

# **CITY OF EL RENO, OKLAHOMA**



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

**AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2018**

**THE CITY OF EL RENO, OKLAHOMA**

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

**AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2018**

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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, 2018, 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, 2018, 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 and other post-employment benefit 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 March 1, 2019, 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.



March 1, 2019

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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, 2018. Please read it in conjunction with the City's financial statements, which follow this section.

### ***FINANCIAL HIGHLIGHTS***

- For the fiscal year ended June 30, 2018, the City's total net position increased by \$12 million or 24% from the prior year.
- During the year, the City's expenses for governmental activities were \$16 million and were funded by program revenues of \$3.4 million and further funded with taxes and other general revenues that totaled \$24 million.
- In the City's business-type activities, such as utilities, hospital, airport, park and golf programs, revenues excluding transfers were under expenses by a total of \$749,189.
- Sales and use taxes increased by approximately \$9.5 million or 72% over the prior fiscal year. This translates into an increase in taxable sales of \$236 million from the prior year.
- At June 30, 2018, the General Fund reported an unassigned fund balance of \$3.6 million, which is an increase of \$1.5 million or 74% from the prior year.
- For budgetary reporting purposes, the General Fund reported revenues over estimates of \$25,682 or .09%, while expenditures were under the final appropriations by approximately \$358,650 or 2%.

### ***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. 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 (currently inactive) 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 does not meet the criteria for blending, specifically the El Reno Economic Development Authority, when active.

**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 approximately \$62 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.)
	2018	Restated 2017		2018	Restated 2017		2018	Restated 2017	
Current assets	\$ 20,958	\$ 12,429	69%	\$ 16,929	\$ 15,641	8%	\$ 37,887	\$ 28,070	35%
Capital assets, net	35,462	34,848	2%	49,415	49,904	-1%	84,877	84,752	0%
Other non-current assets	442	417	6%	-	-	0%	442	417	6%
<b>Total assets</b>	<b>56,862</b>	<b>47,694</b>	<b>19%</b>	<b>66,344</b>	<b>65,545</b>	<b>1%</b>	<b>123,206</b>	<b>113,239</b>	<b>9%</b>
<b>Deferred outflow of resources</b>	<b>3,577</b>	<b>3,864</b>	<b>-7%</b>	<b>343</b>	<b>369</b>	<b>-7%</b>	<b>3,920</b>	<b>4,233</b>	<b>-7%</b>
Current liabilities	3,516	3,167	11%	2,202	1,852	19%	5,718	5,019	14%
Non-current liabilities	29,653	32,640	-9%	28,767	29,601	-3%	58,420	62,241	-6%
<b>Total liabilities</b>	<b>33,169</b>	<b>35,807</b>	<b>-7%</b>	<b>30,969</b>	<b>31,453</b>	<b>-2%</b>	<b>64,138</b>	<b>67,260</b>	<b>-5%</b>
<b>Deferred inflow of resources</b>	<b>726</b>	<b>180</b>	<b>303%</b>	<b>83</b>	<b>24</b>	<b>246%</b>	<b>809</b>	<b>204</b>	<b>297%</b>
Net position									
Net investment in capital assets	15,067	11,955	26%	20,785	20,531	1%	35,852	32,486	10%
Restricted	7,258	7,246	0%	156	-	100%	7,414	7,246	2%
Unrestricted (deficit)	4,219	(3,630)	216%	14,694	13,906	6%	18,913	10,276	84%
<b>Total net position</b>	<b>\$ 26,544</b>	<b>\$ 15,571</b>	<b>70%</b>	<b>\$ 35,635</b>	<b>\$ 34,437</b>	<b>3%</b>	<b>\$ 62,179</b>	<b>\$ 50,008</b>	<b>24%</b>

The largest portion of the City's net position reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment). For 2018, this net investment in capital assets amounted to \$35.9 million. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The increase/decrease in deferred outflows, deferred inflows and other liabilities relates mostly to differences 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 governmental activities net position is due to a large increase in sales tax from the prior year. The City had an increase of approximately \$10 million. This is also the reason for the increase in the unrestricted net position and the current assets for the governmental activities.

**Changes in Net Position**

For the year ended June 30, 2018, 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.)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
<b>Revenues</b>												
Charges for service	\$ 2,235	\$ 1,153	94%	\$ 8,359	\$ 7,677	9%	\$ 10,594	\$ 8,830	20%			
Operating grants and contributions	977	1,015	-4%	5	-	100%	982	1,015	-3%			
Capital grants and contributions	196	117	68%	136	434	-69%	332	551	-40%			
Taxes	24,269	14,475	68%	-	-	-	24,269	14,475	68%			
Intergovernmental revenue	267	207	29%	-	-	-	267	207	29%			
Investment income	101	15	573%	139	30	363%	240	45	433%			
Royalties	14	1,440	-99%	75	5,017	-99%	89	6,457	-99%			
Miscellaneous	702	140	401%	-	97	-100%	702	237	196%			
<b>Total revenues</b>	<b>28,761</b>	<b>18,562</b>	<b>55%</b>	<b>8,714</b>	<b>13,255</b>	<b>-34%</b>	<b>37,475</b>	<b>31,817</b>	<b>18%</b>			
<b>Expenses</b>												
General government	2,115	2,068	2%	-	-	-	2,115	2,068	2%			
Public safety	9,796	8,919	10%	-	-	-	9,796	8,919	10%			
Streets	2,223	2,180	2%	-	-	-	2,223	2,180	2%			
Culture, parks and recreation	1,146	1,753	-35%	-	-	-	1,146	1,753	-35%			
Interest on long-term debt	774	789	-2%	-	-	-	774	789	-2%			
Water	-	-	-	3,279	2,731	20%	3,279	2,731	20%			
Wastewater	-	-	-	2,903	2,410	20%	2,903	2,410	20%			
Sanitation	-	-	-	828	751	10%	828	751	10%			
Golf	-	-	-	865	750	15%	865	750	15%			
Park	-	-	-	365	-	100%	365	-	100%			
Airport	-	-	-	699	543	29%	699	543	29%			
Hospital	-	-	-	310	351	-12%	310	351	-12%			
<b>Total expenses</b>	<b>16,054</b>	<b>15,709</b>	<b>2%</b>	<b>9,249</b>	<b>7,536</b>	<b>23%</b>	<b>25,303</b>	<b>23,245</b>	<b>9%</b>			
Excess (deficiency) before transfers	12,707	2,853	345%	(535)	5,719	-109%	12,172	8,572	42%			
Transfers	(1,733)	(432)	301%	1,733	432	301%	-	-	-			
<b>Increase (decrease) in net position</b>	<b>\$ 10,974</b>	<b>\$ 2,421</b>	<b>353%</b>	<b>\$ 1,198</b>	<b>\$ 6,151</b>	<b>81%</b>	<b>\$ 12,172</b>	<b>\$ 8,572</b>	<b>42%</b>			

(Unaudited. See accompanying auditor's report.)

The decrease in royalty revenue for governmental and business-type activities of approximately \$6.3 million or 99% is because the amount of mineral payments received by the airport, lake and cemetery were significantly higher in the prior year.

Sales tax revenue increased by approximately 10 million dollars in the current year which resulted in a large change in the transfers as well. This also contributes to the increase in investment income.

The park department was moved to the Recreation Authority in the current year resulting in a decrease on the governmental side expense and the creation of the park function on the business-type side.

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**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.)
	2018	2017		2018	2017	
General government	\$ 2,115	\$ 2,068	2%	\$ (1,410)	\$ (1,463)	-4%
Public safety	9,796	8,919	10%	(7,848)	(7,637)	3%
Streets	2,223	2,180	2%	(2,058)	(1,940)	6%
Culture, parks and recreation	1,146	1,753	-35%	(556)	(1,596)	-65%
Interest on long-term debt	774	789	-2%	(774)	(789)	-2%
<b>Total</b>	<b>\$ 16,054</b>	<b>\$ 15,709</b>	<b>2%</b>	<b>\$ (12,646)</b>	<b>\$ (13,425)</b>	<b>-6%</b>

For the year ended June 30, 2018, total expenses for governmental activities amounted to approximately \$16 million which is an increase of \$.371 million from the prior year.

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**Business-type Activities**

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

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	<u>2018</u>	<u>2017</u>		<u>2018</u>	<u>2017</u>	
	\$ 3,279	\$ 2,731	20%	\$ 417	\$ 633	-34%
Water	\$ 2,903	\$ 2,410	20%	(297)	(81)	267%
Wastewater						
Sanitation	828	751	10%	152	228	-33%
Golf	864	750	15%	(385)	(376)	2%
Park	365	-	100%	(171)	-	100%
Airport	699	543	29%	(336)	(58)	479%
Hospital	<u>311</u>	<u>351</u>	-11%	<u>(129)</u>	<u>229</u>	-156%
<b>Total</b>	<b>\$ 9,249</b>	<b>\$ 7,536</b>	<b>23%</b>	<b>\$ (749)</b>	<b>\$ 575</b>	<b>-230%</b>

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 which now includes the park department.

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

- Total business-type activities reported net expense excluding transfers of \$749,189 for the year ended June 30, 2018.
- Water and sanitation activities reported net revenue for the year ended June 30, 2018, and the wastewater, golf, park, airport and hospital activities reported net expense.

**A FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As the City completed its 2018 fiscal year, the governmental funds reported a combined fund balance of \$19 million or a 73% increase from the prior year. The enterprise funds reported combined net position of \$35.6 million or a 3% increase from 2017

Other fund highlights include:

- For the year ended June 30, 2018, the 2013 Series STRN Bond Fund total fund balance decreased by \$800,363 or 39% due to the expenditures paid on the CIP project.

(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 60% or \$10 million and an increase in appropriations of 15% or \$2.5 million. Actual revenues were over estimates by \$25,682 or .09%, while expenditures were under final appropriations by \$358,650 or 2%.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2018, the City had approximately \$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)

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	<b>2017</b>
	<b>Activities</b>	<b>2018</b>	<b>Activities</b>	<b>2018</b>		
Land	\$ 1,419	\$ 1,420	\$ 841	\$ 825	\$ 2,260	\$ 2,245
Buildings	14,471	14,925	21,963	22,956	36,434	37,881
Imp. other than buildings	3,472	3,342	3,235	3,374	6,707	6,716
Machinery, furniture and equipment	2,263	2,123	1,664	1,628	3,927	3,751
Infrastructure	12,923	11,887	-	-	12,923	11,887
Intangible water rights	-	-	143	146	143	146
Utility property	-	-	20,775	18,901	20,775	18,901
Construction in progress	914	1,152	794	2,074	1,708	3,226
<b>Totals</b>	<b>\$ 35,462</b>	<b>\$ 34,849</b>	<b>\$ 49,415</b>	<b>\$ 49,904</b>	<b>\$ 84,877</b>	<b>\$ 84,753</b>

This year's more significant capital asset additions included:

- Wastewater reuse storage pond
- Radio Road water and wastewater improvements
- Airport hangar #2 roof
- Younghelm fountain/splash pad

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 approximately \$51 million in long-term debt outstanding which represents a \$3 million or 5% decrease from the prior year. The City's changes in long-term debt by type of debt are as follows:

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>Total Percentage Change</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	
Accrued absences	\$ 1,493	\$ 1,246	\$ 80	\$ 109	\$ 1,573	\$ 1,355	16%
Insurance claims liability	159	125	-	-	159	125	27%
Revenue bonds	20,356	22,422	4,544	5,283	24,900	27,705	-10%
Notes payable	-	395	24,097	24,102	24,097	24,497	-2%
Refundable grant obligation	-	-	-	1	-	1	-100%
Deposits subject to refund	-	-	407	383	407	383	6%
Capital leases	39	76	-	-	39	76	-49%
<b>Totals</b>	<b>\$ 22,047</b>	<b>\$ 24,264</b>	<b>\$ 29,128</b>	<b>\$ 29,878</b>	<b>\$ 51,175</b>	<b>\$ 54,142</b>	<b>-5%</b>

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

**The Upcoming Year**

- The City is going to continue to move forward with the construction project 2013 bond issue capital improvement projects to meet the needs of the citizens.
- The City of El Reno will be improving the lake area and parks equipment.
- 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 Authority will be have finished the main sewer plant and complete the OWCWSRF loan at the wastewater plant by installing the dumping station and outside items which are part of the loan.

