

City of
Elgin, Oklahoma



ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**THE CITY OF ELGIN,
OKLAHOMA**

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

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of the City Council of the
City of Elgin, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elgin, Oklahoma (the "City"), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

As discussed in Note 1, the City prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2011, and the respective changes in financial position – modified cash basis and, where applicable, cash flows – modified cash basis thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2011, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The other supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. This information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Anelche & Associates, P.C.

Edmond, Oklahoma

December 7, 2011

CITY OF ELGIN, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2011

The management of the City of Elgin is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the year ended June 30, 2011. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

FINANCIAL HIGHLIGHTS

- As reported on a modified cash basis, the City's total net assets increased by \$1,871,326 and the assets of the City exceed its liabilities at June 30, 2011, by \$8,305,730 (net assets). Of this amount, \$1,485,626 (unrestricted net assets) is available to meet the government's ongoing needs.
- At June 30, 2011, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$799,604.
- At the end of fiscal year 2011, unassigned fund balance on a modified cash basis for the General Fund was \$144,199 or 16.1% of General Fund revenues.

ABOUT THE CITY

The City of Elgin is an incorporated municipality with a population of approximately 2,100 located in Comanche County in southwestern Oklahoma. The City is a statutory aldermanic form of government. Under this form of government, the City is governed by the Mayor and a four-member City Council and operates under state law and City ordinances through the three branches of democratic government:

- Legislative – the City Council is a four-member governing body with a weak Mayor; all are elected by the citizens at large
- Executive – the Mayor is the Chief Executive Officer
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Council

The City provides typical municipal services such as public safety, health and welfare, street and alley maintenance, parks and recreation, and through its Public Works Authority, certain utility services including water, wastewater, and sanitation.

The City's Financial Reporting Entity

This annual report includes all activities for which the City of Elgin City Council is financially accountable. 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 following separate legal entities.

- **The City of Elgin** – an incorporated City that operates the public safety, streets and public works, health and welfare, culture and recreation, and administrative activities of the City – *reported as part of the primary government*
- **The Elgin Public Works Authority (EPWA)** – public trust created pursuant to 60 O.S. § 176 to operate the water, wastewater, and sanitation services of the City, with the Mayor and City Council members serving as the trustees – *considered part of the primary government presentation for reporting purposes*
- **The Elgin Economic Development Authority (EEDA)** - public trust created pursuant to 60 O.S. § 176 that promotes general economic development within the City, with five members serving as the trustees, appointed by the Mayor and approved by the City Council which has authority to remove at will – *considered part of the primary government presentation for reporting purposes*

In addition, as required by state law, all debt obligations incurred by the trusts must be approved by two-thirds vote of the City Council. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trusts within the City's financial reporting entity. The public trusts do not issue separate annual financial statements.

Related Organization:

Although not included as part of the City of Elgin reporting entity, the City also is a participant in a joint venture with the towns of Apache, Cement, Cyril, Fletcher, Medicine Park, and Sterling. The joint venture is a public trust known as the Multiple Community Services Authority and is formed to conduct certain activities that are of mutual benefit to the participating towns. The City of Elgin has a 1/7 beneficial interest in the trust.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Elgin (the "City"), the Elgin Public Works Authority (the "EPWA"), and the Elgin Economic Development Authority (the "EEDA"). Included in this report are government-wide statements for each of the 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 modified cash basis of accounting. They present governmental activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Reporting the City as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions to ask about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady as a result of the year's activities?" The Statement of Net Assets 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. You will need to consider other non-financial factors, however, such as changes in the City's sales tax base, the condition of the City's roads, and quality of service to assess the overall health of the City. You will also need to keep in mind that these government-wide statements are prepared in accordance with the modified cash basis of accounting and include only those City assets and liabilities resulting from cash transactions.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities: *Governmental activities* - Most of the City's basic services are reported here, including the police, fire, administration, and streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities; and *Business-type activities* - Activities where the City charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The City's water, sewer, and sanitation utilities are reported as business-type activities.

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

Fund Financial Statements

The fund financial statements provide detailed information about the City's most significant (major) funds -- not the City as a whole. Some funds are required to be established by State law and by debt covenants. However, the City Council may also establish certain 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. The City's two kinds of funds - *governmental and proprietary* - use different accounting approaches.

During the year the City implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*," which provides a more clearly defined fund balance category structure and clarifies fund type definitions. As a result of this implementation, two non-major governmental funds, the Cemetery Fund and the Community Library Fund were reclassified to the General fund as they no longer met the definition of a special revenue fund. As a result of this reclassification beginning fund balances have been restated appropriately, see also Note 11 for additional information.

Governmental funds - All 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. Governmental funds report their activities on a modified cash basis of accounting and current financial resources measurement focus that is different from other funds. For example, these funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) 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

CITY OF ELGIN, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2011

results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following the governmental fund financial statements.

Proprietary funds - When the City, through the Public Works Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported on the modified cash basis of accounting and an economic resources measurement focus. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. The City's proprietary funds are the Elgin Public Works Authority that accounts for the operation of the water, sewer, and sanitation activities and the Elgin Economic Development Authority that accounts for the promotion of economic development.

Notes to the Financial Statements

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 26-41 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents a Budgetary Comparison Schedule for the General Fund.

THE CITY AS A WHOLE

For the year ended June 30, 2011, net assets on a modified cash basis for the governmental and business-type activities increased \$1,871,326.

Following is a summary of net assets reported on a modified cash basis for the City of Elgin.

TABLE 1
NET ASSETS (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2011	2010		2011	2010		2011	2010	
Current assets	\$ 800	\$ 693	15%	\$ 1,282	\$ 995	29%	\$ 2,082	\$ 1,688	23%
Capital assets, net	1,520	1,528	-1%	6,591	5,599	18%	8,111	7,127	14%
Other non-current assets	-	-	0%	15	-	100%	15	-	100%
Total assets	2,320	2,221	4%	7,888	6,594	20%	10,208	8,815	16%
Current liabilities	-	-	0%	575	449	28%	575	449	28%
Non-current liabilities	450	497	-9%	877	1,435	-39%	1,327	1,932	-31%
Total liabilities	450	497	-9%	1,452	1,884	-23%	1,902	2,381	-20%
Net assets									
Invested in capital assets, net of related debt	1,070	1,031	4%	5,164	3,739	38%	6,234	4,770	31%
Restricted	572	486	18%	14	51	-73%	586	537	9%
Unrestricted	228	207	10%	1,258	920	37%	1,486	1,127	32%
Total net assets	\$ 1,870	\$ 1,724	8%	\$ 6,436	\$ 4,710	37%	\$ 8,306	\$ 6,434	29%

The largest portion of the City's net assets reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding.

CITY OF ELGIN, OKLAHOMA
Management's Discussion and Analysis
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The following are explanations for significant changes:

Governmental Activities:

No significant changes are noted in governmental activities.

Business-Type Activities:

Current assets (\$287,000 increase – 29%) – Due to an increase in cash in the amount of \$287,015.

Capital assets, net (\$992,000 increase – 18%) – Due mainly to \$1,000,000 of current year costs for the industrial park project.

Non-current liabilities (\$558,000 decrease – 39%) – Paid off the CCID note payable in the amount of \$525,301 and the OWRB note payable in the amount of \$229,650. The Authority took a draw on the USDA note in the amount of \$254,000.

Invested in capital assets, net of related debt (\$1,425,000 increase – 38%) – Due to the explanations noted above.

