



CITY OF EL RENO, OKLAHOMA

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

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

THE CITY OF EL RENO, OKLAHOMA

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

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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, 2017, 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 pension plan information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The 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, as listed in the table of contents, is the responsibility of management and was derived from and relates 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 February 2, 2018, 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.

A handwritten signature in black ink that reads "Arledge & Associates, P.C." The signature is fluid and cursive, with "Arledge" and "Associates" connected by a flourish, and "P.C." in a smaller, separate section.

February 2, 2018

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MANAGEMENT DISCUSSION AND ANALYSIS

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Our discussion and analysis of the City of El Reno's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2017, the City's total net position increased by \$8.6 million or 20% from the prior year.
- During the year, the City's expenses for governmental activities were \$15.7 million and were funded by program revenues of \$2.3 million and further funded with taxes and other general revenues that totaled \$15.8 million.
- In the City's business-type activities, such as utilities, hospital, airport, and golf program, revenues exceeded expenses by approximately \$575,000.
- At June 30, 2017, the General Fund reported an unassigned fund balance of \$2 million, which is an increase of \$1.5 million or 245% from the prior year. This is due to the assignment of fund balance needed to balance the budget in the prior year. No assignment was needed this year.
- For budgetary reporting purposes, the General Fund reported revenues over estimates of \$180,668 or 1%, while expenditures were under the final appropriations by approximately \$783,301 or 4%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of El Reno (the "City") and its component units using the integrated approach as prescribed by GASB Statements No. 14, 34, and 39 and 61. Included in this report are governmental-wide statements for each of two categories of activities – governmental and business-type, along with one discretely-presented component unit. The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately and combined. These statements include all assets of the City (including infrastructure capital assets) and deferred outflows, as well as all liabilities (including all long-term debt) and deferred inflows.

About the City

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

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

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

(Unaudited. See accompanying auditor's report.)

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The City's Financial Reporting Entity

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

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

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

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.

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

(Unaudited. See accompanying auditor's report.)

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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 do not meet the criteria for blending, specifically the El Reno Economic Development Authority.

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

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

Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic service it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

Proprietary funds – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Fund Net Position and Statement of Cash Flows. In fact, the City's enterprise funds are essentially the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

(Unaudited. See accompanying auditor's report.)

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

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the primary government, assets and deferred outflows exceeded liabilities and deferred inflows by \$51 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.)
	2017	2016		2017	2016		2017	2016	
Current assets	\$ 12,429	\$ 13,915	-11%	\$ 15,641	\$ 11,134	40%	\$ 28,070	\$ 25,049	12%
Capital assets, net	34,848	33,917	3%	49,904	47,228	6%	84,752	81,145	4%
Total assets	47,277	47,832	-1%	65,545	58,362	12%	112,822	106,194	6%
Deferred outflow of resources	3,842	1,462	163%	362	130	178%	4,204	1,592	164%
Current liabilities	3,167	3,822	-17%	1,852	3,950	-53%	5,019	7,772	-35%
Non-current liabilities	31,507	30,874	2%	29,239	25,874	13%	60,746	56,748	7%
Total liabilities	34,674	34,696	0%	31,091	29,824	4%	65,765	64,520	2%
Deferred inflow of resources	180	755	-76%	24	27	-11%	204	782	-74%
Net position									
Net investment in capital assets	11,955	9,732	23%	20,531	21,012	-2%	32,486	30,744	6%
Restricted	7,246	9,260	-22%	-	175	-100%	7,246	9,435	-23%
Unrestricted (deficit)	(2,936)	(5,149)	-43%	14,261	7,454	91%	11,325	2,305	391%
Total net position	\$ 16,265	\$ 13,843	17%	\$ 34,792	\$ 28,641	21%	\$ 51,057	\$ 42,484	20%

The largest portion of the City's net position reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment). For 2017, this net investment in capital assets amounted to \$32.5 million. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The increase/decrease in deferred outflows, deferred inflows and other liabilities relates to a shortfall in actual investment earnings versus projected investment earnings in all three defined benefit retirement plans.

(Unaudited. See accompanying auditor's report.)

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The increase in business-type activities non-current liabilities is due to drawing \$4.7 million on the 2014 OWRB CWSRF loan.

The decrease in business-type activities current liabilities is due to a decrease in accounts payable of \$2.2 million.

The increase in unrestricted net position for both governmental and business-type is due to the receipt of mineral payments for land mineral rights at the airport, lake and the cemetery. This is also the reason for the increase in current assets for both.

Changes in Net Position

For the year ended June 30, 2017, 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.)
	2017	2016		2017	2016		2017	2016	
Revenues									
Charges for service	\$ 1,153	\$ 1,241	-7%	\$ 7,677	\$ 7,676	0%	\$ 8,830	\$ 8,917	-1%
Operating grants and contributions	1,015	3,388	-70%	-	-	-	1,015	3,388	-70%
Capital grants and contributions	117	346	-66%	434	246	76%	551	592	-7%
Taxes	14,475	14,745	-2%	-	-	-	14,475	14,745	-2%
Intergovernmental revenue	207	223	-7%	-	-	-	207	223	-7%
Investment income	15	16	-6%	30	20	50%	45	36	25%
Royalties	1,440	-	100%	5,017	-	100%	6,457	-	100%
Miscellaneous	140	180	-22%	97	4	2,325%	237	184	29%
Total revenues	18,562	20,139	-8%	13,255	7,946	67%	31,817	28,085	13%
Expenses									
General government	2,068	3,880	-47%	-	-	-	2,068	3,880	-47%
Public safety	8,919	8,226	8%	-	-	-	8,919	8,226	8%
Streets	2,180	1,968	11%	-	-	-	2,180	1,968	11%
Culture, parks and recreation	1,753	1,813	-3%	-	-	-	1,753	1,813	-3%
Interest on long-term debt	789	1,034	-24%	-	-	-	789	1,034	-24%
Water	-	-	-	2,731	2,475	10%	2,731	2,475	10%
Wastewater	-	-	-	2,410	1,866	29%	2,410	1,866	29%
Sanitation	-	-	-	751	709	6%	751	709	6%
Golf	-	-	-	750	799	-6%	750	799	-6%
Airport	-	-	-	543	528	3%	543	528	3%
Hospital	-	-	-	351	386	-9%	351	386	-9%
Total expenses	15,709	16,921	-7%	7,536	6,763	11%	23,245	23,684	-2%
Excess (deficiency) before transfers	2,853	3,218	-11%	5,719	1,183	383%	8,572	4,401	95%
Transfers	(432)	(597)	-28%	432	597	28%	-	-	-
Increase (decrease) in net position	\$ 2,421	\$ 2,621	-8%	\$ 6,151	\$ 1,780	-246%	\$ 8,572	\$ 4,401	95%

(Unaudited. See accompanying auditor's report.)

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The decrease in operating grants and contributions revenue for governmental activities of approximately \$2.4 million or 66% is due to the money received in the prior year from FEMA for the ice storm damage to pay for debris removal. This is also the result of the decrease in general government expenses.

The significant increase in royalty revenue for governmental and business-type activities is due to the payments for mineral rights at the lake, cemetery and the airport.

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.)
	2017	2016		2017	2016	
General government	\$ 2,068	\$ 3,880	-47%	\$ (1,463)	\$ (960)	52%
Public safety	8,919	8,226	8%	(7,637)	(6,838)	12%
Streets	2,180	1,968	11%	(1,940)	(1,514)	28%
Culture, parks and recreation	1,753	1,813	-3%	(1,596)	(1,600)	0%
Interest on long-term debt	789	1,034	-24%	(789)	(1,034)	-24%
Total	\$ 15,709	\$ 16,921	-7%	\$ (13,425)	\$ (11,946)	12%

For the year ended June 30, 2017, total expenses for governmental activities amounted to approximately \$16 million which is a decrease of \$1,212,022 from the prior year. Some of the more significant changes are noted above.

(Unaudited. See accompanying auditor's report.)

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Business-type Activities

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

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	2017	2016		2017	2016	
Water	\$ 2,731	\$ 2,475	10%	\$ 633	\$ 717	-12%
Wastewater	2,410	1,866	29%	(81)	328	-125%
Sanitation	751	709	6%	228	254	-10%
Golf	750	799	-6%	(376)	(280)	34%
Airport	543	528	3%	(58)	(115)	-50%
Hospital	351	386	-9%	229	256	-11%
Total	\$ 7,536	\$ 6,763	11%	\$ 575	\$ 1,160	-50%

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 \$575,025 for the year ended June 30, 2017.
- Water, sanitation and hospital activities reported net revenue for the year ended June 30, 2017, and the golf, airport and wastewater activities reported net expense.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2017 fiscal year, the governmental funds reported a combined fund balance of \$11 million or a 6% decrease from the prior year. The enterprise funds reported combined net position of \$34.8 million or a 21% increase from 2016

Other fund highlights include:

- For the year ended June 30, 2017, the El Reno Airpark Authority total net position increased by \$4.9 million or 218% due to royalties received.

(Unaudited. See accompanying auditor's report.)

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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 3% or \$575,824 and an increase in appropriations of 2% or \$360,317. Actual revenues were over estimates by \$180,668 or 1%, while expenditures were under final appropriations by \$783,301 or 4%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2017, the City had \$85 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).

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

	Governmental		Business-Type		<u>Total</u>	<u>2016</u>
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>		
Land	\$ 1,420	\$ 1,392	\$ 825	\$ 825	\$ 2,245	\$ 2,217
Buildings	14,925	14,224	22,956	1,942	37,881	16,166
Imp. other than buildings	3,342	4,488	3,374	3,793	6,716	8,281
Machinery, furniture and equipment	2,123	1,787	1,628	1,799	3,751	3,586
Infrastructure	11,887	10,602	-	-	11,887	10,602
Intangible water rights	-	-	146	150	146	150
Utility property	-	-	18,901	19,274	18,901	19,274
Construction in progress	1,152	1,424	2,074	19,446	3,226	20,870
Totals	\$ 34,849	\$ 33,917	\$ 49,904	\$ 47,229	\$ 84,753	\$ 81,146

This year's more significant capital asset additions included:

- Mercy Hospital roof renovation
- Water and Wastewater Improvements
- Evans Road and 66 turn lanes and signalization
- Radio Road North improvements

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

(Unaudited. See accompanying auditor's report.)

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Long- Term Debt

At year-end, the City had \$54 million in long-term debt outstanding which represents a \$2 million or 4% 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)

	Governmental		Business-Type		<u>Total</u>	<u>Total</u>		<u>Percentage</u> <u>Change</u>
	<u>Activities</u>		<u>Activities</u>			<u>Total</u>	<u>2016</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2016</u>	<u>2016-2017</u>
Accrued absences	\$ 1,246	\$ 1,142	\$ 109	\$ 93	\$ 1,355	\$ 1,235	\$ 1,235	10%
Insurance claims liability	125	137	-	-	125	137	137	-9%
Revenue bonds	22,422	23,626	5,283	5,874	27,705	29,500	29,500	-6%
Notes payable	395	419	24,102	20,343	24,497	20,762	20,762	18%
Refundable grant obligation	-	-	1	15	1	15	15	-93%
Deposits subject to refund	-	-	383	364	383	364	364	5%
Capital leases	76	141	-	12	76	153	153	-50%
Totals	\$ 24,264	\$ 25,465	\$ 29,878	\$ 26,701	\$ 54,142	\$ 52,166		4%

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 moving forward with the construction project 2013 bond issue capital improvement projects to meet the needs of the citizens which includes Phase II of the Library renovation to be completed by fiscal year end. The City of El Reno has budgeted funds in the amount of \$622,000 for street improvements designated for overlays, chip and seal, grind and compact to be completed in FY 17-18.
- The Municipal Authority will be moving forward with the construction project for the \$21,530,000 loan with Oklahoma Water Resource board to meet DEQ requirements regarding their wastewater needs. The waste water treatment plant has been completed, work will begin on the motive pump, sludge truck, and septic haul monitoring station for use with the plant.

