

THE CITY OF EL RENO, OKLAHOMA

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

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

**CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

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**CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

TABLE OF CONTENTS

	Page
Independent Auditor's Report on Financial Statements.....	5-6
Required Supplementary Information:	
Management's Discussion and Analysis	7-16
The Basic Financial Statements:	
 Government-Wide Financial Statements:	
Statement of Net Position	18
Statement of Activities	19
 Governmental Funds Financial Statements:	
Balance Sheet	21
Statement of Revenues, Expenditures and Changes in Fund Balance.....	22
Reconciliation of Governmental Fund and Government-Wide Financial Statements.....	23-24
 Proprietary Funds Financial Statements:	
Statement of Net Position.....	26
Statement of Revenues, Expenses and Changes in Net Position.....	27
Statement of Cash Flows.....	28-29
 Fiduciary Fund Financial Statements:	
Statement of Net Position.....	31
Statement of Changes in Fiduciary Net Position.....	31
Footnotes to the Basic Financial Statements	33-57
Required Supplementary Information:	
 Budgetary Comparison Information	
Budgetary Comparison Schedule – General Fund.....	59
Footnotes to Budgetary Comparison Schedules.....	59-60
 Pension Plan Information	
Schedule of Pension Plan Funding Progress.....	60

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

Other Supplementary Information:

Nonmajor Governmental Combining Statements

Combining Balance Sheet – Nonmajor Governmental Funds.....	62
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	
– Nonmajor Governmental Funds.....	63

General Fund Accounts Combining Schedules

Combining Balance Sheet – General Fund Accounts.....	64
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance	
– General Fund Accounts.....	64

Enterprise Fund Combining Schedules – El Reno Municipal Authority Accounts

Combining Schedule of Net Position – El Reno Municipal Authority.....	65
Combining Schedule of Revenues, Expenditures and Changes in Net Position	
– El Reno Municipal Authority.....	66

Federal and State Awards Information

Schedule of Expenditures of Federal and State Awards.....	67
Footnotes to Schedule of Expenditures of Federal and State Awards	

Schedule of Debt Service Coverage Requirements.....	68
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Internal Control and Compliance Information:

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements.....	71-72
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of El Reno, Oklahoma, (the "City") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2014, 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, budgetary comparison information, and the pension plan funding progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is 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 January 28, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Arledge & Associates, P.C.
January 28, 2015

**CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

MANAGEMENT DISCUSSION AND ANALYSIS

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

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, 2014. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2014, the City's total net position increased by \$520,388 or 1.2% from the prior year.
- During the year, the City's expenses for governmental activities were \$16 million and were funded by program revenues of \$2.3 million and further funded with taxes and other general revenues and transfers that totaled \$14.4 million.
- In the City's business-type activities, such as utilities, hospital, airport, and golf program revenues excluding transfers exceeded expenditures by \$1,192,953.
- Sales and use taxes increased by approximately \$133,000 or 1.3% over the prior fiscal year. This translates into an increase in taxable sales of \$3.3 million from the prior year.
- At June 30, 2014, the General Fund reported an unassigned fund balance of \$1.6 million, which is a decrease of \$487,323 or 24% from the prior year.
- For budgetary reporting purposes, the General Fund reported revenues under estimates of \$897,125 or 6%, while expenditures were under the final appropriations by approximately \$839,971 or 5%.

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.)

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

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.)

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

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.)

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

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 \$42 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.)
	2014	2013		2014	2013		2014	2013	
Current assets	\$ 10,147	\$ 7,936	28%	\$ 8,267	\$ 6,690	24%	\$ 18,414	\$ 14,626	26%
Capital assets, net	34,843	35,651	-2%	31,624	31,085	2%	66,467	66,736	0%
Total assets	44,990	43,587	3%	39,891	37,775	6%	84,881	81,362	4%
Deferred outflow of resources	-	-	0%	47	55	-15%	47	55	-15%
Current liabilities	1,295	901	44%	4,005	3,509	14%	5,300	4,410	20%
Non-current liabilities	1,681	1,286	31%	35,743	34,037	5%	37,424	35,323	6%
Total liabilities	2,976	2,187	36%	39,748	37,546	6%	42,724	39,733	8%
Net position									
Net investment in capital assets	34,358	35,334	-3%	20,797	19,750	5%	27,976	30,548	-8%
Restricted	7,615	2,798	172%	1,665	1,460	14%	9,280	4,258	118%
Unrestricted	40	3,268	-99%	(22,271)	(20,927)	-6%	4,948	6,877	-28%
Total net position	\$ 42,013	\$ 41,400	1%	\$ 191	\$ 283	33%	\$ 42,204	\$ 41,683	1%

The largest portion of the City's net position reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment). For 2014, this net investment in capital assets amounted to \$27.9 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.

The net position does not foot across in the total columns due to the exclusion from the business type activities the debt that was used to pay for governmental capital assets. Please see note 8.G for more detailed information.

(Unaudited. See accompanying auditor's report.)

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

The increase in governmental activities current assets of approximately \$2 million or 28% is due to the increase in cash and cash equivalents in the 2013 Sales Tax Revenue cash account of approximately \$4.3 million netting with a decrease in General Fund cash of \$1.4 million. This decrease was due mainly to an increase in personal services expense in the Fire and Police of approximately \$670,000 and an increase in transfers to other funds of approximately \$1 million. The \$4.3 million 2013 Sales Tax Revenue Note is the reason for the large increase in the restricted net position in governmental activities also. The increase in current and non-current liabilities is primarily due to the City having to repay sales tax that was remitted to them in error totaling \$812,591.

The increase in business-type activities current assets of approximately \$1.6 million or 24% is primarily due to the increase in cash and cash equivalents in the ERMA Sales Tax cash account of approximately \$1.1 million and the Hospital Authorities cash account of \$696,592. This was a result of less funds being transferred out of the ERMA Sales Tax and the hospital receiving insurance money for the damage from the storm in the prior year.

Changes in Net Position

For the year ended June 30, 2014, net position of the primary government changed as follows:

TABLE 2
CHANGES IN NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2014	2013		2014	2013		2014	2013	
Revenues									
Charges for service	\$ 1,040	\$ 949	10%	\$ 7,132	\$ 7,069	1%	\$ 8,172	\$ 8,018	2%
Operating grants and contributions	1,088	888	23%	5	1	400%	1,093	889	23%
Capital grants and contributions	130	67	94%	969	704	38%	1,099	771	43%
Taxes	11,920	11,660	2%	-	-	-	11,920	11,660	2%
Intergovernmental revenue	181	184	-2%	-	-	-	181	184	-2%
Investment income	32	64	-50%	24	36	-33%	56	100	-44%
Miscellaneous	417	1,603	-74%	554	-	1	971	1,603	-39%
Total revenues	14,808	15,415	-4%	8,684	7,810	11%	23,492	23,225	1%
Expenses									
General government	3,597	2,406	50%	-	-	-	3,597	2,406	50%
Public safety	7,740	6,883	12%	-	-	-	7,740	6,883	12%
Streets	1,778	1,729	3%	-	-	-	1,778	1,729	3%
Culture, parks and recreation	1,841	1,771	4%	-	-	-	1,841	1,771	4%
Interest on long-term debt	1,103	1,085	2%	-	-	-	1,103	1,085	2%
Water	-	-	-	2,461	2,375	4%	2,461	2,375	4%
Wastewater	-	-	-	1,731	1,434	21%	1,731	1,434	21%
Sanitation	-	-	-	702	710	-1%	702	710	-1%
Golf	-	-	-	984	770	28%	984	770	28%
Airport	-	-	-	555	586	-5%	555	586	-5%
Hospital	-	-	-	480	581	-17%	480	581	-17%
Total expenses	16,059	13,874	16%	6,913	6,456	7%	22,972	20,330	13%
Excess (deficiency) before transfers	(1,251)	1,541	-181%	1,771	1,354	31%	520	2,895	-82%
Transfers	1,864	(5,228)	-136%	(1,864)	5,228	136%	-	-	-
Increase (decrease) in net position	\$ 613	\$ (3,687)	-117%	\$ (93)	\$ 6,582	101%	\$ 520	\$ 2,895	-82%

(Unaudited. See accompanying auditor's report.)

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

The decrease in miscellaneous revenue for governmental activities of approximately \$1.2 million or 74% is due to insurance reimbursements related to the 5/31/13 tornado of approximately \$913,908 received in the prior year.

The significant change in transfers and net position in both business-type and governmental activities is a result of the 2013 bond issue which was transferred to the 2013 STRN Fund from the ERMA in the amount of \$4.5 million.

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.)
	2014	2013		2014	2013	
	\$	\$		\$	\$	
General government	\$ 3,597	\$ 2,406	50%	\$ (2,845)	\$ (2,026)	40%
Public safety	7,740	6,883	12%	(6,634)	(5,719)	16%
Streets	1,778	1,729	3%	(1,575)	(1,558)	1%
Culture, parks and recreation	1,841	1,771	4%	(1,644)	(1,583)	4%
Interest on long-term debt	1,103	1,085	2%	(1,103)	(1,085)	2%
Total	\$ 16,059	\$ 13,874	16%	\$ (13,801)	\$ (11,971)	15%

For the year ended June 30, 2014, total expenses for governmental activities amounted to \$16 million which is an increase of approximately \$2,184,477 from the prior year. Some of the more significant changes are noted above.

(Unaudited. See accompanying auditor's report.)

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

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.
				2014	2013	
Water	\$ 2,461	\$ 2,375	4%	\$ 520	\$ 670	-22%
Wastewater	1,731	1,434	21%	894	598	49%
Sanitation	702	710	-1%	246	326	-25%
Golf	984	770	28%	(338)	(246)	37%
Airport	555	586	-5%	(282)	(298)	-5%
Hospital	480	581	-17%	153	269	-43%
Total	\$ 6,913	\$ 6,456	7%	\$ 1,193	\$ 1,319	-10%

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 revenue excluding transfers of \$1,192,953 for the year ended June 30, 2014.
- Water, wastewater, sanitation and hospital activities reported net revenue for the year ended June 30, 2014, and the Golf and Airport activities reported net expense.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2014 fiscal year, the governmental funds reported a combined fund balance of \$9.4 million or a 55% increase from the prior year. The enterprise funds reported combined net position of \$190,665 or a 32.7% decrease from 2013.

Other fund highlights include:

- For the year ended June 30, 2014, the 2013 Series STRN Bond Fund total fund balance increased by \$4.3 million or 100% due to the transfer in of the 2013 STRN proceeds.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the General Fund budget various times. The revised budget included an increase in overall revenue projections of 1% or \$70,755 and an increase in appropriations of 3% or \$479,997. Actual revenues were under estimates by \$897,125 or 6%, while expenditures were under final appropriations by \$839,971 or 5%.

(Unaudited. See accompanying auditor's report.)

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2014, the City had \$66 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 is consistent with last year.