TABLE 2
CHANGES IN NET ASSETS (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2011	2010		2011	2010		2011	2010	
Revenues									
Charges for service	\$ 70	\$ 61	15%	\$ 919	\$ 860	7%	\$ 989	\$ 921	7%
Operating grants and contributions	35	17	106%	21	-	100%	56	17	229%
Capital grants and contributions	-	-	0%	1,442	795	81%	1,442	795	81%
Taxes	783	710	10%	-	-	-	783	710	10%
Intergovernmental revenue	13	12	8%	-	-	-	13	12	8%
Investment income	4	6	-33%	5	8	-38%	9	14	-36%
Miscellaneous	23	30	-23%	3	2	50%	26	32	-19%
Total revenues	928	836	11%	2,390	1,665	44%	3,318	2,501	33%
Expenses									
General government	139	134	4%	-	-	-	139	134	4%
Public safety	382	337	13%	-	-	-	382	337	13%
Highways and streets	18	14	29%	-	-	-	18	14	29%
Cemetery	2	1	100%	-	-	-	2	1	100%
Culture and recreation	42	35	20%	-	-	-	42	35	20%
Industrial development	1	1	0%	-	-	-	1	1	0%
Interest on long-term debt	21	23	-9%	-	-	-	21	23	-9%
Water	-	-	-	373	342	9%	373	342	9%
Sewer	-	-	-	99	77	29%	99	77	29%
Sanitation	-	-	-	208	193	8%	208	193	8%
Economic development	-	-	-	161	50	222%	161	50	222%
Total expenses	605	545	11%	841	662	27%	1,446	1,207	20%
Excess (deficiency) before transfers	323	291	11%	1,549	1,003	54%	1,872	1,294	45%
Transfers	(177)	(177)	0%	177	177	0%	-	-	
Change in net assets	146	114	28%	1,726	1,180	46%	1,872	1,294	45%
Beginning net assets	1,724	1,610	7%	4,710	3,530	33%	6,434	5,140	25%
Ending net assets	\$ 1,870	\$ 1,724	8%	\$ 6,436	\$ 4,710	37%	\$ 8,306	\$ 6,434	29%

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Management's Discussion and Analysis
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Business-type capital grants and contributions and expenses increased due to the \$480,000 received from the United States Department of Commerce and the \$625,000 received from the TIF District to pay off the loan with CCIDA for the Industrial Development Park Land.

Governmental Activities

The City's governmental activities had an increase in net assets of \$145,598. The increase is due in part to an increase in tax revenue of \$69,000.

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

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2011	2010		2011	2010	
	General government	\$ 139	\$ 134	4%	\$ (105)	\$ (118)
Public safety	382	337	13%	(325)	(292)	-11%
Highways and streets	18	14	29%	(6)	(3)	-100%
Cemetery	2	1	100%	-	-	0%
Culture and recreation	42	35	20%	(42)	(35)	-20%
Industrial development	1	1	0%	(1)	4	-125%
Interest on long-term debt	21	23	-9%	(21)	(23)	9%
Total	\$ 605	\$ 545	11%	\$ (500)	\$ (467)	-7%

Business-Type Activities

The business-type activities had an increase in net assets of \$1,725,728. The increase is due in part to an increase in grant revenue and capital contributions to the EEDA for the industrial park capital project.

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

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	2011	2010		2011	2010	
	Water	\$ 373	\$ 342	9%	\$ 130	\$ 68
Sewer	99	77	29%	22	110	-80%
Sanitation	208	193	8%	11	12	-8%
Economic Development	160	50	220%	1,378	804	71%
Total	\$ 840	\$ 662	27%	\$ 1,541	\$ 994	55%

CITY OF ELGIN, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2011

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2011 fiscal year, the governmental funds reported a combined fund balance of \$799,604.

Other fund highlights include:

- For the year ended June 30, 2011, the General Fund's total fund balance increased slightly by \$20,813.
- The Capital Improvements Fund reported a 22% increase in fund balance resulting mainly from unspent transfers in from other funds.

Budgetary Highlights

For the year ended June 30, 2011, the General Fund reported actual budgetary basis revenues under final estimates by \$12,097 or a 1.3% negative variance. General Fund actual expenditures were under final appropriations by \$14,000 or a 1.5% positive variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2011, the City had approximately \$8.1 million in capital assets (net of accumulated depreciation), as reported on a modified cash basis, including land, buildings, machinery and equipment, and park facilities. Below are details regarding the City's capital assets for the year ended June 30, 2011.¹

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 210	\$ 210	\$ 639	\$ 639	\$ 849	\$ 849
Buildings	335	284	878	139	1,213	423
Imp. other than buildings	100	105	3,258	-	3,358	105
Machinery, furniture and equipment	737	761	51	60	788	821
Infrastructure	138	123	-	-	138	123
Utility property	-	-	1,172	1,194	1,172	1,194
Construction in progress	-	45	593	3,567	593	3,612
Totals	<u>\$ 1,520</u>	<u>\$ 1,528</u>	<u>\$ 6,591</u>	<u>\$ 5,599</u>	<u>\$ 8,111</u>	<u>\$ 7,127</u>

¹ For more detailed information on capital asset activity please refer to pages 35-36, Note 3. Capital Assets and Depreciation

CITY OF ELGIN, OKLAHOMA
Management's Discussion and Analysis
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This year's more significant capital asset additions include the following:

- Meters for new houses \$32,347
- Industrial park project current costs \$977,034
- USDA waterline current costs \$53,914

Debt Administration

At year-end, the City had \$1.3 million in long-term debt outstanding, reported on a modified cash basis, which represents a \$605,000 decrease from the prior year.

TABLE 6
Long-Term Debt
(In Thousands)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Notes payable	-	-	877	1,435	877	1,435
Capital leases	450	497	-	-	450	497
Totals	\$ 450	\$ 497	\$ 877	\$ 1,435	\$ 1,327	\$ 1,932

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

The following information outlines significant known factors that will affect subsequent year finances:

- The FY 2012 budget is consistent to prior years, except for the following:
 - Will continue to draw on the USDA loan that will help fund the \$2.3 million water improvements project.
 - The City is scheduled to close out the OWRB loan, which will provide \$3 million for the sewer/lagoon rehabilitation project.

Contacting the City's Financial Management

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's office at P.O. Box 310, Elgin, Oklahoma 73538 or telephone at 580-492-5777.

**CITY OF ELGIN, OKLAHOMA
ANNUAL FINANCIAL REPORT
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BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET ASSETS AND ACTIVITIES

CITY OF ELGIN, OKLAHOMA
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Statement of Net Assets (Modified Cash Basis) – June 30, 2011

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 577,456	\$ 1,024,445	\$ 1,601,901
Investments	222,288	258,000	480,288
Unamortized bond issuance costs	-	14,991	14,991
Capital assets:			
Land and construction in progress	210,000	1,231,914	1,441,914
Other capital assets, net of depreciation	<u>1,310,506</u>	<u>5,359,482</u>	<u>6,669,988</u>
Total assets	<u>2,320,250</u>	<u>7,888,832</u>	<u>10,209,082</u>
LIABILITIES			
Due to other governments	140	-	140
Due to depositors	-	25,916	25,916
Short-term loan	-	550,000	550,000
Long-term liabilities:			
Due within one year	49,316	63,656	112,972
Due in more than one year	<u>400,902</u>	<u>813,422</u>	<u>1,214,324</u>
Total liabilities	<u>450,358</u>	<u>1,452,994</u>	<u>1,903,352</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,070,288	5,164,318	6,234,606
Restricted for:			
Debt service	-	13,909	13,909
Cemetery	26,039	-	26,039
Streets	11,338	-	11,338
Parks	11,362	-	11,362
Capital improvements	522,850	-	522,850
Unrestricted	<u>228,015</u>	<u>1,257,611</u>	<u>1,485,626</u>
Total net assets	<u>\$ 1,869,892</u>	<u>\$ 6,435,838</u>	<u>\$ 8,305,730</u>

See accompanying notes to the basic financial statements.