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, 2017**

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

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

Statement of Net Position— June 30, 2017

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 9,684,582	\$ 6,911,469	\$ 16,596,051
Investments	274,090	6,785,784	7,059,874
Accounts receivable, net of allowance	700	1,079,322	1,080,022
Franchise tax receivable	101,351	-	101,351
Court fine receivable, net of allowance	472,488	-	472,488
Internal balances	(730,055)	730,055	-
Due from other governments	2,625,637	49,397	2,675,034
Inventory	-	56,442	56,442
Restricted investments	-	28,075	28,075
Capital assets:			
Land and construction in progress	2,571,302	2,898,788	5,470,090
Other capital assets, net of depreciation	32,276,795	47,005,156	79,281,951
Total Capital Assets	<u>34,848,097</u>	<u>49,903,944</u>	<u>84,752,041</u>
Total Assets	<u>47,276,890</u>	<u>65,544,488</u>	<u>112,821,378</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts related to pensions	2,990,622	235,589	3,226,211
Deferred amounts related to refunding	851,333	126,332	977,665
Total deferred outflows of resources	<u>3,841,955</u>	<u>361,921</u>	<u>4,203,876</u>
LIABILITIES			
Accounts payable	236,848	230,590	467,438
Accrued payroll liabilities	321,484	77,065	398,549
Accrued interest payable	322,547	427,428	749,975
Due to other governments	2,838	-	2,838
Refundable court bonds	8,407	-	8,407
Unearned revenue	1,359	736	2,095
Long-term liabilities:			
Due within one year	2,273,342	1,115,974	3,389,316
Due in more than one year	21,991,238	28,749,113	50,740,351
Net pension liability	<u>9,516,089</u>	<u>489,716</u>	<u>10,005,805</u>
Total liabilities	<u>34,674,152</u>	<u>31,090,622</u>	<u>65,764,774</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred amounts related to pensions	180,173	23,698	203,871
Total deferred outflows of resources	<u>180,173</u>	<u>23,698</u>	<u>203,871</u>
NET POSITION			
Net investment in capital assets	11,954,766	20,530,981	32,485,747
Restricted by:			
Enabling legislation	51,977	-	51,977
External contracts and groups:			
Permanent fund - nonexpendable	182,939	-	182,939
Permanent fund - expendable	8,229	-	8,229
Other contracts/groups	7,003,095	-	7,003,095
Unrestricted (deficit)	<u>(2,936,486)</u>	<u>14,261,108</u>	<u>11,324,622</u>
Total net position	<u>\$ 16,264,520</u>	<u>\$ 34,792,089</u>	<u>\$ 51,056,609</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, 2017

Statement of Activities –Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities							
General Government	\$ 2,067,918	\$ 575,898	\$ 21,642	\$ 7,357	\$ (1,463,021)	\$ -	\$ (1,463,021)
Public Safety	8,918,898	454,861	799,555	27,671	(7,636,811)	-	(7,636,811)
Streets	2,180,169	-	160,535	79,939	(1,939,695)	-	(1,939,695)
Culture, parks and recreation	1,752,885	122,611	32,915	1,631	(1,595,728)	-	(1,595,728)
Interest on long-term debt	789,479	-	-	-	(789,479)	-	(789,479)
Total governmental activities	<u>15,709,349</u>	<u>1,153,370</u>	<u>1,014,647</u>	<u>116,598</u>	<u>(13,424,734)</u>	<u>-</u>	<u>(13,424,734)</u>
Business-type activities							
Water	2,730,962	3,363,452	-	-	-	632,490	632,490
Wastewater	2,410,382	2,169,491	-	160,238	-	(80,653)	(80,653)
Sanitation	750,972	979,064	-	-	-	228,092	228,092
Golf	750,086	374,135	-	-	-	(375,951)	(375,951)
Airport	543,394	211,099	-	274,172	-	(58,123)	(58,123)
Hospital	350,621	579,791	-	-	-	229,170	229,170
Total business-type activities	<u>7,536,417</u>	<u>7,677,032</u>	<u>-</u>	<u>434,410</u>	<u>-</u>	<u>575,025</u>	<u>575,025</u>
Total primary government	<u>23,245,766</u>	<u>8,830,402</u>	<u>1,014,647</u>	<u>551,008</u>	<u>(13,424,734)</u>	<u>575,025</u>	<u>(12,849,709)</u>
General revenues:							
Taxes:							
Sales and use taxes				13,099,966	-	13,099,966	
Property taxes				124,277	-	124,277	
Franchise and public service taxes				820,229	-	820,229	
Hotel/motel taxes				430,724	-	430,724	
Intergovernmental revenue not restricted to specific programs				207,203	-	207,203	
Investment income				15,038	30,324	45,362	
Miscellaneous				140,264	96,750	237,014	
Miscellaneous - Royalties				1,440,107	5,017,374	6,457,481	
Transfers - Internal activity				(431,552)	431,552	-	
Total general revenues and transfers				<u>15,846,256</u>	<u>5,576,000</u>	<u>21,422,256</u>	
Change in net position				<u>2,421,522</u>	<u>6,151,025</u>	<u>8,572,547</u>	
Net position - beginning				<u>13,842,998</u>	<u>28,641,064</u>	<u>42,484,062</u>	
Net position - ending				<u>\$ 16,264,520</u>	<u>\$ 34,792,089</u>	<u>\$ 51,056,609</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, 2017**

BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

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

Governmental Funds Balance Sheet - June 30, 2017

		<u>2013 Series</u> <u>STRN Bond</u>	<u>Other</u> <u>Governmental</u>	<u>Total</u> <u>Governmental</u>
	<u>General Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ 5,837,714	\$ 2,172,475	\$ 1,649,083	\$ 9,659,272
Investments	117,576	-	156,514	274,090
Due from other funds	33,969	-	-	33,969
Due from other governments	2,213,904	-	96,487	2,310,391
Franchise tax receivable	416,029	-	568	416,597
Court fine receivable, net	472,488	-	-	472,488
Other receivables	700	-	-	700
Total assets	<u>9,092,380</u>	<u>2,172,475</u>	<u>1,902,652</u>	<u>13,167,507</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE				
Liabilities:				
Accounts payable	52,860	116,917	18,377	188,154
Accrued payroll payable	371,370	-	1,646	373,016
Due to other funds	764,024	-	-	764,024
Refundable court bonds	8,407	-	-	8,407
Total liabilities	<u>1,196,661</u>	<u>116,917</u>	<u>20,023</u>	<u>1,333,601</u>
Deferred inflows of resources:				
Deferred revenue	761,511	-	-	761,511
Fund balances:				
Nonspendable	-	-	182,939	182,939
Restricted	3,906,648	2,055,558	1,101,095	7,063,301
Committed	1,146,460	-	71,260	1,217,720
Assigned	3,617	-	527,335	530,952
Unassigned	2,077,483	-	-	2,077,483
Total fund balance	<u>7,134,208</u>	<u>2,055,558</u>	<u>1,882,629</u>	<u>11,072,395</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 9,092,380</u>	<u>\$ 2,172,475</u>	<u>\$ 1,902,652</u>	<u>\$ 13,167,507</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, 2017

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

	<u>General Fund</u>	<u>2013 Series STRN Bond Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 13,256,872	\$ -	\$ 1,219,105	\$ 14,475,977
Intergovernmental	1,330,679	-	89,929	1,420,608
Licenses and permits	524,848	-	-	524,848
Charges for services	77,048	-	76,787	153,835
Fines and forfeitures	329,428	-	40,155	369,583
Investment income	11,960	2,770	308	15,038
Royalties	1,440,107	-	-	1,440,107
Miscellaneous	258,670	-	553	259,223
Total revenues	<u>17,229,612</u>	<u>2,770</u>	<u>1,426,837</u>	<u>18,659,219</u>
EXPENDITURES				
Current:				
General government	1,676,119	-	317,918	1,994,037
Public safety	8,210,849	-	314,427	8,525,276
Streets	1,115,591	-	-	1,115,591
Culture, parks, and recreation	1,251,478	-	5,990	1,257,468
Capital outlay	436,065	993,521	2,192,986	3,622,572
Debt service:				
Principal	2,127,395	-	56,624	2,184,019
Interest	752,519	-	21,587	774,106
Total Expenditures	<u>15,570,016</u>	<u>993,521</u>	<u>2,909,532</u>	<u>19,473,069</u>
Excess (deficiency) of revenues over expenditures	<u>1,659,596</u>	<u>(990,751)</u>	<u>(1,482,695)</u>	<u>(813,850)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	4,469,074	-	67,853	4,536,927
Transfers out	(4,370,733)	-	(82,582)	(4,453,315)
Proceeds from long-term debt	11,955,150	-	-	11,955,150
Capital lease proceeds	(11,969,444)	-	-	(11,969,444)
Total other financing sources and uses	<u>84,047</u>	<u>-</u>	<u>(14,729)</u>	<u>69,318</u>
Net change in fund balance	1,743,643	(990,751)	(1,497,424)	(744,532)
Fund balance - beginning	5,390,565	3,046,309	3,380,053	11,816,927
Fund balance - ending	<u>\$ 7,134,208</u>	<u>\$ 2,055,558</u>	<u>\$ 1,882,629</u>	<u>\$ 11,072,395</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, 2017

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance - Net Position Reconciliation: \$ 11,072,395

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 \$19,799,654 34,848,097

Certain long-term items are not available to pay current fund liabilities and therefore are not reported in the funds:

Loss on refunding	851,333
Pension related deferred outflows	<u>2,990,622</u>
	<u>3,841,955</u>

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

Court fines receivable	438,348
Franchise taxes receivable	5,554
Grants receivable	<u>316,250</u>
	<u>760,152</u>

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	(100,135)
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Certain long-term liabilities are not due and payable from current financial resources and therefore they, along with deferred inflows, are not reported in the funds:

Net pension liability	(9,516,089)
Pension related deferred inflows	(180,173)
Accrued interest payable	(322,547)
Capital lease obligation	(76,431)
Notes Payable	(395,400)
Revenue bond obligations	(22,421,500)
Accrued compensated absences	<u>(1,245,804)</u>
	<u>(34,157,944)</u>

Net Position of Governmental Activities in the Statement of Net Position \$ 16,264,520

See accompanying notes to the financial statements.

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

Changes in Fund Balance - Changes in Net Position Reconciliation: \$ (744,532)

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	3,101,984
Capital assets transferred from Enterprise Fund	32,690
Depreciation expense	<u>(2,203,936)</u>
	<u>930,738</u>

In the Statement of Activities, the net cost of pension benefits earned is calculated and reported as pension expense. The fund financial statements report pension contributions as pension expenditures. This amount represents the difference between pension contributions and calculated pension expense.

36,862

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	452
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Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:

Principal payment on capital lease obligation	64,525
Principal payment on notes payable obligation	23,700
Principal payment on bonds payable obligation	2,099,600
Transfer to escrow	11,969,444
Loss on refunding	(58,311)
Proceeds of long-term debt	<u>(11,955,150)</u>
	<u>2,143,808</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	123,039
Change in accrued compensated absences	<u>(103,493)</u>
	<u>19,546</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	34,648
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Change in net position of governmental activities	<u>\$ 2,421,522</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, 2017**

BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS

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

Proprietary Funds Statement of Net Position - June 30, 2017

ENTERPRISE FUNDS						
	El Reno Municipal Trust Authority	El Reno Hospital Authority	El Reno Airpark Authority	El Reno Recreational Authority	Totals	Internal Service Funds
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 4,238,427	\$ 712,500	\$ 1,215,761	\$ 15,877	\$ 6,182,565	\$ 25,310
Restricted cash and cash equivalents	729,037	-	-	-	729,037	-
Investments	2,945,770	839,881	3,000,000	-	6,785,651	-
Due from other funds	764,024	-	-	-	764,024	-
Due from other governments	-	-	49,397	-	49,397	-
Inventory	7,171	-	20,943	28,328	56,442	-
Accounts receivable, net	1,068,113	1,316	9,325	568	1,079,322	-
Total current assets	<u>9,752,542</u>	<u>1,553,697</u>	<u>4,295,426</u>	<u>44,773</u>	<u>15,646,438</u>	<u>25,310</u>
Non-current assets:						
Restricted investments	28,075	-	-	-	28,075	-
Capital assets:						
Land and construction in progress	2,375,790	5,000	517,998	-	2,898,788	-
Other capital assets, net of accumulated depreciation	40,874,798	2,547,727	2,469,619	1,113,012	47,005,156	-
Total non-current assets	<u>43,278,663</u>	<u>2,552,727</u>	<u>2,987,617</u>	<u>1,113,012</u>	<u>49,932,019</u>	<u>-</u>
Total assets	<u>53,031,205</u>	<u>4,106,424</u>	<u>7,283,043</u>	<u>1,157,785</u>	<u>65,578,457</u>	<u>25,310</u>
DEFERRED OUTFLOW OF RESOURCES:						
Deferred amounts related to pensions	143,010	-	-	92,579	235,589	-
Deferred amount on refunding	126,332	-	-	-	126,332	-
Total deferred outflow of resources	<u>269,342</u>	<u>-</u>	<u>-</u>	<u>92,579</u>	<u>361,921</u>	<u>-</u>
LIABILITIES						
Current liabilities:						
Accounts payable	97,393	636	27,204	105,115	230,348	-
Accrued payroll payable	48,594	-	4,096	24,617	77,307	-
Accrued interest payable	427,428	-	-	-	427,428	-
Unearned revenue	-	-	736	-	736	-
Due to other funds	-	-	-	33,969	33,969	-
Current portion of:						
Claims liability	-	-	-	-	-	21,660
Refundable grant obligation	791	-	-	-	791	-
Notes payable	365,346	-	-	-	365,346	-
Revenue bonds payable, net	739,950	-	-	-	739,950	-
Accrued compensated absences	8,349	-	601	937	9,887	-
Total current liabilities	<u>1,687,851</u>	<u>636</u>	<u>32,637</u>	<u>164,638</u>	<u>1,885,762</u>	<u>21,660</u>
Non-current liabilities:						
Claims liability	-	-	-	-	-	103,785
Deposits subject to refund	382,707	-	-	-	382,707	-
Notes payable	23,736,367	-	-	-	23,736,367	-
Revenue bonds payable	4,531,300	-	-	-	4,531,300	-
Accrued compensated absences	75,144	-	5,410	18,185	98,739	-
Net pension liability	361,059	-	-	128,657	489,716	-
Total non-current liabilities	<u>29,086,577</u>	<u>-</u>	<u>5,410</u>	<u>146,842</u>	<u>29,238,829</u>	<u>103,785</u>
Total liabilities	<u>30,774,428</u>	<u>636</u>	<u>38,047</u>	<u>311,480</u>	<u>31,124,591</u>	<u>125,445</u>
DEFERRED INFLOW OF RESOURCES:						
Deferred amounts related to pension	<u>12,485</u>	<u>-</u>	<u>-</u>	<u>11,213</u>	<u>23,698</u>	<u>-</u>
NET POSITION						
Net Investment in capital assets	13,877,625	2,552,727	2,987,617	1,113,012	20,530,981	-
Unrestricted (deficit)	8,636,009	1,553,061	4,257,379	(185,341)	14,261,108	(100,135)
Total net position	<u>\$ 22,513,634</u>	<u>\$ 4,105,788</u>	<u>\$ 7,244,996</u>	<u>\$ 927,671</u>	<u>\$ 34,792,089</u>	<u>\$ (100,135)</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, 2017

Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Position - Year Ended June 30, 2017

	ENTERPRISE FUNDS					<u>Internal Service Funds</u>
	<u>El Reno Municipal Trust Authority</u>	<u>El Reno Hospital Authority</u>	<u>El Reno Airpark Authority</u>	<u>El Reno Recreational Authority</u>	<u>Totals</u>	
OPERATING REVENUES						
Water charges	\$ 3,220,610	\$ -	\$ -	\$ -	\$ 3,220,610	\$ -
Sewer charges	2,074,103	-	-	-	2,074,103	-
Sanitation charges	935,878	-	-	-	935,878	-
Airport charges	-	-	211,099	-	211,099	-
Golf Course charges	-	-	-	348,234	348,234	-
Hook and Slice Restaurant charges	-	-	-	25,181	25,181	-
Water and sewer taps	19,081	-	-	-	19,081	-
Transfer fees	4,450	-	-	-	4,450	-
Returned check charges	1,075	-	-	-	1,075	-
Cut off charges	60,975	-	-	-	60,975	-
Penalties and interest	97,495	-	-	-	97,495	-
Miscellaneous	98,340	6,285	5,017,374	720	5,122,719	-
Rental	-	573,506	-	-	573,506	-
Self insurance charges	-	-	-	-	-	219,272
Total operating revenues	<u>6,512,007</u>	<u>579,791</u>	<u>5,228,473</u>	<u>374,135</u>	<u>12,694,406</u>	<u>219,272</u>
OPERATING EXPENSES						
Managerial	181,713	-	-	-	181,713	-
Administration	334,140	-	-	-	334,140	-
Billing	809,963	-	-	-	809,963	-
Water Plant	1,307,175	-	-	-	1,307,175	-
Wastewater	609,842	-	-	-	609,842	-
Utility Lines	471,142	-	-	-	471,142	-
Hospital	-	112,705	-	-	112,705	-
Airport	-	-	190,752	-	190,752	-
Golf	-	-	-	596,528	596,528	-
Claims expense	-	-	-	-	184,974	-
Depreciation expense	1,242,909	237,916	329,645	153,558	1,964,028	-
Total Operating Expenses	<u>4,956,884</u>	<u>350,621</u>	<u>520,397</u>	<u>750,086</u>	<u>6,577,988</u>	<u>184,974</u>
Operating income (loss)	<u>1,555,123</u>	<u>229,170</u>	<u>4,708,076</u>	<u>(375,951)</u>	<u>6,116,418</u>	<u>34,298</u>
NON-OPERATING REVENUES (EXPENSES)						
Investment income	17,127	477	12,692	28	30,324	-
Gain (loss) on sale of capital asset	(33,949)	-	-	-	(33,949)	-
Grant revenue	-	-	274,172	-	274,172	-
Miscellaneous revenue	3,000	-	91,960	1,790	96,750	350
Interest expense and fiscal charges	(901,483)	-	(22,997)	-	(924,480)	-
Total non-operating revenue (expenses)	<u>(915,305)</u>	<u>477</u>	<u>355,827</u>	<u>1,818</u>	<u>(557,183)</u>	<u>350</u>
Income (loss) before contributions and transfers	639,818	229,647	5,063,903	(374,133)	5,559,235	34,648
Capital contributions	675,402	-	-	-	675,402	-
Transfers in	4,163,889	-	-	139,000	4,302,889	-
Transfers out	(4,290,914)	-	(95,587)	-	(4,386,501)	-
Change in net position	1,188,195	229,647	4,968,316	(235,133)	6,151,025	34,648
Total net position - beginning	21,325,439	3,876,141	2,276,680	1,162,804	28,641,064	(134,783)
Total net position - ending	<u>\$ 22,513,634</u>	<u>\$ 4,105,788</u>	<u>\$ 7,244,996</u>	<u>\$ 927,671</u>	<u>\$ 34,792,089</u>	<u>\$ (100,135)</u>

See accompanying notes to the financial statements.

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Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2017

	ENTERPRISE FUNDS					<u>Internal Service Funds</u>
	<u>El Reno Municipal Trust Authority</u>	<u>El Reno Hospital Authority</u>	<u>El Reno Airpark Authority</u>	<u>Recreational Authority</u>	<u>Total</u>	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 7,871,570	\$ 582,164	\$ 5,184,628	\$ 375,522	\$ 14,013,884	\$ -
Payments to suppliers	(4,575,059)	(146,615)	(129,101)	(163,757)	(5,014,532)	(196,156)
Payments to employees	(1,405,096)	-	(51,718)	(335,686)	(1,792,500)	-
Receipts of customer meter deposits	72,775	-	-	-	72,775	-
Refunds of customer meter deposits	(53,490)	-	-	-	(53,490)	-
Other income	3,000	-	91,960	-	94,960	219,622
Net cash provided by (used in) operating activities	1,913,700	435,549	5,095,769	(123,921)	7,321,097	23,466
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers from other funds	4,163,889	-	-	139,000	4,302,889	-
Transfers to other funds	(4,290,914)	-	(95,587)	-	(4,386,501)	-
Net cash provided by noncapital financing activities	(127,025)	-	(95,587)	139,000	(83,612)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchases of capital assets	(4,038,968)	(58,817)	(586,501)	1	(4,684,285)	-
Principal paid on capital debt	(1,879,867)	-	(541,364)	-	(2,421,231)	-
Proceeds from capital debt	5,562,478	-	-	-	5,562,478	-
Payment of bond issue cost	-	-	-	-	-	-
Interest and fiscal agent fees paid on capital debt	(840,712)	-	(22,997)	-	(863,709)	-
Capital grants and contributions	675,402	-	274,172	-	949,574	-
Proceeds from sale of capital assets	10,800	-	-	-	10,800	-
Net cash provided by (used in) capital and related financing activities	(510,867)	(58,817)	(876,690)	1	(1,446,373)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Sale (Purchase) of investments	(2,499,898)	(839,881)	(3,000,000)	-	(6,339,779)	-
Interest and dividends	17,036	477	12,694	27	30,234	-
Net cash provided by (used in) investing activities	(2,482,862)	(839,404)	(2,987,306)	27	(6,309,545)	-
Net increase (decrease) in cash and cash equivalents	(1,207,054)	(462,672)	1,136,186	15,107	(518,433)	23,466
Balances - beginning of year	6,174,518	1,175,172	79,575	770	7,430,035	1,844
Balances - end of year	\$ 4,967,464	\$ 712,500	\$ 1,215,761	\$ 15,877	\$ 6,911,602	\$ 25,310
Reconciliation to Statement of Net Position:						
Cash and cash equivalents	\$ 4,238,427	\$ 712,500	\$ 1,215,761	\$ 15,877	\$ 6,182,565	\$ 25,310
Restricted cash and cash equivalents - current	729,037	-	-	-	729,037	-
Total cash and cash equivalents, end of year	\$ 4,967,464	\$ 712,500	\$ 1,215,761	\$ 15,877	\$ 6,911,602	\$ 25,310

(Continued)

See accompanying notes to the financial statements

CITY OF EL RENO, OKLAHOMA
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Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2017, (continued)

	<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>Total</u>	<u>Internal Service Funds</u>
Reconciliation of operating income (loss) to net cash provided						
by (used in) operating activities:						
Operating income (loss)	\$ 1,555,123	\$ 229,170	\$ 4,708,076	\$ (375,951)	\$ 6,116,418	\$ 34,298
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation expense	1,242,909	237,916	329,645	153,558	1,964,028	-
Miscellaneous revenue	3,000	-	91,960	1,790	96,750	350
Change in assets and liabilities:						
Due from other governments	-	-	(41,680)	-	(41,680)	-
Accounts receivable	1,359,563	2,373	(2,165)	(403)	1,359,368	-
Inventory	1,062	-	(12,608)	9,037	(2,509)	-
Accounts payable	(2,272,483)	(33,910)	18,321	71,024	(2,217,048)	-
Accrued payroll payable	6,797	-	1,928	13,083	21,808	-
Net pension liability	(3,862)	-	-	(6,761)	(10,623)	-
Claims liability	-	-	-	-	-	(11,182)
Deposits subject to refund	19,285	-	-	-	19,285	-
Accrued compensated absences	2,306	-	2,292	10,702	15,300	-
Net cash provided by (used in) operating activities	\$ 1,913,700	\$ 435,549	\$ 5,095,769	\$ (123,921)	\$ 7,321,097	\$ 23,466

See accompanying notes to the financial statements.

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FIDUCIARY FUND

**CITY OF EL RENO, OKLAHOMA
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Fiduciary Fund Statement of Net Position – Pension Trust Fund (El Reno Employee Retirement System Reassure America Life Insurance Company) - June 30, 2017

ASSETS:

Investments at contract value:

Insurance contracts	\$ 404,817
Accrued interest receivable	<u>12,044</u>
Total Assets	<u>\$ 416,861</u>

NET POSITION:

Net position held in trust for pension benefits	<u>\$ 416,861</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, 2017

ADDITIONS:

Investment Income:	<u>\$ 23,595</u>
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Total Additions	<u>23,595</u>
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Change in net position held in trust for employees' pension benefits	23,595
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Net position--beginning	<u>393,266</u>
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Net position--ending	<u>\$ 416,861</u>
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See accompanying notes to the financial statements.

**CITY OF EL RENO, OKLAHOMA
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FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF EL RENO, OKLAHOMA
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Footnotes to the Basic Financial Statements:

1. Financial Reporting Entity

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

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

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

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

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

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

Blended Component Units:

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

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

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

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

Discretely Presented Component Unit:

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

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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

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- 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 $\frac{1}{4}$ 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.
- Radio Road North Improvements – accounts for the restricted donations from Chesapeake and Seventy Seven Energy to improve the I-40 interchange.
- Evan's Road Improvements – accounts for the restricted donations from Centurion Share and Haliburton to improve the street and waterlines on Evan's Road.

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.

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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, 2017.

Fund	Fund Balance 7/1/2016	Changes in Fund Balance	Fund Balance 6/30/2017
Special Revenue Funds:			
Police Fund	\$ 55,434	\$ (3,457)	\$ 51,977
CDBG Fund	79,696	(11,910)	67,786
Cemetery Care	173,261	(15,626)	157,635
Hotel Motel Occupancy Surcharge	401,850	175,316	577,166
Safety Sales Tax 1/4 Cent	341,629	1,562	343,191
Capital Project Funds:			
Infrastructure	316,793	(88,715)	228,078
Drainage Improvement	3,082	-	3,082
Capital Improvement	211,319	(30,896)	180,423
Radio Road North Improvement	1,020,879	(1,020,879)	-
Evans Road Improvements	584,467	(502,935)	81,532
Permanent Funds:			
Library Endowment	31,781	62	31,843
Cemetery Perpetual Care	159,862	54	159,916
Total	\$ 3,380,053	\$ (1,497,424)	\$ 1,882,629

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.

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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 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).

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oklahoma Firefighters Pension & Retirement System (FPRS), Oklahoma Police Pension & Retirement System (OPPRS), and Oklahoma Municipal Retirement Fund (OkMRF) and additions to/deductions from FPRS's, OPPRS's, and OkMRF's fiduciary net position have been determined on the same basis as they are reported by FPRS, OPPRS, and OkMRF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

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At June 30, 2017, the reporting entity held the following deposits and investments:

Primary Government:

Type	Maturities	Credit Rating	Carrying Value
Deposits:			
Demand deposits			\$ 12,705,903
Cash on hand			3,200
Time deposits	Due within one year		7,087,817
			<u>19,796,920</u>
Investments:			
Trustee money market accounts		AAAm	3,887,080
			<u>3,887,080</u>
Total deposits and investments			\$ 23,684,000
 Reconciliation to Statement of Net Position:			
Cash and cash equivalents			\$ 16,596,051
Investments			7,059,874
Restricted investments			28,075
			<u>\$ 23,684,000</u>

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

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, 2017, 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.

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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: 100% (or \$3,887,080) invested in Federated Treasury Obligations money market accounts at Bancfirst.