**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.)

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**BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE**

**CITY OF EL RENO, OKLAHOMA**  
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**Statement of Net Position— June 30, 2018**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 17,720,109	\$ 6,361,322	\$ 24,081,431
Investments	274,467	8,491,613	8,766,080
Accounts receivable, net of allowance	-	1,259,271	1,259,271
Franchise tax receivable	110,755	-	110,755
Court fine receivable, net of allowance	467,564	-	467,564
Internal balances	(730,055)	730,055	-
Due from other governments	3,114,734	14,938	3,129,672
Inventory	-	43,511	43,511
Restricted investments	-	28,075	28,075
Net pension asset	441,872	-	441,872
Capital assets:			
Land and construction in progress	2,333,358	1,634,706	3,968,064
Other capital assets, net of depreciation	33,129,059	47,780,306	80,909,365
Unamortized bond issuance costs	-	-	-
Total Capital Assets	<u>35,462,417</u>	<u>49,415,012</u>	<u>84,877,429</u>
Total Assets	<u>56,861,863</u>	<u>66,343,797</u>	<u>123,205,660</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amounts related to pensions	2,778,856	228,438	3,007,294
Deferred amounts related to OPEB	16,430	5,252	21,682
Deferred amounts related to refunding	781,361	110,003	891,364
Total deferred outflows of resources	<u>3,576,647</u>	<u>343,693</u>	<u>3,920,340</u>
<b>LIABILITIES</b>			
Accounts payable	496,751	775,836	1,272,587
Accrued payroll liabilities	349,526	62,477	412,003
Accrued interest payable	295,007	218,981	513,988
Due to other governments	4,182	-	4,182
Refundable court bonds	2,173	-	2,173
Unearned revenue	1,379	736	2,115
Long-term liabilities:			
Due within one year	2,366,495	1,144,276	3,510,771
Due in more than one year	19,680,786	27,971,991	47,652,777
Total OPEB liability	1,138,783	364,037	1,502,820
Net pension liability	8,832,999	431,190	9,264,189
Total liabilities	<u>33,168,081</u>	<u>30,969,524</u>	<u>64,137,605</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred amounts related to pensions	633,517	53,242	686,759
Deferred amounts related to OPEB	92,925	29,706	122,631
Total deferred outflows of resources	<u>726,442</u>	<u>82,948</u>	<u>809,390</u>
<b>NET POSITION</b>			
Net investment in capital assets	15,067,216	20,785,060	35,852,276
Restricted for:			
Public Safety	1,022,047	-	1,022,047
Capital Outlay	1,490,556	-	1,490,556
Pension	441,872	-	441,872
Debt Service	1,048,202	-	1,048,202
Emergencies	1,141,316	-	1,141,316
Recreation, Public Safety and Public Works	1,384,906	-	1,384,906
Other	536,862	-	536,862
Permanent Fund Purposes:			
Permanent fund - nonexpendable	182,939	-	182,939
Permanent fund - expendable	9,413	156,357	165,770
Unrestricted	4,218,658	14,693,601	18,912,259
Total net position	<u>\$ 26,543,987</u>	<u>\$ 35,635,018</u>	<u>\$ 62,179,005</u>

See accompanying notes to the financial statements.

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**Statement of Activities –Year Ended June 30, 2018**

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
<b>Primary government</b>							
Governmental Activities							
General Government	\$ 2,115,045	\$ 677,477	\$ 1,480	\$ 26,035	\$ (1,410,053)	\$ -	\$ (1,410,053)
Public Safety	9,795,608	1,001,849	775,975	169,749	(7,848,035)	-	(7,848,035)
Streets	2,223,537	-	165,415	-	(2,058,122)	-	(2,058,122)
Culture, parks and recreation	1,146,474	555,863	33,602	659	(556,350)	-	(556,350)
Interest on long-term debt	773,848	-	-	-	(773,848)	-	(773,848)
Total governmental activities	<u>16,054,512</u>	<u>2,235,189</u>	<u>976,472</u>	<u>196,443</u>	<u>(12,646,408)</u>	<u>-</u>	<u>(12,646,408)</u>
Business-type activities							
Water	3,278,780	3,696,233	-	-	-	417,453	417,453
Wastewater	2,903,185	2,605,696	-	-	-	(297,489)	(297,489)
Sanitation	828,042	980,221	-	-	-	152,179	152,179
Golf	864,531	473,979	5,069	-	-	(385,483)	(385,483)
Park	364,813	193,865	-	-	-	(170,948)	(170,948)
Airport	699,290	226,856	-	136,347	-	(336,087)	(336,087)
Hospital	310,523	181,709	-	-	-	(128,814)	(128,814)
Total business-type activities	<u>9,249,164</u>	<u>8,358,559</u>	<u>5,069</u>	<u>136,347</u>	<u>-</u>	<u>(749,189)</u>	<u>(749,189)</u>
Total primary government	<u>\$ 25,303,676</u>	<u>\$ 10,593,748</u>	<u>\$ 981,541</u>	<u>\$ 332,790</u>	<u>\$ (12,646,408)</u>	<u>\$ (749,189)</u>	<u>\$ (13,395,597)</u>
<b>General revenues:</b>							
Taxes:							
Sales and use taxes				22,553,923	-	22,553,923	
Property taxes				149,369	-	149,369	
Franchise and public service taxes				989,689	-	989,689	
Hotel/motel taxes				575,927	-	575,927	
Intergovernmental revenue not restricted to specific programs				267,124	-	267,124	
Investment income				100,935	139,278	240,213	
Miscellaneous				702,224	-	702,224	
Miscellaneous- Royalties				14,461	74,784	89,245	
Transfers - Internal activity				(1,733,316)	1,733,316	-	
Total general revenues and transfers				<u>23,620,336</u>	<u>1,947,378</u>	<u>25,567,714</u>	
Change in net position				<u>10,973,928</u>	<u>1,198,189</u>	<u>12,172,117</u>	
Net position - beginning (restated)				<u>15,570,059</u>	<u>34,436,829</u>	<u>50,006,888</u>	
Net position - ending				<u>\$ 26,543,987</u>	<u>\$ 35,635,018</u>	<u>\$ 62,179,005</u>	

See accompanying notes to the financial statements.

**CITY OF EL RENO, OKLAHOMA  
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**BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS**

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**Governmental Funds Balance Sheet - June 30, 2018**

	<u>General Fund</u>	<u>2013 Series STRN Bond Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 14,131,561	\$ 1,265,095	\$ 2,236,545	\$ 17,633,201
Investments	117,738	-	156,729	274,467
Due from other funds	33,969	-	-	33,969
Due from other governments	2,707,543	-	99,241	2,806,784
Franchise tax receivable	414,091	-	4,614	418,705
Court fine receivable, net	467,564	-	-	467,564
Total assets	<u><u>\$ 17,872,466</u></u>	<u><u>\$ 1,265,095</u></u>	<u><u>\$ 2,497,129</u></u>	<u><u>\$ 21,634,690</u></u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>				
Liabilities:				
Accounts payable	\$ 325,623	\$ 9,900	\$ 130,961	\$ 466,484
Accrued payroll payable	381,681	-	2,294	383,975
Due to other funds	764,024	-	-	764,024
Refundable court bonds	2,173	-	-	2,173
Total liabilities	<u><u>1,473,501</u></u>	<u><u>9,900</u></u>	<u><u>133,255</u></u>	<u><u>1,616,656</u></u>
Deferred inflows of resources:				
Deferred revenue	<u><u>854,666</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>854,666</u></u>
Fund balances:				
Nonspendable	-	-	182,939	182,939
Restricted	4,099,644	1,255,195	1,573,470	6,928,309
Committed	722,765	-	3,164	725,929
Assigned	7,100,651	-	604,301	7,704,952
Unassigned	3,621,239	-	-	3,621,239
Total fund balance	<u><u>15,544,299</u></u>	<u><u>1,255,195</u></u>	<u><u>2,363,874</u></u>	<u><u>19,163,368</u></u>
Total liabilities, deferred inflows and fund balance	<u><u>\$ 17,872,466</u></u>	<u><u>\$ 1,265,095</u></u>	<u><u>\$ 2,497,129</u></u>	<u><u>\$ 21,634,690</u></u>

See accompanying notes to the financial statements.

**CITY OF EL RENO, OKLAHOMA**  
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**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance – Year Ended June 30, 2018**

	<u>General Fund</u>	<u>2013 Series STRN Bond Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes	\$ 22,451,770	\$ -	\$ 1,818,000	\$ 24,269,770
Intergovernmental	1,553,424	-	10,000	1,563,424
Licenses and permits	631,143	-	-	631,143
Charges for services	74,301	-	91,104	165,405
Fines and forfeitures	370,174	-	544,503	914,677
Investment income	67,694	16,723	16,257	100,674
Royalties	444,983	-	-	444,983
Miscellaneous	394,002	-	487,845	881,847
Total revenues	<u>25,987,491</u>	<u>16,723</u>	<u>2,967,709</u>	<u>28,971,923</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,604,240	-	453,843	2,058,083
Public safety	8,655,070	-	690,189	9,345,259
Streets	974,404	-	9,664	984,068
Culture, parks, and recreation	623,968	-	1,450	625,418
Capital outlay	813,726	794,061	985,566	2,593,353
Debt service:				
Principal	2,065,050	-	433,080	2,498,130
Interest	619,832	-	9,376	629,208
Total Expenditures	<u>15,356,290</u>	<u>794,061</u>	<u>2,583,168</u>	<u>18,733,519</u>
Excess (deficiency) of revenues over expenditures	<u>10,631,201</u>	<u>(777,338)</u>	<u>384,541</u>	<u>10,238,404</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	4,985,481	-	440,436	5,425,917
Transfers out	(7,206,591)	(23,025)	(343,732)	(7,573,348)
Total other financing sources and uses	<u>(2,221,110)</u>	<u>(23,025)</u>	<u>96,704</u>	<u>(2,147,431)</u>
Net change in fund balance	8,410,091	(800,363)	481,245	8,090,973
Fund balance - beginning	7,134,208	2,055,558	1,882,629	11,072,395
Fund balance - ending	<u>\$ 15,544,299</u>	<u>\$ 1,255,195</u>	<u>\$ 2,363,874</u>	<u>\$ 19,163,368</u>

See accompanying notes to the financial statements.

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**Reconciliation of Governmental Funds and Government-Wide Financial Statements:**

**Fund Balance - Net Position Reconciliation:** \$ 19,163,368

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 \$24,213,069

35,462,417

Certain long-term assets are not available to pay current fund liabilities and therefore they, along with deferred outflows, are either deferred or not reported in the funds:

OPEB related deferred outflows	16,430
Net pension asset	441,872
Pension related deferred outflows	2,778,856
Deferred outflow related to long-term debt refunding	781,361
Deferred revenue related to availability	853,287

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	(72,021)
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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	(8,832,999)
Total OPEB liability	(1,138,783)
Pension related deferred inflows	(633,517)
Accrued interest payable	(295,007)
Capital lease obligation	(38,751)
OPEB related deferred inflows	(92,925)
Revenue bond obligations	(20,356,450)
Accrued compensated absences	(1,493,151)
	<hr/>
	(32,881,583)

Net Position of Governmental Activities in the Statement of Net Position

\$ 26,543,987

See accompanying notes to the financial statements.

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**Changes in Fund Balance - Changes in Net Position Reconciliation:** \$ 8,090,973

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	2,593,353
Capital assets transferred from Enterprise Fund	414,115
Depreciation expense	<u>(2,393,147)</u>
	<u>614,321</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.

42,994

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	93,135
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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	37,680
Principal payment on notes payable obligation	395,400
Principal payment on bonds payable obligation	2,065,050
Amortization of deferred amount on refunding	<u>(69,973)</u>
	<u>2,428,157</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	27,537
Change in Total OPEB liability	<u>(103,956)</u>
Change in accrued compensated absences	<u>(247,347)</u>
	<u>(323,766)</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	28,114
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Change in net position of governmental activities	<u>\$ 10,973,928</u>
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See accompanying notes to the financial statements.

**CITY OF EL RENO, OKLAHOMA  
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**BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS**

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**Proprietary Funds Statement of Net Position - June 30, 2018**

<b>ENTERPRISE FUNDS</b>						
	<b>El Reno Municipal Trust Authority</b>	<b>The City of El Reno Hospital Authority</b>	<b>The City of El Reno Airpark Authority</b>	<b>The City of El Reno Recreational Authority</b>	<b>Totals</b>	<b>Internal Service Funds</b>
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 3,978,231	\$ 567,177	\$ 856,617	\$ 206,679	\$ 5,608,704	\$ 86,908
Restricted cash and cash equivalents	753,370	-	-	-	753,370	-
Investments	4,949,537	541,324	3,000,000	-	8,490,861	-
Due from other funds	764,024	-	-	-	764,024	-
Due from other governments	-	-	14,938	-	14,938	-
Inventory	5,872	-	22,542	15,097	43,511	-
Accounts receivable, net	1,252,041	-	7,230	-	1,259,271	-
Total current assets	<u>11,703,075</u>	<u>1,108,501</u>	<u>3,901,327</u>	<u>221,776</u>	<u>16,934,679</u>	<u>86,908</u>
Non-current assets:						
Restricted investments	28,075	-	-	-	28,075	-
Capital assets:						
Land and construction in progress	974,477	563,795	96,434	-	1,634,706	-
Other capital assets, net of accumulated depreciation	41,437,700	2,314,966	2,949,016	1,078,624	47,780,306	-
Total non-current assets	<u>42,440,252</u>	<u>2,878,761</u>	<u>3,045,450</u>	<u>1,078,624</u>	<u>49,443,087</u>	<u>-</u>
Total assets	<u>54,143,327</u>	<u>3,987,262</u>	<u>6,946,777</u>	<u>1,300,400</u>	<u>66,377,766</u>	<u>86,908</u>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>						
Deferred amounts related to pensions	148,549	-	-	79,889	228,438	-
Deferred amounts related to OPEB	1,481	-	539	3,232	5,252	-
Deferred amount on refunding	110,003	-	-	-	110,003	-
Total deferred outflow of resources	<u>260,033</u>	<u>-</u>	<u>539</u>	<u>83,121</u>	<u>343,693</u>	<u>-</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	686,676	121	1,646	87,151	775,594	-
Accrued payroll payable	35,143	-	4,374	23,202	62,719	-
Accrued interest payable	218,981	-	-	-	218,981	-
Unearned revenue	-	-	736	-	736	-
Due to other funds	-	-	-	33,969	33,969	-
Current portion of:						
Claims liability	-	-	-	-	-	59,779
Notes payable	370,489	-	-	-	370,489	-
Revenue bonds payable, net	766,350	-	-	-	766,350	-
Accrued compensated absences	5,332	-	1,101	1,004	7,437	-
Total current liabilities	<u>2,082,971</u>	<u>121</u>	<u>7,857</u>	<u>145,326</u>	<u>2,236,275</u>	<u>59,779</u>
Non-current liabilities:						
Claims liability	-	-	-	-	-	99,150
Deposits subject to refund	406,107	-	-	-	406,107	-
Notes payable	23,726,413	-	-	-	23,726,413	-
Revenue bonds payable	3,766,700	-	-	-	3,766,700	-
Accrued compensated absences	47,991	-	9,906	14,874	72,771	-
Total OPEB liability	102,677	-	37,337	224,023	364,037	-
Net pension liability	327,348	-	-	103,842	431,190	-
Total non-current liabilities	<u>28,377,236</u>	<u>-</u>	<u>47,243</u>	<u>342,739</u>	<u>28,767,218</u>	<u>99,150</u>
Total liabilities	<u>30,460,207</u>	<u>121</u>	<u>55,100</u>	<u>488,065</u>	<u>31,003,493</u>	<u>158,929</u>
<b>DEFERRED INFLOW OF RESOURCES:</b>						
Deferred amounts related to pension	31,797	-	-	21,445	53,242	-
Deferred amounts related to OPEB	8,379	-	3,047	18,280	29,706	-
Total deferred inflow of resources	<u>40,176</u>	<u>-</u>	<u>3,047</u>	<u>39,725</u>	<u>82,948</u>	<u>-</u>
<b>NET POSITION</b>						
Net Investment in capital assets	13,782,225	2,878,761	3,045,450	1,078,624	20,785,060	-
Restricted for debt service	156,357	-	-	-	156,357	-
Unrestricted (deficit)	9,964,395	1,108,380	3,843,719	(222,893)	14,693,601	(72,021)
Total net position	<u>\$ 23,902,977</u>	<u>\$ 3,987,141</u>	<u>\$ 6,889,169</u>	<u>\$ 855,731</u>	<u>\$ 35,635,018</u>	<u>\$ (72,021)</u>