**CITY OF ELGIN, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities							
General Government	\$ 139,187	\$ 18,837	\$ 15,213	\$ -	\$ (105,137)	\$ -	\$ (105,137)
Public Safety	381,932	48,761	8,180	-	(324,991)	-	(324,991)
Highways and Streets	18,345	-	11,677	-	(6,668)	-	(6,668)
Cemetery	1,573	1,949	-	-	376	-	376
Culture and Recreation	41,956	-	-	-	(41,956)	-	(41,956)
Industrial Development	1,086	-	-	-	(1,086)	-	(1,086)
Interest on Long-Term Debt	20,705	-	-	-	(20,705)	-	(20,705)
Total governmental activities	<u>604,784</u>	<u>69,547</u>	<u>35,070</u>	<u>-</u>	<u>(500,167)</u>	<u>-</u>	<u>(500,167)</u>
Business-Type Activities:							
Water	373,086	482,762	20,612	-	-	130,288	130,288
Economic Development	160,560	96,096	-	1,442,145	-	1,377,681	1,377,681
Sewer	98,974	121,317	-	-	-	22,343	22,343
Sanitation	207,769	219,041	-	-	-	11,272	11,272
Total business-type activities	<u>840,389</u>	<u>919,216</u>	<u>20,612</u>	<u>1,442,145</u>	<u>-</u>	<u>1,541,584</u>	<u>1,541,584</u>
Total primary government	<u>\$ 1,445,173</u>	<u>\$ 988,763</u>	<u>\$ 55,682</u>	<u>\$ 1,442,145</u>	<u>(500,167)</u>	<u>1,541,584</u>	<u>1,041,417</u>
General revenues:							
Taxes:							
Sales and use taxes					747,189	-	747,189
Franchise taxes and public service taxes					35,411	-	35,411
Intergovernmental revenue not restricted to specific programs					13,162	-	13,162
Unrestricted investment earnings					4,129	4,910	9,039
Miscellaneous					22,530	2,578	25,108
Transfers					(176,656)	176,656	-
Total general revenues and transfers					<u>645,765</u>	<u>184,144</u>	<u>829,909</u>
Change in net assets					145,598	1,725,728	1,871,326
Net assets - beginning					1,724,294	4,710,110	6,434,404
Net assets - ending					<u>\$ 1,869,892</u>	<u>\$ 6,435,838</u>	<u>\$ 8,305,730</u>

See accompanying notes to the basic financial statements.

**CITY OF ELGIN, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011**

BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

CITY OF ELGIN, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011

Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2011

	<u>General Fund</u>	<u>Capital Improvements Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 115,846	\$ 422,850	\$ 38,760	\$ 577,456
Investments	112,288	100,000	10,000	222,288
Total assets	<u>\$ 228,134</u>	<u>\$ 522,850</u>	<u>\$ 48,760</u>	<u>\$ 799,744</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other governments	\$ 140	-	-	\$ 140
Total liabilities	<u>140</u>	<u>-</u>	<u>-</u>	<u>140</u>
Fund balances:				
Restricted for:				
Streets	-	-	11,338	11,338
Cemetery	-	-	26,039	26,039
Parks	-	-	11,362	11,362
Capital Improvements	-	522,850	-	522,850
Assigned to:				
Streets	-	-	21	21
Cemetery	62,210	-	-	62,210
Library	955	-	-	955
Balance future years budget	20,630	-	-	20,630
Unassigned	144,199	-	-	144,199
Total fund balances	<u>227,994</u>	<u>522,850</u>	<u>48,760</u>	<u>799,604</u>
Total liabilities and fund balances	<u>\$ 228,134</u>	<u>\$ 522,850</u>	<u>\$ 48,760</u>	<u>\$ 799,744</u>

See accompanying notes to the basic financial statements.

**CITY OF ELGIN, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011**

**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances
(Modified Cash Basis) – Year Ended June 30, 2011**

	<u>General Fund</u>	<u>Capital Improvements Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 792,583	\$ -	\$ -	\$ 792,583
Intergovernmental	20,324	6,248	11,677	38,249
Charges for services	31,952	-	731	32,683
Fines and forfeitures	18,027	-	-	18,027
Licenses and permits	18,837	-	-	18,837
Investment income	1,767	2,206	156	4,129
Miscellaneous	10,751	-	11,779	22,530
Total revenues	<u>894,241</u>	<u>8,454</u>	<u>24,343</u>	<u>927,038</u>
EXPENDITURES				
Current:				
General government	97,265	29,453	-	126,718
Public safety	327,800	-	-	327,800
Highway and streets	-	-	7,306	7,306
Culture and recreation	24,994	-	-	24,994
Cemetery	860	-	-	860
Industrial development	339	-	-	339
Capital Outlay	7,685	55,409	25,293	88,387
Debt Service:				
Principal	-	47,221	-	47,221
Interest and other charges	-	20,705	-	20,705
Total expenditures	<u>458,943</u>	<u>152,788</u>	<u>32,599</u>	<u>644,330</u>
Excess (deficiency) of revenues over expenditures	<u>435,298</u>	<u>(144,334)</u>	<u>(8,256)</u>	<u>282,708</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	61,173	237,829	-	299,002
Transfers out	<u>(475,658)</u>	<u>-</u>	<u>-</u>	<u>(475,658)</u>
Total other financing sources and uses	<u>(414,485)</u>	<u>237,829</u>	<u>-</u>	<u>(176,656)</u>
Net change in fund balances	20,813	93,495	(8,256)	106,052
Fund balances - beginning (restated)	207,181	429,355	57,016	693,552
Fund balances - ending	<u>\$ 227,994</u>	<u>\$ 522,850</u>	<u>\$ 48,760</u>	<u>\$ 799,604</u>

See accompanying notes to the basic financial statements.

**CITY OF ELGIN, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011**

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance – Net Assets Reconciliation:

Total fund balance, governmental funds	\$	799,604
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		
		1,520,506
Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.		
		(450,218)
		<u>\$ 1,869,892</u>

Changes in Fund Balances – Changes in Net Assets Reconciliation:

Net change in fund balances - total governmental funds:	\$	106,052
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.		
Capital asset purchases capitalized		81,873
Depreciation expense		(89,548)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:		
Principal payments on long-term debt		47,221
		<u>\$ 145,598</u>

See accompanying notes to the basic financial statements.

**CITY OF ELGIN, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011**

BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS

**CITY OF ELGIN, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011**

Proprietary Funds Statement of Net Assets (Modified Cash Basis) – June 30, 2011

	<u>Elgin Public Works Authority</u>	<u>Elgin Economic Development Authority</u>	<u>Total Proprietary Funds</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 935,706	\$ 56,914	\$ 992,620
Investments	250,000	-	250,000
Restricted cash and cash equivalents	31,825	-	31,825
Restricted investments	8,000	-	8,000
Total current assets	1,225,531	56,914	1,282,445
Non-current assets:			
Unamortized note issue costs	14,991	-	14,991
Capital Assets:			
Land and construction in progress	706,614	525,300	1,231,914
Other capital assets, net of accumulated depreciation	1,357,771	4,001,711	5,359,482
Total non-current assets	2,079,376	4,527,011	6,606,387
Total assets	3,304,907	4,583,925	7,888,832
LIABILITIES			
Current liabilities:			
Deposits subject to refund	25,916	-	25,916
Short-term loan payable	-	550,000	550,000
Notes payable (current portion)	13,219	50,437	63,656
Total current liabilities	39,135	600,437	639,572
Non-current liabilities:			
Notes payable, net of current portion	231,169	582,253	813,422
Total non-current liabilities	231,169	582,253	813,422
Total liabilities	270,304	1,182,690	1,452,994
NET ASSETS			
Invested in capital assets, net of related debt	1,819,997	3,344,321	5,164,318
Restricted for debt service	13,909	-	13,909
Unrestricted	1,200,697	56,914	1,257,611
Total net assets	\$ 3,034,603	\$ 3,401,235	\$ 6,435,838

See accompanying notes to the basic financial statements.