Restricted cash and Investments – The amounts reported as restricted assets of the Statement of Net Position are comprised of amounts restricted for utility deposits, debt service, debt reserve, or construction purposes. The restricted assets as of June 30, 2017 are as follows:

	Current Cash and cash Equivalents	Noncurrent Investments
2005 Sales Tax Revenue Bond Revenue Fund	\$ 115,990	\$ -
2008 MA Sales Tax Revenue Interest Fund	125	-
2016 Revenue Bond Revenue Fund	42,563	-
2010 Drinking Water SRF Debt Service	40,438	-
2011 Sales Tax Revenue Note Fund	90,313	-
2013 Sales Tax Revenue Bond Note Fund	30,398	-
2015 Sales Tax Revenue Principal Fund	9	-
2015 Sales Tax Revenue Interest Fund	54,569	-
Utility Deposits	<u>354,632</u>	<u>28,075</u>
Total	<u>\$ 729,037</u>	<u>\$ 28,075</u>

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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	Senior Meal Receivable	Utilities Receivable	Airpark Receivable	El Reno Hospital Authority	El Reno Recreation Authority
Accounts receivable	\$ 1,574,962	\$ 700	\$ 1,961,677	\$ 9,325	\$ 1,316	\$ 568
Less: allowance for uncollectible accounts	(1,102,474)	-	(893,564)	-	-	-
Accounts receivable, net of allowance	<u>\$ 472,488</u>	<u>\$ 700</u>	<u>\$ 1,068,113</u>	<u>\$ 9,325</u>	<u>\$ 1,316</u>	<u>\$ 568</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.

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 acquisition value at the date of donation. For the year ended June 30, 2017, capital assets balances changed as follows:

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	Balance at July 1, 2016	Additions	Disposals	Transfers	Balance at June 30, 2017
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 1,392,346	\$ 27,265	\$ -	\$ -	\$ 1,419,611
Construction in progress	1,424,363	2,055,977	2,328,649	-	1,151,691
Total capital assets not being depreciated	<u>2,816,709</u>	<u>2,083,242</u>	<u>2,328,649</u>	<u>-</u>	<u>2,571,302</u>
Other capital assets:					
Buildings	17,564,999	296,241	7,420	1,451,998	19,305,818
Improvements	6,655,727	63,823	-	(1,451,998)	5,267,552
Machinery, furniture and equipment	6,366,737	785,481	34,569	-	7,117,649
Infrastructure	20,312,841	2,234,535	-	-	22,547,376
Total other capital assets at historical cost	<u>50,900,304</u>	<u>3,380,080</u>	<u>41,989</u>	<u>-</u>	<u>54,238,395</u>
Less accumulated depreciation for:					
Buildings	3,340,815	524,035	7,420	523,765	4,381,195
Improvements	2,167,849	281,807	-	(523,765)	1,925,891
Machinery, furniture and equipment	4,580,156	448,916	34,569	-	4,994,503
Infrastructure	9,710,833	949,178	-	-	10,660,011
Total accumulated depreciation	<u>19,799,653</u>	<u>2,203,936</u>	<u>41,989</u>	<u>-</u>	<u>21,961,600</u>
Other capital assets, net	<u>31,100,651</u>	<u>1,176,144</u>	<u>-</u>	<u>-</u>	<u>32,276,795</u>
Governmental activities capital assets, net	<u><u>\$ 33,917,360</u></u>	<u><u>\$ 3,259,386</u></u>	<u><u>\$ 2,328,649</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 34,848,097</u></u>
 Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 824,573	\$ -	\$ -	\$ -	\$ 824,573
Construction in progress	19,446,280	4,115,736	21,487,801	-	2,074,215
Total capital assets not being depreciated	<u>20,270,853</u>	<u>4,115,736</u>	<u>21,487,801</u>	<u>-</u>	<u>2,898,788</u>
Other capital assets:					
Buildings	6,619,255	21,167,405	-	-	27,786,660
Improvements	11,112,147	-	-	-	11,112,147
Machinery, furniture and equipment	16,380,240	276,092	3,844,450	-	12,811,882
Intangible water rights	207,657	-	-	-	207,657
Utility property improvements	34,270,523	612,854	-	-	34,883,377
Total other capital assets at historical cost	<u>68,589,822</u>	<u>22,056,351</u>	<u>3,844,450</u>	<u>-</u>	<u>86,801,723</u>
Less accumulated depreciation for:					
Buildings	4,677,659	153,457	-	-	4,831,116
Improvements	7,319,365	419,004	-	-	7,738,369
Machinery, furniture and equipment	14,581,357	402,273	3,799,701	-	11,183,929
Intangible water rights	57,306	3,909	-	-	61,215
Utility property improvements	14,996,553	985,385	-	-	15,981,938
Total accumulated depreciation	<u>41,632,240</u>	<u>1,964,028</u>	<u>3,799,701</u>	<u>-</u>	<u>39,796,567</u>
Other capital assets, net	<u>26,957,582</u>	<u>20,092,323</u>	<u>44,749</u>	<u>-</u>	<u>47,005,156</u>
Business-type activities capital assets, net	<u><u>\$ 47,228,435</u></u>	<u><u>\$ 24,208,059</u></u>	<u><u>\$ 21,532,550</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 49,903,944</u></u>

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

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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	\$ 212,374	Water	\$ 623,409
Public Safety	421,904	Wastewater	619,500
Highways and Streets	1,064,916	Hospital	237,916
Culture & Recreation	504,742	Airpark	329,645
	<u>\$ 2,203,936</u>	Recreation	<u>153,558</u>
			<u>\$ 1,964,028</u>

7. Long-Term Debt and Debt Service Requirements

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

Type of Debt	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Amounts Due Within One Year
Governmental Activities:					
Notes payable	\$ 419,100	\$ -	\$ 23,700	\$ 395,400	\$ 24,400
Revenue bonds payable	23,625,750	11,955,150	13,159,400	22,421,500	2,065,050
Insurance claims liability	136,627	179,642	190,825	125,444	21,660
Capital lease obligation	140,957	-	64,526	76,431	37,652
Accrued compensated absences	1,142,311	9,272,441	9,168,947	1,245,805	124,580
Total Governmental Activities	<u>\$ 25,464,745</u>	<u>\$ 21,407,233</u>	<u>\$ 22,607,398</u>	<u>\$ 24,264,580</u>	<u>\$ 2,273,342</u>
Business-Type Activities:					
Notes payable	\$ 20,343,366	\$ 4,662,628	\$ 904,281	\$ 24,101,713	\$ 365,346
Revenue bonds payable	5,874,250	899,850	1,490,600	5,283,500	739,950
Refundable grant obligation	14,664	-	13,873	791	791
Deposits subject to refund	363,422	72,775	53,490	382,707	-
Capital lease obligation	12,478	-	12,478	-	-
Accrued compensated absences	93,326	808,497	793,197	108,626	9,887
Total Business-Type Activities	<u>\$ 26,701,506</u>	<u>\$ 6,443,750</u>	<u>\$ 3,267,919</u>	<u>\$ 29,877,337</u>	<u>\$ 1,115,974</u>

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Governmental activities long-term debt:

Revenue Bonds Payable:

Series 2016 Sales Tax and Utility Revenue Bonds. Original amount of \$12,855,000 issued by the El Reno Municipal Authority, 93% or \$11,955,150 of the proceeds was used in governmental activities, due in annual installments of \$200,000 to \$600,000 through 2029, interest at 2.26%. \$ 11,680,800

Series 2010 Sales Tax and Utility Revenue Bonds. Original amount of \$8,000,000 issued by the El Reno Municipal Authority, 100% of the proceeds was used in governmental activities, due in annual installments of \$255,000 to \$395,000 through 2025, interest at 3.76%. 5,535,000

Series 2011 Sales Tax and Utility Revenue Bonds. Original amount of \$5,100,000 issued by the El Reno Municipal Authority, 62% or \$3,162,000 was used in governmental activities, due in annual installments of \$140,000 to \$455,000 through 2027, interest at 3.75%. See Business - type note below for water percentage and balance. 2,328,100

Series 2013 Sales Tax Revenue Bonds. Original amount of \$4,500,000 issued by the El Reno Municipal Authority, 88% or 3,960,000 was used in governmental activities, due in annual installments of \$200,000 to \$255,000 through 2024, interest at 2.32% 2,877,600

Total Revenue Bonds Payable \$ 22,421,500

Current portion	\$ 2,065,050
Non-current portion	20,356,450
Total	<u>\$ 22,421,500</u>

Notes Payable:

Series 2015 Hotel/Motel Revenue Note, original amount of \$442,500, issued by the El Reno Municipal Authority, due in monthly installments, 100% was used in governmental activities, matures in June 2025, interest at 3.5%. \$ 395,400

Current portion	\$ 24,400
Non-current portion	371,000
Total	<u>\$ 395,400</u>

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Capital Lease Obligations:

\$113,161 lease with BancFirst for the purchase of 24 MAS SCBA's, issued December 2015 with an interest rate of 2.95% and maturing November 2018.

\$ 76,431

Current portion	\$ 37,652
Non-current portion	38,779
Total	<u>\$ 76,431</u>

Business-type activities long-term debt:

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% \$ 1,305,000

Series 2016 Sales Tax and Utility Revenue Bonds. Original amount of \$12,855,000 issued by the El Reno Municipal Authority, 7% or \$899,850 of the proceeds was used in governmental activities, due in annual installments of \$200,000 to \$600,000 through 2029, interest at 2.26%. 879,200

Series 2015 Sales Tax Revenue Bonds. Original amount of \$1,400,000 issued by the El Reno Municipal Authority, due in annual installments of \$110,000 to \$234,000 through 2025, interest at 2.27% 1,280,000

Series 2011 Sales Tax and Utility Revenue Bonds. Original amount of \$5,100,000 issued by the El Reno Municipal Authority, 38% or \$1,938,000 of the proceeds was used for business-type activities, due in annual installments of \$140,000 to \$455,000 through 2027, interest at 3.75% 1,426,900

Series 2013 Sales Tax Revenue Bonds. Original amount of \$4,500,000 issued by the El Reno Municipal Authority, 12% or \$540,000 of the proceeds was used for business-type activities, due in annual installments of \$200,000 to \$255,000 through 2024, interest at 2.32% 392,400

Total Revenue Bonds Payable \$ 5,283,500
 Less Unamortized Bond Discount (12,250)
 Net Revenue Bonds Payable \$ 5,271,250

Current portion	\$ 739,950
Non-current portion	4,531,300
Total	<u>\$ 5,271,250</u>

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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.	\$ 77,568
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	422,152
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	196,923
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	209,025
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	530,700
Series 2014 OWRB Clean Water SRF Promissory Note dated August 26, 2014, original amount of \$21,530,000, issued by the El Reno Municipal Authority due in semi-annual installments each March 15 and September 15, beginning March 2015, final installment due September 15, 2039 with an administrative fee of .5% and 2.20% interest, remaining funds to be drawn down at June 30, 2016 are \$5,326,030	20,846,596
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	<u>1,818,749</u>
Total Municipal Authority	<u>\$ 24,101,713</u>
Current portion	\$ 365,346
Non-current portion	<u>23,736,367</u>
Total	<u>\$ 24,101,713</u>
Total Notes Payable:	
Current portion	\$ 365,346
Non-current portion	<u>23,736,367</u>
Total	<u>\$ 24,101,713</u>

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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.

	\$ 791
Current portion	\$ 791
Non-current portion	-
Total	\$ 791

Debt Service Requirements to Maturity:

<u>Year Ending June 30.</u>	GOVERNMENTAL ACTIVITY DEBT									
	Capital Lease Obligations		Notes Payable		Revenue Bonds Payable					
	<u>Principal</u>	<u>Interest</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>
2018	\$ 37,652	\$ 2,286	\$ 24,400	\$ 13,452	\$ 2,065,050	\$ 631,460				
2019	38,779	1,160	25,200	12,584	2,118,650	575,942				
2020	-	-	26,400	11,680	2,185,350	518,514				
2021	-	-	27,200	10,805	2,246,700	458,968				
2022	-	-	28,100	9,781	2,314,950	397,263				
2023-2027	-	-	264,100	23,135	9,463,400	1,038,998				
2028-2031	-	-	-	-	2,027,400	56,644				
Totals	\$ 76,431	\$ 3,446	\$ 395,400	\$ 81,437	\$ 22,421,500	\$ 3,677,789				

<u>Year Ending June 30.</u>	BUSINESS-TYPE ACTIVITY DEBT									
	Revenue Bonds Payable		Notes Payable		Refundable Grant Obligation					
	<u>Principal</u>	<u>Interest</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>
2018	\$ 739,950	\$ 170,325	\$ 365,346	\$ 640,792	\$ 791	\$ -				
2019	766,350	146,389	370,488	635,558	-	-				
2020	794,650	121,314	376,014	630,314	-	-				
2021	418,300	99,789	355,860	624,745	-	-				
2022	490,050	89,524	314,952	619,253	-	-				
2023-2027	1,921,600	262,088	1,186,186	3,018,574	-	-				
2028-2032	152,600	4,264	6,346,270	2,664,613	-	-				
2033-2037	-	-	9,940,000	1,497,285	-	-				
2038-2041	-	-	5,510,000	225,180	-	-				
Totals	\$ 5,283,500	\$ 893,693	\$ 24,765,116	\$ 10,556,314	\$ 791	\$ -				
	Less principal to draw down		(663,403)	\$ 24,101,713						

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Non-Commitment Debt:

Original Debt	Project	Remaining Principal
El Reno Municipal Authority:		
\$450,000	(1) Coronado Development Corporation Tax Apportionment Note dated September 1, 2007	\$164,769

(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.