See accompanying notes to the financial statements.

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**Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Position - Year Ended June 30, 2018**

	<b>ENTERPRISE FUNDS</b>					<b>Internal Service Funds</b>
	<b>El Reno Municipal Trust Authority</b>	<b>The City of El Reno Hospital Authority</b>	<b>The City of El Reno Airpark Authority</b>	<b>The City of El Reno Recreational Authority</b>	<b>Totals</b>	
<b>OPERATING REVENUES</b>						
Water charges	\$ 3,555,317	\$ -	\$ -	\$ -	\$ 3,555,317	\$ -
Sewer charges	2,492,802	-	-	-	2,492,802	-
Sanitation charges	951,697	-	-	-	951,697	-
Airport charges	-	-	226,801	-	226,801	-
Golf Course charges	-	-	-	395,147	395,147	-
Hook and Slice Restaurant charges	-	-	-	37,114	37,114	-
Water and sewer taps	94,300	-	-	-	94,300	-
Transfer fees	3,425	-	-	-	3,425	-
Returned check charges	900	-	-	-	900	-
Cut off charges	38,600	-	-	-	38,600	-
Penalties and interest	95,697	-	-	-	95,697	-
Miscellaneous	49,412	6,164	74,839	46,787	177,202	-
Rental	-	173,280	-	122,478	295,758	-
Permits	-	-	-	71,387	71,387	-
Self insurance charges	-	-	-	-	-	155,421
Total operating revenues	<u>7,282,150</u>	<u>179,444</u>	<u>301,640</u>	<u>672,913</u>	<u>8,436,147</u>	<u>155,421</u>
<b>OPERATING EXPENSES</b>						
Managerial	197,907	-	-	-	197,907	-
Administration	738,923	-	-	-	738,923	-
Billing	912,427	-	-	-	912,427	-
Water Plant	1,489,130	-	-	-	1,489,130	-
Wastewater	996,119	-	-	-	996,119	-
Utility Lines	437,529	-	-	-	437,529	-
Hospital	-	78,730	-	-	78,730	-
Airport	-	-	287,515	-	287,515	-
Golf	-	-	-	677,504	677,504	-
Parks	-	-	-	364,813	364,813	-
Claims Expense	-	-	-	-	-	127,568
Hook and Slice Restaurant	-	-	-	37,118	37,118	-
Depreciation expense	2,038,386	231,793	411,775	149,909	2,831,863	-
Total Operating Expenses	<u>6,810,421</u>	<u>310,523</u>	<u>699,290</u>	<u>1,229,344</u>	<u>9,049,578</u>	<u>127,568</u>
Operating income (loss)	<u>471,729</u>	<u>(131,079)</u>	<u>(397,650)</u>	<u>(556,431)</u>	<u>(613,431)</u>	<u>27,853</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Investment income	86,698	10,167	41,913	500	139,278	261
Grant revenue	-	-	136,347	-	136,347	-
Miscellaneous revenue	-	2,265	-	-	2,265	-
Interest expense and fiscal charges	(613,701)	-	-	-	(613,701)	-
Total non-operating revenue (expenses)	<u>(527,003)</u>	<u>12,432</u>	<u>178,260</u>	<u>500</u>	<u>(335,811)</u>	<u>261</u>
Income (loss) before transfers	(55,274)	(118,647)	(219,390)	(555,931)	(949,242)	28,114
Transfers in	7,830,086	-	-	702,612	8,532,698	-
Transfers out	(6,285,267)	-	(100,000)	-	(6,385,267)	-
Change in net position	1,489,545	(118,647)	(319,390)	146,681	1,198,189	28,114
Total net position - beginning (restated)	<u>22,413,432</u>	<u>4,105,788</u>	<u>7,208,559</u>	<u>709,050</u>	<u>34,436,829</u>	<u>(100,135)</u>
Total net position - ending	<u>\$ 23,902,977</u>	<u>\$ 3,987,141</u>	<u>\$ 6,889,169</u>	<u>\$ 855,731</u>	<u>\$ 35,635,018</u>	<u>\$ (72,021)</u>

See accompanying notes to the financial statements.

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**Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2018**

	ENTERPRISE FUNDS					<u>Internal Service Funds</u>
	<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>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers	\$ 7,098,222	\$ 180,760	\$ 338,194	\$ 673,481	\$ 8,290,657	\$ -
Payments to suppliers	(3,074,974)	(79,245)	(194,118)	(510,360)	(3,858,697)	(94,084)
Payments to employees	(1,160,665)	-	(111,872)	(559,910)	(1,832,447)	-
Receipts of customer meter deposits	80,625	-	-	-	80,625	-
Refunds of customer meter deposits	(57,225)	-	-	-	(57,225)	-
Other income	-	2,265	-	-	2,265	155,421
<b>Net cash provided by (used in) operating activities</b>	<b>2,885,983</b>	<b>103,780</b>	<b>32,204</b>	<b>(396,789)</b>	<b>2,625,178</b>	<b>61,337</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers from other funds	7,830,086	-	-	702,612	8,532,698	-
Transfers to other funds	(6,285,267)	-	(100,000)	-	(6,385,267)	-
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>1,544,819</b>	<b>-</b>	<b>(100,000)</b>	<b>702,612</b>	<b>2,147,431</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Purchases of capital assets	(1,200,225)	(558,795)	(469,607)	(117,769)	(2,346,396)	-
Principal paid on capital debt	(1,106,088)	-	-	-	(1,106,088)	-
Proceeds from capital debt	360,535	-	-	-	360,535	-
Interest and fiscal agent fees paid on capital debt	(804,069)	-	-	-	(804,069)	-
Capital grants and contribution	-	-	136,347	-	136,347	-
Proceeds from sale of capital assets	250	968	-	2,249	3,467	-
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(2,749,597)</b>	<b>(557,827)</b>	<b>(333,260)</b>	<b>(115,520)</b>	<b>(3,756,204)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Sale (purchase) of investments	(2,003,767)	298,557	-	-	(1,705,210)	-
Interest and dividends	86,699	10,167	41,912	499	139,277	261
<b>Net cash provided by (used in) investing activities</b>	<b>(1,917,068)</b>	<b>308,724</b>	<b>41,912</b>	<b>499</b>	<b>(1,565,933)</b>	<b>261</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(235,863)</b>	<b>(145,323)</b>	<b>(359,144)</b>	<b>190,802</b>	<b>(549,528)</b>	<b>61,598</b>
<b>Balances - beginning of year</b>	<b>4,967,464</b>	<b>712,500</b>	<b>1,215,761</b>	<b>15,877</b>	<b>6,911,602</b>	<b>25,310</b>
<b>Balances - end of year</b>	<b>\$ 4,731,601</b>	<b>\$ 567,177</b>	<b>\$ 856,617</b>	<b>\$ 206,679</b>	<b>\$ 6,362,074</b>	<b>\$ 86,908</b>
<b>Reconciliation to Statement of Net Position:</b>						
Cash and cash equivalents	\$ 3,978,231	\$ 567,177	\$ 856,617	\$ 206,679	\$ 5,608,704	\$ 86,908
Restricted cash and cash equivalents - current	753,370	-	-	-	753,370	-
Total cash and cash equivalents, end of year	<b>\$ 4,731,601</b>	<b>\$ 567,177</b>	<b>\$ 856,617</b>	<b>\$ 206,679</b>	<b>\$ 6,362,074</b>	<b>\$ 86,908</b>

(Continued)

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**Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2018, (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>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>						
<b>Operating income (loss)</b>						
Operating income (loss)	\$ 471,729	\$ (131,079)	\$ (397,650)	\$ (556,431)	\$ (613,431)	\$ 27,853
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation expense	2,038,386	231,793	411,775	149,909	2,831,863	-
Miscellaneous revenue		2,265	-	-	2,265	-
Change in assets and liabilities:						
Due from other governments	-	-	34,459	-	34,459	-
Accounts receivable	(183,928)	1,316	2,095	568	(179,949)	-
Inventory	1,299	-	(1,599)	13,231	12,931	-
Accounts payable	589,283	(515)	(25,558)	(17,964)	545,246	-
Accrued payroll payable	(13,451)	-	278	(1,415)	(14,588)	-
Net pension liability	(11,080)	-	-	(1,893)	(12,973)	-
Total OPEB liability	515		3,408	20,450	24,373	-
Claims liability	-	-	-	-	-	33,484
Deposits subject to refund	23,400	-	-	-	23,400	-
Accrued compensated absences	(30,170)	-	4,996	(3,244)	(28,418)	-
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 2,885,983</b>	<b>\$ 103,780</b>	<b>\$ 32,204</b>	<b>\$ (396,789)</b>	<b>\$ 2,625,178</b>	<b>\$ 61,337</b>

See accompanying notes to the financial statements.

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**FIDUCIARY FUND**

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**Fiduciary Fund Statement of Net Position – Pension Trust Fund (El Reno Employee Retirement System Jackson National Life Insurance Company) - June 30, 2018**

**ASSETS:**

Investments at contract value:

Insurance contracts	\$ 429,105
Accrued interest receivable	<u>12,767</u>
<b>Total Assets</b>	<b><u>\$ 441,872</u></b>

**NET POSITION:**

Net position held in trust for pension benefits	<u>\$ 441,872</u>
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**Fiduciary Fund Statement of Changes in Fiduciary Net Position – Pension Trust Fund (El Reno Employee Retirement System Jackson National Life Insurance Company) - Year Ended June 30, 2018**

**ADDITIONS:**

Investment Income:	<u>\$ 25,011</u>
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<b>Total Additions</b>	<b><u>25,011</u></b>
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Change in net position held in trust for employees' pension benefits	25,011
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<b>Net position--beginning</b>	<b><u>416,861</u></b>
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<b>Net position--ending</b>	<b><u>\$ 441,872</u></b>
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See accompanying notes to the financial statements.

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**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**

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**Footnotes to the Basic Financial Statements:**

**1. Financial Reporting Entity**

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

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

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

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

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

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

**Blended Component Units:**

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

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

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

**The El Reno Recreation Authority** – that was established to stimulate economic growth and development through the promotion, financing and development of recreational, sports, cultural, tourism and entertainment projects and facilities. 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

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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 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
- Parks – park rental revenue and permits
- 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)

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- Sales Tax ¼ cent Account
- Cemetery Everlasting Care Account
- Sales Tax Reserve Account
- 2013 Sales Tax Revenue Note Fund (reported as a capital project fund) – accounts for 2013 Sales Tax Revenue Note Construction.

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

Special Revenue Funds:

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

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

Capital Project Funds:

- Drainage Improvement Fund – accounts for revenues and expenses for the purpose of creating and/or improving drainage basins.
- Capital Improvement Fund – accounts for an increase in Municipal Court fines. Funds are to be used for capital improvements in general.
- Infrastructure Fund - accounts for various construction projects funded through interfund transfers.
- Cemetery Care Fund – accounts for cemetery fees restricted for cemetery care.
- 2011 Sales Tax Revenue Note Fund – accounts for 2011 Sales Tax Revenue Note Construction.
- 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.

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

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

The General Fund and the 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, 2018.