CITY OF ELGIN, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011

Proprietary Funds Statement of Revenues, Expenses and Changes in Net Assets (Modified Cash Basis) – Year Ended June 30, 2011

	<u>Elgin Public</u> <u>Works Authority</u>	<u>Elgin Economic</u> <u>Development</u> <u>Authority</u>	<u>Total Proprietary</u> <u>Funds</u>
Operating Revenues:			
Water charges	\$ 465,311	\$ -	\$ 465,311
Sewer charges	116,932	-	116,932
Sanitation charges	219,041	-	219,041
Penalty charges	11,293	-	11,293
Reconnect fee	10,543	-	10,543
Rentals	-	96,096	96,096
Total operating revenues	<u>823,120</u>	<u>96,096</u>	<u>919,216</u>
Operating Expenses:			
Administration	320,073	-	320,073
Sewer	673	-	673
Water	67,498	-	67,498
Sanitation	207,769	-	207,769
Economic development	-	2,572	2,572
Depreciation	78,286	13,384	91,670
Total operating expenses	<u>674,299</u>	<u>15,956</u>	<u>690,255</u>
Net operating income	<u>148,821</u>	<u>80,140</u>	<u>228,961</u>
Non-Operating Revenues (Expenses):			
Investment income	4,848	62	4,910
Interest expense	(5,530)	(144,604)	(150,134)
Operating grants and contributions	20,612	-	20,612
Capital grants and contributions	-	817,145	817,145
Miscellaneous revenue	2,578	-	2,578
Total non-operating revenue (expenses)	<u>22,508</u>	<u>672,603</u>	<u>695,111</u>
Net income (expense) before contributions and transfers	<u>171,329</u>	<u>752,743</u>	<u>924,072</u>
Capital contributions	-	625,000	625,000
Transfers in	992,969	-	992,969
Transfers out	(816,313)	-	(816,313)
Change in net assets	<u>347,985</u>	<u>1,377,743</u>	<u>1,725,728</u>
Total net assets - beginning	<u>2,686,618</u>	<u>2,023,492</u>	<u>4,710,110</u>
Total net assets - ending	<u>\$ 3,034,603</u>	<u>\$ 3,401,235</u>	<u>\$ 6,435,838</u>

See accompanying notes to the basic financial statements.

**CITY OF ELGIN, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011**

Proprietary Funds Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2011

	<u>Elgin Public Works Authority</u>	<u>Elgin Economic Development Authority</u>	<u>Total Proprietary Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 823,120	\$ 96,096	\$ 919,216
Payments to suppliers	(388,850)	(2,572)	(391,422)
Payments to employees	(207,163)	-	(207,163)
Receipts of customer meter deposits	12,300	-	12,300
Refunds of customer meter deposits	(10,254)	-	(10,254)
Miscellaneous revenue	2,578	-	2,578
Net cash provided by operating activities	<u>231,731</u>	<u>93,524</u>	<u>325,255</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	992,969	-	992,969
Transfers to other funds	(816,313)	-	(816,313)
Net cash provided by noncapital financing activities	<u>176,656</u>	<u>-</u>	<u>176,656</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(107,329)	(977,034)	(1,084,363)
Proceeds from debt	254,000	550,000	804,000
Principal paid on debt	(239,262)	(372,812)	(612,074)
Note issue costs paid on debt	(14,991)	-	(14,991)
Interest and fiscal agent fees paid on debt	(5,530)	(144,604)	(150,134)
Federal grants received	20,612	817,145	837,757
Net cash provided by (used in) capital and related financing activities	<u>(92,500)</u>	<u>(127,305)</u>	<u>(219,805)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	4,848	61	4,909
Net cash provided by investing activities	<u>4,848</u>	<u>61</u>	<u>4,909</u>
Net increase (decrease) in cash and cash equivalents	320,735	(33,720)	287,015
Balances - beginning of year	<u>646,796</u>	<u>90,634</u>	<u>737,430</u>
Balances - end of year	<u>\$ 967,531</u>	<u>\$ 56,914</u>	<u>\$ 1,024,445</u>
Reconciliation to Statement of Net Assets:			
Cash and cash equivalents	\$ 935,706	\$ 56,914	\$ 992,620
Restricted cash and cash equivalents - current	31,825	-	31,825
Total cash and cash equivalents, end of year	<u>\$ 967,531</u>	<u>\$ 56,914</u>	<u>\$ 1,024,445</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income	\$ 148,821	\$ 80,140	\$ 228,961
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	78,286	13,384	91,670
Miscellaneous revenue	2,578	-	2,578
Change in assets and liabilities:			
Deposits subject to refund	2,046	-	2,046
Net cash provided by operating activities	<u>\$ 231,731</u>	<u>\$ 93,524</u>	<u>\$ 325,255</u>

See accompanying notes to the basic financial statements.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Footnotes to the Basic Financial Statements:

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

In determining the financial reporting entity, the City uses the provisions of Governmental Accounting Standards Board Statement No. 14, "*The Financial Reporting Entity*" that requires the reporting entity and all component units of which the reporting entity is financially accountable be included in the financial report. The City's financial reporting entity includes three separate legal entities.

- **The City of Elgin** – operates the public safety, streets, health and welfare, culture and recreation, and administrative activities of the City.
- **The Elgin Public Works Authority (EPWA)** – that operates the water, wastewater, and sanitation services of the City. The City of Elgin is the beneficiary of the trust and the City Council serves as the governing body of the trust.
- **The Elgin Economic Development Authority (EEDA)** – public trust created pursuant to 60 O.S. § 176 to promote the general economic development of the City. The City of Elgin is the beneficiary of the trust and the Mayor appoints, and the City Council approves, the five trustees that serve as the governing body of the trust.

The City provides typical municipal services such as public safety, health and welfare, street and alley maintenance, parks and recreation, and, through its public trusts, certain utility services including water, wastewater, and sanitation, and economic development activities.

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

The EPWA component unit has the City Council as their governing body (trustees) and the EEDA has trustees appointed by the Mayor and approved by the City Council and the City is able to impose its will on the Authorities through required approval of all debt obligations issued by these entities.

As required by state law, all debt obligations incurred by the above trusts must be approved by two-thirds vote of the City Council. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trust within the City's financial reporting entity. The public trusts do not issue separate annual financial statements.

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statement of net assets and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:

- capital assets and the depreciation of those assets, where applicable
- long-term debt
- cash-based interfund receivables and payables
- utility deposit liabilities

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Program revenues within the statement of activities are derived directly from each activity or from parties outside the City's taxpayers. The City has the following program revenues in each activity:

- General government: License and permits
- Public safety: Fine revenue, fire runs and operating grants
- Highways and streets: Gas excise and commercial vehicle taxes
- Cemetery: Lot sales and interments
- Industrial development: Operating grant

For business-type activities, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied as they apply to the modified cash basis, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Governmental Funds:

The City's governmental funds are comprised of the following:

Major Funds:

- General Fund – accounts for all activities not accounted for in other special-purpose funds
- Capital Improvements Fund – a capital project fund that accounts for capital improvement activities

Non-Major Funds (Reported as Other Governmental Funds):

- Street and Alley Fund – a capital project fund that accounts for state-shared gasoline excise and commercial vehicle taxes legally restricted for street and alley purposes
- Cemetery CIP Fund – a capital project fund that accounts for 12.5 percent of cemetery revenues restricted by State law for cemetery capital improvements
- Estate Fund – a special revenue fund that accounts for the development and maintenance of Osborne Park

The governmental funds are reported on a modified cash basis of accounting and current financial resources measurement focus. Only current financial assets and liabilities are generally included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period. 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 economic resources measurement focus at the government-wide level.