Pledge of Future Revenues

Sales Tax Pledge - The City has pledged two and ½ cents (or 63%) of future sales tax revenues to repay \$46,675,000 of Series 2005, 2010, 2011, 2013, 2015 and 2016 Sales Tax Revenue Bonds. Proceeds from the bonds provided financing for utility and governmental capital assets. The bonds are payable through 2020, 2025, 2027, 2024, 2025, and 2029 respectively. The total principal and interest payable for the remainder of the life of these notes is \$32,276,482. Total pledged sales taxes received in the current fiscal year were \$6,773,134. Debt service payments for the current fiscal year of \$4,524,162 (including \$1,773,748 for debt issues refinanced in the current year) were 67% 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 \$419,100 of Series 2015 Hotel/Motel Tax Revenue Note. Proceeds from the bond provided financing for renovation of the Centre Theatre roof and the refinancing of the 2011 Hotel/Motel Revenue Tax Revenue Note that was used for economic development and tourism capital projects. The bond is payable through 2025. The total principal and interest payable for the remainder of the life of this note is \$476,837. Total pledged hotel/motel taxes received in the current fiscal year was \$258,435. Debt service payments for the current fiscal year for the 2015 Hotel/Motel Tax Revenue Note were \$37,993 which was 15% of the pledged hotel/motel taxes.

Utility Net Revenues Pledge – The City has also pledged future water and sewer net revenues to repay \$19,231,401 of 2000, 2002A, 2002C, 2003A, 2010 and 2014 Series Oklahoma Water Resources Board Notes Payable and \$530,700 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, 2022, 2022, 2024, 2030, and 2030. The total principal and interest payable for the remainder of the life of these notes is \$34,658,026. The notes are payable from the above-mentioned utility net revenues. The debt service payments on the notes this year were \$795,151 which was 31% of pledged net utility revenues of \$2,592,376.

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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.

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.

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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	\$ 31,050
Cemetery Perpetual Care	-	-	151,889		151,889
Sub-total Nonspendable	-	-	182,939		182,939
Restricted for:					
Capital outlay	-	2,055,558	179,133	2,234,691	
Debt Service	1,340,182	-	-	1,340,182	
Watershed construction	-	-	3,082		3,082
Skateboard Park	181	-	-	181	
Police	-	-	51,977		51,977
Library	17,844	-	202	18,046	
Cemetery	126,299	-	8,027	134,326	
Public Health and Safety	-	-	343,191	343,191	
Mercy Sidewalk	2,500	-	-	2,500	
Recreational Facilities, Public Health and Safety					
Facilities, Public Works Infrastructure capital outlay or debt service for said capital outlay	1,277,225	-	-	1,277,225	
Emergencies	1,135,021	-	-	1,135,021	
Animal Shelter	605	-	-	605	
Fire Department	6,340	-	-	6,340	
Legion Park Lights	56	-	-	56	
Tennis Court Improvements	95	-	-	95	
Parks/ ASHB Ballfield	300	-	-	300	
Tourism	-	-	56,258	56,258	
Economic development and capital	-	-	459,225	459,225	
Sub-total Restricted	3,906,648	2,055,558	1,101,095	7,063,301	
Committed to:					
Cemetery	498,460	-	-	498,460	
Lake	648,000	-	-	648,000	
Cemetery capital	-	-	71,260	71,260	
Sub-total Committed	1,146,460	-	71,260	1,217,720	
Assigned to:					
CDBG Grant	-	-	67,786	67,786	
Cemetery Capital	-	-	86,375	86,375	
Library	-	-	591	591	
Cemetery	3,617	-	-	3,617	
Tourism	-	-	61,683	61,683	
Evans Road Improvements	-	-	81,532	81,532	
Capital outlay	-	-	229,368	229,368	
Sub-total Assigned	3,617	-	527,335	530,952	
Unassigned:					
TOTAL FUND BALANCES	\$ 7,134,208	\$ 2,055,558	\$ 1,882,629	\$ 11,072,395	

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

- f. *Net investment in capital assets* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- g. *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

The restrictions are as follows:

Governmental Activities

External Contracts and Groups:

Cemetery Everlasting Care	\$ 126,299
Drainage Improvement	3,082
Library Endowment	31,252
Cemetery Perpetual Care	159,916
2013 Capital Improvement	2,055,558
Capital Improvement	102,816
Safety Sales Tax 1/4 Cent	343,191
Sales Tax 1/4 Cent	1,277,225
Gifts and Contributions	16,144
Infrastructure Improvement	76,317
Sales Tax Reserve	1,135,021
Hotel Motel Occupancy Surcharge	515,483
General Fund (Donations)	<u>11,777</u>
	<u><u>\$ 5,854,081</u></u>

Enabling legislation:

Police	\$ 51,977
Tax Increment	<u><u>\$ 51,977</u></u>

Contractual agreements:

Cash and investments	<u><u>\$ 1,340,182</u></u>
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- h. *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.

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9. Internal and Interfund Balances and Transfers

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

Transfers:

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

Transfer From	Transfer To	Amount	Purpose of Transfer
General Fund	ERMA	\$ 1,704,828	Operating subsidy
Public Safety 1/4 Sales Tax	General Fund	50,000	Reimbursement
General Fund	ERMA Sales Tax	4,063,880	Sales tax transfer
Airport Authority	General Fund	95,587	Loan repayment
Tax Increment Fund	General Fund	25,797	Advalorm
General Fund	City of El Reno Recreation Authority	139,000	Operating subsidy
Capital Improvement	General Fund	6,785	Transfer of assets
General Fund	CDBG	67,853	Operating subsidy grant match
ERMA Sales Tax	General Fund	2,686,086	Debt service payments
Total		<u>\$ 8,839,816</u>	

Reconciliation to Fund Financial Statements:

	Transfers In	Transfers Out	Net Transfers
Governmental Funds	\$ 4,536,927	\$ (4,453,315)	\$ 83,612
Proprietary Funds	4,302,889	(4,386,501)	(83,612)
	<u>\$ 8,839,816</u>	<u>\$ (8,839,816)</u>	<u>\$ -</u>

Reconciliation to Statement of Activities:

Net Transfers	\$ (83,612)
Transfer of business-type activity expenses to governmental:	
Capital assets from business type activities	(32,690)
Transfer of capital assets to business-type activities	547,854
Transfers - internal activity	<u>\$ 431,552</u>

Balances:

Interfund receivable and payables at June 30, 2017 were comprised of the following:

Payable Fund	Receivable Fund	Amount	Nature of Interfund Balance
General Fund	ERMA Sales Tax	\$ 764,024	Sales tax transfer receivable
Recreation Authority	General Fund	33,969	Loan to Recreation Authority
		<u>\$ 797,993</u>	

Reconciliation to Fund Financial Statements:

	Due to	Due From	Net Interfund Balances
Governmental Funds	\$ (764,024)	\$ 33,969	\$ (730,055)
Proprietary Funds	(33,969)	764,024	730,055
	<u>\$ (797,993)</u>	<u>\$ 797,993</u>	<u>\$ -</u>

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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. 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 Blue Cross Blue Shield of Oklahoma.

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, 2015, to June 30, 2017, are as follows:

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	<u>Workers' Compensation</u>
Claim liability, June 30, 2015	99,336
Claims and changes in estimates	(139,726)
Claims payments	<u>177,017</u>
Claim liability, June 30, 2016	136,627
Claims and changes in estimates	(190,825)
Claims payments	<u>179,642</u>
Claim liability, June 30, 2017	<u><u>\$ 125,444</u></u>
Reconciliation to Statement of Net Position:	
Current portion	\$ 21,660
Noncurrent portion	<u>103,784</u>
Total	<u><u>\$ 125,444</u></u>

12. 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.

Construction Commitments:

At June 30, 2017 the City had awarded construction contracts totaling approximately \$1,268,771 and of this amount, \$384,602 was still outstanding.

13. Pension Plan Participation

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

- Oklahoma Firefighter’s Pension and Retirement System (OFPERS) – a statewide cost-sharing plan
- Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan

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- Oklahoma Municipal Retirement Fund – an agent multiple-employer defined benefit plan

A summary of all the amounts recorded in the City's financial statements for the plans is as follows:

	Governmental Activities	Business-type Activities	Plan Totals
Net Pension Liability:			
OkMRF	\$ 916,794	\$ 489,716	\$ 1,406,510
Police	912,472	-	912,472
Firefighters	7,686,823	-	7,686,823
Total	\$ 9,516,089	\$ 489,716	\$ 10,005,805
Deferred Outflows of Resources:			
OkMRF	\$ 372,831	\$ 235,589	\$ 608,420
Police	1,148,671	-	1,148,671
Firefighters	1,469,120	-	1,469,120
Total	\$ 2,990,622	\$ 235,589	\$ 3,226,211
Deferred Inflows of Resources:			
OkMRF	\$ 61,073	\$ 23,698	\$ 84,771
Police	110,136	-	110,136
Firefighters	8,964	-	8,964
Total	\$ 180,173	\$ 23,698	\$ 203,871
Pension Expense:			
OkMRF	\$ 184,677	\$ 87,402	\$ 272,079
Police	332,913	-	332,913
Firefighters	914,077	-	914,077
Total	\$ 1,431,667	\$ 87,402	\$ 1,519,069

Firefighters' Plan:

Plan description - The City of El Reno, as the employer, participates in the Firefighters Pension & retirement—a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension & Retirement System (FPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the FPRS. FPRS issues a publicly available financial report that can be obtained at www.ok.gov/fprs

Benefits provided - FPRS provides retirement, disability, and death benefits to members of the plan.

Benefits for members hired prior to November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have complete 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month. Benefits vest with 10 years or more of service.

Benefits for members hired after November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have complete 22 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month. Benefits vest with 11 years or more of service.

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in-the-line-

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of-duty is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per year of service, with a maximum of 30 years of service. For disabilities not-in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation, based on the most recent 60-month salary as opposed to 30 months. For volunteer firefighters, the not-in-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-line-of-duty pension is \$150.60 with less than 20 years of service, or \$7.53 per year of service, with a maximum of 30 years.

A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit.

Contributions - The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% percent of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$252,760. The State of Oklahoma also made on-behalf contributions to FPRS in the amount of \$675,740 during the calendar year and this is reported as both expense and revenue in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of 580,927. These on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the City reported a liability of \$7,686,823 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2016. Based upon this information, the City's proportion was 0.629184 percent.

For the year ended June 30, 2017, the City recognized pension expense of \$914,077. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	\$	\$
Changes of assumptions	206,063	-
Net difference between projected and actual earnings on pension plan investments	470,315	-
Changes in proportion	539,982	-
Differences between City contributions and proportionate share of contributions	-	8,964
City contributions subsequent to the measurement date	252,760	-
Total	<u>\$ 1,469,120</u>	<u>\$ 8,964</u>

\$252,760 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Year ended June 30:	
2018	\$ 179,967
2019	179,967
2020	424,819
2021	347,547
2022	66,534
Thereafter	8,562
Total	1,207,396

Actuarial Assumptions- The total pension liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	3.5% to 9.0% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense

Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for healthy lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2007, to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	20%	5.18%
Domestic equity	47%	8.70%
International equity	15%	10.87%
Real estate	10%	7.23%
Other assets	8%	6.24%

Discount Rate- The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 36% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Sensitivity of the Net Pension Liability to Changes in the Discount Rate- The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Employers' net pension liability	\$ 9,730,896	\$ 7,686,823	\$ 5,973,068

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the FPRS which can be located at www.ok.gov/FPRS .

Police Plan:

Plan description - The City of El Reno as the employer, participates in the Oklahoma Police Pension and Retirement Plan—a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). Title 11 of the Oklahoma State Statutes, through the Oklahoma Legislature, grants the authority to establish and amend the benefit terms to the OPPRS. OPPRS issues a publicly available financial report that can be obtained at www.ok.gov/OPPRS

Benefits provided - OPPRS provides retirement, disability, and death benefits to members of the plan.

The normal retirement date under the Plan is the date upon which the participant completes 20 years of credited service, regardless of age. Participants become vested upon completing 10 years of credited service as a contributing participant of the Plan. No vesting occurs prior to completing 10 years of credited service. Participants' contributions are refundable, without interest, upon termination prior to normal retirement. Participants who have completed 10 years of credited service may elect a vested benefit in lieu of having their accumulated contributions refunded. If the vested benefit is elected, the participant is entitled to a monthly retirement benefit commencing on the date the participant reaches 50 years of age or the date the participant would have had 20 years of credited service had employment continued uninterrupted, whichever is later.

Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered.

Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participants' final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of credited service, participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service. This disability benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective July 1, 1998, once a disability benefit is granted to a participant, that participant is no longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.

Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is entitled to a pension benefit.

Contributions - The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% percent of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City were \$237,337. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$216,775 during the calendar year and this is reported as both expense and revenue in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of

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Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$213,991 these on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the City reported a liability of \$912,472 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2016. Based upon this information, the City's proportion was 0.5956 percent.

For the year ended June 30, 2017, the City recognized pension expense of \$332,913. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,927	\$ 102,498
Net difference between projected and actual earnings on pension plan investments	876,730	-
Changes in proportion	31,677	-
City contributions during measurement date	-	7,639
City contributions subsequent to the measurement date	237,337	-
Total	\$ 1,148,671	\$ 110,137

\$237,337 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
	2018	\$ 133,172
	2019	133,172
	2020	312,620
	2021	221,124
	2022	1,109
		\$ 801,197

Actuarial Assumptions-The total pension liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	4.5% to 17% average, including inflation
Investment rate of return:	7 .5% net of pension plan investment expense
Cost-of-living adjustments:	Police officers eligible to receive increased benefits according to repealed Section 50-120 of Title 11 of the Oklahoma Statutes pursuant to a court order receive an adjustment of 1/3 to 1/2 of the increase or decrease of any

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adjustment to the base salary of a regular police officer, based on an increase in base salary.