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

	Governmental		Business-Type		Total	
	<u>Activities</u>	<u>2014</u>	<u>Activities</u>	<u>2014</u>	<u>2013</u>	<u>2013</u>
Land	\$ 927	\$ 927	\$ 825	\$ 825	\$ 1,752	\$ 1,752
Buildings	15,119	15,559	2,195	2,370	17,314	17,929
Imp. other than buildings	5,126	5,439	4,645	4,937	9,771	10,376
Machinery, furniture and equipment	2,171	1,717	2,558	2,605	4,729	4,322
Infrastructure	11,373	11,951	-	-	11,373	11,951
Intangible water rights	-	-	158	162	158	162
Utility property	-	-	20,021	17,635	20,021	17,635
Construction in progress	126	57	1,222	2,551	1,348	2,608
Totals	\$ 34,842	\$ 35,650	\$ 31,624	\$ 31,085	\$ 66,466	\$ 66,735

This year's more significant capital asset additions included:

2014 Case Backhoe
 New police vehicles
 Street Projects
 Water and Wastewater Improvements

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

(Unaudited. See accompanying auditor's report.)

**CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

Long- Term Debt

At year-end, the City had \$41 million in long-term debt outstanding which represents a \$3.1 million or 8% increase from the prior year. The City's changes in long-term debt by type of debt are as follows:

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>Total Percentage Change</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	
Accrued absences	\$ 956	\$ 832	\$ 73	\$ 108	\$ 1,029	\$ 940	9%
Sales tax refund payable	813	-	-	-	813	-	100%
Insurance claims liability	435	434	-	-	435	434	0%
Judgment claims liability	-	-	-	100	-	100	-100%
Revenue bonds	-	-	32,925	30,248	32,925	30,248	9%
Notes payable	-	-	5,106	5,619	5,106	5,619	-9%
Refundable grant obligation	-	-	42	56	42	56	-25%
Deposits subject to refund	-	-	330	307	330	307	7%
Capital leases	484	317	50	72	534	389	37%
Totals	\$ 2,688	\$ 1,583	\$ 38,526	\$ 36,510	\$ 41,214	\$ 38,093	8%

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 2011 and 2013 bond issues capital improvement projects to meet the needs of the citizens.
- The Municipal Authority will be issuing \$21,530,000 loan with Oklahoma Water Resource Board to meet DEQ requirements regarding their wastewater needs, with the process to start mid-year and should take about two years to complete.

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, 2014**

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

Statement of Net Position– June 30, 2014

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 8,278,372	\$ 6,442,676	\$ 14,721,048
Investments	274,071	445,791	719,862
Accounts receivable, net of allowance	3,344	845,161	848,505
Franchise tax receivable	105,353	-	105,353
Court fine receivable, net of allowance	414,662	-	414,662
Internal balances	(441,250)	441,250	-
Due from other governments	1,512,092	-	1,512,092
Inventory	-	63,153	63,153
Prepaid expense	-	875	875
Restricted investments	-	28,075	28,075
Capital assets:			
Land and construction in progress	1,053,351	2,046,749	3,100,100
Other capital assets, net of depreciation	<u>33,789,169</u>	<u>29,577,658</u>	<u>63,366,827</u>
Total Capital Assets	<u>34,842,520</u>	<u>31,624,407</u>	<u>66,466,927</u>
Total Assets	<u>44,989,164</u>	<u>39,891,388</u>	<u>84,880,552</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	-	47,343	47,343
LIABILITIES			
Accounts payable	117,350	538,718	656,068
Accrued payroll liabilities	163,016	38,503	201,519
Accrued interest payable	-	661,530	661,530
Due to other governments	2,281	-	2,281
Refundable court bonds	4,216	-	4,216
Unearned revenue	1,668	736	2,404
Long-term liabilities:			
Due within one year	1,006,668	2,765,150	3,771,818
Due in more than one year	<u>1,680,664</u>	<u>35,743,429</u>	<u>37,424,093</u>
Total liabilities	<u>2,975,863</u>	<u>39,748,066</u>	<u>42,723,929</u>
NET POSITION			
Net investment in capital assets (see note 8.G concerning total column)	34,358,326	20,797,197	27,976,473
Restricted by:			
Enabling legislation	35,839	-	35,839
External contracts and groups:			
Permanent fund - nonexpendable	182,939	-	182,939
Permanent fund - expendable	6,934	-	6,934
Other contracts/groups	7,389,710	1,664,615	9,054,325
Unrestricted (deficit) (see note 8.G concerning total column)	<u>39,553</u>	<u>(22,271,147)</u>	<u>4,947,456</u>
Total net position	<u>\$ 42,013,301</u>	<u>\$ 190,665</u>	<u>\$ 42,203,966</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, 2014

Statement of Activities –Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services		Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government							
Governmental Activities							
General Government	\$ 3,596,526	\$ 486,220	\$ 256,745	\$ 9,052	\$ (2,844,509)	\$ -	\$ (2,844,509)
Public Safety	7,739,738	429,004	665,023	11,848	(6,633,863)	-	(6,633,863)
Streets	1,778,302	-	148,918	54,009	(1,575,375)	-	(1,575,375)
Culture, parks and recreation	1,840,761	124,666	17,136	55,381	(1,643,578)	-	(1,643,578)
Interest on long-term debt	1,103,642	-	-	-	(1,103,642)	-	(1,103,642)
Total governmental activities	<u>16,058,969</u>	<u>1,039,890</u>	<u>1,087,822</u>	<u>130,290</u>	<u>(13,800,967)</u>	<u>-</u>	<u>(13,800,967)</u>
Business-type activities							
Water	2,460,788	2,980,499	-	-	-	519,711	519,711
Wastewater	1,731,081	1,656,503	-	968,987	-	894,409	894,409
Sanitation	701,607	948,046	-	-	-	246,439	246,439
Golf	984,129	641,073	5,000	-	-	(338,056)	(338,056)
Airport	555,000	272,538	-	-	-	(282,462)	(282,462)
Hospital	480,128	633,040	-	-	-	152,912	152,912
Total business-type activities	<u>6,912,733</u>	<u>7,131,699</u>	<u>5,000</u>	<u>968,987</u>	<u>-</u>	<u>1,192,953</u>	<u>1,192,953</u>
Total primary government	<u>22,971,702</u>	<u>8,171,589</u>	<u>1,092,822</u>	<u>1,099,277</u>	<u>(13,800,967)</u>	<u>1,192,953</u>	<u>(12,608,014)</u>
General revenues:							
Taxes:							
Sales and use taxes				10,660,030	-	10,660,030	
Property taxes				62,123	-	62,123	
Franchise and public service taxes				835,081	-	835,081	
Hotel/motel taxes				363,237	-	363,237	
Intergovernmental revenue not restricted to specific programs				180,722	-	180,722	
Investment income				32,011	24,174	56,185	
Miscellaneous				416,553	554,471	971,024	
Transfers - Internal activity				1,864,163	(1,864,163)	-	
Total general revenues and transfers				<u>14,413,920</u>	<u>(1,285,518)</u>	<u>13,128,402</u>	
Change in net position				612,953	(92,565)	520,388	
Net position - beginning				<u>41,400,348</u>	<u>283,230</u>	<u>41,683,578</u>	
Net position - ending				<u>\$ 42,013,301</u>	<u>\$ 190,665</u>	<u>\$ 42,203,966</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, 2014**

BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

Governmental Funds Balance Sheet - June 30, 2014

	<u>General Fund</u>	<u>2013 Series STRN Bond Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 2,700,717	\$ 4,340,904	\$ 1,186,180	\$ 8,227,801
Investments	117,590	-	156,481	274,071
Due from other funds	34,713	-	-	34,713
Due from other governments	1,423,749	-	79,204	1,502,953
Franchise tax receivable	113,806	-	686	114,492
Court fine receivable, net	414,662	-	-	414,662
Other receivables	3,344	-	-	3,344
Total assets	<u>4,808,581</u>	<u>4,340,904</u>	<u>1,422,551</u>	<u>10,572,036</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE				
Liabilities:				
Accounts payable	84,837	-	18,033	102,870
Accrued payroll payable	176,829	-	2,948	179,777
Due to other funds	475,963	-	-	475,963
Refundable court bonds	4,216	-	-	4,216
Total liabilities	<u>741,845</u>	<u>-</u>	<u>20,981</u>	<u>762,826</u>
Deferred Inflows of resources:				
Deferred revenue	<u>397,860</u>	<u>-</u>	<u>-</u>	<u>397,860</u>
Fund balances:				
Nonspendable	-	-	182,939	182,939
Restricted	2,093,415	4,340,904	998,164	7,432,483
Committed	-	-	51,386	51,386
Assigned	2,786	-	169,081	171,867
Unassigned	1,572,675	-	-	1,572,675
Total fund balance	<u>3,668,876</u>	<u>4,340,904</u>	<u>1,401,570</u>	<u>9,411,350</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 4,808,581</u>	<u>\$ 4,340,904</u>	<u>\$ 1,422,551</u>	<u>\$ 10,572,036</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, 2014

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance – Year Ended June 30, 2014

	<u>General Fund</u>	<u>2013 STRN Bond Fund (413)</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 10,904,843	\$ -	\$ 1,015,857	\$ 11,920,700
Intergovernmental	1,289,801	-	54,009	1,343,810
Licenses and permits	361,979	-	-	361,979
Charges for services	76,637	-	81,689	158,326
Fines and forfeitures	299,526	-	36,834	336,360
Investment income	22,599	114	8,851	31,564
Royalties	244,103	-	-	244,103
Miscellaneous	1,185,422	-	4,123	1,189,545
Total revenues	<u>14,384,910</u>	<u>114</u>	<u>1,201,363</u>	<u>15,586,387</u>
EXPENDITURES				
Current:				
General government	2,209,017	-	422,969	2,631,986
Public safety	6,831,328	-	288,711	7,120,039
Streets	807,847	-	-	807,847
Culture, parks, and recreation	1,350,161	-	-	1,350,161
Capital outlay	431,480	-	830,021	1,261,501
Debt service:				
Principal	63,089	-	59,081	122,170
Interest	6,440	-	3,806	10,246
Total Expenditures	<u>11,699,362</u>	<u>-</u>	<u>1,604,588</u>	<u>13,303,950</u>
Excess (deficiency) of revenues over expenditures	<u>2,685,548</u>	<u>114</u>	<u>(403,225)</u>	<u>2,282,437</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	864,237	4,390,250	-	5,254,487
Transfers out	(4,085,966)	(49,460)	(368,983)	(4,504,409)
Proceeds from sale of property	-	-	289,729	289,729
Total other financing sources and uses	<u>(3,221,729)</u>	<u>4,340,790</u>	<u>(79,254)</u>	<u>1,039,807</u>
Net change in fund balance	(536,181)	4,340,904	(482,479)	3,322,244
Fund balance - beginning	4,205,057	-	1,884,049	6,089,106
Fund balance - ending	<u>\$ 3,668,876</u>	<u>\$ 4,340,904</u>	<u>\$ 1,401,570</u>	<u>\$ 9,411,350</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, 2014