Fund	Fund Balance 7/1/2017	Changes in Fund Balance	Fund Balance 6/30/2018
<b>Special Revenue Funds:</b>			
Police Fund	\$ 51,977	\$ 332,079	\$ 384,056
CDBG Fund	67,786	192,756	260,542
Cemetery Care	157,635	(58,924)	98,711
Hotel Motel Occupancy Surcharge	577,166	(204,897)	372,269
Safety Sales Tax 1/4 Cent	343,191	297,819	641,010
<b>Capital Project Funds:</b>			
Infrastructure	228,078	(10,394)	217,684
Drainage Improvement	3,082	-	3,082
Capital Improvement	180,423	(145,200)	35,223
Radio Road North Improvement	-	158,149	158,149
Evans Road Improvements	81,532	(81,532)	-
<b>Permanent Funds:</b>			
Library Endowment	31,843	205	32,048
Cemetery Perpetual Care	159,916	1,184	161,100
<b>Total</b>	<b><u>\$ 1,882,629</u></b>	<b><u>\$ 481,245</u></b>	<b><u>\$ 2,363,874</u></b>

*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 (Jackson National 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, 2018, the reporting entity held the following deposits and investments:

**Primary Government:**

Type	Maturities	Credit Rating	Carrying Value
<b>Deposits:</b>			
Demand deposits			\$ 20,918,014
Cash on hand			3,200
Time deposits	Due within one year		6,667,025
			<hr/>
			27,588,239
<b>Investments:</b>			
Time deposits	Due more than one year		2,303,705
Trustee money market accounts		AAAm	2,983,642
Guaranteed investment contracts			429,105
<b>Total deposits and investments</b>			<hr/> \$ 33,304,691
<b>Reconciliation to Statement of Net Position:</b>			
Cash and cash equivalents			\$ 24,081,431
Investments			8,766,080
Restricted investments			28,075
Pension trust fund assets			429,105
			<hr/> \$ 33,304,691

*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, 2018, the City was not exposed to custodial credit risk as defined above. The guaranteed investment contracts, reported by the pension trust fund are held by Jackson National Life Insurance Company. No collateral is provided

*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 \$2,983,642 market value) 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, 2018 are as follows:

	Current		
	Cash and cash		
	Equivalents		
2005 Sales Tax Revenue Bond Revenue Fund	\$ 117,149	\$	-
2008 MA Sales Tax Revenue Interest Fund	124	-	
2010 Drinking Water SRF Debt Service	40,734	-	
2011 Sales Tax Revenue Note Fund	90,244	-	
2013 Sales Tax Revenue Bond Note Fund	30,533	-	
2015 Sales Tax Revenue Fund	42,688	-	
2015 Sales Tax Revenue Interest Fund	53,866	-	
Utility Deposits	378,032	28,075	
<b>Total</b>	<b>\$ 753,370</b>	<b>\$ 28,075</b>	

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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	Utilities Receivable	Airpark Receivable
Accounts receivable	\$ 1,558,547	\$ 2,173,725	\$ 7,230
Less: allowance for uncollectible accounts	<u>(1,090,983)</u>	<u>(921,684)</u>	<u>-</u>
Accounts receivable, net of allowance	<u><u>\$ 467,564</u></u>	<u><u>\$ 1,252,041</u></u>	<u><u>\$ 7,230</u></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, 2018, capital assets balances changed as follows:

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	Balance at July 1, 2017	Additions	Disposals	Balance at June 30, 2018
<b><i>Governmental activities:</i></b>				
Capital assets not being depreciated:				
Land	\$ 1,419,611	\$ -	\$ -	\$ 1,419,611
Construction in progress	1,151,691	880,116	1,118,060	913,747
Total capital assets not being depreciated	<u>2,571,302</u>	<u>880,116</u>	<u>1,118,060</u>	<u>2,333,358</u>
Other capital assets:				
Buildings	19,305,818	65,641	-	19,371,459
Improvements	5,267,552	406,576	-	5,674,128
Machinery, furniture and equipment	7,117,649	630,068	141,678	7,606,039
Infrastructure	22,547,376	2,143,127	-	24,690,503
Total other capital assets at historical cost	<u>54,238,395</u>	<u>3,245,412</u>	<u>141,678</u>	<u>57,342,129</u>
Less accumulated depreciation for:				
Buildings	4,381,195	519,560	-	4,900,755
Improvements	1,925,891	276,264	-	2,202,155
Machinery, furniture and equipment	4,994,503	489,815	141,678	5,342,640
Infrastructure	10,660,012	1,107,508	-	11,767,520
Total accumulated depreciation	<u>21,961,601</u>	<u>2,393,147</u>	<u>141,678</u>	<u>24,213,070</u>
Other capital assets, net	<u>32,276,794</u>	<u>852,265</u>	<u>-</u>	<u>33,129,059</u>
Governmental activities capital assets, net	<u><u>\$ 34,848,096</u></u>	<u><u>\$ 1,732,381</u></u>	<u><u>\$ 1,118,060</u></u>	<u><u>\$ 35,462,417</u></u>
<b><i>Business-type activities:</i></b>				
Capital assets not being depreciated:				
Land	\$ 824,573	\$ 16,155	\$ -	\$ 840,728
Construction in progress	2,074,215	1,481,808	2,762,045	793,978
Total capital assets not being depreciated	<u>2,898,788</u>	<u>1,497,963</u>	<u>2,762,045</u>	<u>1,634,706</u>
Other capital assets:				
Buildings	27,786,663	-	1,459	27,785,204
Improvements	11,112,466	280,150	-	11,392,616
Machinery, furniture and equipment	12,812,330	367,120	249,130	12,930,320
Intangible water rights	207,657	-	-	207,657
Utility property improvements	34,883,044	2,963,210	-	37,846,254
Total other capital assets at historical cost	<u>86,802,160</u>	<u>3,610,480</u>	<u>250,589</u>	<u>90,162,051</u>
Less accumulated depreciation for:				
Buildings	4,831,117	991,856	1,459	5,821,514
Improvements	7,738,368	419,441	-	8,157,809
Machinery, furniture and equipment	11,184,371	327,201	245,664	11,265,908
Intangible water rights	61,214	3,909	-	65,123
Utility property improvements	15,981,935	1,089,457	-	17,071,392
Total accumulated depreciation	<u>39,797,005</u>	<u>2,831,864</u>	<u>247,123</u>	<u>42,381,746</u>
Other capital assets, net	<u>47,005,155</u>	<u>778,616</u>	<u>3,466</u>	<u>47,780,305</u>
Business-type activities capital assets, net	<u><u>\$ 49,903,943</u></u>	<u><u>\$ 2,276,579</u></u>	<u><u>\$ 2,765,511</u></u>	<u><u>\$ 49,415,011</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	\$ 193,736	Water	\$ 1,021,149
Public Safety	455,580	Wastewater	1,017,238
Highways and Streets	1,225,424	Hospital	231,793
Culture & Recreation	518,407	Airpark	411,775
	<hr/> <u>2,393,147</u>	Recreation	<hr/> <u>149,909</u>
			<hr/> <u>2,831,864</u>

## 7. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2018, the reporting entity's long-term debt changed as follows:

Type of Debt	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Amounts Due Within One Year	
					Type of Debt	Balance July 1, 2017
<b>Governmental Activities:</b>						
Notes payable	395,400	-	395,400	-	-	-
Revenue bonds payable	22,421,500	-	2,065,050	20,356,450	2,118,650	
Insurance claims liability	125,444	77,147	43,662	158,929	59,779	
Capital lease obligation	76,431	-	37,680	38,751	38,751	
Accrued compensated absences	1,245,804	10,939,282	10,691,935	1,493,151	149,315	
Total Governmental Activities	<hr/> <u>24,264,579</u>	<hr/> <u>11,016,429</u>	<hr/> <u>13,233,727</u>	<hr/> <u>22,047,281</u>	<hr/> <u>2,366,495</u>	
<b>Business-Type Activities:</b>						
Notes payable	\$ 24,101,713	\$ 360,535	\$ 365,346	\$ 24,096,902	\$ 370,489	
Revenue bonds payable	5,283,500	-	739,950	4,543,550	766,350	
Refundable grant obligation	790	-	790	-	-	
Deposits subject to refund	382,707	80,625	57,225	406,107	-	
Accrued compensated absences	108,626	587,628	616,046	80,208	7,437	
Total Business-Type Activities	<hr/> <u>29,877,336</u>	<hr/> <u>1,028,788</u>	<hr/> <u>1,779,357</u>	<hr/> <u>29,126,767</u>	<hr/> <u>1,144,276</u>	

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*Governmental activities long-term debt:*

Revenue Bonds Payable:

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%.	\$ 4,930,000
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.	2,120,400
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%	2,494,800
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%.	<u>10,811,250</u>
Total Revenue Bonds Payable	<u><u>\$ 20,356,450</u></u>
Current portion	\$ 2,118,650
Non-current portion	18,237,800
Total	<u><u>\$ 20,356,450</u></u>

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.	<u>38,751</u>
Total Capital Lease Obligations	<u><u>38,751</u></u>
Current portion	\$ 38,751
Non-current portion	-
Total	<u><u>\$ 38,751</u></u>

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### *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% \$ 890,000

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% 1,200,000

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% 1,299,600

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% 340,200

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%

Total Revenue Bonds Payable	\$ 4,543,550
Less Unamortized Bond Discount	(10,500)
<u>Net Revenue Bonds Payable</u>	<u>\$ 4,533,050</u>
Current portion	\$ 766,350
Non-current portion	3,766,700
<u>Total</u>	<u>\$ 4,533,050</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.

\$ 51,712

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

328,341

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

157,538

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

176,867

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

491,900

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

21,187,132

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

1,703,412

### Total Municipal Authority

Current portion	\$ 370,489
Non-current portion	<u>23,726,413</u>
Total	\$ 24,096,902

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Debt Service Requirements to Maturity:

GOVERNMENTAL ACTIVITY DEBT					
<u>Year Ending June 30,</u>	Capital Lease Obligations		Revenue Bonds Payable		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2019	\$ 38,751	\$ 1,160	\$ 2,118,650	\$ 575,942	
2020	-	-	2,185,350	518,514	
2021	-	-	2,246,700	458,968	
2022	-	-	2,314,950	397,263	
2023	-	-	2,384,150	333,300	
2024-2028	-	-	8,172,000	745,370	
2029-2033	-	-	934,650	16,973	
<b>Totals</b>	<b><u>\$ 38,751</u></b>	<b><u>\$ 1,160</u></b>	<b><u>\$ 20,356,450</u></b>	<b><u>\$ 3,046,330</u></b>	

  

BUSINESS-TYPE ACTIVITY DEBT					
<u>Year Ending June 30,</u>	Revenue Bonds Payable		Notes Payable		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2019	\$ 766,350	\$ 146,389	\$ 370,489	\$ 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	505,850	78,033	234,585	614,027	
2024-2028	1,498,000	187,042	1,318,046	2,989,761	
2029-2033	70,350	1,276	7,859,824	2,483,994	
2034-2038	-	-	10,220,000	1,227,015	
2039-2043	-	-	3,047,132	90,855	
<b>Totals</b>	<b><u>\$ 4,543,550</u></b>	<b><u>\$ 723,367</u></b>	<b><u>\$ 24,096,902</u></b>	<b><u>\$ 9,915,522</u></b>	

**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	\$95,677

*(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 \$37,075,000 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 \$28,669,697. Total pledged sales taxes received in the current fiscal year were \$9,856,449. Debt service payments for the current fiscal year of \$3,587,200 were 36% of the pledged sales taxes.

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*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 the 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. This note paid off in the current year. Total pledged hotel/motel taxes received in the current fiscal year was \$345,557. Debt service payments for the current fiscal year for the 2015 Hotel/Motel Tax Revenue Note were \$405,569.

*Utility Net Revenues Pledge* - The City has also pledged future water and sewer net revenues to repay \$23,605,001 of 2000, 2002A, 2002C, 2003A, 2010 and 2014 Series Oklahoma Water Resources Board Notes Payable and \$491,900 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 \$34,012,423. The notes are payable from the above-mentioned utility net revenues. The debt service payments on the notes this year were \$1,006,278 which was 35% of pledged net utility revenues of \$2,894,992.

## **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

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exception to this policy is for assigned interest income in governmental funds other than the General Fund. In those funds, interest income is used first before other revenues.