Proprietary Funds:

The City's proprietary funds are comprised of the following:

- Elgin Public Works Authority (EPWA) – accounts for the operation of the water, wastewater, and sanitation activities
- Elgin Economic Development Authority (EEDA) – accounts for promoting the general economic development of the City

For purposes of the statement of revenues, expenses and changes in fund net assets, 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.

All of the above noted funds are legally required to adopt annual budgets or appropriations. The public trusts (or Authorities) are not required to adopt legal annual appropriations. While each trust develops an annual budget, it is for financial management purposes and does not constitute legal appropriations.

C. Cash, Cash Equivalents, and Investments

Cash and cash equivalents includes all demand and savings accounts, certificates of deposit, any short-term investments with an original maturity of three months or less, and open-end government mutual funds. Investments consist of long-term certificates of deposits and a money market account with the trustee bank and are reported at cost.

D. Capital Assets and Depreciation

The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund type or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. In the government-wide and proprietary fund financial statements, property, plant and equipment are accounted for as capital assets, net of accumulated depreciation where applicable. In the governmental fund financial statements, capital assets acquired are accounted for as capital outlay expenditures and not reported as capital assets.

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. A capitalization threshold of \$1,500 is used to report capital assets. Capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 1996. Prior to July 1, 2003, governmental funds' infrastructure assets, such as streets, bridges, drainage systems, and traffic signal systems were not capitalized. Infrastructure assets acquired with cash since July 1, 2003 are recorded at cost.

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

- Buildings 40 years
- Machinery, furniture and equipment 3-10 years
- Utility property and improvements 40 years
- Infrastructure 20-50 years

E. Long-Term Debt

Accounting treatment of long-term debt varies depending upon whether the source of repayment is from governmental fund types or proprietary fund type resources and whether they are reported in the government-wide or fund financial statements. All long-term debt resulting from cash transactions to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

F. Compensated Absences

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due employees upon termination is reported as a commitment in Note 12.

G. Fund Balances and Net Assets

Fund Statements:

Governmental fund equity is classified as fund balance. Upon implementation of GASB Statement 54, fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. Beginning fund balances have been restated to reflect the below stated classifications in compliance with GASB Statement 54. More information is provided in Note 11. 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.

Net Assets:

Net assets are displayed in three components:

- a. *Invested in capital assets, net of related debt* - 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.
- b. *Restricted net assets* - Consists of net assets 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.
- c. *Unrestricted net assets* - All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

H. Internal and Interfund Balances and Transfers

The City's policy is to eliminate interfund transfers and balances in the statement of activities and net assets 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 then offset in the total column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements.

I. 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.

2. Deposits and Investments

For the year ended June 30, 2011, the City recognized \$9,039 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City's deposits are in demand and short-term time deposits.

At June 30, 2011, the primary government held the following deposits and investments:

<u>Type of Deposits and Investments-Primary Government</u>	<u>Carrying Value</u>
Deposits:	
Demand deposits	\$ 1,601,838
Time deposit	480,288
 Investments:	
	<u>Credit Rating</u>
Money market fund	AAAm
	<u>63</u>
 Total deposits and investments	 <u><u>\$ 2,082,189</u></u>
 Reconciliation to Statement of Net Assets:	
Cash and cash equivalents	\$ 1,601,901
Investments	480,288
	<u><u>\$ 2,082,189</u></u>

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Custody Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the government deposits may not be returned to it. The City is governed by the State Public Deposit Act which requires that the City obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custody credit risk if the securities are uninsured, are not registered in the name of the government, and if held by either a counterparty or a counterparty's trust, department or agent, but not in the government's name.

As of June 30, 2011, the City was not exposed to custodial credit risk as defined above.

Investment Interest Rate Risk - the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk - The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) 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; and government money market funds regulated by the SEC. These investment limitations do not apply to the City's public trusts. As noted in the schedule of deposits and investments above, at June 30, 2011, the City's investment in debt securities were rated AAAM by Standard & Poors.

Concentration of Investment Credit Risk - the City places no limit on the amount it may invest in any one issuer.

Restricted Cash and Investments - The amounts reported as restricted assets on the proprietary funds statement of net assets are comprised of amounts restricted for utility deposits, debt reserve, or construction purposes. The restricted assets as of June 30, 2011 are as follows:

	Cash and cash equivalents	Investments
Utility deposits	\$ 17,916	\$ 8,000
USDA Reserve Account	1,111	-
USDA Reserve Capital Account	12,798	-
Total	\$ 31,825	\$ 8,000

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3. Capital Assets and Depreciation

For the year ended June 30, 2011, capital assets balances changed as follows:

	Balance at July 1, 2010	Additions	Disposals	Balance at June 30, 2011
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 210,000	\$ -	\$ -	\$ 210,000
Construction in progress	44,686	18,389	63,075	-
Total capital assets not being depreciated	<u>254,686</u>	<u>18,389</u>	<u>63,075</u>	<u>210,000</u>
Other capital assets:				
Buildings	399,191	63,075	-	462,266
Improvements	136,855	3,251	-	140,106
Infrastructure	171,824	25,293	-	197,117
Machinery, furniture and equipment	1,253,814	34,940	-	1,288,754
Total other capital assets at historical cost	<u>1,961,684</u>	<u>126,559</u>	<u>-</u>	<u>2,088,243</u>
Less accumulated depreciation for:				
Buildings	114,911	11,936	-	126,847
Improvements	32,086	7,563	-	39,649
Infrastructure	48,329	10,927	-	59,256
Machinery, furniture and equipment	492,863	59,122	-	551,985
Total accumulated depreciation	<u>688,189</u>	<u>89,548</u>	<u>-</u>	<u>777,737</u>
Other capital assets, net	<u>1,273,495</u>	<u>37,011</u>	<u>-</u>	<u>1,310,506</u>
Governmental activities capital assets, net	<u>\$ 1,528,181</u>	<u>\$ 55,400</u>	<u>\$ 63,075</u>	<u>\$ 1,520,506</u>
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 639,300	\$ -	\$ -	\$ 639,300
Construction in progress	3,567,051	1,040,658	4,015,095	592,614
Total capital assets not being depreciated	<u>4,206,351</u>	<u>1,040,658</u>	<u>4,015,095</u>	<u>1,231,914</u>
Other capital assets:				
Buildings	235,403	746,250	-	981,653
Machinery, furniture and equipment	242,821	1,693	-	244,514
Improvements	-	3,268,845	-	3,268,845
Utility property	2,080,864	42,012	-	2,122,876
Total other capital assets at historical cost	<u>2,559,088</u>	<u>4,058,800</u>	<u>-</u>	<u>6,617,888</u>
Less accumulated depreciation for:				
Buildings	96,717	7,254	-	103,971
Machinery, furniture and equipment	182,699	10,570	-	193,269
Improvements	-	10,896	-	10,896
Utility property improvements	887,320	62,950	-	950,270
Total accumulated depreciation	<u>1,166,736</u>	<u>91,670</u>	<u>-</u>	<u>1,258,406</u>
Other capital assets, net	<u>1,392,352</u>	<u>3,967,130</u>	<u>-</u>	<u>5,359,482</u>
Business-type activities capital assets, net	<u>\$ 5,598,703</u>	<u>\$ 5,007,788</u>	<u>\$ 4,015,095</u>	<u>\$ 6,591,396</u>