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance - Net Position Reconciliation:	\$ 9,411,350
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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 \$15,860,175

34,842,520

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	(384,214)
--------------------------------------	-----------

Certain long-term liabilities are not due and payable from current financial resources and, along with certain deferred revenues, are not reported in the funds:

Deferred revenue	396,192
Capital lease obligation	(484,193)
Sales tax refund payable	(812,591)
Accrued compensated absences	(955,763)
	<hr style="border-top: 1px solid black;"/>
	(1,856,355)

Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 42,013,301</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, 2014

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, 2014

Changes in Fund Balance - Changes in Net Position Reconciliation: \$ 3,322,244

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	1,353,195
Capital assets transferred from Enterprise Fund	70,501
Book value of disposed capital assets	(49,204)
Depreciation expense	<u>(2,182,719)</u>
	<u>(808,227)</u>

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

Change in deferred revenue	(772,054)
----------------------------	-----------

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	122,171
Proceeds of sales tax refund payable	(812,591)
Proceeds of capital leases	<u>(289,729)</u>
	<u>(980,149)</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	1,462
Change in accrued compensated absences	<u>(123,723)</u>
	<u>(122,261)</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	(26,600)
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Change in net position of governmental activities	<u>\$ 612,953</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, 2014**

BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

Proprietary Funds Statement of Net Position - June 30, 2014

	ENTERPRISE FUNDS					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	Totals	
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 2,978,573	\$ 1,044,301	\$ 56,196	\$ 37,461	\$ 4,116,531	\$ 50,571
Restricted cash and cash equivalents	2,326,145	-	-	-	2,326,145	-
Investments	445,791	-	-	-	445,791	-
Due from other funds	475,219	-	-	-	475,219	-
Inventory	5,694	-	36,882	20,577	63,153	-
Prepaid expenses	-	-	-	875	875	-
Accounts receivable, net	835,296	-	9,865	-	845,161	-
Total current assets	<u>7,066,718</u>	<u>1,044,301</u>	<u>102,943</u>	<u>58,913</u>	<u>8,272,875</u>	<u>50,571</u>
Non-current assets:						
Restricted investments	28,075	-	-	-	28,075	-
Capital assets:						
Land and construction in progress	1,952,985	5,000	88,764	-	2,046,749	-
Other capital assets, net of accumulated depreciation	22,330,216	2,544,903	3,184,296	1,518,243	29,577,658	-
Total non-current assets	<u>24,311,276</u>	<u>2,549,903</u>	<u>3,273,060</u>	<u>1,518,243</u>	<u>31,652,482</u>	<u>-</u>
Total assets	<u>31,377,994</u>	<u>3,594,204</u>	<u>3,376,003</u>	<u>1,577,156</u>	<u>39,925,357</u>	<u>50,571</u>
DEFERRED OUTFLOW OF RESOURCES:						
Deferred amount on refunding	<u>47,343</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,343</u>	<u>-</u>
LIABILITIES						
Current liabilities:						
Accounts payable	466,442	465	24,140	47,956	539,003	-
Accrued payroll payable	28,714	-	137	9,367	38,218	-
Accrued interest payable	661,530	-	-	-	661,530	-
Unearned revenue	-	-	736	-	736	-
Due to other funds	-	-	-	33,969	33,969	-
Current portion of:						
Claims liability	-	-	-	-	-	110,645
Refundable grant obligation	13,873	-	-	-	13,873	-
Notes payable	346,089	43,096	48,543	-	437,728	-
Revenue bonds payable, net	2,283,600	-	-	-	2,283,600	-
Capital lease obligations	22,697	-	-	-	22,697	-
Accrued compensated absences	6,942	-	46	264	7,252	-
Total current liabilities	<u>3,829,887</u>	<u>43,561</u>	<u>73,602</u>	<u>91,556</u>	<u>4,038,606</u>	<u>110,645</u>
Non-current liabilities:						
Claims liability	-	-	-	-	-	324,140
Deposits subject to refund	330,022	-	-	-	330,022	-
Refundable grant obligation	28,537	-	-	-	28,537	-
Notes payable	3,930,061	144,663	593,286	-	4,668,010	-
Revenue bonds payable	30,624,400	-	-	-	30,624,400	-
Capital lease obligations	27,191	-	-	-	27,191	-
Accrued compensated absences	62,481	-	409	2,379	65,269	-
Total non-current liabilities	<u>35,002,692</u>	<u>144,663</u>	<u>593,695</u>	<u>2,379</u>	<u>35,743,429</u>	<u>324,140</u>
Total liabilities	<u>38,832,579</u>	<u>188,224</u>	<u>667,297</u>	<u>93,935</u>	<u>39,782,035</u>	<u>434,785</u>
NET POSITION						
Net Investment in capital assets	14,285,579	2,362,144	2,631,231	1,518,243	20,797,197	-
Restricted for debt service	1,664,615	-	-	-	1,664,615	-
Unrestricted (deficit)	(23,357,436)	1,043,836	77,475	(35,022)	(22,271,147)	(384,214)
Total net position	<u>\$ (7,407,242)</u>	<u>\$ 3,405,980</u>	<u>\$ 2,708,706</u>	<u>\$ 1,483,221</u>	<u>\$ 190,665</u>	<u>\$ (384,214)</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, 2014

Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Position - Year Ended June 30, 2014

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	\$ 2,860,162	\$ -	\$ -	\$ -	\$ 2,860,162	\$ -
Sewer charges	1,586,084	-	-	-	1,586,084	-
Sanitation charges	908,388	-	-	-	908,388	-
Airport charges	-	-	248,594	-	248,594	-
Golf Course charges	-	-	-	467,878	467,878	-
Hook and Slice Restaurant charges	-	-	-	171,346	171,346	-
Water and sewer taps	16,552	-	-	-	16,552	-
Transfer fees	4,068	-	-	-	4,068	-
Returned check charges	2,112	-	-	-	2,112	-
Cut off charges	54,773	-	-	-	54,773	-
Penalties and interest	84,629	-	-	-	84,629	-
Miscellaneous	68,280	7,568	23,944	6,849	106,641	-
Rental	-	625,472	-	-	625,472	-
Self insurance charges	-	-	-	-	-	169,236
Total operating revenues	<u>5,585,048</u>	<u>633,040</u>	<u>272,538</u>	<u>646,073</u>	<u>7,136,699</u>	<u>169,236</u>
OPERATING EXPENSES						
Managerial	221,838	-	-	-	221,838	-
Administration	344,018	-	-	-	344,018	-
Billing	724,291	-	-	-	724,291	-
Water Plant	931,783	-	-	-	931,783	-
Wastewater	574,518	-	-	-	574,518	-
Utility Lines	610,514	-	-	-	610,514	-
Hospital	-	124,396	-	-	124,396	-
Airport	-	-	193,988	-	193,988	-
Golf	-	-	-	460,828	460,828	-
Claims Expense	-	-	-	-	-	199,593
Hook and Slice Restaurant	-	-	-	352,198	352,198	-
Depreciation expense	<u>1,140,167</u>	<u>343,294</u>	<u>339,696</u>	<u>171,103</u>	<u>1,994,260</u>	<u>-</u>
Total Operating Expenses	<u>4,547,129</u>	<u>467,690</u>	<u>533,684</u>	<u>984,129</u>	<u>6,532,632</u>	<u>199,593</u>
Operating income (loss)	<u>1,037,919</u>	<u>165,350</u>	<u>(261,146)</u>	<u>(338,056)</u>	<u>604,067</u>	<u>(30,357)</u>
NON-OPERATING REVENUES (EXPENSES)						
Investment income	21,637	2,066	350	121	24,174	447
Miscellaneous Revenue	18,780	534,834	-	857	554,471	3,310
Interest expense and fiscal charges	(1,389,931)	(12,438)	(21,316)	-	(1,423,685)	-
Total non-operating revenue (expenses)	<u>(1,349,514)</u>	<u>524,462</u>	<u>(20,966)</u>	<u>978</u>	<u>(845,040)</u>	<u>3,757</u>
Income (loss) before contributions and transfers	<u>(311,595)</u>	<u>689,812</u>	<u>(282,112)</u>	<u>(337,078)</u>	<u>(240,973)</u>	<u>(26,600)</u>
Capital contributions	968,987	-	-	-	968,987	-
Transfers in	7,887,283	-	143,681	377,051	8,408,015	-
Transfers out	(9,228,594)	-	-	-	(9,228,594)	-
Change in net position	(683,919)	689,812	(138,431)	39,973	(92,565)	(26,600)
Total net position (deficit) - beginning	<u>(6,723,323)</u>	<u>2,716,168</u>	<u>2,847,137</u>	<u>1,443,248</u>	<u>283,230</u>	<u>(357,614)</u>
Total net position (deficit) - ending	<u>\$ (7,407,242)</u>	<u>\$ 3,405,980</u>	<u>\$ 2,708,706</u>	<u>\$ 1,483,221</u>	<u>\$ 190,665</u>	<u>\$ (384,214)</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, 2014

Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2014

	ENTERPRISE FUNDS					Internal Service Funds
	El Reno Municipal Trust Authority Enterprise Fund	City of El Reno Hospital Authority	City of El Reno Airpark Authority	City of El Reno Recreational Authority	Total	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 5,581,751	\$ 633,040	\$ 261,024	\$ 646,930	\$ 7,122,745	\$ -
Payments to suppliers	(1,927,627)	(233,206)	(158,610)	(410,116)	(2,729,559)	(198,506)
Payments to employees	(1,400,195)	-	(31,365)	(401,820)	(1,833,380)	-
Receipts of customer meter deposits	72,149	-	-	-	72,149	-
Refunds of customer meter deposits	(48,790)	-	-	-	(48,790)	-
Interfund receipts/payments	(23,596)	-	-	-	(23,596)	-
Other income	-	534,834	-	-	534,834	172,546
Net cash provided by (used in) operating activities	2,253,692	934,668	71,049	(165,006)	3,094,403	(25,960)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers from other funds	7,887,283	-	143,681	377,051	8,408,015	-
Transfers to other funds	(9,228,594)	-	-	-	(9,228,594)	-
Net cash provided by (used in) noncapital financing activities	(1,341,311)	-	143,681	377,051	(820,579)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchases of capital assets	(2,055,755)	(114,115)	(172,893)	(191,050)	(2,533,813)	-
Principal paid on capital debt	(2,215,149)	(113,591)	(42,433)	-	(2,371,173)	-
Proceeds from capital debt	4,500,000	-	-	-	4,500,000	-
Interest and fiscal agent fees paid on capital debt	(1,331,957)	(12,436)	(21,318)	-	(1,365,711)	-
Capital grants and contribution	968,987	-	-	-	968,987	-
Net cash provided by (used in) capital and related financing activities	(133,874)	(240,142)	(236,644)	(191,050)	(801,710)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Sale of investments	605,725	-	-	-	605,725	-
Interest and dividends	21,637	2,066	350	121	24,174	447
Net cash provided by investing activities	627,362	2,066	350	121	629,899	447
Net increase (decrease) in cash and cash equivalents	1,405,869	696,592	(21,564)	21,116	2,102,013	(25,513)
Balances - beginning of year	3,898,280	347,709	77,760	16,345	4,340,094	76,084
Balances - end of year	\$ 5,304,149	\$ 1,044,301	\$ 56,196	\$ 37,461	\$ 6,442,107	\$ 50,571
Reconciliation to Statement of Net Position:						
Cash and cash equivalents	\$ 2,978,573	\$ 1,044,301	\$ 56,196	\$ 37,461	\$ 4,116,531	\$ 50,571
Restricted cash and cash equivalents - current	2,326,145	-	-	-	2,326,145	-
Total cash and cash equivalents, end of year	\$ 5,304,718	\$ 1,044,301	\$ 56,196	\$ 37,461	\$ 6,442,676	\$ 50,571

(Continued)

See accompanying notes to the financial statements.