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

	General Fund	Major Capital Project Fund	Other Governmental Funds	TOTAL
		2013 Sales Tax Revenue Note Fund		
<b>Fund Balances:</b>				
Nonspendable:				
Library Endowment	\$ -	\$ -	\$ 31,050	\$ 31,050
Cemetery Perpetual Care	-	-	151,889	151,889
Sub-total Nonspendable	-	-	182,939	182,939
Restricted for:				
Capital outlay	-	1,255,195	111,540	1,366,735
Debt Service	1,343,209	-	-	1,343,209
Watershed construction	-	-	3,082	3,082
Radio Road North Improvements	-	-	123,821	123,821
Skateboard Park	181	-	-	181
Police	-	-	381,037	381,037
Library	24,915	-	202	25,117
Cemetery	136,379	-	9,211	145,590
Public Health and Safety	-	-	641,010	641,010
Mercy Sidewalk	2,500	-	-	2,500
Recreation facilities, public health and safety facilities, public works infrastructure capital outlay or debt service for said capital outlay	1,384,906	-	-	1,384,906
Emergencies	1,141,316	-	-	1,141,316
Animal Shelter	1,101	-	-	1,101
Fire Department	64,341	-	-	64,341
Employee appreciation	344	-	-	344
Legion Park Lights	57	-	-	57
Tennis Court Improvements	95	-	-	95
Parks/ ASHB Ballfield	300	-	-	300
Tourism	-	-	43,689	43,689
Economic development and capital	-	-	259,878	259,878
Sub-total Restricted	4,099,644	1,255,195	1,573,470	6,928,309
Committed to:				
Cemetery	149,173	-	3,164	152,337
Park	51,797	-	-	51,797
Lake	521,795	-	-	521,795
Sub-total Committed	722,765	-	3,164	725,929
Assigned to:				
Fiscal Year 17 budget	6,709,426	-	-	6,709,426
Park	567	-	-	567
Lake	5,714	-	-	5,714
Cemetery Capital	-	-	95,547	95,547
Library	-	-	796	796
Cemetery	384,944	-	-	384,944
Police	-	-	3,019	3,019
CDBG Grant	-	-	260,542	260,542
Tourism	-	-	68,702	68,702
Radio Road North Improvement	-	-	34,328	34,328
Capital outlay	-	-	141,367	141,367
Sub-total Assigned	7,100,651	-	604,301	7,704,952
Unassigned:	3,621,239	-	-	3,621,239
<b>TOTAL FUND BALANCES</b>	<b>\$ 15,544,299</b>	<b>\$ 1,255,195</b>	<b>\$ 2,363,874</b>	<b>\$ 19,163,368</b>

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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**

Other Purposes:	
Cemetery Everlasting Care	\$ 136,379
Drainage Improvement	3,082
Library Endowment	31,252
Cemetery Perpetual Care	161,100
2013 Capital Improvement	1,255,195
Radio Road North Improvement	123,821
Capital Improvement	35,223
Safety Sales Tax 1/4 Cent	641,010
Sales Tax 1/4 Cent	1,384,906
Gifts and Contributions	75,034
Infrastructure Improvement	76,317
Sales Tax Reserve	1,141,316
Hotel Motel Occupancy Surcharge	303,567
General Fund (Donations)	18,800
Pension	441,872
	<hr/>
	5,828,874

Enabling legislation:	
Police	381,037
Tax Increment	<hr/>
	381,037

Debt Service:	
Trustee money market accounts	1,343,209
Less: Accrued Interest Payable	(295,007)
	<hr/>
	1,048,202
	<hr/>
Total Governmental Activities restricted	\$ 7,258,113

**Reconciliation to Statement of Net Position:**

Restricted for:	
Public Safety	\$ 1,022,047
Capital Outlay	1,490,556
Pension	441,872
Debt Service	1,048,202
Emergencies	1,141,316
Recreation, Public Safety and Public Works	1,384,906
Other	536,862
Permanent fund - nonexpendable	182,939
Permanent fund - expendable	9,413
Total Governmental Activities restricted	<hr/>
	\$ 7,258,113

**BTA | El Reno Municipal Authority**

Contractual agreements:	
Cash and investments	\$ 375,338
Less: Accrued Interest Payable	(218,981)
	<hr/>
	\$ 156,357

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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. For the year ended June 30, 2018 the city restated beginning net position as follows:

	El Reno Municipal Trust Authority	El Reno Airpark Authority	El Reno Recreational Authority	Governmental Activities	Government-Wide Business-type Activities
Beginning net position, as previously reported	\$ 22,513,634	\$ 7,244,996	\$ 927,671	\$ 16,264,520	\$ 34,792,089
Under statement of net pension asset Implementation of GASB 75 - OPEB	(100,202)	(36,437)	(218,621)	416,861 (1,111,322)	(355,260)
Beginning net position, restated	<u>\$ 22,413,432</u>	<u>\$ 7,208,559</u>	<u>\$ 709,050</u>	<u>\$ 15,570,059</u>	<u>\$ 34,436,829</u>

## 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, 2018 were as follows:

Transfer From	Transfer To	Amount	Purpose of Transfer
ERMA	General Fund	\$ 1,911,571	Operating subsidy
Airport Authority	General Fund	100,000	Operating subsidy
Public Safety 1/4 Sales Tax	General Fund	50,000	Reimbursement
General Fund	ERMA Sales Tax	5,913,869	Sales tax transfer
ERMA	General Fund	2,682,163	Debt service transfer
Tax Increment Fund	General Fund	40,247	Ad valorem
CDBG	ERMA	5,428	Transfer of assets
General Fund	City of El Reno Recreation Authority	587,884	Operating subsidy
General Fund	City of El Reno Recreation Authority	1,878	Donation transfer
General Fund	City of El Reno Recreation Authority	112,850	Transfer of assets
General Fund	Radio Road North Improvement	176,448	Transfer of assets
Evans Road Improvements	Radio Road North Improvement	51,826	Transfer of assets
General Fund	CDBG	212,162	Operating subsidy grant match
Radio Road North Improvement	ERMA	193,946	Transfer of assets
2013 STRN Construction Fund	ERMA	23,025	Transfer of assets
Infrastructure Improvement	ERMA	2,285	Transfer of assets
Total		<u>\$ 12,065,582</u>	

### Reconciliation to Fund Financial Statements:

	Transfers In	Transfers Out	Net Transfers
Governmental Funds	\$ 5,425,917	\$ (7,573,348)	\$ (2,147,431)
Proprietary Funds	8,532,698	(6,385,267)	2,147,431
	<u>\$ 13,958,615</u>	<u>\$ (13,958,615)</u>	<u>\$ 0</u>

### Reconciliation to Statement of Activities:

Net Transfers	\$ 2,147,431
Transfer of business-type activity expenses to governmental:	
Capital assets from business type activities	(414,115)
Transfers - internal activity	<u>\$ 1,733,316</u>

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*Balances:*

Interfund receivable and payables at June 30, 2018 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	<u>33,969</u>	Loan to Recreation Authority
		<u><u>\$ 797,993</u></u>	

**Reconciliation to Fund Financial Statements:**

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

## 10. Sales Tax

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

- 2 cents is recorded in the General Fund. ½ cent of the 2 cents is pledged for El Reno Recreational Authority debt service on golf course capital debt and ½ cent is pledged for the 2005 Series Sales Tax Bonds.
- 1.5 cents is recorded in the General fund and then transferred to the El Reno Municipal Authority for debt service per debt agreement.
- .25 cents is recorded in the Sales Tax ¼ Cent Fund to be transferred to the El Reno Recreation Authority for the purpose to provide revenues for capital expenditures pertaining to recreational facilities, public works infrastructure and public health and safety facilities or for debt service in connection with obligations heretofore issued or to be issued to finance said capital expenditures.
- .25 cents is recorded in the Safety Sales Tax ¼ 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 Coventry.

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

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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, 2016, to June 30, 2018, are as follows:

	<u>Workers' Compensation</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	125,444
Claims and changes in estimates	(43,662)
Claims payments	<u>77,147</u>
Claim liability, June 30, 2018	<u><u>\$ 158,929</u></u>
Reconciliation to Statement of Net Position:	
Current portion	\$ 59,779
Noncurrent portion	<u>99,150</u>
Total	<u><u>\$ 158,929</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, 2018 the City had awarded construction contracts totaling approximately \$802,508 and of this amount, \$336,287 was still outstanding.

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### **13. Pension Plan Participation**

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

- Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
- Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
- Oklahoma Municipal Retirement Fund – an agent multiple-employer defined benefit plan
- Group Annuity Contract Retirement Plan – a closed single employer defined benefit plan provided through the purchase of a group annuity contract with Jackson National Life Insurance Company

#### *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](http://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-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 \$256,527. The State of Oklahoma also made on-behalf contributions to FPRS in the amount of \$832,656 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 \$559,811. 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, 2018, the City reported a liability of \$7,988,870 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. 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, 2017. Based upon this information, the City's proportion was 0.635185 percent.

For the year ended June 30, 2018, the City recognized pension expense of \$1,013,442. At June 30, 2018, 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	\$ 1,067,177	\$ -
Net difference between projected and actual earnings on pension plan investments	-	222,622
Changes in proportion and differences between City contributions and proportionate share of contributions	473,742	-
City contributions during measurement	-	9,726
City contributions subsequent to the measurement date	256,527	-
<b>Total</b>	<b>\$ 1,797,446</b>	<b>\$ 232,348</b>

The \$256,527 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, 2019. 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:		
2019	\$ 192,751	
2020	439,939	
2021	361,930	
2022	78,941	
2023	192,673	
Thereafter	42,336	
<b>Total</b>	<b><u>1,308,570</u></b>	

**Actuarial Assumptions**- The total pension liability was determined by an actuarial valuation as of July 1, 2017, 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

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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, 2017, 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, 2017, 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%	4.38%
Domestic equity	47%	7.72%
International equity	15%	9.70%
Real estate	10%	6.96%
Other assets	8%	5.75%

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

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**- The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-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	\$ 10,480,223	\$ 7,988,870	\$ 5,877,498

**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](http://www.ok.gov/FPRS) .

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*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](http://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 \$244,359. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$240,496 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 \$209,778. 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, 2018, the City reported a liability of \$47,067 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. 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, 2017. Based upon this information, the City's proportion was 0.6119 percent.

For the year ended June 30, 2018, the City recognized pension expense of \$294,118. At June 30, 2018 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,364	\$ 284,556
Net difference between projected and actual earnings on pension plan investments	350,569	-
Changes in proportion and differences between City contributions and proportionate share of contributions	26,579	-
City contributions subsequent to the measurement date	-	6,166
City contributions subsequent to the measurement date	244,359	-
<b>Total</b>	<b><u>\$ 623,871</u></b>	<b><u>\$ 290,722</u></b>

The \$244,359 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, 2019. 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 December 31:		
	2019	\$ (4,606)
	2020	179,683
	2021	85,752
	2022	(140,083)
	2023	<u>(31,956)</u>
		<u>\$ 88,790</u>

**Actuarial Assumptions**- The total pension liability was determined by an actuarial valuation as of July 1, 2017, 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 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, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2007, to June 30, 2012.

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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, 2017, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	4.51%
Domestic equity	6.62%
International equity	9.70%
Real estate	6.96%
Private Equity	9.86%
Commodities	5.18%

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

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

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

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Employers' net pension liability (asset)	\$ 1,590,750	\$ 47,067	\$ (1,256,805)

**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](http://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](http://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.

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**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>	<u>As of 07/01/17</u>	<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; if a retiree is a participant in the group annuity contract plan, OkMRF is only responsible for the portion of this benefit in excess of the group annuity contract benefit.
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.

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**Employees Covered by Benefit Terms**

Active Employees	69
Deferred Vested Former Employees	6
Retirees or Retiree Beneficiaries	21
Total	<u>96</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 7.91% of covered payroll as of July 1, 2017. For the year ended June 30, 2018 the City recognized \$327,565 of employer contributions to the plan which exceeds the actuarially determined amount based on covered payroll of \$3,127,307. Employees' contribution is 4.5% of covered payroll as of July 1, 2017.

**Actuarial Assumptions**

Date of Last Actuarial Valuation	July 1, 2017
a. Actuarial cost method	Entry age normal
b. Rate of Return on Investments and Discount Rate	7.50%
c. Projected Salary Increase	Varies between 7.42% and 4% based on age
d. Inflation Rate	2.75%
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 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, 7.50% since the plan's net fiduciary position is projected to be sufficient to make projected benefit payments.

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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 (2.75%). 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, 2017 are summarized in the following table:

	<u>Target Allocation</u>	<u>Real Return</u>	<u>Weighted Return</u>
Large cap stocks S&P 500	25%	5.80%	1.45%
Small/mid cap stocks Russell 2500	10%	6.40%	0.64%
Long/short equity MSCI ACWI	10%	5.00%	0.50%
International stocks MSCI EAFE	20%	6.20%	1.24%
Fixed income bonds Barclay's Capital Aggregate	30%	2.30%	0.69%
Real estate NCREIF	5%	4.60%	0.23%
Cash equivalents 3 month Treasury	0%	0.00%	0.00%
<b>TOTAL</b>	<b><u>100%</u></b>		<b><u>4.75%</u></b>

**Changes in Net Pension Liability**- The total pension liability was determined based on an actuarial valuation performed as of July 1, 2017 which is also the measurement date. The total pension liability and the plan net position does not include the fully funded liability of the group annuity contract. 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, 2017 and the City's report ending date of June 30, 2018, that would have had a significant impact on the net pension liability. The following table reports the components of changes in net pension liability:

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**SCHEDULE OF CHANGES IN NET PENSION LIABILITY**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances Beginning of Year</b>	<u>\$ 4,863,371</u>	<u>\$ 3,456,862</u>	<u>\$ 1,406,509</u>
<b>Changes for the Year:</b>			
Service cost	276,233	-	276,233
Interest expense	368,895	-	368,895
Difference between expected and actual experience	(98,009)		(98,009)
Changes of assumptions	154,546		154,546
Contributions--City	-	292,173	(292,173)
Contributions--members	-	151,647	(151,647)
Net investment income	-	443,792	(443,792)
Benefits paid	(210,812)	(210,812)	-
Plan administrative expenses	-	(7,690)	7,690
<b>Net Changes</b>	<u>490,853</u>	<u>669,110</u>	<u>(178,257)</u>
<b>Balances End of Year</b>	<u>\$ 5,354,224</u>	<u>\$ 4,125,972</u>	<u>\$ 1,228,252</u>

***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 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1%	Current	1%
	Decrease	Discount	Increase
	6.50%	Rate 7.50%	8.50%
Net Pension Liability	\$ 2,049,548	\$ 1,228,252	\$ 570,126

The City reported \$250,667 in pension expense for the year ended June 30, 2018. At June 30, 2018, 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	\$ 37,517	\$ 101,897
Changes of assumptions	128,702	-
Net difference between projected and actual earnings on pension plan investments	\$ 39,257	\$ -
Changes in proportion and differences between City contributions and proportionate share of contributions	52,934	61,793
City contributions subsequent to the measurement date	327,565	-
<b>Total</b>	<u>\$ 585,975</u>	<u>\$ 163,690</u>

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**Amortization of Pension Deferrals**- The \$327,565 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, 2019. 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:

<b>Year ended June 30:</b>	
2019	\$ 25,971
2020	57,693
2021	20,034
2022	(21,674)
2023	<u>12,696</u>
	<u><u>\$ 94,720</u></u>

*Group Annuity:*

**Plan description** – The City has fully paid for a group annuity contract for employees participating as of February 2005, the date the plan was closed. The Jackson National Life Insurance Company has full responsibility for paying the retirees in accordance with the group annuity contract. The City retains no liability with respect to the payment of benefits as they come due. There are 13 active participants and 17 retirees as of June 30, 2018. Under the terms of the OkMRF retirement plan, the benefits payable from Jackson National Life Insurance Company will be a portion of the total benefits calculated under the OkMRF plan. When all employees previously participating in the group annuity plan have deceased, all benefit payments will be paid by OkMRF. At June 30, 2018, the Jackson National Life Insurance Company had total reserves of \$512,912 which represents both the total pension liability and assets of the group annuity contract. Therefore, the City has no further requirement to contribute to the plan. The plan also has a net position held in trust for pension benefits of \$441,872 which earns interest at 6%. This represents forfeited employees who were not vested when leaving the employment of the City. This is reported as a pension trust fund in the City's financial statements.