Mortality rates:

- Active employees (pre-retirement) RP-2000 Blue Collar
- Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA.
- Active employees (post-retirement) and nondisabled pensioners: RP-2000 Blue Collar Healthy Combined table with fully generational improvement using scale AA.
- Disabled pensioners RP-2000 Blue Collar Healthy Combined table with age set forward 4 years with fully generational improvement using Scale AA.

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2007, to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	3.27%
Domestic equity	5.16%
International equity	8.61%
Real estate	4.97%
Private Equity	8.32%
Commodities	2.42%

The current allocation policy is that approximately 60% of assets in equity instruments, including public equity, long-short hedge, venture capital, and private equity strategies; approximately 25% of assets in fixed income to include investment grade bonds, high yield and non-dollar denominated bonds, convertible bonds, and low volatility hedge fund strategies; and 15% of assets in real assets to include real estate, commodities, and other strategies.

Discount Rate-The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 14% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate- The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

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	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net pension liability (asset)	\$ 2,394,029	\$ 912,472	\$ (338,477)

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the OPPRS; which can be located at www.ok.gov/OPPRS .

Employee Plan:

Plan Description-The City contributes to the OkMRF for all eligible employees except for those covered by the Police and Firefighter Pension Systems. The plan is an agent multiple employer - defined benefit plan administered by OkMRF. The OkMRF plan issues a separate financial report and can be obtained from OkMRF or from their website: www.okmrf.org/reports.html. Benefits are established or amended by the City Council in accordance with O.S. Title 11, Section 48-101-102.

Summary of Significant Accounting Policies- For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's plan and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by OkMRF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value based on published market prices. Detailed information about the OkMRF plans' fiduciary net position is available in the separately issued OkMRF financial report.

Eligibility Factors and Benefit Provisions

<u>Provision</u>	As of 07/01/16 <u>OkMRF Plan</u>
a. Eligible to participate	Full-time employees except police, firefighters and other employees who are covered under an approved system.
b. Period Required to Vest	10 years of credited service
c. Eligibility for Distribution	-Normal retirement at age 65 with 10 years of service -Early retirement at age 55 with 10 years of service -Disability retirement upon disability with 10 years of service -Death benefit with 10 years of service for married employees
d. Benefit Determination Base	Final average salary - the average of the five highest consecutive annual salaries out of the last 10 calendar years of service
e. Benefit Determination Methods: Normal Retirement	-2.25% of final average salary multiplied by credited years of service

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Early Retirement	-Actuarially reduced benefit based upon age, final average salary, and years of service at termination
Disability Retirement	-Same as normal retirement
Death Benefit	-50% of employees accrued benefit, but terminates upon spouse re-marriage
Prior to 10 Years of Service	-No benefits
f. Benefit Authorization	-Benefits are established and amended by City Council adoption of an ordinance in accordance with O.S. Title, 11, Section 48-101-102
g. Form of Benefit Payments	Normal form is a 60 months certain and life thereafter basis. Employee may elect, with City consent, option form based on actuarial equivalent.

Employees Covered by Benefit Terms

Active Employees	72
Deferred Vested Former Employees	6
Retirees or Retiree Beneficiaries	<u>21</u>
Total	<u>99</u>

Contribution Requirements-The City Council has the authority to set and amend contribution rates by ordinance for the OkMRF defined benefit plan in accordance with O.S. Title 11, Section 48-102. The contribution rates for the current fiscal year have been made in accordance with an actuarially determined rate. The actuarially determined rate is 8.21% of covered payroll as of 7-1-16; however, the City elected to contribute 8.67%. For the year ended June 30, 2017 the City recognized \$281,539 of employer contributions to the plan which exceeds the actuarially determined amount based on covered payroll of \$3,247,280. Employees' contribution is 4.5% of covered payroll as of 7-1-16.

Actuarial Assumptions

Date of Last Actuarial Valuation	July 1, 2016
a. Actuarial cost method	Entry age normal
b. Rate of Return on Investments and Discount Rate	7.75%
c. Projected Salary Increase	Varies between 7.42% and 4% based on age
d. Inflation Rate	3%
e. Mortality Table	UP 1994, with projected mortality improvement
f. Percent of married employees	100%
g. Spouse age difference	3 years (female spouses younger)
h. Turnover	Select and ultimate rates

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Ultimate rates are age-related as shown

Additional rates per thousand are

Added during the first 5 years:

Year 1: 215

Year 2: 140

Year 3: 95

Year 4: 65

Year 5: 40

i. Date of last experience study

September 2012 for fiscal years 2007 thru 2011

Discount Rate – The discount rate used to value benefits was the long-term expected rate of return on plan investments, 7.75% since the plan's net fiduciary position is projected to be sufficient to make projected benefit payments.

The City has adopted a funding method that is designed to fund all benefits payable to participants over the course of their working careers. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable. Thus, the sufficiency of pension plan assets was made without a separate projection of cash flows.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.0%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2016 are summarized in the following table:

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	Target Allocation	Real Return	Weighted Return
Large cap stocks S&P 500	25%	5.40%	1.35%
Small/mid cap stocks Russell 2500	10%	7.50%	0.75%
Long/short equity MSCI ACWI	10%	6.10%	0.61%
International stocks MSCI EAFE	20%	5.10%	1.02%
Fixed income bonds Barclay's Capital Aggregate	30%	2.60%	0.78%
Real estate NCREIF	5%	4.80%	0.24%
Cash equivalents 3 month Treasury	0%	0.00%	0.00%
TOTAL	<u>100%</u>		
Average Real Return		4.75%	
Inflation		<u>3.00%</u>	
Long-term expected return		<u><u>7.75%</u></u>	

Changes in Net Pension Liability- The total pension liability was determined based on an actuarial valuation performed as of July 1, 2016 which is also the measurement date. There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of July 1, 2016 and the City's report ending date of June 30, 2017, that would have had a significant impact on the net pension liability. The following table reports the components of changes in net pension liability:

SCHEDULE OF CHANGES IN NET PENSION LIABILITY			
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) - (b)
Balances Beginning of Year	<u>\$ 4,417,899</u>	<u>\$ 3,232,694</u>	<u>\$ 1,185,205</u>
Changes for the Year:			
Service cost	268,287	-	268,287
Interest expense	334,368	-	334,368
Difference between expected and actual experience	53,687		53,687
Contributions-City	-	268,569	(268,569)
Contributions--members	-	139,395	(139,395)
Net investment income	-	33,604	(33,604)
Benefits paid	(210,870)	(210,870)	-
Plan administrative expenses	-	(6,531)	6,531
Net Changes	<u>445,472</u>	<u>224,167</u>	<u>221,305</u>
Balances End of Year	<u>\$ 4,863,371</u>	<u>\$ 3,456,861</u>	<u>\$ 1,406,510</u>

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Sensitivity of the net pension liability to changes in the discount rate- The following presents the net pension liability of the City, calculated using the discount rate of 7.75 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net Pension Liability	\$ 2,063,456	\$ 1,406,509	\$ 775,046

The City reported \$272,080 in pension expense for the year ended June 30, 2017. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 45,602	\$ 25,713
Net difference between projected and actual earnings on pension plan investments	222,219	-
Change in proportion	59,057	59,058
City contributions subsequent to the measurement date	281,541	-
Total	\$ 608,419	\$ 84,771

Amortization of Pension Deferrals-\$281,541 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2018	\$ 51,757	
2019	51,758	
2020	83,479	
2021	45,821	
2022	4,116	
Thereafter	<u>5,176</u>	
	<u><u>\$ 242,107</u></u>	

14. 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.

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15. 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:

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

GASB No. 75 was issued in June 2015, and addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For a defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

This Statement is effective for fiscal years beginning after June 15, 2017. Although the City has not determined the impact of Statement No. 75, it could be material to the City.

GASB Statement No. 81, Irrevocable Split-Interest Agreements

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

This Statement is effective for periods beginning after December 15, 2016.

GASB Statement No. 83, Certain Asset Retirement Obligations

GASB No. 83 was issued December 2016, under this statement a government that has legal obligations to perform future asset retirement activities related to its tangible capital assets is required to recognize a liability and a corresponding deferred outflow of resources. The Statement identifies the circumstances that trigger the recognition of these transactions. The Statement also requires the measurement of an asset retirement obligation to be based on the best estimate of the current value of outlays expected to be incurred while the deferred outflow of resources associated with the asset retirement obligation will be measured at the amount of the corresponding liability upon initial measurement and generally recognized as an expense during the reporting periods that the asset provides service. The Statement requires disclosures including a general description of the asset retirement obligation and associated tangible capital assets; the source of the obligation to retire the assets; the methods and assumptions used to measure the liability; and other relevant information. The City has not yet determined the impact that implementation of GASB 83 will have on its net position. This Statement is effective for periods beginning after June 15, 2018.

GASB Statement 84, Fiduciary Activities

GASB No. 84 was issued January 2017, this Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a

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government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists.

Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The City has not yet determined the impact that implementation of GASB 84 will have on its net position.

This Statement is effective for periods beginning after December 15, 2018.

GASB Statement 85, Omnibus 2017

GASB No. 85 issued March 2017, this Statement address a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The City has not yet determined the impact that implementation of GASB 85 will have on its net position.

This Statement is effective for periods beginning after June 15, 2017.

GASB Statement 86, Certain Debt Extinguishment Issues

GASB No. 86 issued May 2017 the primary objective of this Statement is to improve the consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt substance. The City has not yet determined the impact that implementation of GASB 86 will have on its net position.

This Statement is effective for periods beginning after June 15, 2017.

GASB Statement 87, Leases

GASB No. 87 was issued June 2017, the primary objective of this Statement is to increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about activities. The City has not yet determined the impact that implementation of GASB 87 will have on its net position.

This Statement is effective for periods beginning after December 15, 2019.

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Budgetary Comparison Schedule – Year Ended June 30, 2017

	GENERAL FUND				Variance with Final Budget - Positive (Negative)	
	Budgeted Amounts		Actual Amounts, Budgetary Basis			
	Original	Final				
REVENUES						
Taxes	\$ 13,572,500	\$ 13,572,500	\$ 13,627,140	\$ 54,640		
Fees and fines	381,827	381,827	342,101	(39,726)		
Licenses and permits	336,314	336,314	528,507	192,193		
Intergovernmental	421,500	425,390	416,005	(9,385)		
Charges for services	65,800	65,800	63,326	(2,474)		
Investment earnings	2,500	2,500	11,351	8,851		
Miscellaneous	267,616	297,106	273,878	(23,228)		
Transfers from Other Funds	1,680,828	2,223,272	2,223,069	(203)		
Total revenues	<u>16,728,885</u>	<u>17,304,709</u>	<u>17,485,377</u>	<u>180,668</u>		
EXPENDITURES						
Mayor and Council	100,000	100,000	98,861	1,139		
Administration	402,773	395,973	335,223	60,750		
Finance	778,158	781,958	746,309	35,649		
Police	4,420,764	4,420,764	4,322,317	98,447		
Fire	2,833,701	2,833,701	2,754,687	79,014		
Library	296,750	323,942	295,344	28,598		
Community Development	280,581	280,581	257,089	23,492		
Senior Citizens	34,925	37,925	37,249	676		
Municipal Garage	224,627	235,435	215,077	20,358		
Streets	1,001,898	1,008,898	992,221	16,677		
Municipal Court	194,096	194,096	187,494	6,602		
Legal	40,000	40,000	24,183	15,817		
Parks and Recreation	828,646	1,119,963	1,062,467	57,496		
Swimming Pool	75,882	75,882	45,614	30,268		
Cemetery	205,577	205,577	193,753	11,824		
Transfers to Other Funds	5,830,000	5,854,000	5,557,506	296,494		
Total Expenditures	<u>17,548,378</u>	<u>17,908,695</u>	<u>17,125,394</u>	<u>783,301</u>		
Excess (deficiency) of revenues over expenditures	<u>(819,493)</u>	<u>(603,986)</u>	<u>359,983</u>	<u>963,969</u>		
Net change in fund balances	<u>(819,493)</u>	<u>(603,986)</u>	<u>359,983</u>	<u>963,969</u>		
Fund balances - beginning	<u>169,895</u>	<u>(248,101)</u>	<u>(28,987)</u>	<u>219,114</u>		
Fund balances - ending	<u>\$ (649,598)</u>	<u>\$ (852,087)</u>	<u>\$ 330,996</u>	<u>\$ 1,183,083</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.

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

	<u>General</u> <u>Fund</u>
Total revenue- budgetary basis	\$ 17,485,377
Total expense- budgetary basis	<u>(17,125,394)</u>
Change in fund balance-budgetary basis	359,983
Revenue accruals	(144,771)
Expenditures accruals	(2,613,017)
Debt service transfers in	<u>2,686,086</u>
Change in fund balance-GAAP basis	<u><u>\$ 288,281</u></u>

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Proportionate Share of the Net Pension Liability

Oklahoma Firefighters Pension & Retirement System

Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>	<u>2017</u>
City's proportion of the net pension liability	0.562385%	0.621821%	0.629184%
City's proportionate share of the net pension liability	\$ 5,783,577	\$ 6,600,066	\$ 7,686,823
City's covered-employee payroll	\$ 1,552,304	\$ 1,633,651	\$ 1,759,957
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	373%	404%	437%
Plan fiduciary net position as a percentage of the total pension liability	68.12%	68.27%	64.87%

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

Notes to Schedule:

Only three years are presented because 10-year data is not yet available.