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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	\$ 8,131	Public works	\$ 10,327
Public safety	51,956	Water	39,527
Highways and streets	11,039	Sewer	28,432
Cemetery	713	Economic Development	13,384
Culture and recreation	16,962	Total Business-Type Activities	<u>\$ 91,670</u>
Industrial development	747		
Total Governmental Activities	<u>\$ 89,548</u>		

4. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2011, the reporting entity's long-term debt changed as follows:

Type of Debt	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011	Due Within One Year
Governmental Activities:					
Capital lease payable	\$ 497,439	\$ -	\$ 47,221	\$ 450,218	\$ 49,316
Total Governmental Activities	<u>\$ 497,439</u>	<u>\$ -</u>	<u>\$ 47,221</u>	<u>\$ 450,218</u>	<u>\$ 49,316</u>
Business-Type Activities:					
Notes Payable	\$ 1,435,151	\$ 254,000	\$ 812,073	\$ 877,078	\$ 63,656
Total Business-Type Activities	<u>1,435,151</u>	<u>254,000</u>	<u>812,073</u>	<u>877,078</u>	<u>63,656</u>
Total Long-Term Debt	<u>\$ 1,932,590</u>	<u>\$ 254,000</u>	<u>\$ 859,294</u>	<u>\$ 1,327,296</u>	<u>\$ 112,972</u>

Reconciliation to Statement of Net Assets:

Governmental Activities:

Due within one year	\$ 49,316
Due in more than one year	400,902
Total Governmental Activities Long-term liabilities	<u>\$ 450,218</u>

Business-Type Activities:

Due within one year	\$ 63,656
Due in more than one year	813,422
Total Business-Type Activities Long-term liabilities	<u>\$ 877,078</u>

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Governmental Activities:

At June 30, 2011, the governmental activities long-term payable from taxes and other general revenues include the following:

Capital Leases:

\$550,000 lease obligation with Arvest Equipment Leasing for the purchase of a fire truck, payable in 60 monthly installments of \$5,660 with an annual interest rate of 4.35%, final payment of \$304,735 due April 2014

\$ 450,218

Total Capital Leases Payable \$ 450,218

Current portion 49,316

Noncurrent portion 400,902

Total Capital Leases Payable \$ 450,218

Business-Type Activities:

Notes Payable:

USDA Promissory Note, issued in April 2011, original amount \$1,304,000, with an annual interest rate of 4.125% due in monthly installments of \$5,556 beginning May 19, 2011, final installment due April 19, 2051 .

\$ 244,389

Industrial Park Building Note Payable to Arvest Bank dated April 29, 2008, original amount of \$746,250 with an annual interest rate of 6.104% due in monthly installments of \$7,356 beginning January 29, 2009, final installment due December 29, 2018.

632,689

Total Notes Payable \$ 877,078

Current portion 63,656

Noncurrent portion 813,422

Total Notes Payable \$ 877,078

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Payment Requirements to Maturity:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Capital Leases</u>		<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	49,316	18,609	63,656	91,292
2013	51,505	16,420	67,520	87,428
2014	349,397	11,942	71,522	83,426
2015	-	-	75,765	79,183
2016	-	-	80,202	74,746
2017-2021	-	-	434,240	285,453
2022-2026	-	-	108,519	224,841
2027-2031	-	-	133,330	200,030
2032-2036	-	-	163,811	169,549
2037-2041	-	-	201,262	132,098
2042-2046	-	-	247,307	86,083
2047-2051	-	-	279,944	29,606
Totals	<u>\$ 450,218</u>	<u>\$ 46,971</u>	<u>\$ 1,927,078</u>	<u>\$ 1,543,735</u>
			(1,050,000)	Left to draw on USDA loan
			<u>\$ 877,078</u>	

Capital Lease Property:

The following is an analysis of the governmental fund leased property under capital leases by major classes:

Machinery and Equipment	\$550,000
Less: Accumulated Depreciation	<u>(38,194)</u>
Net Machinery and Equipment under Capital Leases	<u>\$511,806</u>

Conduit Debt:

<u>Original Debt</u>	<u>Project</u>	<u>Remaining Principal</u>
Elgin Economic Development Authority		
\$3,350,000	(1) BAE Systems Land & Armaments L.P. Tax Increment Revenue Note Series 2008	<u>\$ 2,966,181</u>
	Total EEDA Conduit Debt	<u>\$ 2,966,181</u>

(1) BAE Systems Land & Armaments L.P.

The Tax Increment Revenue Bonds were issued to partially fund the construction of the Fort Sill Industrial Park. The bonds were purchased by a subsidiary of BAE Systems Land & Armaments L.P. and are secured by incremental ad valorem taxes on the industrial park. The only commitment the Elgin Economic Development Authority has is remittance to the trustee bank of these incremental taxes received from the county. As of the end of fiscal 2011, the City has not received any ad valorem taxes related to this venture. If the incremental taxes are insufficient to service the debt, the EEDA has no further liability.

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5. Short-Term Debt

<u>Type of Debt</u>	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>
Business-Type Activities:				
Short-Term Notes Payable	\$ 425,001	\$ 550,000	\$ 425,001	\$ 550,000
Total Business-Type Activities	<u>425,001</u>	<u>550,000</u>	<u>425,001</u>	<u>550,000</u>
 Total Short-Term Debt	 <u>\$ 425,001</u>	 <u>\$ 550,000</u>	 <u>\$ 425,001</u>	 <u>\$ 550,000</u>

In May 2011 the Elgin Economic Development Authority opened a \$550,000 line of credit with Liberty National Bank to help fund the construction of the Industrial Development Park Road. This will be repaid with money received from the grants from ODOT and EEDA. The line of credit is unsecured and has an interest rate of 2.79% for a period of six months.

	\$ 550,000
Total Short-term Debt	<u>\$ 550,000</u>

6. Pledge of Future Revenues

Utility Gross Revenues Pledge - The City has pledged gross utility water revenues to repay \$1,304,000 of the USDA Promissory Note Payable. Proceeds from the note provide financing for improvements to the water system in Elgin. The note is payable from pledged gross utility revenues and is payable through 2051. The Pledged gross utility revenues were \$465,311. Debt service payments of \$11,112 for the current fiscal year were 2.4% of the pledged utility revenues.

7. Sales Tax Revenue

Sales tax revenue represents a 3 cent tax on each dollar of taxable sales of which 1 cent is restricted for capital improvements in the Capital Improvement Fund and 1 cent is pledged by the City for debt retirement in the EPWA. These are transferred from the General Fund monthly to the appropriate funds.

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8. Schedule of Transfers Between Funds and Legal Entities

Transfers between funds and legal entities are comprised of the following:

Transfer From	Transfer To	Amount	Purpose of Transfer
EPWA - operating	PWA Bond Fund	\$ 42,200	Sewer impact fees
EPWA - operating	PWA Bond Fund	175,803	85% water revenue increase
General Fund	Capital Improvement Fund	237,829	Sales Tax
General Fund	PWA Bond Fund	237,829	Sales Tax
PWA Bond Fund	General Fund	61,173	Fire salary and benefits
USDA - RD	EPWA - operating	34,295	Engineering expense in the prior year
USDA - RD	PWA Bond Fund	162,140	Engineering expense in the prior year
USDA - RD	EPWA - operating	35,912	Capital Asset
PWA Bond Fund	EPWA - operating	64,181	Capital Asset
PWA MM	EPWA - operating	1,600	Capital Asset
EPWA - operating	USDA - RD	239,009	USDA Loan
Total		<u>\$ 1,291,971</u>	
Reconciliation to Fund Financial Statements:			
	Transfers In	Transfers Out	Net Transfers
Governmental Funds	\$ 299,002	\$ (475,658)	\$ (176,656)
Proprietary Funds	625,000	992,969	1,617,969
	<u>\$ 924,002</u>	<u>\$ 517,311</u>	<u>1,441,313</u>