**Changes in Net Pension –The following table reports the components of changes in net pension asset:**

Increase (Decrease)			
	Total Pension Plan	Fiduciary Net	Net Pension
	Liability (a)	Position (b)	Liability (a)-(b)
<b>Balances at 06/30/2017</b>	-	416,861	(416,861)
Changes for the year:			
Net investment income		25,011	(25,011)
<b>Net changes</b>	-	25,011	(25,011)
<b>Balances at 06/30/2018</b>	-	441,872	(441,872)

The pension benefit for the year totaled \$25,011.

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#### **14. Other Postemployment Benefits**

**Plan description** – The City's defined benefit OPEB plan provides OPEB to eligible retirees and their dependents. The plan is a single employer defined benefit OPEB plan administered by the City. The City's Council has the authority to establish and amend benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

**Benefits provided** – The Plan covers all current retirees of the City and provides for employee and dependent healthcare coverage from the date of retirement to life, provided the participant was covered by the Plan before retiring. The City provides postretirement medical benefits through the Plan if the retiree and spouse pay the full active premium. Participants can elect to medical, dental and vision.

**Employees covered by benefit terms** - At June 30, 2018 the following employees were covered by the benefit terms:

Active Employees	125
Inactives or beneficiaries currently receiving benefit payments	<u>6</u>
Total	<u>131</u>

**Total OPEB Liability** – The City's total OPEB liability of \$1,502,820 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions- The total OPEB liability was determined based on an actuarial valuation prepared as of June 30, 2017 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age Normal Level Percentage of Pay
- Discount Rate – 3.58% and 2.85%, based on June 30, 2017 and June 30, 2018 published Bond Buyer 20-Bond General Obligation Index Rate
- Plan Participation – Assumed 25% of all civilian employees and 50% for police and firefighters. Spouse acceptance rate is assumed to be 50%.
- Retirement Age – civilian rates range from 7% at age 55 to 100% at age 70. Rates for police range from 20% with 20 years of service to 100% with 35 years of service. Rates for firefighters range from 10% with 20 years of service to 100% with 35 years of service.
- Termination rates – rate of withdrawal is based on the assumption used in the Oklahoma Municipal Retirement fund
- Healthcare cost trend rates - Plan year dependent rates graded from 6.09% in 2017 to 4.87% in 2060
- Mortality Rates - RP-2000 with cohort mortality projection.

**Changes in Total OPEB Liability –The following table reports the components of changes in total OPEB liability:**

	Total OPEB Liability
<b>Balances Beginning of Year</b>	<u>\$1,495,274</u>
<b>Change for the Year:</b>	
Service cost	132,556
Interest Expense	41,380
Changes of assumptions	(137,696)
Benefits paid	<u>(28,694)</u>
<b>Net Changes</b>	<u>7,546</u>
<b>Balances End of Year</b>	<u>\$1,502,820</u>

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**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**-The following presents the total OPEB liability of the employer calculated using the discount rate of 3.58%, as well as what the Plan's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.58%) or 1-percentage-point higher (4.58%) than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Employers' total OPEB liability	\$ 1,880,936	\$ 1,502,820	\$ 1,214,469

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate**-The following presents the total OPEB liability of the employer calculated using the healthcare cost trend rate of 6.09% decreasing to 4.87%, as well as what the Plan's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower (5.09% decreasing to 3.87%) or 1-percentage-point higher (7.09% decreasing to 5.87%) than the current rate:

	1% Decrease (5.09% decreasing to 3.87%)	Healthcare Cost Trend Rates (6.09% decreasing to 4.87%)	1% Increase (7.09% decreasing to 5.87%)
Employers' total OPEB liability	\$ 1,223,094	\$ 1,502,820	\$ 1,859,408

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2018, the City recognized OPEB expense of \$158,869. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 122,631
Benefit payments subsequent to the measurement date	21,682	-
<b>Total</b>	<b><u>21,682</u></b>	<b><u>122,631</u></b>

The \$21,682 reported as deferred outflows of resources related to OPEB resulting from benefit payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	\$ 15,065
2020	15,065
2021	15,065
2022	15,063
2023	15,065
Thereafter	47,308
<b>Total</b>	<b><u>\$122,631</u></b>

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**15. Use of Estimates**

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

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**Budgetary Comparison Schedule – Year Ended June 30, 2018**

	<b>GENERAL FUND</b>				<b>Variance with Final Budget - Positive (Negative)</b>	
	<b>Budgeted Amounts</b>		<b>Actual Amounts, Budgetary Basis</b>			
	<b>Original</b>	<b>Final</b>				
<b>REVENUES</b>						
Taxes	\$ 13,767,500	\$ 23,060,981	\$ 23,033,492	\$ (27,489)		
Fees and fines	351,855	368,555	368,539	(16)		
Licenses and permits	165,860	631,144	631,143	(1)		
Intergovernmental	389,500	489,287	489,276	(11)		
Charges for services	65,705	68,105	66,874	(1,231)		
Investment earnings	5,500	45,500	41,217	(4,283)		
Miscellaneous	176,491	642,797	701,510	58,713		
Transfers from Other Funds	2,286,071	2,303,318	2,303,318	-		
Total revenues	<u>17,208,482</u>	<u>27,609,687</u>	<u>27,635,369</u>	<u>25,682</u>		
<b>EXPENDITURES</b>						
Mayor and Council	58,500	92,500	72,292	20,208		
Administration	374,308	498,621	492,436	6,185		
Finance	776,227	808,602	726,511	82,091		
Police	4,456,834	4,512,839	4,505,355	7,484		
Fire	2,910,136	2,910,466	2,839,386	71,080		
Library	295,230	326,504	303,610	22,894		
Community Development	284,140	284,140	266,722	17,418		
Senior Citizens	33,951	50,601	49,833	768		
Municipal Garage	210,530	210,530	170,601	39,929		
Streets	902,575	1,069,969	1,018,425	51,544		
Municipal Court	180,490	183,490	181,985	1,505		
Legal	35,000	35,000	29,896	5,104		
Swimming Pool	72,000	72,000	46,769	25,231		
Cemetery	255,677	203,403	196,195	7,208		
Transfers to Other Funds	6,362,884	8,461,044	8,461,043	1		
Total Expenditures	<u>17,208,482</u>	<u>19,719,709</u>	<u>19,361,059</u>	<u>358,650</u>		
Excess (deficiency) of revenues over expenditures	-	7,889,978	8,274,310	384,332		
Net change in fund balances	-	7,889,978	8,274,310	384,332		
Fund balances - beginning	(649,598)	(852,087)	330,996	1,183,083		
Fund balances - ending	<u>\$ (649,598)</u>	<u>\$ 7,037,891</u>	<u>\$ 8,605,306</u>	<u>\$ 1,567,415</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:

	<b>General Fund</b>
Total revenue- budgetary basis	\$ 27,635,369
Total expense- budgetary basis	(19,361,059)
Change in fund balance-budgetary basis	<u>8,274,310</u>
Revenue accruals	(488,378)
Expenditures accruals	(1,826,138)
Debt service transfers in	2,682,163
Change in fund balance-GAAP basis	<u><u>\$ 8,641,957</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>	<u>2018</u>
City's proportion of the net pension liability	0.562385%	0.621821%	0.629184%	0.635185%
City's proportionate share of the net pension liability	\$ 5,783,577	\$6,600,066	\$7,686,823	\$7,988,870
City's covered-employee payroll	\$ 1,552,304	\$1,633,651	\$1,759,957	\$1,805,429
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	373%	404%	437%	442%
Plan fiduciary net position as a percentage of the total pension liability	68.12%	68%	64.87%	66.81%

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

**Notes to Schedule:**

Only four 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>	<u>2018</u>
Statutorially required contribution	\$ 228,711	\$ 246,394	\$ 252,760	\$ 256,527
Contributions in relation to the statutorially required contribution	<u>228,711</u>	<u>246,394</u>	<u>252,760</u>	<u>256,527</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,633,651	\$ 1,759,957	\$ 1,805,429	\$ 1,832,339
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	14.00%

**Notes to Schedule:**

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

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**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>	<u>2018</u>
City's proportion of the net pension liability (asset)	0.5397%	0.5796%	0.5958%	0.6119%
City's proportionate share of the net pension liability (asset)	\$ (181,708)	\$ 23,633	\$ 912,472	\$ 47,067
City's covered-employee payroll	\$1,512,351	\$1,581,284	\$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%	1.49%	51.93%	2.58%
Plan fiduciary net position as a percentage of the total pension liability	101.53%	99.82%	93.50%	99.68%

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

**Notes to Schedule:**

Only four 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>	<u>2018</u>
Statutorially required contribution	\$ 205,473	\$ 228,428	\$ 237,337	\$ 244,359
Contributions in relation to the statutorially required contribution	<u>205,473</u>	<u>228,428</u>	<u>237,337</u>	<u>244,359</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,581,284	\$ 1,757,138	\$ 1,825,669	\$ 1,879,756
Contributions as a percentage of covered-employee payroll	13.00%	13.00%	13.00%	13.00%

**Notes to Schedule:**

Only four 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 4 Fiscal Years**

	2015	2016	2017	2018
<b>Total pension liability</b>				
Service cost	\$ 240,404	\$ 264,136	\$ 268,287	\$ 276,233
Interest	298,636	308,486	334,368	368,895
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	-	(36,585)	53,687	(98,009)
Changes of assumptions	-	-	-	154,546
Benefit payments, including refunds of member contributions	(150,337)	(193,559)	(210,870)	(210,812)
<b>Net change in total pension liability</b>	<b>388,703</b>	<b>342,478</b>	<b>445,472</b>	<b>490,853</b>
<b>Total pension liability - beginning</b>	<b>3,686,718</b>	<b>4,075,421</b>	<b>4,417,899</b>	<b>4,863,371</b>
<b>Total pension liability - ending (a)</b>	<b><u>\$ 4,075,421</u></b>	<b><u>\$ 4,417,899</u></b>	<b><u>\$ 4,863,371</u></b>	<b><u>\$ 5,354,224</u></b>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 253,488	\$ 260,476	\$ 268,569	\$ 292,173
Contributions - member	131,503	135,201	139,395	151,647
Net investment income	395,694	86,612	33,605	443,792
Benefit payments, including refunds of member contributions	(150,337)	(193,559)	(210,870)	(210,812)
Administrative expense	(5,898)	(6,286)	(6,531)	(7,690)
Other	-	-	-	-
<b>Net change in plan fiduciary net position</b>	<b>624,450</b>	<b>282,444</b>	<b>224,168</b>	<b>669,110</b>
<b>Plan fiduciary net position - beginning</b>	<b>2,325,800</b>	<b>2,950,250</b>	<b>3,232,694</b>	<b>3,456,862</b>
<b>Plan fiduciary net position - ending (b)</b>	<b><u>\$ 2,950,250</u></b>	<b><u>\$ 3,232,694</u></b>	<b><u>\$ 3,456,862</u></b>	<b><u>\$ 4,125,972</u></b>
<b>Net pension liability - ending (a) - (b)</b>	<b><u>\$ 1,125,171</u></b>	<b><u>\$ 1,185,205</u></b>	<b><u>\$ 1,406,509</u></b>	<b><u>\$ 1,228,252</u></b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	72.39%	73.17%	71.08%	77.06%
<b>Covered employee payroll</b>	\$ 2,924,835	\$ 3,022,811	\$ 3,095,346	\$ 3,247,280
<b>Net pension liability as a percentage of covered-employee payroll</b>	38.47%	39.21%	45.44%	37.82%

**Notes to Schedule:**

Only the 4 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 4 Fiscal Years**

	2015	2016	2017	2018
Actuarially determined contribution	\$ 256,939	\$ 268,366	\$ 266,602	\$ 247,370
Contributions in relation to the actuarially determined contribution	260,481	268,568	281,539	327,565
Contribution deficiency (excess)	<u>\$ (3,542)</u>	<u>\$ (202)</u>	<u>\$ (14,937)</u>	<u>\$ (80,195)</u>
Covered employee payroll	\$ 3,022,811	\$ 3,095,346	\$ 3,247,280	\$ 3,127,307
Contributions as a percentage of covered-employee payroll	8.62%	8.68%	8.67%	10.47%