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Schedule of City Contributions

Oklahoma Firefighters Pension & Retirement System

Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Statutorially required contribution	\$ 228,711	\$ 246,394	\$ 252,760
Contributions in relation to the statutorially required contribution	<u>228,711</u>	<u>246,394</u>	<u>252,760</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,633,651	\$ 1,759,957	\$ 1,805,429
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%

Notes to Schedule:

Only three years are presented because 10-year data is not yet available.

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As of and for the Year Ended June 30, 2017

Proportionate Share of the Net Pension Liability

Oklahoma Police Pension & Retirement System

Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>	<u>2017</u>
City's proportion of the net pension liability (asset)	0.5397%	0.5796%	0.5958%
City's proportionate share of the net pension liability (asset)	\$ (181,708)	\$ 23,633	\$ 912,472
City's covered-employee payroll	\$1,512,351	\$1,757,138	\$1,825,669
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	12.01%	1.34%	49.98%
Plan fiduciary net position as a percentage of the total pension liability (asset)	101.53%	99.82%	93.50%

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

Notes to Schedule:

Only three years are presented because 10-year data is not yet available.

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Schedule of City Contributions

Oklahoma Police Pension & Retirement System

Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Statutorially required contribution	\$ 205,473	\$ 228,428	\$ 237,337
Contributions in relation to the statutorially required contribution	<u>205,473</u>	<u>228,428</u>	<u>237,337</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,581,284	\$ 1,757,138	\$ 1,825,669
Contributions as a percentage of covered-employee payroll	13.00%	13.00%	13.00%

Notes to Schedule:

Only three years are presented because 10-year data is not yet available.

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Oklahoma Municipal Retirement System

Required Supplementary Information
Oklahoma Municipal Retirement Fund

Schedule of Changes in Net Pension Liability and Related Ratios	Last Three Fiscal Years		
	2015	2016	2017
Total pension liability			
Service cost	\$ 240,404	\$ 264,136	\$ 268,287
Interest	298,636	308,486	334,368
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	(36,585)	53,687
Changes of assumptions	-	-	-
Benefit payments, including refunds of member contributions	(150,337)	(193,559)	(210,870)
Net change in total pension liability	<u>388,703</u>	<u>342,478</u>	<u>445,472</u>
 Total pension liability - beginning	 3,686,718	 4,075,421	 4,417,899
Total pension liability - ending (a)	<u>\$ 4,075,421</u>	<u>\$ 4,417,899</u>	<u>\$ 4,863,371</u>
 Plan fiduciary net position			
Contributions - employer	\$ 253,488	\$ 260,476	\$ 268,569
Contributions - member	131,503	135,201	139,395
Net investment income	395,694	86,612	33,605
Benefit payments, including refunds of member contributions	(150,337)	(193,559)	(210,870)
Administrative expense	(5,898)	(6,286)	(6,531)
Other	-	-	-
Net change in plan fiduciary net position	<u>624,450</u>	<u>282,444</u>	<u>224,168</u>
 Plan fiduciary net position - beginning	 2,325,800	 2,950,250	 3,232,694
Plan fiduciary net position - ending (b)	<u>\$ 2,950,250</u>	<u>\$ 3,232,694</u>	<u>\$ 3,456,862</u>
 Net pension liability - ending (a) - (b)	 <u>\$ 1,125,171</u>	 <u>\$ 1,185,205</u>	 <u>\$ 1,406,509</u>
 Plan fiduciary net position as a percentage of the total pension liability	 72.39%	 73.17%	 71.08%
 Covered employee payroll	 \$ 2,924,835	 \$ 3,022,811	 \$ 3,247,280
 Net pension liability as a percentage of covered-employee payroll	 38.47%	 39.21%	 43.31%

Notes to Schedule:

Only the three most recent fiscal years are presented because 10-year data is not yet available.

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Oklahoma Municipal Retirement System

Required Supplementary Information
Oklahoma Municipal Retirement Fund

Schedule of Employer Contributions	Last Three Fiscal Years		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contribution	\$ 256,939	\$ 268,366	\$ 266,602
Contributions in relation to the actuarially determined contribution	260,481	268,568	281,539
Contribution deficiency (excess)	<u>\$ (3,542)</u>	<u>\$ (202)</u>	<u>\$ (14,937)</u>
Covered employee payroll	\$ 3,022,811	\$ 3,095,346	\$ 3,247,280
Contributions as a percentage of covered-employee payroll	8.62%	8.68%	8.67%

Notes to Schedule:

1. Only the three most recent fiscal years are presented because 10-year data is not yet available.
2. Latest Valuation Date: July 1, 2016
3. Actuarially determined contribution rate is calculated as of July 1, 2016
 July 2016 through June 2017 contributions were at a rate of 8.21% per the actuarial valuation.
 However the city elected to contribute 8.67%
4. Methods and assumptions used to determine contribution rates:
 Actuarial cost method - Entry age normal
 Amortization method - Level percent of payroll, closed
 Remaining amortization period - 27 years
 Asset valuation method - Actuarial:
 Smoothing period - 5 years
 Recognition method - Non-asymptotic
 Corridor - 30% - 30%
 Salary increases - 4.00% to 7.42% (varies by attained age)
 Investment rate of return - 7.50%

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OTHER SUPPLEMENTARY INFORMATION

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

	<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	\$ 51,824	\$ 67,786	\$ 157,635	\$ 581,978	\$ 246,704	\$ 130,857
Investments	-	-	-	-	-	97,221
Due from other governments	-	-	-	-	96,487	-
Franchise tax receivable	568	-	-	-	-	-
Total assets	<u>52,392</u>	<u>67,786</u>	<u>157,635</u>	<u>581,978</u>	<u>343,191</u>	<u>228,078</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	415	-	-	3,166	-	-
Accrued payroll payable	-	-	-	1,646	-	-
Total liabilities	<u>415</u>	<u>-</u>	<u>-</u>	<u>4,812</u>	<u>-</u>	<u>-</u>
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	51,977	-	-	515,483	343,191	76,317
Committed	-	-	71,260	-	-	-
Assigned	-	67,786	86,375	61,683	-	151,761
Total fund balance	<u>51,977</u>	<u>67,786</u>	<u>157,635</u>	<u>577,166</u>	<u>343,191</u>	<u>228,078</u>
Total liabilities and fund balance	<u>\$ 52,392</u>	<u>\$ 67,786</u>	<u>\$ 157,635</u>	<u>\$ 581,978</u>	<u>\$ 343,191</u>	<u>\$ 228,078</u>

	<u>Drainage Improvement Fund</u> <u>(422)</u>	<u>Capital Improvement Fund</u> <u>(425)</u>	<u>North Improvement</u> <u>(426)</u>	<u>Radio Road Evans Road Improvements</u> <u>(427)</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	\$ 3,082	\$ 180,423	\$ -	\$ 96,328	\$ -	\$ 361	\$ 132,105	\$ 1,649,083
Investments	-	-	-	-	-	31,482	27,811	156,514
Due from other governments	-	-	-	-	-	-	-	96,487
Franchise tax receivable	-	-	-	-	-	-	-	568
Total assets	<u>3,082</u>	<u>180,423</u>	<u>-</u>	<u>96,328</u>	<u>-</u>	<u>31,843</u>	<u>159,916</u>	<u>1,902,652</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	-	-	-	14,796	-	-	-	18,377
Accrued payroll payable	-	-	-	-	-	-	-	1,646
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,796</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,023</u>
Fund balances:								
Nonspendable	-	-	-	-	-	31,050	151,889	182,939
Restricted	3,082	102,816	-	-	-	202	8,027	1,101,095
Committed	-	-	-	-	-	-	-	71,260
Assigned	-	77,607	-	81,532	-	591	-	527,335
Total fund balance	<u>3,082</u>	<u>180,423</u>	<u>-</u>	<u>81,532</u>	<u>-</u>	<u>31,843</u>	<u>159,916</u>	<u>1,882,629</u>
Total liabilities and fund balance	<u>\$ 3,082</u>	<u>\$ 180,423</u>	<u>\$ -</u>	<u>\$ 96,328</u>	<u>\$ -</u>	<u>\$ 31,843</u>	<u>\$ 159,916</u>	<u>\$ 1,902,652</u>

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

	<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</u> <u>(203)</u>	<u>Safety Sales Tax 1/4 Cent Fund</u> <u>(616)</u>	<u>Infrastructure Fund</u> <u>(420)</u>
REVENUES						
Taxes	\$ 6,826	\$ -	\$ -	\$ 430,724	\$ 657,278	\$ -
Intergovernmental	9,990	79,939	-	-	-	-
Charges for services	-	-	33,283	1,825	-	-
Fines and forfeitures	40,155	-	-	-	-	-
Investment income	-	-	-	-	-	192
Miscellaneous	-	-	75	478	-	-
Total revenues	<u>56,971</u>	<u>79,939</u>	<u>33,358</u>	<u>433,027</u>	<u>657,278</u>	<u>192</u>
EXPENDITURES						
Current:						
Culture, parks, and recreation	-	-	5,990	-	-	-
Public Safety	49,193	-	-	-	265,234	-
General government	-	-	-	219,438	-	-
Capital Outlay	11,235	159,702	42,994	-	300,544	88,907
Debt Service:						
Principal	-	-	-	23,700	32,924	-
Interest	-	-	-	14,573	7,014	-
Total Expenditures	<u>60,428</u>	<u>159,702</u>	<u>48,984</u>	<u>257,711</u>	<u>605,716</u>	<u>88,907</u>
Excess (deficiency) of revenues over expenditures	<u>(3,457)</u>	<u>(79,763)</u>	<u>(15,626)</u>	<u>175,316</u>	<u>51,562</u>	<u>(88,715)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	67,853	-	-	-	-
Transfers out	-	-	-	-	(50,000)	-
Total other financing sources and uses	-	<u>67,853</u>	-	-	<u>(50,000)</u>	-
Net change in fund balance	(3,457)	(11,910)	(15,626)	175,316	1,562	(88,715)
Fund balance - beginning	<u>55,434</u>	<u>79,696</u>	<u>173,261</u>	<u>401,850</u>	<u>341,629</u>	<u>316,793</u>
Fund balance - ending	<u>\$ 51,977</u>	<u>\$ 67,786</u>	<u>\$ 157,635</u>	<u>\$ 577,166</u>	<u>\$ 343,191</u>	<u>\$ 228,078</u>

	<u>Drainage Improvement Fund</u> <u>(422)</u>	<u>Capital Improvement Fund</u> <u>(425)</u>	<u>Radio Road North Improvement</u> <u>(426)</u>	<u>Evans Road Improvements</u> <u>(427)</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-Other Governmental Funds</u>
REVENUES								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 124,277	\$ -	\$ -	\$ 1,219,105
Intergovernmental	-	-	-	-	-	-	-	89,929
Charges for services	-	41,679	-	-	-	-	-	76,797
Fines and forfeitures	-	-	-	-	-	-	-	40,155
Investment income	-	-	-	-	-	62	54	308
Miscellaneous	-	-	-	-	-	-	-	553
Total revenues	-	<u>41,679</u>	-	-	<u>124,277</u>	<u>62</u>	<u>54</u>	<u>1,426,837</u>
EXPENDITURES								
Current:								
Culture, parks, and recreation	-	-	-	-	-	-	-	5,990
Public Safety	-	-	-	-	-	-	-	314,427
General government	-	-	-	-	98,480	-	-	317,918
Capital Outlay	-	65,790	924,551	599,263	-	-	-	2,192,986
Debt Service:								
Principal	-	-	-	-	-	-	-	56,624
Interest	-	-	-	-	-	-	-	21,587
Total Expenditures	-	<u>65,790</u>	<u>924,551</u>	<u>599,263</u>	<u>98,480</u>	<u>-</u>	<u>-</u>	<u>2,909,532</u>
Excess (deficiency) of revenues over expenditures	-	<u>(24,111)</u>	<u>(924,551)</u>	<u>(599,263)</u>	<u>25,797</u>	<u>62</u>	<u>54</u>	<u>(1,482,695)</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	-	-	67,853
Transfers out	-	(6,785)	(96,328)	96,328	(25,797)	-	-	(82,582)
Total other financing sources and uses	-	<u>(6,785)</u>	<u>(96,328)</u>	<u>96,328</u>	<u>(25,797)</u>	<u>-</u>	<u>-</u>	<u>(14,729)</u>
Net change in fund balance	-	(30,896)	(1,020,879)	(502,935)	-	62	54	(1,497,424)
Fund balance - beginning	<u>3,082</u>	<u>211,319</u>	<u>1,020,879</u>	<u>584,467</u>	<u>-</u>	<u>31,781</u>	<u>159,862</u>	<u>3,380,053</u>
Fund balance - ending	<u>\$ 3,082</u>	<u>\$ 180,423</u>	<u>\$ -</u>	<u>\$ 81,532</u>	<u>\$ -</u>	<u>\$ 31,843</u>	<u>\$ 159,916</u>	<u>\$ 1,882,629</u>