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2014, (continued)

	El Reno Municipal Trust Authority Enterprise Fund	City of El Reno Hospital Authority	City of El Reno Airpark 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)						
Operating income (loss)	\$ 1,037,919	\$ 165,350	\$ (261,146)	\$ (338,056)	\$ 604,067	\$ (30,357)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	1,140,167	343,294	339,696	171,103	1,994,260	-
Miscellaneous revenue	18,780	534,834	-	857	554,471	3,310
Change in assets and liabilities:						
Due from other funds	(23,596)	-	-	-	(23,596)	-
Accounts receivable	(22,077)	-	(11,514)	-	(33,591)	-
Inventory	(5,694)	-	(18,132)	583	(23,243)	-
Accounts payable	107,736	(8,810)	23,106	4,387	126,419	-
Accrued payroll payable	7,473	-	(537)	988	7,924	-
Claims liability	-	(100,000)	-	-	(100,000)	1,087
Deposits subject to refund	23,359	-	-	-	23,359	-
Accrued compensated absences	(30,375)	-	(424)	(4,868)	(35,667)	-
Net cash provided by (used in) operating activities	\$ 2,253,692	\$ 934,668	\$ 71,049	\$ (165,006)	\$ 3,094,403	\$ (25,960)

See accompanying notes to the financial statements.

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

FIDUCIARY FUND

**CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

Fiduciary Fund Statement of Net Position – Pension Trust Fund (El Reno Employee Retirement System Reassure America Life Insurance Company) - June 30, 2014

ASSETS:

Investments at contract value:

Insurance contracts	\$ 333,636
Accrued interest receivable	<u>9,925</u>
Total Assets	<u>343,561</u>

NET POSITION:

Net position held in trust for pension benefits	<u>\$ 343,561</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, 2014

ADDITIONS:

Employee forfeitures	\$ 53
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Investment Income:

Contract investment income	<u>19,444</u>
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Total Additions	<u>19,497</u>
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Change in net position held in trust for employees' pension benefits	19,497
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Net position--beginning	<u>324,064</u>
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Net position--ending	<u>\$ 343,561</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, 2014**

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

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. There is currently no financial activity for this trust.

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 generally retain title to assets which are acquired or constructed with Authority debt or other Authority

**CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

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
 - Cemetery Everlasting Care Account
 - Sales Tax Reserve Account

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

- 2013 Sales Tax Revenue Note Fund (reported as a capital project fund) – accounts for 2013 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.

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
- 2011 Sales Tax Revenue Note Fund) – accounts for 2011 Sales Tax Revenue Note Construction.

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.

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.

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

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 2013 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, 2014.

Fund	Fund Balance 7/1/2013	Changes in Fund Balance	Fund Balance 6/30/2014
Special Revenue Funds:			
Police Fund	\$ 51,052	\$ (15,213)	\$ 35,839
CDBG Fund	75,876	(68,000)	7,876
Cemetery Care	218,505	(66,474)	152,031
Hotel Motel Occupancy Surcharge	406,150	(89,191)	316,959
Safety Sales Tax 1/4 Cent	228,191	(97,062)	131,129
Tax Increment Fund	4,129	(4,129)	-
Capital Project Funds:			
Infrastructure	216,883	1,147	218,030
Drainage Improvement	1,682	-	1,682
Capital Improvement	149,107	(24,139)	124,968
2011 Series STRN Bond Fund	342,923	(120,085)	222,838
Permanent Funds:			
Library Endowment	31,475	122	31,597
Cemetery Perpetual Care	158,076	545	158,621
Total	\$ 1,884,049	\$ (482,479)	\$ 1,401,570

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

- Self-Insurance Workers' Comp

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

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

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).

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, 2014, the reporting entity held the following deposits and investments:

Primary Government:

Type	Maturities	Credit Rating	Carrying Value
Deposits:			
Demand deposits			\$ 8,125,052
Cash on hand			4,994
Time deposits	Due within one year		747,937
			<hr/> <u>\$ 8,877,983</u>
Investments:			
Trustee money market accounts		AAAm	6,591,002
			<hr/> <u>6,591,002</u>
Total deposits and investments			\$ 15,468,985

Reconciliation to Statement of Net Position:

Cash and cash equivalents	\$ 14,721,048
Investments	719,862
Restricted investments	28,075
	<hr/> <u>\$ 15,468,985</u>

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

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.

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, 2014, 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: 95% (or \$6,591,002) invested in Federated Treasury Obligations money market accounts at Bancfirst.

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

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, 2014 are as follows:

	Current Cash and cash Equivalents	Noncurrent Investments
2005 Sales Tax Revenue Bond Revenue Fund	\$ 117,585	\$ -
2008 Sales Tax Revenue Bond Principal Fund	450,043	-
2008 Sales Tax Revenue Bond Interest Fund	192,688	-
2009 Revenue Bond Principal Fund	325,707	-
2009 Clean Water SRF Debt Service	8,091	-
2010 Sales Tax Revenue Bond Principal Fund	400,779	-
2010 Drinking Water SRF Debt Service	42,861	-
2011 Sales Tax Revenue Bond Revenue Fund	232,873	-
2013 Sales Tax Revenue Bond Note Fund	253,571	-
Utility Deposits	301,947	28,075
Total	<u>\$ 2,326,145</u>	<u>\$ 28,075</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	\$ 1,382,208	\$ 1,657,394	\$ 9,865
Less: allowance for uncollectible accounts	<u>(967,546)</u>	<u>(822,098)</u>	<u>-</u>
Accounts receivable, net of allowance	<u>\$ 414,662</u>	<u>\$ 835,296</u>	<u>\$ 9,865</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.

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

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, 2014, capital assets balances changed as follows:

	<u>Balance at July 01, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance at June 30, 2014</u>
<i>Governmental activities:</i>					
Capital assets not being depreciated:					
Land	\$ 926,927	\$ -	\$ -	\$ -	\$ 926,927
Construction in progress	57,309	159,659	90,544	-	126,424
Total capital assets not being depreciated	<u>984,236</u>	<u>159,659</u>	<u>90,544</u>	<u>-</u>	<u>1,053,351</u>
Other capital assets:					
Buildings	17,783,912	-	-	-	17,783,912
Improvements	6,471,243	127,109	-	-	6,598,352
Machinery, furniture and equipment	5,267,146	910,956	123,870	-	6,054,232
Infrastructure	18,896,333	316,515	-	-	19,212,848
Total other capital assets at historical cost	<u>48,418,634</u>	<u>1,354,580</u>	<u>123,870</u>	<u>-</u>	<u>49,649,344</u>
Less accumulated depreciation for:					
Buildings	2,224,417	440,620	-	-	2,665,037
Improvements	1,031,816	440,231	-	-	1,472,047
Machinery, furniture and equipment	3,550,116	407,761	74,666	-	3,883,211
Infrastructure	6,945,773	894,107	-	-	7,839,880
Total accumulated depreciation	<u>13,752,122</u>	<u>2,182,719</u>	<u>74,666</u>	<u>-</u>	<u>15,860,175</u>
Other capital assets, net	<u>34,666,512</u>	<u>(828,139)</u>	<u>49,204</u>	<u>-</u>	<u>33,789,169</u>
Governmental activities capital assets, net	<u><u>\$ 35,650,748</u></u>	<u><u>\$ (668,480)</u></u>	<u><u>\$ 139,748</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 34,842,520</u></u>
<i>Business-type activities:</i>					
Capital assets not being depreciated:					
Land	\$ 824,573	\$ -	\$ -	\$ -	\$ 824,573
Construction in progress	2,550,872	1,449,950	2,778,646	-	1,222,176
Total capital assets not being depreciated	<u>3,375,445</u>	<u>1,449,950</u>	<u>2,778,646</u>	<u>-</u>	<u>2,046,749</u>
Other capital assets:					
Buildings	6,539,958	-	-	-	6,539,958
Improvements	10,956,144	150,063	-	-	11,106,207
Machinery, furniture and equipment	16,328,829	437,267	283,654	-	16,482,442
Intangible water rights	207,657	-	-	-	207,657
Utility property improvements	29,829,505	3,275,590	-	-	33,105,095
Total other capital assets at historical cost	<u>63,862,093</u>	<u>3,862,920</u>	<u>283,654</u>	<u>-</u>	<u>67,441,359</u>
Less accumulated depreciation for:					
Buildings	4,169,670	175,677	-	-	4,345,347
Improvements	6,019,492	441,530	-	-	6,461,022
Machinery, furniture and equipment	13,723,682	483,426	283,243	-	13,923,865
Intangible water rights	45,579	3,909	-	-	49,488
Utility property improvements	12,194,261	889,718	-	-	13,083,979
Total accumulated depreciation	<u>36,152,684</u>	<u>1,994,260</u>	<u>283,243</u>	<u>-</u>	<u>37,863,701</u>
Other capital assets, net	<u>27,709,409</u>	<u>1,868,660</u>	<u>411</u>	<u>-</u>	<u>29,577,658</u>
Business-type activities capital assets, net	<u><u>\$ 31,084,854</u></u>	<u><u>\$ 3,318,610</u></u>	<u><u>\$ 2,779,057</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 31,624,407</u></u>

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

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	3 - 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:		Business-Type Activities:	
General Government	\$ 139,690	Water	\$ 571,767
Public Safety	489,899	Wastewater	568,399
Highways and Streets	971,069	Hospital	343,294
Culture & Recreation	582,061	Airpark	339,697
	<u><u>\$ 2,182,719</u></u>	Recreation	<u><u>171,103</u></u>
			<u><u>\$ 1,994,260</u></u>

7. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2014, the reporting entity's long-term debt changed as follows:

Type of Debt	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Amounts Due Within One Year
Governmental Activities:					
Sales tax refund payable	\$ -	\$ 812,591	\$ -	\$ 812,591	\$ 541,727
Insurance claims liability	433,698	177,694	176,608	434,784	110,645
Capital lease obligation	316,635	289,729	122,170	484,194	258,720
Accrued compensated absences	832,041	6,704,732	6,581,010	955,763	95,576
Total Governmental Activities	<u><u>\$ 1,582,374</u></u>	<u><u>\$ 7,984,746</u></u>	<u><u>\$ 6,879,788</u></u>	<u><u>\$ 2,687,332</u></u>	<u><u>\$ 1,006,668</u></u>
Business-Type Activities:					
Notes payable	\$ 5,618,578	\$ -	\$ 512,840	\$ 5,105,738	\$ 437,728
Revenue bonds payable	30,247,800	4,500,000	1,822,300	32,925,500	2,283,600
Refundable grant obligation	56,282	-	13,872	42,410	13,873
Judgment claims liability	100,000	-	100,000	-	-
Deposits subject to refund	306,663	72,149	48,790	330,022	-
Capital lease obligation	72,046	-	22,158	49,888	22,697
Accrued compensated absences	108,188	508,730	544,397	72,521	7,252
Total Business-Type Activities	<u><u>\$ 36,509,557</u></u>	<u><u>\$ 5,080,879</u></u>	<u><u>\$ 3,064,357</u></u>	<u><u>\$ 38,526,079</u></u>	<u><u>\$ 2,765,150</u></u>

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

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	\$ 32,594
\$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.	45,367
\$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.	22,757
\$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.	70,770
\$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.	8,922
\$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.	14,055
\$289,729 lease with El Reno R.I.L Credit Union for the purchase of 2014 Stuphen Fire Truck, issued April 2014 with an interest rate of 2.95% and maturing May 2016.	<u>289,729</u>
Total Capital Lease Obligations	<u><u>\$ 484,194</u></u>
Current portion	\$ 258,720
Non-current portion	225,474
Total	<u><u>\$ 484,194</u></u>

Sales Tax Refund Payable:

\$812,591 Sales tax refund payable to the Oklahoma Tax Commission, payable in 12 monthly installments of \$67,716 with no interest through October 2015.	<u><u>\$ 812,591</u></u>
Current portion	\$ 541,727
Non-current portion	<u><u>270,864</u></u>
Total	<u><u>\$ 812,591</u></u>

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

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.	\$ 155,136
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	703,586
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	315,076
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	305,498
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	637,300
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	15,707
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	<u>2,143,847</u>
Total Municipal Authority	<u>\$ 4,276,150</u>
Current portion	\$ 346,089
Non-current portion	3,930,061
Total	<u>\$ 4,276,150</u>

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

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.

\$	<u>187,759</u>
\$	43,096
\$	<u>144,663</u>
\$	<u>187,759</u>

Current portion

Non-current portion

Total

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.

\$	<u>641,829</u>
\$	48,543
\$	<u>593,286</u>
\$	<u>641,829</u>

Total Notes Payable:

Current portion

Non-current portion

Total

\$	<u>437,728</u>
\$	4,668,010
\$	<u>5,105,738</u>

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

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% \$ 2,460,000

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% 9,165,000

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% 4,725,000

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% 7,220,000

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% 180,500

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% 4,675,000

Series 2013 Sales Tax Revenue Bonds. Original amount of \$4,500,000 issued by the El Reno Municipal Authority, due in annual installments of \$200,000 to \$255,000 through 2024, interest at 2.32% 4,500,000

Total Revenue Bonds Payable	\$ 32,925,500
Less Unamortized Bond Discount	(17,500)
Net Revenue Bonds Payable	\$ 32,908,000

Current portion	\$ 2,283,600
Non-current portion	30,641,900
Total	\$ 32,925,500

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 though 2018, non-interest bearing. \$ 42,410

Current portion	\$ 13,873
Non-current portion	28,537
Total	\$ 42,410

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

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.	\$ 41,480
\$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.	<u>8,408</u>
Total ERMA	<u><u>\$ 49,888</u></u>
Current portion	\$ 22,697
Non-current portion	<u>27,191</u>
Total	<u><u>\$ 49,888</u></u>

Debt Service Requirements to Maturity:

<u>Year Ending June 30,</u>	<u>GOVERNMENTAL ACTIVITY DEBT</u>	
	<u>Capital Lease Obligations</u>	
	<u>Principal</u>	<u>Interest</u>
2015	258,720	8,837
2016	197,699	2,898
2017	<u>27,775</u>	<u>381</u>
Totals	<u><u>\$ 484,194</u></u>	<u><u>\$ 12,116</u></u>

<u>Year Ending June 30,</u>	<u>BUSINESS-TYPE ACTIVITY DEBT</u>							
	<u>Revenue Bonds Payable</u>		<u>Notes Payable</u>		<u>Capital Lease Obligations</u>		<u>Refundable Grant Obligation</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	2,283,600	1,272,178	437,728	101,905	22,697	1,124	13,873	
2016	2,380,300	1,190,182	430,576	93,886	14,717	607	13,873	-
2017	2,471,700	1,105,597	439,099	85,260	12,474	175	13,873	-
2018	2,568,200	1,017,439	451,167	76,515	-	-	791	-
2019	2,660,100	925,261	406,068	68,463	-	-	-	-
2020-2024	12,756,600	3,240,270	1,714,134	241,184	-	-	-	-
2025-2029	7,400,000	1,011,839	1,059,492	87,099	-	-	-	-
2030-2033	405,000	10,328	167,474	3,316	-	-	-	-
Totals	<u><u>\$ 32,925,500</u></u>	<u><u>\$ 9,773,094</u></u>	<u><u>\$ 5,105,738</u></u>	<u><u>\$ 757,628</u></u>	<u><u>\$ 49,888</u></u>	<u><u>\$ 1,906</u></u>	<u><u>\$ 42,410</u></u>	<u><u>\$ -</u></u>

Non-Commitment Debt:

<u>Original Debt</u>	<u>Project</u>	<u>Remaining Principal</u>
El Reno Municipal Authority: \$450,000	(1) Coronado Development Corporation Tax Apportionment Note dated September 1, 2007	\$338,981

(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.

**CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

Pledge of Future Revenues

Sales Tax Pledge - The City has pledged two and ½ cents (or 63%) of future sales tax revenues to repay \$32,745,000 of Series 2005, 2008, 2009, 2010, 2011, and 2013 Sales Tax Revenue Bonds. Proceeds from the bonds provided financing for utility capital assets. The bonds are payable through 2020, 2029, 2029, 2025, 2027, and 2024 respectively. The total principal and interest payable for the remainder of the life of these notes is \$42,479,250. Total pledged sales taxes received in the current fiscal year were \$5,783,197. Debt service payments for the current fiscal year of \$3,014,794 were 52.1% 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 \$180,500 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 \$219,344. Total pledged hotel/motel taxes received in the current fiscal year was \$217,943. Debt service payments for the current fiscal year of \$37,070 were 17% of the pledged sales taxes.

Utility Net Revenues Pledge – The City has also pledged future water and sewer net revenues to repay \$3,638,850 of 2000, 2002A, 2002C, 2003A, 2009 and 2010 Series Oklahoma Water Resources Board Notes Payable and \$637,300 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 \$4,884,237. The notes are payable from the above-mentioned utility net revenues. The debt service payments on the notes this year were \$444,685 which was 23% of pledged net utility revenues of \$1,946,362.

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.

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

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		Other Governmental Funds	TOTAL
		2013 Sales Tax	Revenue Note Fund		
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	-	4,340,904		497,070	4,837,974
Watershed construction	-	-		1,682	1,682
Cemetery capital	-	-		52,599	52,599
E-911	-	-		10,709	10,709
Police	-	-		25,130	25,130
Library	684	-		202	886
Cemetery	94,992	-		6,732	101,724
Public Health and Safety	-	-		131,129	131,129
Care and Share Program	13	-		-	13
Recreational Facilities, Public Health and Safety					
Facilities, Public Works Infrastructure capital outlay					
or debt service for said capital outlay	648,562	-		-	648,562
Emergencies	1,346,692	-		-	1,346,692
Animal Shelter	142	-		-	142
Fire Department	2,330	-		-	2,330
Storm	-	-		-	-
CDBG Grant	-	-		7,876	7,876
Tourism	-	-		32,817	32,817
Economic development and capital	-	-		232,218	232,218
Sub-total Restricted	2,093,415	4,340,904		998,164	7,432,483
 Committed to:					
Cemetery capital	-	-		51,386	51,386
 Assigned to:					
Cemetery Capital	-	-		48,046	48,046
Library	-	-		345	345
Cemetery	2,786	-		-	2,786
CDBG Grant	-	-		-	-
Tourism	-	-		51,924	51,924
Capital outlay	-	-		68,766	68,766
Sub-total Assigned	2,786	-		169,081	171,867
 Unassigned:					
	1,572,675	-		-	1,572,675
TOTAL FUND BALANCES	\$ 3,668,876	\$ 4,340,904	\$ 1,401,570	\$ 9,411,350	

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

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, 2010 and 2013 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 \$27,179,050, therefore explaining why this and the unrestricted net position amounts do 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.

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

The restrictions are as follows:

Governmental Activities

External Contracts and Groups:	
Cemetery Care	\$ 52,599
Cemetery Everlasting Care	94,992
Drainage Improvement	1,682
CDBG	7,876
Library Endowment	31,252
Cemetery Perpetual Care	158,621
2013 Capital Improvement	4,340,904
Capital Improvement	57,349
2011 Sales Tax Revenue Note	222,838
Safety Sales Tax 1/4 Cent	131,129
Sales Tax 1/4 Cent	648,562
Gifts and Contributions	3,169
Infrastructure Improvement	216,883
Sales Tax Reserve	1,346,692
Hotel Motel Occupancy Surcharge	265,035
	<hr/>
	\$ 7,579,583
Enabling legislation:	
Police	\$ 35,839
	<hr/>
	\$ 35,839

BTA | El Reno Municipal Authority

Contractual agreements:	
Cash and investments	\$ 2,326,145
Less: Accrued Interest Payable	(661,530)
	<hr/>
	\$ 1,664,615

- 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.

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.