**Notes to Schedule:**

1. Only the 4 most recent fiscal years are presented because 10-year data is not yet available.

2. Latest Valuation Date: July 1, 2017

3. Actuarially determined contribution rate is calculated as of July 1, 2017  
 July 2017 through June 2018 contributions were at a rate of 7.91%

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 - 26 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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***Jackson National Life Insurance Company***

**Required Supplementary Information**

**Jackson National Life Insurance Company**

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**Schedule of Net Pension Asset and Related Ratio**

**Last 4 Fiscal Years**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Total pension liability - beginning	\$ -	\$ -	\$ -	\$ -
Total pension liability - ending (a)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Plan fiduciary net position				
Forfeitures - Employees	\$ 6,741	\$ -	\$ -	\$ -
Net investment income	<u>20,701</u>	<u>22,264</u>	<u>23,595</u>	<u>25,011</u>
Net change in plan fiduciary net position	27,442	22,264	23,595	25,011
Plan fiduciary net position - beginning	<u>343,561</u>	<u>371,003</u>	<u>393,266</u>	<u>416,861</u>
Plan fiduciary net position - ending (b)	<u>\$ 371,003</u>	<u>\$ 393,266</u>	<u>\$ 416,861</u>	<u>\$ 441,872</u>
Net pension asset - ending (a) - (b)	<u>\$ (371,003)</u>	<u>\$ (393,266)</u>	<u>\$ (416,861)</u>	<u>\$ (441,872)</u>
Covered employee payroll	\$ 804,434	\$ 771,204	\$ 781,996	\$ 786,999
Net pension asset as a percentage of covered-employee payroll	-46.1%	-51.0%	-53.3%	-56.1%

**Notes to Schedule:**

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

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***Other Postemployment Benefits***

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<b>Schedule of Changes in Total OPEB Liability and Related Ratios</b>	<b>Last 10 Fiscal Years</b>
	<hr/>
	<hr/>
	<hr/>
<b>Total OPEB liability</b>	<hr/>
Service cost	\$ 132,556
Interest	41,380
Change in assumptions	(137,696)
Benefit payments, including refunds of member contributions	(28,694)
<b>Net change in total OPEB liability</b>	<hr/> 7,546
<b>Total OPEB liability - beginning</b>	<hr/> 1,495,274
<b>Total OPEB liability - ending (a)</b>	<hr/> \$ 1,502,820
 <b>Covered employee payroll</b>	 \$ 6,890,000
 <b>Total OPEB liability as a percentage of covered-employee payroll</b>	 21.81%

**Notes to Schedule:**

Only the current year is presented because 10-year data is not yet available.

The discount rate used for June 30, 2017 is 3.58% which represents a change in assumption from the June 30, 2016 rate of 2.85%. The total OPEB liability for fiscal year 2018 was measured as of June 30, 2017.

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**OTHER SUPPLEMENTARY INFORMATION**

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**Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2018**

	<u>Police Fund</u> (204)	<u>CDBG Fund</u> (211)	<u>Cemetery Care Fund</u> (208)	<u>Hotel Motel Occupancy Surcharge Fund</u>	<u>Safety Sales Tax 1/4 Cent Fund</u> (616)	<u>Infrastructure Fund</u> (420)
<b>ASSETS</b>						
Cash and cash equivalents	\$ 380,671	\$ 260,542	\$ 98,711	\$ 375,801	\$ 541,769	\$ 120,330
Investments	-	-	-	-	-	97,354
Interest receivable	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Due from other governments	-	-	-	-	99,241	-
Franchise tax receivable	4,614	-	-	-	-	-
Total assets	<u>385,285</u>	<u>260,542</u>	<u>98,711</u>	<u>375,801</u>	<u>641,010</u>	<u>217,684</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	1,229	-	-	1,238	-	-
Accrued payroll payable	-	-	-	2,294	-	-
Total liabilities	<u>1,229</u>	<u>-</u>	<u>-</u>	<u>3,532</u>	<u>-</u>	<u>-</u>
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	381,037	-	-	303,567	641,010	76,317
Committed	-	-	3,164	-	-	-
Assigned	3,019	260,542	95,547	68,702	-	141,367
Total fund balance	<u>384,056</u>	<u>260,542</u>	<u>98,711</u>	<u>372,269</u>	<u>641,010</u>	<u>217,684</u>
Total liabilities and fund balance	<u>385,285</u>	<u>\$ 260,542</u>	<u>\$ 98,711</u>	<u>\$ 375,801</u>	<u>\$ 641,010</u>	<u>\$ 217,684</u>

	<u>Drainage Improvement Fund</u> (422)	<u>Capital Improvement Fund</u> (425)	<u>2011 Series STRN Bond Fund</u> (411)	<u>Radio Road</u>			<u>Library Endowment Fund</u> (215)	<u>Cemetery Perpetual Fund</u> (820)	<u>Total Governmental Funds</u>
<b>ASSETS</b>									
Cash and cash equivalents	\$ 3,082	\$ 39,483	\$ -	\$ 268,988	\$ -	\$ 13,395	\$ 523	\$ 133,250	\$ 2,236,545
Investments	-	-	-	-	-	-	31,525	27,850	156,729
Interest receivable	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-	99,241
Franchise tax receivable	-	-	-	-	-	-	-	-	4,614
Total assets	<u>3,082</u>	<u>39,483</u>	<u>-</u>	<u>268,988</u>	<u>-</u>	<u>13,395</u>	<u>32,048</u>	<u>161,100</u>	<u>2,497,129</u>
<b>LIABILITIES AND FUND BALANCES</b>									
Liabilities:									
Accounts payable	-	4,260	-	110,839	-	13,395	-	-	130,961
Accrued payroll payable	-	4,260	-	110,839	-	13,395	-	-	2,294
Total liabilities	<u>-</u>	<u>4,260</u>	<u>-</u>	<u>110,839</u>	<u>-</u>	<u>13,395</u>	<u>-</u>	<u>-</u>	<u>133,255</u>
Fund balances:									
Nonspendable	-	-	-	-	-	-	31,050	151,889	182,939
Restricted	3,082	35,223	-	123,821	-	-	202	9,211	1,573,470
Committed	-	-	-	-	-	-	-	-	3,164
Assigned	-	-	-	-	-	-	796	-	604,301
Total fund balance	<u>3,082</u>	<u>35,223</u>	<u>-</u>	<u>158,149</u>	<u>-</u>	<u>-</u>	<u>32,048</u>	<u>161,100</u>	<u>2,363,874</u>
Total liabilities and fund balance	<u>\$ 3,082</u>	<u>\$ 39,483</u>	<u>\$ -</u>	<u>\$ 268,988</u>	<u>\$ -</u>	<u>\$ 13,395</u>	<u>\$ 32,048</u>	<u>\$ 161,100</u>	<u>\$ 2,497,129</u>

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**Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor  
 Governmental Funds – For the Year Ended June 30, 2018**

	<u>Police Fund</u> <u>(204)</u>	<u>CDBG Fund</u> <u>(211)</u>	<u>Cemetery Care Fund</u> <u>(208)</u>	<u>Hotel Motel Occupancy Surcharge (203)</u>	<u>Safety Sales Tax 1/4 Cent Fund (616)</u>	<u>Infrastructure Fund (420)</u>
<b>REVENUES</b>						
Taxes	\$ 104,305	\$ -	\$ -	\$ 575,927	\$ 988,399	\$ -
Intergovernmental	10,000					
Charges for services	-	-	33,311	4,892	-	-
Fines and forfeitures	544,503	-	-	-	-	-
Investment income	3,019	1,005	911	3,925	3,298	1,555
Miscellaneous	7,200	-	-	165	9,990	-
Total revenues	<u>669,027</u>	<u>1,005</u>	<u>34,222</u>	<u>584,909</u>	<u>1,001,687</u>	<u>1,555</u>
<b>EXPENDITURES</b>						
Current:						
Airport	-	-	-	-	-	-
Culture, parks, and recreation	-	-	1,450	-	-	-
Streets	-	-	-	-	-	9,664
Public Safety	233,956	-	-	-	441,788	-
General government	-	-	-	344,522	-	-
Capital Outlay	102,992	14,983	91,696	42,766	172,142	-
Debt Service:						
Principal	-	-	-	395,400	37,680	-
Interest	-	-	-	7,118	2,258	-
Total Expenditures	<u>336,948</u>	<u>14,983</u>	<u>93,146</u>	<u>789,806</u>	<u>653,868</u>	<u>9,664</u>
Excess (deficiency) of revenues over expenditures	<u>332,079</u>	<u>(13,978)</u>	<u>(58,924)</u>	<u>(204,897)</u>	<u>347,819</u>	<u>(8,109)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	212,162	-	-	-	-
Transfers out	-	(5,428)	-	-	(50,000)	(2,285)
Total other financing sources and uses	-	<u>206,734</u>	-	-	<u>(50,000)</u>	<u>(2,285)</u>
Net change in fund balance	332,079	192,756	(58,924)	(204,897)	297,819	(10,394)
Fund balance - beginning	51,977	67,786	157,635	577,166	343,191	228,078
Fund balance - ending	<u>\$ 384,056</u>	<u>\$ 260,542</u>	<u>\$ 98,711</u>	<u>\$ 372,269</u>	<u>\$ 641,010</u>	<u>\$ 217,684</u>

	<u>Drainage Improvement Fund (422)</u>	<u>Capital Improvement Fund (425)</u>	<u>2011 Series STRN Bond Fund (411)</u>	<u>Radio Road North Improvement (426)</u>	<u>Evans Road Improvements (427)</u>	<u>Tax Increment Fund (217)</u>	<u>Library Endowment (215)</u>	<u>Cemetery Perpetual (620)</u>	<u>Total-Other Governmental Funds</u>
<b>REVENUES</b>									
Taxes:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 149,369	\$ -	\$ -	\$ 1,818,000
Intergovernmental	-	-	-	-	-	-	-	-	10,000
Charges for services	-	52,901	-	-	-	-	-	-	91,104
Fines and forfeitures	-	-	-	-	-	-	-	-	544,503
Investment income	-	956	-	-	-	199	205	1,184	16,257
Miscellaneous	-	-	-	470,490	-	-	-	-	487,845
Total revenues	-	<u>53,857</u>	-	<u>470,490</u>	-	<u>149,568</u>	<u>205</u>	<u>1,184</u>	<u>2,967,709</u>
<b>EXPENDITURES</b>									
Current:									
Airport	-	-	-	-	-	-	-	-	-
Culture, parks, and recreation	-	-	-	-	-	-	-	-	1,450
Streets	-	-	-	-	-	-	-	-	9,664
Public Safety	-	14,445	-	-	-	-	-	-	690,189
General government	-	-	-	-	-	109,321	-	-	453,843
Capital Outlay	-	184,612	-	346,669	29,706	-	-	-	985,566
Debt Service:									
Principal	-	-	-	-	-	-	-	-	433,080
Interest	-	-	-	-	-	-	-	-	9,376
Total Expenditures	-	<u>199,057</u>	-	<u>346,669</u>	<u>29,706</u>	<u>109,321</u>	-	-	<u>2,583,168</u>
Excess (deficiency) of revenues over expenditures	-	<u>(145,200)</u>	-	<u>123,821</u>	<u>(29,706)</u>	<u>40,247</u>	<u>205</u>	<u>1,184</u>	<u>384,541</u>
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers in	-	-	-	228,274	-	-	-	-	440,436
Transfers out	-	-	-	(193,946)	(51,826)	(40,247)	-	-	(343,732)
Total other financing sources and uses	-	-	-	<u>34,328</u>	<u>(51,826)</u>	<u>(40,247)</u>	-	-	<u>96,704</u>
Net change in fund balance	-	(145,200)	-	158,149	(81,532)	-	205	1,184	481,245
Fund balance - beginning	3,082	180,423	\$ -	81,532	-	31,843	205	159,916	1,882,629
Fund balance - ending	<u>\$ 3,082</u>	<u>\$ 35,223</u>	<u>\$ -</u>	<u>\$ 158,149</u>	<u>\$ -</u>	<u>\$ 32,048</u>	<u>\$ 161,100</u>	<u>\$ 2,363,874</u>	

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**Combining Balance Sheet – General Fund Accounts – June 30, 2018**

	<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>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 10,530,658	\$ 1,538,644	\$ 1,170,510	\$ 82,809	\$ 808,940	\$ 14,131,561
Investments	59,582	-	-	58,156	-	117,738
Due from other funds	33,969	-	-	-	-	33,969
Due from other governments	2,608,301	99,242	-	-	-	2,707,543
Franchise tax receivable	106,141	-	307,950	-	-	414,091
Court fine receivable, net	467,564	-	-	-	-	467,564
Total assets	<u>13,806,215</u>	<u>1,637,886</u>	<u>1,478,460</u>	<u>140,965</u>	<u>808,940</u>	<u>17,872,466</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>						
Liabilities:						
Accounts payable	40,222	252,980	29,194	-	3,227	325,623
Accrued payroll payable	381,681	-	-	-	-	381,681
Due to other funds	764,024	-	-	-	-	764,024
Refundable court bonds	2,173	-	-	-	-	2,173
Total liabilities	<u>1,188,100</u>	<u>252,980</u>	<u>29,194</u>	<u>-</u>	<u>3,227</u>	<u>1,473,501</u>
Deferred Inflows of resources:						
Deferred revenue	<u>546,716</u>	<u>-</u>	<u>307,950</u>	<u>-</u>	<u>-</u>	<u>854,666</u>
Fund Balance:						
Restricted	1,362,009	1,384,906	1,141,316	136,379	75,034	4,099,644
Committed	-	-	-	-	722,765	722,765
Assigned	7,088,151	-	-	4,586	7,914	7,100,651
Unassigned	3,621,239	-	-	-	-	3,621,239
Total fund balance	<u>12,071,399</u>	<u>1,384,906</u>	<u>1,141,316</u>	<u>140,965</u>	<u>805,713</u>	<u>15,544,299</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 13,806,215</u>	<u>\$ 1,637,886</u>	<u>\$ 1,478,460</u>	<u>\$ 140,965</u>	<u>\$ 808,940</u>	<u>\$ 17,872,466</u>

