -	\$ -	\$ -	\$ 2,892,236
Sewer charges	1,259,674	-	-	-	-	1,259,674
Sanitation	981,294	-	-	-	-	981,294
Water and sewer taps	6,375	-	-	-	-	6,375
Transfer fees	3,975	-	-	-	-	3,975
Returned check charges	2,175	-	-	-	-	2,175
Cut off charges	34,200	-	-	-	-	34,200
Penalties	87,132	-	-	-	-	87,132
Miscellaneous	161,941	-	-	-	-	161,941
Total operating revenues	<u>5,409,002</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,409,002</u>
OPERATING EXPENSES						
Managerial	168,094	-	-	-	-	168,094
Administration	153,844	-	-	-	-	153,844
Billing	770,842	-	-	-	-	770,842
Water Plant	1,109,982	-	-	-	-	1,109,982
Wastewater	523,767	-	-	-	-	523,767
Utility Lines	486,556	-	-	-	-	486,556
Depreciation expense	947,803	-	-	-	-	947,803
Total Operating Expenses	<u>4,160,888</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,160,888</u>
Operating Income	<u>1,248,114</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,248,114</u>
NON-OPERATING REVENUES (EXPENSES)						
Investment income	8,113	25,614	-	1	-	33,728
Gain (loss) on sale of land	(7,969)	-	-	-	-	(7,969)
Interest expense and fiscal charges	(1,387,540)	-	-	-	-	(1,387,540)
Total non-operating revenue (expenses)	<u>(1,387,396)</u>	<u>25,614</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>(1,361,781)</u>
Income (loss) before contributions and transfers	<u>(139,282)</u>	<u>25,614</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>(113,667)</u>
Capital contributions	-	704,427	-	-	-	704,427
Transfers in	7,373,266	3,528,612	-	-	-	10,901,878
Transfers out	(442,950)	(5,532,447)	-	-	-	(5,975,397)
Change in net position	<u>6,791,034</u>	<u>(1,273,794)</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>5,517,241</u>
Total net position (deficit) - beginning, restated	<u>(15,927,864)</u>	<u>3,676,589</u>	<u>858</u>	<u>9,853</u>	<u>-</u>	<u>(12,240,564)</u>
Total net position (deficit) - ending	<u>\$ (9,136,830)</u>	<u>\$ 2,402,795</u>	<u>\$ 858</u>	<u>\$ 9,854</u>	<u>\$ -</u>	<u>\$ (6,723,323)</u>

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013

Combining Statement of Net Position – Internal Service Funds – June 30, 2013

	<u>Self Insurance</u> <u>Worker's Comp</u>	<u>Self Insurance</u> <u>Health</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 76,084	\$ -	\$ 76,084
Total current assets	<u>76,084</u>	<u>-</u>	<u>76,084</u>
Total assets	<u><u>76,084</u></u>	<u><u>-</u></u>	<u><u>76,084</u></u>
LIABILITIES			
Current Liabilities:			
Current portion of:			
Claims liability	<u>91,111</u>	<u>-</u>	<u>91,111</u>
Total current liabilities	<u>91,111</u>	<u>-</u>	<u>91,111</u>
Non-current liabilities:			
Claims liability	<u>342,587</u>	<u>-</u>	<u>342,587</u>
Total non-current liabilities	<u>342,587</u>	<u>-</u>	<u>342,587</u>
Total liabilities	<u><u>433,698</u></u>	<u><u>-</u></u>	<u><u>433,698</u></u>
NET POSITION			
Unrestricted (deficit)	<u>(357,614)</u>	<u>-</u>	<u>(357,614)</u>
Total net position	<u><u>\$ (357,614)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (357,614)</u></u>

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013

Combining Statement of Changes in Net Position – Internal Service Funds – Year Ended June 30, 2013

	<u>Self Insurance Worker's Comp</u>	<u>Self Insurance Health</u>	<u>Total</u>
REVENUES			
Self insurance charges	\$ 151,425	986,275	\$ 1,137,700
Total operating revenues	<u>151,425</u>	<u>986,275</u>	<u>1,137,700</u>
OPERATING EXPENSES			
Claims expenses	86,086	976,719	1,062,805
Total operating expenses	<u>86,086</u>	<u>976,719</u>	<u>1,062,805</u>
Operating income	<u>65,339</u>	<u>9,556</u>	<u>74,895</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment income	1,566	1,051	2,617
Total non-operating revenue (expenses)	<u>1,566</u>	<u>1,051</u>	<u>2,617</u>
Income before contributions and transfers	66,905	10,607	77,512
Transfers in	100,000	-	100,000
Transfers out	-	(137,335)	(137,335)
Change in net position	166,905	(126,728)	40,177
Total net position (deficit) - beginning	(524,519)	126,728	(397,791)
Total net position (deficit) - ending	<u>\$ (357,614)</u>	<u>\$ -</u>	<u>\$ (357,614)</u>

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013

Schedule of Expenditures of Federal and State Awards – Year Ended June 30, 2013

Federal/State Grantor/Pass Thru Agency Grantor/Program Title	Federal CFDA Number	Project or Award Number	Award Amount	Awards Expended
FEDERAL AWARDS:				
<u>U.S. DEPARTMENT OF JUSTICE:</u>				
Bullet-Proof Vest Partnership Program	16.607		\$ 2,935	\$ 1,100
<u>U.S. DEPARTMENT OF EMERGENCY MANAGEMENT:</u>				
Passed through Oklahoma Department of Emergency Management: Staffing for Adequate Fire and Emergency Response	97.083	EMW-2008-00386	650,280	89,132
Total U.S. Department of Emergency Management			650,280	89,132
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Passed through Oklahoma Department of Transportation Byways - Rouse 66: Youngheim Centennial Plaza	20.205	SB-L970(020)DC	8,000	5,475
Total Federal Awards			\$ 661,215	\$ 95,707

State Grantor/Pass Thru Agency Grantor/Program Title	Project or Award Number	Award Amount	Awards Expended
STATE AWARDS:			
<u>OKLAHOMA DEPARTMENT OF LIBRARIES</u>			
State Aid	N/A	\$ 14,016	\$ 14,016
State Aid	N/A	1,382	1,382
Continuing education conference grant	N/A	510	510
Threats to Your Collection	N/A	500	500
e-Book Service	N/A	3,000	3,000
Total Oklahoma Department of Libraries		19,408	19,408
Disaster Recovery - 2011 Tornado	1989-0017(0)-S	2,459	2,459
Disaster Recovery - 2011 Tornado	1989-00019(0)-S	291	291
Disaster Recovery - 2011 Tornado	1989-00028(0)-S	3,286	3,286
		6,036	6,036
Total State Awards		\$ 25,444	\$ 25,444

Footnotes to Schedule of Expenditures of Federal and State Awards:

1. The Schedule of Expenditures of Federal and State Awards is prepared on an accrual basis of accounting. The expenditures are recorded when the liability is incurred regardless of when the award proceeds are received.
2. The City has not been notified of any noncompliance with federal and state award requirements. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

**CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

INTERNAL CONTROL AND COMPLIANCE INFORMATION



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

To the Honorable Mayor and City Council
City of El Reno, 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 City of El Reno, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of El Reno, Oklahoma's basic financial statements, and have issued our report thereon dated February 14, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

HBC CPA & Advisors

Yukon, Oklahoma
February 14, 2014