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

Transfers:

Internal transfers between funds and activities for the year ended June 30, 2014 were as follows:

Transfer From	Transfer To	Amount	Purpose of Transfer
ERMA	General Fund	\$ 784,306	Operating subsidy
ERMA	2013 STRN Construction	4,390,250	Loan proceeds
Public Safety 1/4 Sales Tax	General Fund	50,000	Reimbursement
General Fund	ERMA Sales Tax	3,493,514	Sales tax transfer
Hotel Motel Surcharge	ERMA	37,315	Debt payment
CDBG Grants	ERMA	122,009	Transfer of Assets
Tax Increment Fund	General Fund	14,977	Close Fund
Public Safety 1/4 Sales Tax	ERMA	12,500	Transfer of Assets
MA Tax Sur PW Facility	ERMA	9,854	Close Fund
Gifts and Contributions Fund	General Fund	380	Transfer unrestricted funds back
Gifts and Contributions Fund	Sales Tax Reserve Account	14,574	Tornado Donations
Sales Tax Reserve Account	ERMA	56,766	Transfer of Assets
2011 Series STRN Bond Fund	ERMA	115,352	Transfer of Assets
Sales Tax Reserve Account	City of El Reno Airpark Authority	143,681	Transfer of Assets
ERMA Sales Tax	ERMA	2,818,662	Debt service payments
General Fund	City of El Reno Recreation Authority	186,000	Operating subsidy
ERMA Sales Tax	ERMA	1,155,021	Transfer of assets
2013 STRN Construction Fund	ERMA	49,460	Transfer of assets
Sales Tax 1/4 Cent Account	City of El Reno Recreation Authority	191,051	Operating subsidy
Capital Improvement Fund	ERMA	16,830	Transfer of assets
Total		<u>\$ 13,662,502</u>	-

Reconciliation to Fund Financial Statements:

	Transfers In	Transfers Out	Net Transfers
Governmental Funds	\$ 5,254,487	\$ (4,504,409)	\$ 750,078
Proprietary Funds	8,408,015	(9,228,594)	(820,579)
	<u>\$ 13,662,502</u>	<u>\$ (13,733,003)</u>	<u>\$ (70,501)</u>

Reconciliation to Statement of Activities:

Net Transfers	\$ 750,078
Transfer of business-type activity expenses to governmental:	
Capital assets from business type activities	70,501
Interest on long-term debt used for governmental purposes	1,043,584
Transfers - internal activity	<u>\$ 1,864,163</u>

Balances:

Interfund receivable and payables at June 30, 2014 were comprised of the following:

Payable Fund	Receivable Fund	Amount	Nature of Interfund Balance
General Fund	ERMA Sales Tax	\$ 475,219	Sales tax transfer receivable
General Fund	Gifts and Contributions Account	744	Payback restricted funds
Recreation Authority	General Fund	33,969	Loan to Recreation Authority
		<u>\$ 509,932</u>	

Reconciliation to Fund Financial Statements:

	Due to	Due From	Net Interfund Balances
Governmental Funds	\$ (475,963)	\$ 34,713	\$ (441,250)
Proprietary Funds	(33,969)	475,219	441,250
	<u>\$ (509,932)</u>	<u>\$ 509,932</u>	<u>\$ -</u>

**CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

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. $\frac{1}{2}$ cent of the 2 cents is pledged for El Reno Recreational Authority debt service on golf course capital debt and $\frac{1}{2}$ 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 $\frac{1}{4}$ 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 $\frac{1}{4}$ 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 \$810,278 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.

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, 2011, to June 30, 2014, are as follows:

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

	<u>Workers' Compensation</u>	<u>Health Care</u>	<u>Total</u>
Claim liability, June 30, 2011	\$ 233,118	\$ -	\$ 233,118
Claims and changes in estimates	654,622	1,048,004	1,702,626
Claims payments	<u>(187,200)</u>	<u>(1,048,004)</u>	<u>(1,235,204)</u>
Claim liability, June 30, 2012	700,540	-	700,540
Claims and changes in estimates	(604,379)	(1,019,762)	(1,624,141)
Claims payments	<u>337,537</u>	<u>1,019,762</u>	<u>1,357,299</u>
Claim liability, June 30, 2013	433,698	-	433,698
Claims and changes in estimates	(176,607)	-	(176,607)
Claims payments	<u>177,694</u>	<u>-</u>	<u>177,694</u>
Claim liability, June 30, 2014	<u>\$ 434,785</u>	<u>\$ -</u>	<u>\$ 434,785</u>
Reconciliation to Statement of Net Position:			
Current portion			\$ 110,645
Noncurrent portion			324,140
Total			<u>\$ 434,785</u>

13. Commitments and Contingencies

Litigation:

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

Federal and State Award Programs:

The City of 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.

**CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

Construction Commitments:

At June 30, 2014 the City had awarded construction contracts totaling approximately \$447,829 and of this amount, \$24,285 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 9% to the plan. The City is required by state law to contribute 14% 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 \$465,691.

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 \$171,075.

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.

**CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

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
2012	158,433	100%	2012	173,595	100%
2013	183,691	100%	2013	183,115	100%
2014	196,606	100%	2014	212,207	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, 2014, the Reassure America Life plan had total reserves of \$401,288 and a net position of \$343,561.

2. Eligibility Factors, Contribution Methods and Benefit Provisions

Provision

a. Eligible to Participate

OMRF Plan

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
- Actuarially Determined
- Employer Rate
- Employee Rate

By City ordinance

Yes

8.67%

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

**CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

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.

Schedule of Contributions - OMRF Defined Benefit Plan

Period Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	219,484	100%	-
June 30, 2013	225,014	100%	-
June 30, 2014	253,488	100%	-

Funded Status and Funding Progress

As of January 1, 2014, the funded status of the OMRF agent multiple employer defined benefit plan is as follows:

Actuarial accrued liability (AAL)	\$4,405,139
Actuarial value of plan assets	<u>2,934,184</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$1,470,955</u>
Funded ratio (actuarial value of plan assets/AAL)	67%
Annual covered payroll (active plan members)	\$2,818,931
UAAL as a percentage of covered payroll	52%

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.

**CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

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

On August 26, 2014 the Public Works Authority approved to issue an OWRB loan in the amount of \$21,530,000 to construct a new wastewater treatment system.

17. New Accounting Pronouncements

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

Statement No. 68, Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27. GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification. GASB No. 68 was issued in June 2012, and the City has not yet determined the impact that implementation of GASB No. 68 will have on its net position. The Statement is effective for fiscal years ended June 30, 2015.

Statement No. 69, Government Combinations and Disposals of Government Operations – GASB No. 69 establishes accounting and financial reporting standards for mergers, acquisitions, and transfers of operations (i.e., government combinations). The Statement also provides guidance on how to determine the gain or loss on a disposal of government operations. This Statement is effective for fiscal years beginning after December 15, 2013.

Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement 68. GASB No. 71 addresses an issue regarding application of the transition provisions of GASB No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The Statement is effective for fiscal years ended June 30, 2015 and should be implemented simultaneously with GASB No. 68.

**CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

Budgetary Comparison Schedule – Year Ended June 30, 2014

	GENERAL FUND					<u>Variance with Final Budget -</u> <u>Positive (Negative)</u>
	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>			
	<u>Original</u>	<u>Final</u>				
REVENUES						
Taxes	\$ 11,887,588	\$ 11,887,588	\$ 11,410,471	\$	(477,117)	
Fees and fines	393,000	393,000	310,715	\$	(82,285)	
Licenses and permits	283,395	283,395	365,782	\$	82,387	
Intergovernmental	458,080	462,748	426,422	\$	(36,326)	
Charges for services	61,000	61,000	63,453	\$	2,453	
Investment earnings	29,200	29,200	13,486	\$	(15,714)	
Miscellaneous	548,312	614,399	589,637	\$	(24,762)	
Proceeds from Long-Term Debt	-	-	(361,862)	\$	(361,862)	
Transfers from Other Funds	834,306	834,306	850,407	\$	16,101	
Total revenues	<u>14,494,881</u>	<u>14,565,636</u>	<u>13,668,511</u>	<u>\$</u>	<u>(897,125)</u>	
EXPENDITURES						
Mayor and Council	82,150	96,150	94,392	\$	1,758	
Administration	484,717	532,717	516,823	\$	15,894	
Finance	964,962	965,062	826,464	\$	138,598	
Police	3,588,638	3,648,617	3,501,183	\$	147,434	
Fire	2,418,560	2,427,665	2,389,072	\$	38,593	
Library	251,476	256,144	245,609	\$	10,535	
Community Development	357,389	377,389	348,778	\$	28,611	
Senior Citizens	46,769	46,769	36,010	\$	10,759	
Municipal Garage	183,783	187,783	181,996	\$	5,787	
Streets	1,223,023	1,223,023	996,241	\$	226,782	
Municipal Court	205,915	205,915	191,417	\$	14,498	
Legal	43,000	43,000	41,148	\$	1,852	
Parks and Recreation	697,598	743,058	728,345	\$	14,713	
Swimming Pool	92,362	172,362	54,413	\$	117,949	
Cemetery	211,130	219,815	216,419	\$	3,396	
Transfers to Other Funds	4,689,370	4,875,370	4,812,558	\$	62,812	
Total Expenditures	<u>15,540,842</u>	<u>16,020,839</u>	<u>15,180,868</u>	<u>\$</u>	<u>839,971</u>	
Excess (deficiency) of revenues over expenditures	<u>(1,045,961)</u>	<u>(1,455,203)</u>	<u>(1,512,357)</u>	<u>\$</u>	<u>(57,154)</u>	
Net change in fund balances	<u>(1,045,961)</u>	<u>(1,455,203)</u>	<u>(1,512,357)</u>	<u>\$</u>	<u>(57,154)</u>	
Fund balances - beginning	<u>1,083,739</u>	<u>1,163,120</u>	<u>2,043,125</u>	<u>\$</u>	<u>880,005</u>	
Fund balances - ending	<u>\$ 37,778</u>	<u>\$ (292,083)</u>	<u>\$ 530,768</u>	<u>\$</u>	<u>\$ 822,851</u>	

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.

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

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

	<u>General Fund</u>
Total revenue- budgetary basis	\$ 13,668,511
Total expense- budgetary basis	<u>(15,180,868)</u>
Change in fund balance-budgetary basis	(1,512,357)
Revenue Accruals	(479,255)
Expenditures accruals	458,327
Change in fund balance-GAAP basis	<u>\$ (1,533,285)</u>

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
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	69%
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%
1/1/2014	2,934,184	4,405,139	EAN	1,470,955	67%	2,818,931	52%

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.

**CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

OTHER SUPPLEMENTARY INFORMATION

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2014

	<u>Police Fund</u> <u>(204)</u>	<u>CDBG Fund</u> <u>(211)</u>	<u>Cemetery Care Fund</u> <u>(208)</u>	<u>Hotel Motel Occupancy Surcharge Fund</u>	<u>Safety Sales Tax 1/4 Cent Fund</u> <u>(616)</u>	<u>Infrastructure Fund</u> <u>(420)</u>
ASSETS						
Cash and cash equivalents	\$ 35,153	\$ 7,876	\$ 152,028	\$ 321,109	\$ 51,925	\$ 120,832
Investments	-	-	3	1	-	97,198
Due from other governments	-	-	-	-	79,204	-
Franchise tax receivable	686	-	-	-	-	-
Total assets	<u><u>35,839</u></u>	<u><u>7,876</u></u>	<u><u>152,031</u></u>	<u><u>321,110</u></u>	<u><u>131,129</u></u>	<u><u>218,030</u></u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	-	-	-	1,203	-	-
Accrued payroll payable	-	-	-	2,948	-	-
Total liabilities	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>4,151</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	35,839	7,876	52,599	265,035	131,129	216,883
Committed	-	-	51,386	-	-	-
Assigned	-	-	48,046	51,924	-	1,147
Total fund balance	<u><u>35,839</u></u>	<u><u>7,876</u></u>	<u><u>152,031</u></u>	<u><u>316,959</u></u>	<u><u>131,129</u></u>	<u><u>218,030</u></u>
Total liabilities and fund balance	<u><u>\$ 35,839</u></u>	<u><u>\$ 7,876</u></u>	<u><u>\$ 152,031</u></u>	<u><u>\$ 321,110</u></u>	<u><u>\$ 131,129</u></u>	<u><u>\$ 218,030</u></u>

	<u>Drainage Improvement Fund</u> <u>(422)</u>	<u>Capital Improvement Fund</u> <u>(425)</u>	<u>2011 Series STRN Bond Fund</u> <u>(411)</u>	<u>Tax Increment Fund</u> <u>(217)</u>	<u>Library Endowment</u> <u>(215)</u>	<u>Cemetery Perpetual</u> <u>(820)</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash and cash equivalents	\$ 1,682	\$ 141,798	\$ 222,838	\$ -	\$ 123	\$ 130,816	\$ 1,186,180
Investments	-	-	-	-	31,474	27,805	156,481
Due from other governments	-	-	-	-	-	79,204	-
Franchise tax receivable	-	-	-	-	-	-	686
Total assets	<u><u>1,682</u></u>	<u><u>141,798</u></u>	<u><u>222,838</u></u>	<u><u>-</u></u>	<u><u>31,597</u></u>	<u><u>158,621</u></u>	<u><u>1,422,551</u></u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	-	16,830	-	-	-	-	18,033
Accrued payroll payable	-	-	-	-	-	-	2,948
Total liabilities	<u><u>-</u></u>	<u><u>16,830</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>20,981</u></u>
Fund balances:							
Nonspendable	-	-	-	-	31,050	151,889	182,939
Restricted	1,682	57,349	222,838	-	202	6,732	998,164
Committed	-	-	-	-	-	-	51,386
Assigned	-	67,619	-	-	345	-	169,081
Total fund balance	<u><u>1,682</u></u>	<u><u>124,968</u></u>	<u><u>222,838</u></u>	<u><u>-</u></u>	<u><u>31,597</u></u>	<u><u>158,621</u></u>	<u><u>1,401,570</u></u>
Total liabilities and fund balance	<u><u>\$ 1,682</u></u>	<u><u>\$ 141,798</u></u>	<u><u>\$ 222,838</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 31,597</u></u>	<u><u>\$ 158,621</u></u>	<u><u>\$ 1,422,551</u></u>

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor
 Governmental Funds – For the Year Ended June 30, 2014**

	<u>Police Fund</u> <u>(204)</u>	<u>CDBG Fund</u> <u>(211)</u>	<u>Cemetery Care Fund</u> <u>(208)</u>	<u>Hotel Motel Occupancy Surcharge (203)</u>	<u>Safety Sales</u> <u>Tax 1/4 Cent Fund (616)</u>	<u>Infrastructure</u> <u>Fund (420)</u>
REVENUES						
Taxes	\$ 8,244	\$ -	\$ -	\$ 363,237	\$ 582,253	\$ -
Intergovernmental	-	54,009	-	-	-	-
Charges for services	-	-	38,448	10,670	-	-
Fines and forfeitures	36,834	-	-	-	-	-
Investment income	230	-	1,377	2,229	1,848	1,147
Miscellaneous	4,123	-	-	-	-	-
Total revenues	<u>49,431</u>	<u>54,009</u>	<u>39,825</u>	<u>376,136</u>	<u>584,101</u>	<u>1,147</u>
EXPENDITURES						
Current:						
Public Safety	31,402	-	-	-	257,309	-
General government	-	-	-	367,268	-	-
Capital Outlay	33,242	-	106,299	60,744	588,196	-
Debt Service:						
Principal	-	-	-	-	59,081	-
Interest	-	-	-	-	3,806	-
Total Expenditures	<u>64,644</u>	<u>-</u>	<u>106,299</u>	<u>428,012</u>	<u>908,392</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(15,213)</u>	<u>54,009</u>	<u>(66,474)</u>	<u>(51,876)</u>	<u>(324,291)</u>	<u>1,147</u>
OTHER FINANCING SOURCES (USES)						
Transfers out	-	(122,009)	-	(37,315)	(62,500)	-
Proceeds from sale of property	-	-	-	-	289,729	-
Total other financing sources and uses	-	<u>(122,009)</u>	-	<u>(37,315)</u>	<u>227,229</u>	-
Net change in fund balance	<u>(15,213)</u>	<u>(68,000)</u>	<u>(66,474)</u>	<u>(89,191)</u>	<u>(97,062)</u>	<u>1,147</u>
Fund balance - beginning	51,052	75,876	218,505	406,150	228,191	216,883
Fund balance - ending	<u>\$ 35,839</u>	<u>\$ 7,876</u>	<u>\$ 152,031</u>	<u>\$ 316,959</u>	<u>\$ 131,129</u>	<u>\$ 218,030</u>

	<u>Drainage Improvement</u> <u>Fund (422)</u>	<u>Capital Improvement</u> <u>Fund (425)</u>	<u>2011 Series STRN Bond Fund</u> <u>(411)</u>	<u>Tax Increment</u> <u>Fund (217)</u>	<u>Library Endowment</u> <u>(215)</u>	<u>Cemetery Perpetual (820)</u>	<u>Total-Other Governmental Funds</u>
REVENUES							
Taxes	\$ -	\$ -	\$ -	\$ 62,123	\$ -	\$ -	\$ 1,015,857
Intergovernmental	-	-	-	-	-	-	54,009
Charges for services	-	32,571	-	-	-	-	81,689
Fines and forfeitures	-	-	-	-	-	-	36,834
Investment income	-	986	17	-	122	895	8,851
Miscellaneous	-	-	-	-	-	-	4,123
Total revenues	-	<u>33,557</u>	<u>17</u>	<u>62,123</u>	<u>122</u>	<u>895</u>	<u>1,201,363</u>
EXPENDITURES							
Current:							
Public Safety	-	-	-	-	-	-	288,711
General government	-	4,076	-	51,275	-	350	422,969
Capital Outlay	-	36,790	4,750	-	-	-	830,021
Debt Service:							
Principal	-	-	-	-	-	-	59,081
Interest	-	-	-	-	-	-	3,806
Total Expenditures	-	<u>40,866</u>	<u>4,750</u>	<u>51,275</u>	<u>-</u>	<u>350</u>	<u>1,604,588</u>
Excess (deficiency) of revenues over expenditures	-	<u>(7,309)</u>	<u>(4,733)</u>	<u>10,848</u>	<u>122</u>	<u>545</u>	<u>(403,225)</u>
OTHER FINANCING SOURCES (USES)							
Transfers out	-	(16,830)	(115,352)	(14,977)	-	-	(368,983)
Proceeds from sale of property	-	-	-	-	-	-	289,729
Total other financing sources and uses	-	<u>(16,830)</u>	<u>(115,352)</u>	<u>(14,977)</u>	<u>-</u>	<u>-</u>	<u>(79,254)</u>
Net change in fund balance	-	<u>(24,139)</u>	<u>(120,085)</u>	<u>(4,129)</u>	<u>122</u>	<u>545</u>	<u>(482,479)</u>
Fund balance - beginning	1,682	149,107	342,923	4,129	31,475	158,076	1,884,049
Fund balance - ending	<u>\$ 1,682</u>	<u>\$ 124,968</u>	<u>\$ 222,838</u>	<u>\$ -</u>	<u>\$ 31,597</u>	<u>\$ 158,621</u>	<u>\$ 1,401,570</u>

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

Combining Balance Sheet – General Fund Accounts – June 30, 2014

	<u>General Fund</u>	<u>Sales Tax 1/4 Cent Account (415)</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	\$ 729,387	\$ 569,357	\$ 1,346,659	\$ 39,715	\$ 15,599	\$ 2,700,717
Investments	59,486	-	33	58,063	8	117,590
Due from other funds	33,969	-	-	-	744	34,713
Due from other governments	1,344,544	79,205	-	-	-	1,423,749
Franchise tax receivable	104,667	-	9,139	-	-	113,806
Court fine receivable, net	414,662	-	-	-	-	414,662
Other receivables	3,344	-	-	-	-	3,344
Total assets	<u>2,690,059</u>	<u>648,562</u>	<u>1,355,831</u>	<u>97,778</u>	<u>16,351</u>	<u>4,808,581</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE						
Liabilities:						
Accounts payable	71,655	-	-	-	13,182	84,837
Accrued payroll payable	176,829	-	-	-	-	176,829
Due to other funds	475,963	-	-	-	-	475,963
Refundable court bonds	4,216	-	-	-	-	4,216
Total liabilities	<u>728,663</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,182</u>	<u>741,845</u>
Deferred Inflows of resources:						
Deferred revenue	388,721	-	9,139	-	-	397,860
Fund Balance:						
Restricted	-	648,562	1,346,692	94,992	3,169	2,093,415
Assigned	-	-	-	2,786	-	2,786
Unassigned	1,572,675	-	-	-	-	1,572,675
Total fund balance	<u>1,572,675</u>	<u>648,562</u>	<u>1,346,692</u>	<u>97,778</u>	<u>3,169</u>	<u>3,668,876</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 2,690,059</u>	<u>\$ 648,562</u>	<u>\$ 1,355,831</u>	<u>\$ 97,778</u>	<u>\$ 16,351</u>	<u>\$ 4,808,581</u>

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund Accounts – For the Year Ended June 30, 2014

	<u>General Fund</u>	<u>Sales Tax 1/4 Cent Account (415)</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	\$ 10,322,590	\$ 582,253	\$ -	\$ -	\$ -	\$ 10,904,843
Intergovernmental	1,045,885	-	243,916	-	-	1,289,801
Licenses and permits	361,979	-	-	-	-	361,979
Charges for services	67,252	-	-	9,385	-	76,637
Fines and forfeitures	299,526	-	-	-	-	299,526
Investment income	13,486	2,132	6,366	448	167	22,599
Royalties	244,103	-	-	-	-	244,103
Miscellaneous	346,634	-	810,278	-	28,510	1,185,422
Total revenues	<u>12,701,455</u>	<u>584,385</u>	<u>1,060,560</u>	<u>9,833</u>	<u>28,677</u>	<u>14,384,910</u>
EXPENDITURES						
Current:						
General government	1,951,568	-	251,172	-	6,277	2,209,017
Public Safety	6,829,047	-	-	-	2,281	6,831,328
Streets	807,847	-	-	-	-	807,847
Culture, parks, and recreation	1,315,418	17,637	-	-	17,106	1,350,161
Capital outlay	431,480	-	-	-	-	431,480
Debt Service:						
Principal	63,089	-	-	-	-	63,089
Interest	6,440	-	-	-	-	6,440
Total Expenditures	<u>11,404,889</u>	<u>17,637</u>	<u>251,172</u>	<u>-</u>	<u>25,664</u>	<u>11,699,362</u>
Excess (deficiency) of revenues over expenditures	<u>1,296,566</u>	<u>566,748</u>	<u>809,388</u>	<u>9,833</u>	<u>3,013</u>	<u>2,685,548</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	849,663	-	14,574	-	-	864,237
Transfers out	(3,679,514)	(191,051)	(200,447)	-	(14,954)	(4,085,966)
Total other financing sources and uses	<u>(2,829,851)</u>	<u>(191,051)</u>	<u>(185,873)</u>	<u>-</u>	<u>(14,954)</u>	<u>(3,221,729)</u>
Net change in fund balances	(1,533,285)	375,697	623,515	9,833	(11,941)	(536,181)
Fund balances - beginning	3,105,960	272,865	723,177	87,945	15,110	4,205,057
Fund balances - ending	<u>\$ 1,572,675</u>	<u>\$ 648,562</u>	<u>\$ 1,346,692</u>	<u>\$ 97,778</u>	<u>\$ 3,169</u>	<u>\$ 3,668,876</u>