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**Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund**  
**Accounts – For the Year Ended June 30, 2018**

		<b>Sales Tax 1/4 Cent Account</b> <b>(415)</b>	<b>Sales Tax Reserve Account (612)</b>	<b>Cemetery Everlasting Care Account (821)</b>	<b>Gifts and Contributions Account (210)</b>	<b>Total General Fund Accounts</b>
<b>REVENUES</b>						
Taxes	\$ 21,463,371	\$ 988,399	\$ -	\$ -	\$ -	\$ 22,451,770
Intergovernmental	1,546,129	-	7,295	-	-	1,553,424
Licenses and permits	631,143	-	-	-	-	631,143
Charges for services	64,221	-	-	10,080	-	74,301
Fines and forfeitures	370,174	-	-	-	-	370,174
Investment income	46,963	11,020	-	969	8,742	67,694
Royalties	393,186	-	-	-	51,797	444,983
Miscellaneous	328,486	-	-	-	65,516	394,002
Total revenues	<u>24,843,673</u>	<u>999,419</u>	<u>7,295</u>	<u>11,049</u>	<u>126,055</u>	<u>25,987,491</u>
<b>EXPENDITURES</b>						
Current:						
General government	1,600,738	2,100	1,000	-	402	1,604,240
Public Safety	8,651,621	-	-	-	3,449	8,655,070
Streets	974,404	-	-	-	-	974,404
Culture, parks, and recreation	592,543	-	-	-	31,425	623,968
Capital outlay	181,256	388,178	-	-	244,292	813,726
Debt Service:						
Principal	2,065,050	-	-	-	-	2,065,050
Interest	619,832	-	-	-	-	619,832
Total Expenditures	<u>14,685,444</u>	<u>390,278</u>	<u>1,000</u>	<u>-</u>	<u>279,568</u>	<u>15,356,290</u>
Excess (deficiency) of revenues over expenditures	<u>10,158,229</u>	<u>609,141</u>	<u>6,295</u>	<u>11,049</u>	<u>(153,513)</u>	<u>10,631,201</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	4,985,481	-	-	-	-	4,985,481
Transfers out	(6,501,753)	(501,460)	-	-	(203,378)	(7,206,591)
Total other financing sources and uses	<u>(1,516,272)</u>	<u>(501,460)</u>	<u>-</u>	<u>-</u>	<u>(203,378)</u>	<u>(2,221,110)</u>
Net change in fund balances	8,641,957	107,681	6,295	11,049	(356,891)	8,410,091
Fund balances - beginning	3,429,442	1,277,225	1,135,021	129,916	1,162,604	7,134,208
Fund balances - ending	<u>\$ 12,071,399</u>	<u>\$ 1,384,906</u>	<u>\$ 1,141,316</u>	<u>\$ 140,965</u>	<u>\$ 805,713</u>	<u>\$ 15,544,299</u>

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**Combining Schedule of Net Position – El Reno Municipal Trust Authority (ERMA) – June 30, 2018**

	<b>EREF</b>	<b>ERMA Sales Tax</b>	<b>Utility Deposit</b>	<b>MA Cleanwater SRF (614)</b>	<b>Total</b>
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 843,017	\$ 3,134,640	\$ -	\$ 574	\$ 3,978,231
Restricted cash and cash equivalents	404,189	-	349,181	-	753,370
Investments	43	4,949,494	-	-	4,949,537
Due from other funds	-	764,024	-	-	764,024
Inventory	5,872	-	-	-	5,872
Accounts receivable, net	1,252,041	-	-	-	1,252,041
Total current assets	<u>2,505,162</u>	<u>8,848,158</u>	<u>349,181</u>	<u>574</u>	<u>11,703,075</u>
Non-current assets:					
Restricted investments	-	-	28,075	-	28,075
Capital Assets:					
Land and construction in progress	974,477	-	-	-	974,477
Other capital assets, net of accumulated depreciation	41,437,700	-	-	-	41,437,700
Total non-current assets	<u>42,412,177</u>	<u>8,848,158</u>	<u>28,075</u>	<u>-</u>	<u>42,440,252</u>
Total assets	<u>44,917,339</u>	<u>8,848,158</u>	<u>377,256</u>	<u>574</u>	<u>54,143,327</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>					
Deferred amounts related to pensions	148,549	-	-	-	148,549
Deferred amounts related to OPEB	1,481	-	-	-	1,481
Deferred amount on refunding	110,003	-	-	-	110,003
Total deferred outflow of resources	<u>260,033</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>260,033</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	270,442	389,508	-	26,726	686,676
Accrued payroll payable	35,143	-	-	-	35,143
Accrued interest payable	218,981	-	-	-	218,981
Current portion of:					
Notes payable	370,489	-	-	-	370,489
Revenue bonds payable	766,350	-	-	-	766,350
Accrued compensated absences	5,332	-	-	-	5,332
Total current liabilities	<u>1,666,737</u>	<u>389,508</u>	<u>-</u>	<u>26,726</u>	<u>2,082,971</u>
Non-current liabilities:					
Deposits subject to refund	29,709	-	376,398	-	406,107
Notes payable	23,726,413	-	-	-	23,726,413
Revenue bonds payable, net	3,766,700	-	-	-	3,766,700
Accrued compensated absences	47,991	-	-	-	47,991
Total OPEB liability	102,677	-	-	-	102,677
Net pension liability	327,348	-	-	-	327,348
Total non-current liabilities	<u>28,000,838</u>	<u>-</u>	<u>376,398</u>	<u>-</u>	<u>28,377,236</u>
Total liabilities	<u>29,667,575</u>	<u>389,508</u>	<u>376,398</u>	<u>26,726</u>	<u>30,460,207</u>
<b>DEFERRED INFLOW OF RESOURCES</b>					
Deferred amounts related to pension	31,797	-	-	-	31,797
Deferred amounts related to OPEB	8,379	-	-	-	8,379
Total deferred inflow of resources	<u>40,176</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,176</u>
<b>NET POSITION</b>					
Net investment in capital assets	13,782,225	-	-	-	13,782,225
Restricted for debt service	156,357	-	-	-	156,357
Unrestricted (deficit)	1,531,039	8,458,650	858	(26,152)	9,964,395
Total net position	<u>\$ 15,469,621</u>	<u>\$ 8,458,650</u>	<u>\$ 858</u>	<u>\$ (26,152)</u>	<u>\$ 23,902,977</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, 2018**

	<b>EREF</b>	<b>ERMA Sales Tax</b>	<b>Utility Deposit</b>	<b>MA Cleanwater</b>		<b>Total</b>
				<b>SRF (614)</b>		
<b>OPERATING REVENUES</b>						
Water charges	\$ 3,555,317	\$ -	\$ -	\$ -		\$ 3,555,317
Sewer charges	2,492,802	-	-	-		2,492,802
Sanitation	951,697	-	-	-		951,697
Water and sewer taps	94,300	-	-	-		94,300
Transfer fees	3,425	-	-	-		3,425
Returned check charges	900	-	-	-		900
Cut off charges	38,600	-	-	-		38,600
Penalties	95,697	-	-	-		95,697
Miscellaneous	49,412	-	-	-		49,412
Total operating revenues	<u>7,282,150</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>7,282,150</u>
<b>OPERATING EXPENSES</b>						
Managerial	197,907	-	-	-		197,907
Administration	324,808	414,115	-	-		738,923
Billing	912,427	-	-	-		912,427
Water Plant	1,489,130	-	-	-		1,489,130
Wastewater	996,005	-	-	114		996,119
Utility Lines	437,529	-	-	-		437,529
Depreciation expense	2,038,386	-	-	-		2,038,386
Total Operating Expenses	<u>6,396,192</u>	<u>414,115</u>	<u>-</u>	<u>114</u>		<u>6,810,421</u>
Operating income (loss)	<u>885,958</u>	<u>(414,115)</u>	<u>-</u>	<u>(114)</u>		<u>471,729</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Investment income	13,663	72,574	-	461		86,698
Interest expense and fiscal charges	(613,701)	-	-	-		(613,701)
Total non-operating revenue (expenses)	<u>(600,038)</u>	<u>72,574</u>	<u>-</u>	<u>461</u>		<u>(527,003)</u>
Income before transfers	<u>285,920</u>	<u>(341,541)</u>	<u>-</u>	<u>347</u>		<u>(55,274)</u>
Transfers in	1,916,202	5,913,869	-	15		7,830,086
Transfers out	(1,911,586)	(3,986,421)	-	(387,260)		(6,285,267)
Intraccount transfer in	-	-	-	360,535		360,535
Intraccount transfer out	(360,535)	-	-	-		(360,535)
Change in net position	(69,999)	1,585,907	-	(26,363)		1,489,545
Total net position - beginning (restated)	<u>15,539,620</u>	<u>6,872,743</u>	<u>858</u>	<u>211</u>		<u>22,413,432</u>
Total net position - ending	<u>\$ 15,469,621</u>	<u>\$ 8,458,650</u>	<u>\$ 858</u>	<u>\$ (26,152)</u>		<u>\$ 23,902,977</u>

**CITY OF EL RENO, OKLAHOMA**  
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**Schedule of Expenditures of Federal and State Awards – Year Ended June 30, 2018**

<b>Federal/State Grantor/Pass Thru Agency Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Project or Award Number</b>	<b>Award Amount</b>	<b>Awards Expended</b>
<b>FEDERAL AWARDS:</b>				
<u>U.S. DEPARTMENT OF JUSTICE:</u> Bullet-Proof Vest Partnership Program	16.607	2017BUBX17089114	1,109	732
Passed thru Oklahoma District Attorney's Council: Justice Assistance Grant Local Law Enforcement	16.738	JAG-LLE-2017-ELRENO CI-00101	10,000 11,109	10,000 10,732
Total U.S. Department of Justice				
<u>U.S. DEPARTMENT OF TREASURY:</u> Equitable Sharing Agreement	21.016	OK0090100	276,146	269,454
<u>U.S. DEPARTMENT OF INTERIOR:</u> Passed through Oklahoma Tourism and Recreation Department: Land and Water Conservation Fund	15.916	Hub Reed Baseball Field	137,754	9,500
<u>INSTITUTE OF MUSEUM AND LIBRARY SERVICES:</u> Passed through Oklahoma Department of Libraries: State Aid	45.310	FY 17-18	13,247	13,247
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u> Airport Improvement Program Airport Improvement Program Subtotal CFDA #20.106	20.106 20.106	3-40-0026-011-2015 3-40-0026-012-2017	199,800 139,495 339,295	33,044 103,303 136,347
Passed through Oklahoma Department of Transportation Byways - Route 66 Youngeim Centennial Plaza	20.205	SB-2007-54593	97,674	96,390
Total Department of Transportation			436,969	232,737
Total Federal Awards			\$ 875,225	\$ 535,670

<b>State Grantor/Pass Thru Agency Grantor/Program Title</b>	<b>Project or Award Number</b>	<b>Award Amount</b>	<b>Awards Expended</b>
<b>STATE AWARDS:</b>			
<u>OKLAHOMA HUMANITIES COUNCIL</u> The Oklahoma Experience	From Wilderness to Metropolis	681	681
Total State Awards		\$ 681	\$ 681

**Footnotes to Schedule of Expenditures of Federal and State Awards:**

1. The Schedule of Expenditures of Federal and 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.

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**Schedule of Debt Service Coverage Requirements – Year Ended June 30, 2018**

GROSS REVENUE AVAILABLE:

Pledged operating revenues (water and sewer systems)	\$ 6,301,929
Investment income	<u>139,278</u>
Total Gross Revenue Available	<u>6,441,207</u>

OPERATING EXPENDITURES:

Total Operating Expenses (water and sewer systems, excluding depreciation and amortization)	<u>3,546,214</u>
Net Revenue Available for Debt Service	<u>\$ 2,894,992</u>

Maximum Annual Debt Service:

Series 2000 Clean Water SRF Promissory Note	\$ 26,217
Series 2002A Drinking Water SRF Promissory Note	95,833
Series 2002C Clean Water SRF Promissory Note	40,334
Series 2003A Drinking Water SRF Promissory Note	33,177
Series 2010 Drinking Water SRF Promissory Note	161,591
Series 2014 Clean Water SRF Promissory Note	594,760
Amended Utility System Revenue Note, Taxable Series 2008 annual debt service	54,366
Total Annual Debt Service on Revenues of the Systems	<u>\$ 1,006,278</u>

Computed Coverage 288%

Coverage Requirement 125%

**CITY OF EL RENO, OKLAHOMA  
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**INTERNAL CONTROL AND COMPLIANCE INFORMATION**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of El Reno, Oklahoma (the "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 1, 2019.

### **Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Arlidge & Associates, P.C.*

March 1, 2019