9. Risk Management

The City and its public trusts are 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. These risks are managed by securing commercial insurance for all risks. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

10. Employee Retirement Plan Participation

The City of Elgin participates in two pension or retirement plans:

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

OFPRS

The City of Elgin, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter's Pension and Retirement System (OFPRS) as a result of the employment of volunteer firefighters. The OFPRS defined

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benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ fulltime or volunteer firefighters. For 2011, the City's annual required contribution was \$4,998 for the OFPRS plan and was equal to the City's actual contribution.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

OFPRS
4545 N. Lincoln Blvd., Suite 265
Oklahoma City, OK 73105-3414

OMRF Defined Contribution Plan

The City provided effective January 11, 2005, a defined contribution plan and trust known as the City of Elgin Plan and Trust (the Plan") in the form of the Oklahoma Municipal Retirement System Master Defined Contribution Plan. OMRF operations are supervised by a nine-member Council of Trustees elected by the participating municipalities. The Plan is administered by Bank One Trust Company of Oklahoma City. The defined contribution plan is available to all full-time employees on a voluntary basis who are not already participating in another plan. According to City Ordinance, the maximum combined contribution is 10% of the employee's gross wages. The City, as employer, contributes an amount equal to 2% of the employee's gross wages toward the maximum of 10%. If an employee terminates before becoming fully vested, the employer's contributions that are forfeited may be used to reduce the City's current-period contribution requirements. The authority to establish and amend the provisions of the plan rests with the City Council. For the year ended June 30, 2011, the City contributed \$9,647 to the plan, while the employee contributions totaled \$12,138.

Schedule of Retirement Plan Contributions – OFPRS and OMRF

Oklahoma Firefighter's Pension and Retirement System			Oklahoma Municipal Retirement Fund		
Fiscal Year	Required Contribution	Percentage Contributed	Fiscal Year	Required Contribution	Percentage Contributed
2009	4,694	100%	2009	7,961	100%
2010	5,149	100%	2010	9,242	100%
2011	4,998	100%	2011	9,647	100%

11. Restatement of Beginning Fund Balance

During the year the City implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," which provides a more clearly defined fund balance category structure and clarifies fund type definitions. As a result of this implementation, two non-major governmental funds, the

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Cemetery Fund and the Community Library Fund were reclassified to the General fund as they no longer met the definition of a special revenue fund. The beginning fund balances have been restated as follows:

		General Fund		Other Governmental Funds
Balances at June 30, 2010, as originally reported	\$	143,236	\$	120,961
Restatement related to Cemetery Fund		62,290		(62,290)
Restatement related to Community Library Fund		1,655		(1,655)
Balances at June 30, 2010, as restated	\$	207,181	\$	57,016

12. Commitments and Contingencies

Compensated Absences:

As a result of the City's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and compensatory time leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2011 is \$21,146.

Litigation:

The City and its public trusts are parties to various legal proceedings or have threatened litigation which normally occurs in the course of municipal governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State Constitution and statutes provide for the levy of an ad valorem tax over a three-year period by a Sinking Fund for the payment of any court assessed judgment rendered against the City. (This provision is not available to public trusts.) While the outcome of the above noted proceedings or threatened litigation 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 Elgin 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. The City has not been notified of any noncompliance with federal or state award requirements.

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REQUIRED SUPPLEMENTAL INFORMATION

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Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended June 30, 2011

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 143,236	\$ 143,236	\$ 143,236	\$ -
Resources (Inflows):				
Taxes	715,100	794,100	792,583	(1,517)
Intergovernmental	8,100	11,200	20,324	9,124
Charges for services	29,813	29,813	31,465	1,652
Fines and forfeitures	15,000	15,000	18,027	3,027
Licenses and permits	18,000	18,000	18,837	837
Investment income	4,500	4,500	1,546	(2,954)
Miscellaneous	13,100	23,050	10,611	(12,439)
Transfers in	61,000	71,000	61,173	(9,827)
Total Resources (Inflows)	<u>864,613</u>	<u>966,663</u>	<u>954,566</u>	<u>(12,097)</u>
Amounts available for appropriation	<u>1,007,849</u>	<u>1,109,899</u>	<u>1,097,802</u>	<u>(12,097)</u>
Charges to Appropriations (Outflows):				
Police	195,245	205,045	204,442	603
Fire	96,552	116,837	116,141	696
Animal control	13,500	10,500	10,338	162
Parks	12,500	15,500	15,476	24
General government	101,241	104,591	99,517	5,074
Cemetery	500	500	75	425
Library	10,500	10,500	7,987	2,513
Municipal court	3,000	3,000	3,000	-
Industrial park	500	500	339	161
Transfers out	452,000	480,000	475,658	4,342
Total Charges to Appropriations	<u>885,538</u>	<u>946,973</u>	<u>932,973</u>	<u>14,000</u>
Ending Budgetary Fund Balance	<u>\$ 122,311</u>	<u>\$ 162,926</u>	\$ 164,829	<u>\$ 1,903</u>
Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balance:				
Cemetery Fund			62,210	
Community Library Fund			955	
Total General Fund Balance			<u>\$ 227,994</u>	

Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedule is reported on the same modified cash basis as governmental funds within the basic financial statements. See page 46 General Fund combining accounts for actual comparison.

2. The legal level of appropriation control is the department level within a fund. All appropriations require City Council's approval.

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Combining Balance Sheet – Nonmajor Funds (Modified Cash Basis) – City of Elgin – June 30, 2011

	SPECIAL REVENUE FUNDS			
	<u>Street and Alley Fund</u>	<u>Cemetery CIP Fund</u>	<u>Estate Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 6,359	\$ 21,039	\$ 11,362	\$ 38,760
Investments	5,000	5,000	-	10,000
Total assets	<u>11,359</u>	<u>26,039</u>	<u>11,362</u>	<u>48,760</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Restricted for:				
Streets	11,338	-	-	11,338
Cemetery	-	26,039	-	26,039
Parks	-	-	11,362	11,362
Assigned to:				
Streets	21	-	-	21
Unassigned				
Total fund balances	<u>11,359</u>	<u>26,039</u>	<u>11,362</u>	<u>48,760</u>
Total liabilities and fund balances	<u>\$ 11,359</u>	<u>\$ 26,039</u>	<u>\$ 11,362</u>	<u>\$ 48,760</u>

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Funds
(Modified Cash Basis) - City of Elgin - Year Ended June 30, 2011**

	<u>Street and Alley Fund</u>	<u>Cemetery CIP Fund</u>	<u>Estate Fund</u>	<u>Total-Other Governmental Funds</u>
REVENUES				
Intergovernmental	\$ 11,677	\$ -	\$ -	\$ 11,677
Charges for services	-	731	-	731
Investment earnings	21	109	26	156
Miscellaneous	10,489	1,230	60	11,779
Total revenues	<u>22,187</u>	<u>2,070</u>	<u>86</u>	<u>24,343</u>
EXPENDITURES				
Current:				
Highways and streets	7,306	-	-	7,306
Capital Outlay	25,293	-	-	25,293
Total expenditures	<u>32,599</u>	<u>-</u>	<u>-</u>	<u>32,599</u>
Excess (deficiency) of revenues over expenditures	<u>(10,412)</u>	<u>2,070</u>	<u>86</u>	<u>(8,256)</u>
Net change in fund balances	(10,412)	2,070	86	(8,256)
Fund balances - beginning	21,771	23,969	11,276	57,016
Fund balances - ending	<u>\$ 11,359</u>	<u>\$ 26,039</u>	<u>\$ 11,362</u>	<u>\$ 48,760</u>