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

Combining Schedule of Net Position – El Reno Municipal Authority– June 30, 2014

	<u>EREF</u>	<u>ERMA Sales Tax</u>	<u>Utility Deposit</u>	<u>MA Tax Sur. PW</u>		<u>Total</u>
				<u>Fac</u>		
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 697,213	\$ 2,281,360	\$ -	\$ -	\$ -	\$ 2,978,573
Restricted cash and cash equivalents	2,047,049	-	279,096	-	-	2,326,145
Investments	71	445,720	-	-	-	445,791
Due from other funds	-	475,219	-	-	-	475,219
Inventory	5,694	-	-	-	-	5,694
Accounts Receivable, net	835,296	-	-	-	-	835,296
Total current assets	<u>3,585,323</u>	<u>3,202,299</u>	<u>279,096</u>	<u>-</u>	<u>-</u>	<u>7,066,718</u>
Non-current assets:						
Restricted investments	-	-	28,075	-	-	28,075
Capital Assets:						
Land and construction in progress	1,952,985	-	-	-	-	1,952,985
Other capital assets, net of accumulated depreciation	22,330,216	-	-	-	-	22,330,216
Total non-current assets	<u>24,283,201</u>	<u>-</u>	<u>28,075</u>	<u>-</u>	<u>-</u>	<u>24,311,276</u>
Total assets	<u>27,868,524</u>	<u>3,202,299</u>	<u>307,171</u>	<u>-</u>	<u>-</u>	<u>31,377,994</u>
DEFERRED OUTFLOW OF RESOURCES						
Deferred amount on refunding	<u>47,343</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,343</u>
LIABILITIES						
Current Liabilities:						
Accounts payable	100,153	366,289	-	-	-	466,442
Accrued payroll payable	28,714	-	-	-	-	28,714
Accrued interest payable	661,530	-	-	-	-	661,530
Current portion of:						
Refundable grant obligation	13,873	-	-	-	-	13,873
Notes payable	346,089	-	-	-	-	346,089
Revenue bonds payable	2,283,600	-	-	-	-	2,283,600
Capital Lease Obligations	22,697	-	-	-	-	22,697
Accrued compensated absences	6,942	-	-	-	-	6,942
Total current liabilities	<u>3,463,598</u>	<u>366,289</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,829,887</u>
Non-current liabilities:						
Deposits subject to refund	23,709	-	306,313	-	-	330,022
Refundable grant obligation	28,537	-	-	-	-	28,537
Notes payable	3,930,061	-	-	-	-	3,930,061
Revenue bonds payable, net	30,624,400	-	-	-	-	30,624,400
Capital Lease Obligations	27,191	-	-	-	-	27,191
Accrued compensated absences	62,481	-	-	-	-	62,481
Total non-current liabilities	<u>34,696,379</u>	<u>-</u>	<u>306,313</u>	<u>-</u>	<u>-</u>	<u>35,002,692</u>
Total liabilities	<u>38,159,977</u>	<u>366,289</u>	<u>306,313</u>	<u>-</u>	<u>-</u>	<u>38,832,579</u>
NET POSITION						
Net investment in capital assets	14,285,579	-	-	-	-	14,285,579
Restricted for debt service	1,664,615	-	-	-	-	1,664,615
Unrestricted (deficit)	(26,194,304)	2,836,010	858	-	-	(23,357,436)
Total net position	<u>\$ (10,244,110)</u>	<u>\$ 2,836,010</u>	<u>\$ 858</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,407,242)</u>

CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

Combining Schedule of Revenues, Expenses, and Changes in Net Position – El Reno Municipal Authority - Year Ended June 30, 2014

	<u>EREF</u>	<u>ERMA Sales Tax</u>	<u>Utility Deposit</u>	<u>MA Tax Sur. PW</u>		<u>Total</u>
				<u>Fac</u>		
OPERATING REVENUES						
Water charges	\$ 2,860,162	\$ -	\$ -	\$ -	\$ -	\$ 2,860,162
Sewer charges	1,586,084	-	-	-	-	1,586,084
Sanitation	908,388	-	-	-	-	908,388
Water and sewer taps	16,552	-	-	-	-	16,552
Transfer fees	4,068	-	-	-	-	4,068
Returned check charges	2,112	-	-	-	-	2,112
Cut off charges	54,773	-	-	-	-	54,773
Penalties	84,629	-	-	-	-	84,629
Miscellaneous	68,280	-	-	-	-	68,280
Total operating revenues	<u>5,585,048</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,585,048</u>
OPERATING EXPENSES						
Managerial	221,838	-	-	-	-	221,838
Administration	344,018	-	-	-	-	344,018
Billing	724,291	-	-	-	-	724,291
Water Plant	931,783	-	-	-	-	931,783
Wasterwater	574,518	-	-	-	-	574,518
Utility Lines	610,514	-	-	-	-	610,514
Depreciation expense	1,140,167	-	-	-	-	1,140,167
Total Operating Expenses	<u>4,547,129</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,547,129</u>
Operating income	<u>1,037,919</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,037,919</u>
NON-OPERATING REVENUES (EXPENSES)						
Investment income	6,739	14,898	-	-	-	21,637
Miscellaneous Revenue	18,780	-	-	-	-	18,780
Interest expense and fiscal charges	(1,389,931)	-	-	-	-	(1,389,931)
Total non-operating revenue (expenses)	<u>(1,364,412)</u>	<u>14,898</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,349,514)</u>
Income (loss) before contributions and transfers	<u>(326,493)</u>	<u>14,898</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(311,595)</u>
Capital contributions	-	968,987	-	-	-	968,987
Transfers in	4,393,769	3,493,514	-	-	-	7,887,283
Transfers out	(5,174,556)	(4,044,184)	-	-	-	(9,228,594)
Change in net position	<u>(1,107,280)</u>	<u>433,215</u>	<u>-</u>	<u>(9,854)</u>	<u>(9,854)</u>	<u>(683,919)</u>
Total net position (deficit) - beginning	<u>(9,136,830)</u>	<u>2,402,795</u>	<u>858</u>	<u>9,854</u>	<u>9,854</u>	<u>(6,723,323)</u>
Total net position (deficit) - ending	<u>\$ (10,244,110)</u>	<u>\$ 2,836,010</u>	<u>\$ 858</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,407,242)</u>

**CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

Schedule of Expenditures of Federal and State Awards – Year Ended June 30, 2014

Federal/State Grantor/Pass Thru Agency Grantor/Program Title	Federal CFDA Number	Project or Award Number	Award Amount	Awards Expended
FEDERAL AWARDS:				
U.S. DEPARTMENT OF JUSTICE:				
Bullet-Proof Vest Partnership Program	16.607	2011BUBX11058875	\$ 3,213	\$ 1,303
Bullet-Proof Vest Partnership Program	16.607	2012BUBX12063785	2,700	2,700
Bullet-Proof Vest Partnership Program	16.607	2013BUBX13066856	4,193	257
Total U.S. Department of Justice			<u>10,106</u>	<u>4,260</u>
U.S. DEPARTMENT OF HOMELAND SECURITY:				
Passed through Oklahoma Department of Emergency Management:				
Staffing for Adequate Fire and Emergency Response	97.083	EMW-2008-00386	650,280	23,780
Disaster Recovery	97.036	FEMA 4117-DR-OK	218,293	218,293
Total U.S. Department of Homeland Security			<u>868,573</u>	<u>242,073</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
Passed through Oklahoma Department of Commerce:				
Community Development Block Grant	14.228	14839 CDBG 11	<u>71,375</u>	<u>54,009</u>
INSTITUTE OF MUSEUM AND LIBRARY SERVICES:				
Passed through Oklahoma Department of Libraries:				
State Aid	45.310	FY 13-14	14,046	14,046
Continuing education conference grant	45.310	FY 13-14	2,422	2,422
Total Institute of Museum and Library Services			<u>16,468</u>	<u>16,468</u>
Total Federal Awards			<u>\$ 966,522</u>	<u>\$ 316,810</u>

State Grantor/Pass Thru Agency Grantor/Program Title	Project or Award Number	Award Amount	Awards Expended
STATE AWARDS:			
OKLAHOMA DEPARTMENT OF EMERGENCY MANAGEMENT			
PA 4117	N/A	<u>\$ 34,762</u>	<u>\$ 34,762</u>
OKLAHOMA HUMANITIES COUNCIL			
Kicks Rt. 66 Grant	N/A	<u>668</u>	<u>668</u>
OKLAHOMA OFFICE OF HOMELAND SECURITY			
Homeland Security Grant	OKOHS #260.504	4,914	4,914
Homeland Security Grant	OKOHS #360.504	675	675
		<u>5,589</u>	<u>5,589</u>
Total State Awards		<u>\$ 41,019</u>	<u>\$ 41,019</u>

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, 2014

Schedule of Debt Service Coverage Requirements – Year Ended June 30, 2014

GROSS REVENUE AVAILABLE:

Pledged operating revenues (water and sewer systems)	\$ 4,637,001
Investment income	<u>24,174</u>
 Total Gross Revenue Available	 <u>4,661,175</u>

OPERATING EXPENDITURES:

Total Operating Expenses (water and sewer systems, excluding depreciation and amortization)	<u>2,714,813</u>
 Net Revenue Available for Debt Service	 <u>\$ 1,946,362</u>

Maximum Annual Debt Service:

Series 2000 Clean Water SRF Promissory Note	\$ 26,741
Series 2002A Drinking Water SRF Promissory Note	97,736
Series 2002C Clean Water SRF Promissory Note	41,132
Series 2003A Drinking Water SRF Promissory Note	33,829
Series 2009 Clean Water SRF Promissory Note	31,658
Series 2010 Drinking Water SRF Promissory Note	171,431
Amended Utility System Revenue Note, Taxable Series 2008 annual debt service	42,158
 Total Annual Debt Service on Revenues of the Systems	 <u>\$ 444,685</u>

Computed Coverage 438%

Coverage Requirement 125%

**CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

INTERNAL CONTROL AND COMPLIANCE INFORMATION

**CITY OF EL RENO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

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

The Honorable Mayor and Members of the City Council of the
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 the City of El Reno, Oklahoma (the "City"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 28, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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.

Arledge & Associates, P.C.
January 28, 2015