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

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

	<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	\$ 2,287,513	\$ 1,180,737	\$ 1,135,020	\$ 71,840	\$ 1,162,604	\$ 5,837,714
Investments	59,500	-	-	58,076	-	117,576
Due from other funds	33,969	-	-	-	-	33,969
Due from other governments	2,117,416	96,488	-	-	-	2,213,904
Franchise tax receivable	100,783	-	315,246	-	-	416,029
Court fine receivable, net	472,488	-	-	-	-	472,488
Other receivables	700	-	-	-	-	700
Total assets	<u>5,072,369</u>	<u>1,277,225</u>	<u>1,450,266</u>	<u>129,916</u>	<u>1,162,604</u>	<u>9,092,380</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE						
Liabilities:						
Accounts payable	52,860	-	-	-	-	52,860
Accrued payroll payable	371,370	-	-	-	-	371,370
Due to other funds	764,024	-	-	-	-	764,024
Refundable court bonds	8,407	-	-	-	-	8,407
Total liabilities	<u>1,196,661</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,196,661</u>
Deferred Inflows of resources:						
Deferred revenue	<u>446,266</u>	<u>-</u>	<u>315,245</u>	<u>-</u>	<u>-</u>	<u>761,511</u>
Fund Balance:						
Restricted	1,351,959	1,277,225	1,135,021	126,299	16,144	3,906,648
Committed	-	-	-	-	1,146,460	1,146,460
Assigned	-	-	-	3,617	-	3,617
Unassigned	2,077,483	-	-	-	-	2,077,483
Total fund balance	<u>3,429,442</u>	<u>1,277,225</u>	<u>1,135,021</u>	<u>129,916</u>	<u>1,162,604</u>	<u>7,134,208</u>
Total liabilities, deferred inflows and fund balance	<u><u>\$ 5,072,369</u></u>	<u><u>\$ 1,277,225</u></u>	<u><u>\$ 1,450,266</u></u>	<u><u>\$ 129,916</u></u>	<u><u>\$ 1,162,604</u></u>	<u><u>\$ 9,092,380</u></u>

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

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

		<u>Sales Tax 1/4 Cent Account</u> <u>(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	\$ 12,599,594	\$ 657,278	\$ -	\$ -	\$ -	\$ 13,256,872
Intergovernmental	1,322,632	-	8,047	-	-	1,330,679
Licenses and permits	524,848	-	-	-	-	524,848
Charges for services	66,790	-	-	10,258	-	77,048
Fines and forfeitures	329,428	-	-	-	-	329,428
Investment income	11,846	-	-	114	-	11,960
Royalties	10,107	-	-	-	1,430,000	1,440,107
Miscellaneous	252,292	-	-	-	6,378	258,670
Total revenues	<u>15,117,537</u>	<u>657,278</u>	<u>8,047</u>	<u>10,372</u>	<u>1,436,378</u>	<u>17,229,612</u>
EXPENDITURES						
Current:						
General government	1,645,405	-	30,517	-	197	1,676,119
Public Safety	8,206,972	-	-	-	3,877	8,210,849
Streets	1,115,591	-	-	-	-	1,115,591
Culture, parks, and recreation	1,251,138	-	-	-	340	1,251,478
Capital outlay	422,208	13,857	-	-	-	436,065
Debt Service:						
Principal	2,127,395	-	-	-	-	2,127,395
Interest	752,519	-	-	-	-	752,519
Total Expenditures	<u>15,521,228</u>	<u>13,857</u>	<u>30,517</u>	<u>-</u>	<u>4,414</u>	<u>15,570,016</u>
Excess (deficiency) of revenues over expenditures	<u>(403,691)</u>	<u>643,421</u>	<u>(22,470)</u>	<u>10,372</u>	<u>1,431,964</u>	<u>1,659,596</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	4,469,074	-	-	-	-	4,469,074
Transfers out	(4,202,880)	(167,853)	-	-	-	(4,370,733)
Interaccount transfers in	440,072	-	-	-	-	440,072
Interaccount transfers out	-	(150,000)	-	-	(290,072)	(440,072)
Proceeds from long-term debt	11,955,150	-	-	-	-	11,955,150
Payment to Escrow	(11,969,444)	-	-	-	-	(11,969,444)
Total other financing sources and uses	<u>691,972</u>	<u>(317,853)</u>	<u>-</u>	<u>-</u>	<u>(290,072)</u>	<u>84,047</u>
Net change in fund balances	288,281	325,568	(22,470)	10,372	1,141,892	1,743,643
Fund balances - beginning	3,141,161	951,657	1,157,491	119,544	20,712	5,390,565
Fund balances - ending	<u>\$ 3,429,442</u>	<u>\$ 1,277,225</u>	<u>\$ 1,135,021</u>	<u>\$ 129,916</u>	<u>\$ 1,162,604</u>	<u>\$ 7,134,208</u>

CITY OF EL RENO, OKLAHOMA
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As of and for the Year Ended June 30, 2017

Combining Schedule of Net Position – El Reno Municipal Trust Authority (ERMA) – June 30, 2017

	<u>ERMA</u>	<u>ERMA Sales Tax</u>	<u>Utility Deposit</u>	<u>2015 STRN AMR</u>	<u>Construction</u>	<u>MA Cleanwater</u>	
				<u>(414)</u>		<u>SRF (614)</u>	<u>Total</u>
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 1,075,263	\$ 3,162,953	\$ -	\$ -	\$ -	\$ 211	\$ 4,238,427
Restricted cash and cash equivalents	401,756	-	327,281	-	-	-	729,037
Investments	4	2,945,766	-	-	-	-	2,945,770
Due from other funds	-	764,024	-	-	-	-	764,024
Inventory	7,171	-	-	-	-	-	7,171
Accounts receivable, net	1,068,113	-	-	-	-	-	1,068,113
Total current assets	<u>2,552,307</u>	<u>6,872,743</u>	<u>327,281</u>	<u>-</u>	<u>-</u>	<u>211</u>	<u>9,752,542</u>
Non-current assets:							
Restricted investments	-	-	28,075	-	-	-	28,075
Capital Assets:							
Land and construction in progress	2,375,790	-	-	-	-	-	2,375,790
Other capital assets, net of accumulated depreciation	40,874,798	-	-	-	-	-	40,874,798
Total non-current assets	<u>43,250,588</u>	<u>-</u>	<u>28,075</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,278,663</u>
Total assets	<u>45,802,895</u>	<u>6,872,743</u>	<u>355,356</u>	<u>-</u>	<u>-</u>	<u>211</u>	<u>53,031,205</u>
DEFERRED OUTFLOW OF RESOURCES							
Deferred amounts related to pensions	143,010	-	-	-	-	-	143,010
Deferred amount on refunding	126,332	-	-	-	-	-	126,332
Total deferred outflow of resources	<u>269,342</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>269,342</u>
LIABILITIES							
Current Liabilities:							
Accounts payable	97,393	-	-	-	-	-	97,393
Accrued payroll payable	48,594	-	-	-	-	-	48,594
Accrued interest payable	427,428	-	-	-	-	-	427,428
Current portion of:							
Refundable grant obligation	791	-	-	-	-	-	791
Notes payable	365,346	-	-	-	-	-	365,346
Revenue bonds payable	739,950	-	-	-	-	-	739,950
Accrued compensated absences	8,349	-	-	-	-	-	8,349
Total current liabilities	<u>1,687,851</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,687,851</u>
Non-current liabilities:							
Deposits subject to refund	28,209	-	354,498	-	-	-	382,707
Notes payable	23,736,367	-	-	-	-	-	23,736,367
Revenue bonds payable, net	4,531,300	-	-	-	-	-	4,531,300
Accrued compensated absences	75,144	-	-	-	-	-	75,144
Net pension liability	361,059	-	-	-	-	-	361,059
Total non-current liabilities	<u>28,732,079</u>	<u>-</u>	<u>354,498</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,086,577</u>
Total liabilities	<u>30,419,930</u>	<u>-</u>	<u>354,498</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,774,428</u>
DEFERRED INFLOW OF RESOURCES							
Deferred amounts related to pension	<u>12,485</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,485</u>
NET POSITION							
Net investment in capital assets	13,877,625	-	-	-	-	-	13,877,625
Unrestricted	1,762,197	6,872,743	858	-	-	211	8,636,009
Total net position	<u>\$ 15,639,822</u>	<u>\$ 6,872,743</u>	<u>\$ 858</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 211</u>	<u>\$ 22,513,634</u>

CITY OF EL RENO, OKLAHOMA
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Combining Schedule of Revenues, Expenses, and Changes in Net Position – El Reno Municipal Trust Authority - Year Ended June 30, 2017

	<u>EREF</u>	<u>ERMA Sales Tax</u>	<u>Utility Deposit</u>	<u>2015 STRN AMR</u>	<u>MA Cleanwater</u>	<u>Total</u>
				<u>Construction</u>	<u>SRF (614)</u>	
OPERATING REVENUES						
Water charges	\$ 3,220,610	\$ -	\$ -	\$ -	\$ -	\$ 3,220,610
Sewer charges	2,074,103	-	-	-	-	2,074,103
Sanitation	935,878	-	-	-	-	935,878
Water and sewer taps	19,081	-	-	-	-	19,081
Transfer fees	4,450	-	-	-	-	4,450
Returned check charges	1,075	-	-	-	-	1,075
Cut off charges	60,975	-	-	-	-	60,975
Penalties	97,495	-	-	-	-	97,495
Miscellaneous	86,399	-	-	-	11,941	98,340
Total operating revenues	<u>6,500,066</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>11,941</u>	<u>6,512,007</u>
OPERATING EXPENSES						
Managerial	181,713	-	-	-	-	181,713
Administration	334,140	-	-	-	-	334,140
Billing	809,963	-	-	-	-	809,963
Water Plant	1,307,175	-	-	-	-	1,307,175
Wasterwater	609,842	-	-	-	-	609,842
Utility Lines	471,142	-	-	-	-	471,142
Depreciation expense	1,242,909	-	-	-	-	1,242,909
Total Operating Expenses	<u>4,956,884</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,956,884</u>
Operating income	<u>1,543,182</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>11,941</u>	<u>1,555,123</u>
NON-OPERATING REVENUES (EXPENSES)						
Investment income	279	16,797	-	1	50	17,127
Gain (Loss) on sale of capital asset	(33,949)	-	-	-	-	(33,949)
Miscellaneous revenue	3,000	-	-	-	-	3,000
Interest expense and fiscal charges	(901,483)	-	-	-	-	(901,483)
Total non-operating revenue (expenses)	<u>(932,153)</u>	<u>16,797</u>	<u>-</u>	<u>1</u>	<u>50</u>	<u>(915,305)</u>
Income before contributions and transfers	<u>611,029</u>	<u>16,797</u>	<u>-</u>	<u>1</u>	<u>11,991</u>	<u>639,818</u>
Capital contributions	547,854	127,548	-	-	-	675,402
Transfers in	100,009	4,063,880	-	-	-	4,163,889
Transfers out	(1,604,828)	(2,686,086)	-	-	-	(4,290,914)
Interaccount transfers in	4,951,875	697,647	-	-	4,662,628	10,312,150
Interaccount transfers out	(5,360,275)	(997,767)	-	(47,834)	(3,906,274)	(10,312,150)
Change in net position	(754,336)	1,222,019	-	(47,833)	768,345	1,188,195
Total net position - beginning	<u>16,394,158</u>	<u>5,650,724</u>	<u>858</u>	<u>47,833</u>	<u>(768,134)</u>	<u>21,325,439</u>
Total net position - ending	<u>\$ 15,639,822</u>	<u>\$ 6,872,743</u>	<u>\$ 858</u>	<u>\$ -</u>	<u>\$ 211</u>	<u>\$ 22,513,634</u>

CITY OF EL RENO, OKLAHOMA
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Schedule of Expenditures of State Awards – Year Ended June 30, 2017

State Grantor/Pass Thru Agency Grantor/Program Title	Project or Award Number	Award Amount	Awards Expended
STATE AWARDS:			
<u>OKLAHOMA HUMANITIES COUNCIL</u> Let's Talk About It, Oklahoma	N/A	\$ 1,566	\$ 1,566
<u>OKLAHOMA DEPARTMENT OF LIBRARIES</u> CE Conference Network Remediation 16 Total Oklahoma Department of Libraries	N/A N/A	470 1,899 2,369	470 1,899 2,369
<u>OKLAHOMA AERONAUTICS COMMISSION</u> Capital Improvement Program	RQO-17-S	223,602	217,379
Total State Awards		\$ 227,537	\$ 221,314

Footnotes to Schedule of Expenditures of State Awards:

1. The Schedule of Expenditures of State Awards is prepared on the 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 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, 2017

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

GROSS REVENUE AVAILABLE:

Pledged operating revenues (water and sewer systems)	\$ 5,532,943
Investment income	30,324
 Total Gross Revenue Available	 <u>5,563,267</u>

OPERATING EXPENDITURES:

Total Operating Expenses (water and sewer systems, excluding depreciation and amortization)	<u>2,970,891</u>
 Net Revenue Available for Debt Service	 <u>2,592,376</u>

Maximum Annual Debt Service:

Series 2000 Clean Water SRF Promissory Note	\$ 25,856
Series 2002A Drinking Water SRF Promissory Note	93,811
Series 2002C Clean Water SRF Promissory Note	39,385
Series 2003A Drinking Water SRF Promissory Note	32,158
Series 2010 Drinking Water SRF Promissory Note	156,593
Series 2014 Clean Water SRF Promissory Note	399,729
Amended Utility System Revenue Note, Taxable Series 2008 annual debt service	47,620
 Total Annual Debt Service on Revenues of the Systems	 <u>795,152</u>

Computed Coverage	<u>326%</u>
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Coverage Requirement	<u>125%</u>
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