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Combining Balance Sheet – General Fund Accounts (Modified Cash Basis)

	GENERAL FUND			
	General Fund	Cemetery Fund	Community Library Fund	Total General Fund
ASSETS				
Cash and cash equivalents	\$ 98,969	\$ 15,922	\$ 955	\$ 115,846
Investments	66,000	46,288	-	112,288
Total assets	164,969	62,210	955	228,134
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Payable to other governments	140	-	-	140
Total liabilities	140	-	-	140
Fund balances:				
Assigned to:				
Cemetery	-	62,210	-	62,210
Library	-	-	955	955
Balance future years budget	20,630	-	-	20,630
Unassigned	144,199	-	-	144,199
Total fund balances	164,829	62,210	955	227,994
Total liabilities and fund balances	\$ 164,969	\$ 62,210	\$ 955	\$ 228,134

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund Accounts (Modified Cash Basis) – Year Ended June 30, 2011

	General Fund	Cemetery Fund	Community Library Fund	Total General Fund
REVENUES				
Taxes	\$ 792,583	\$ -	\$ -	\$ 792,583
Intergovernmental	20,324	-	-	20,324
Charges for services	31,465	487	-	31,952
Fines and foreitures	18,027	-	-	18,027
Licenses and permits	18,837	-	-	18,837
Investment earnings	1,546	218	3	1,767
Miscellaneous	10,611	-	140	10,751
Total revenues	893,393	705	143	894,241
 EXPENDITURES				
Current:				
General government	97,265	-	-	97,265
Public Safety	327,800	-	-	327,800
Cemetery	75	785	-	860
Culture and recreation	24,151	-	843	24,994
Industrial development	339	-	-	339
Capital Outlay	7,685	-	-	7,685
Total expenditures	457,315	785	843	458,943
Excess (deficiency) of revenues over expenditures	436,078	(80)	(700)	435,298
 OTHER FINANCING SOURCES (USES)				
Transfers in	61,173	-	-	61,173
Transfers out	(475,658)	-	-	(475,658)
Total other financing sources and uses	(414,485)	-	-	(414,485)
 Net change in fund balances	21,593	(80)	(700)	20,813
Fund balances - beginning	143,236	62,290	1,655	207,181
Fund balances - ending	\$ 164,829	\$ 62,210	\$ 955	\$ 227,994

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**Proprietary Fund Accounts Combining Schedule of Net Assets (Modified Cash Basis) – EPWA –
June 30, 2011**

	Elgin Public Works Authority Accounts					Total
	EPWA Operating	PWA Bond Account	PWA Money Market Account	Meter Deposit Account	USDA-RD Account	
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 177,773	\$ 705,142	\$ 46,063	\$ -	\$ 6,728	\$ 935,706
Investments	-	200,000	50,000	-	-	250,000
Restricted:						
Restricted cash and cash equivalents	13,909	-	-	17,916	-	31,825
Restricted investments	-	-	-	8,000	-	8,000
Total current assets	<u>191,682</u>	<u>905,142</u>	<u>96,063</u>	<u>25,916</u>	<u>6,728</u>	<u>1,225,531</u>
Non-current assets:						
Unamortized note issue costs	14,991	-	-	-	-	14,991
Capital Assets:						
Land and construction in progress	706,614	-	-	-	-	706,614
Other capital assets, net of accumulated depreciation	1,357,771	-	-	-	-	1,357,771
Total non-current assets	<u>2,079,376</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,079,376</u>
Total assets	<u>2,271,058</u>	<u>905,142</u>	<u>96,063</u>	<u>25,916</u>	<u>6,728</u>	<u>3,304,907</u>
LIABILITIES						
Current liabilities:						
Deposits subject to refund	-	-	-	25,916	-	25,916
Notes payable	13,219	-	-	-	-	13,219
Total current liabilities	<u>13,219</u>	<u>-</u>	<u>-</u>	<u>25,916</u>	<u>-</u>	<u>39,135</u>
Non-current liabilities:						
Notes payable	231,169	-	-	-	-	231,169
Total non-current liabilities	<u>231,169</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>231,169</u>
Total liabilities	<u>244,388</u>	<u>-</u>	<u>-</u>	<u>25,916</u>	<u>-</u>	<u>270,304</u>
NET ASSETS						
Invested in capital assets, net of related debt	1,819,997	-	-	-	-	1,819,997
Restricted for debt service	13,909	-	-	-	-	13,909
Unrestricted	192,764	905,142	96,063	-	6,728	1,200,697
Total net assets	<u>\$ 2,026,670</u>	<u>\$ 905,142</u>	<u>\$ 96,063</u>	<u>\$ -</u>	<u>\$ 6,728</u>	<u>\$ 3,034,603</u>

**Proprietary Fund Accounts Combining Schedule of Revenues, Expenses and Changes in Net Assets
(Modified Cash Basis) - EPWA - Year Ended June 30, 2011**

	Elgin Public Works Authority Accounts					Total
	EPWA Operating	PWA Bond Account	PWA Money Market Account	Meter Deposit Account	USDA-RD Account	
Operating Revenues:						
Water charges	\$ 465,311	\$ -	\$ -	\$ -	\$ -	\$ 465,311
Sewer charges	116,071	861	-	-	-	116,932
Sanitation charges	219,041	-	-	-	-	219,041
Penalty charges	11,293	-	-	-	-	11,293
Reconnect fee	10,543	-	-	-	-	10,543
Total operating revenues	<u>822,259</u>	<u>861</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>823,120</u>
OPERATING EXPENSES						
Administration	320,073	-	-	-	-	320,073
Sewer	673	-	-	-	-	673
Water	2,498	65,000	-	-	-	67,498
Sanitation	207,769	-	-	-	-	207,769
Depreciation	78,286	-	-	-	-	78,286
Total Operating Expenses	<u>609,299</u>	<u>65,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>674,299</u>
Net operating income (loss)	<u>212,960</u>	<u>(64,139)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>148,821</u>
NON-OPERATING REVENUES (EXPENSES)						
Interest and investment revenue	407	3,540	835	-	66	4,848
Interest expense	(1,500)	(4,030)	-	-	-	(5,530)
Operating grants and contributions	20,612	-	-	-	-	20,612
Miscellaneous revenue	2,578	-	-	-	-	2,578
Total non-operating revenue (expenses)	<u>22,097</u>	<u>(490)</u>	<u>835</u>	<u>-</u>	<u>66</u>	<u>22,508</u>
Income (loss) before transfers	<u>235,057</u>	<u>(64,629)</u>	<u>835</u>	<u>-</u>	<u>66</u>	<u>171,329</u>
Transfers in	135,988	617,972	-	-	239,009	992,969
Transfers out	(457,012)	(125,354)	(1,600)	-	(232,347)	(816,313)
Change in net assets	<u>(85,967)</u>	<u>427,989</u>	<u>(765)</u>	<u>-</u>	<u>6,728</u>	<u>347,985</u>
Total net assets - beginning	2,112,637	477,153	96,828	-	-	2,686,618
Total net assets - ending	<u>\$ 2,026,670</u>	<u>\$ 905,142</u>	<u>\$ 96,063</u>	<u>\$ -</u>	<u>\$ 6,728</u>	<u>\$ 3,034,603</u>

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Schedule of Debt Reserve Requirement

	<u>USDA Reserve Account</u>
Required Balance:	
USDA Reserve Requirement (1)	<u>\$1,111</u>
Balance in Reserve Account, June 30, 2011	<u>1,111</u>
Excess of Account Balance over Required Balance	<u>\$ -</u>

(1) USDA requires that the City deposit 10% of it's monthly payment into a reserve account until the reserve is fully funded in the amount of \$66,672. At June 30, 2011 the reserve requirement balance should be \$1,111.