



CITY OF ELGIN, OKLAHOMA

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

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

**THE CITY OF ELGIN,
OKLAHOMA**

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

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

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

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Elgin, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Elgin, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Elgin, Oklahoma'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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 error or fraud.

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 opinion.

Opinions

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 of Elgin, Oklahoma, as of June 30, 2013, 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 accordance with the basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matters – Supplementary and 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 accompanying supplemental combining fund schedules – modified cash basis, federal and state awards information, and debt service coverage information, and the other information including management's discussion and analysis and budgetary comparison information, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining funds schedules – modified cash basis, federal and state awards information, and debt service coverage information, as listed in the table of contents, were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund schedules, federal and state awards information, and debt service coverage information are fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Management's discussion and analysis and budgetary comparison information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2013, 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.

Arledge & Associates, P.C.

December 12, 2013

CITY OF ELGIN, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2013

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, 2013. 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 position increased by \$324,424 and the assets of the City exceed its liabilities at June 30, 2013, by \$2,881,310 (net position). Of this amount, \$2,418,374 (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2013, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$587,141.
- At the end of fiscal year 2013, unassigned fund balance on a modified cash basis for the General Fund was \$184,314 or 17.9% of General Fund revenues.
- The City has altered its modified cash basis of accounting to remove the modifications previously made related to capital asset and long-term debt activity. This new modified cash basis of accounting more closely aligns with the way the City prepares its annual budgets, and is a basis recommended by the Government Finance Officers Association (GFOA) for governments that are not required to prepare financial statements in accordance with Generally Accepted Accounting Principles (GAAP). For comparative purposes, all amounts in this MD&A that are reported for FY 2012's financial activity have been restated for the new modified cash basis presentation so that significant variances between the years presented can be elaborated upon.

ABOUT THE CITY

The City of Elgin is an incorporated municipality with a population of approximately 2,156 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 and Economic Development

Authority, certain utility services including water, wastewater, sanitation and economic development activities.

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 financial picture of the City as applicable to the modified cash basis of accounting. They present governmental activities and business-type 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 Position 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 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. 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 Position 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, sanitation utilities and economic development activities 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 has two kinds of funds -- *governmental and proprietary*.

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. 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 results in the governmental fund financial statements to those in the

CITY OF ELGIN, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2013

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 also reported on the modified cash basis of accounting. 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 27-42 of this report.

Supplementary and Other Information

In addition to the basic financial statements and accompanying notes, this report also presents a Budgetary Comparison Schedule for the General Fund, a schedule of expenditures of federal and state awards and a debt service coverage requirement schedule.

THE CITY AS A WHOLE

For the year ended June 30, 2013, net position on a modified cash basis for the governmental and business-type activities increased \$324,424.

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

TABLE 1
NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	Restated			Restated			Restated		
	<u>2013</u>	<u>2012</u>		<u>2013</u>	<u>2012</u>		<u>2013</u>	<u>2012</u>	
Current assets	\$ 587	\$ 672	-13%	\$ 2,323	\$ 1,910	22%	\$ 2,910	\$ 2,582	13%
Total assets	<u>587</u>	<u>672</u>	<u>-13%</u>	<u>2,323</u>	<u>1,910</u>	<u>22%</u>	<u>2,910</u>	<u>2,582</u>	<u>13%</u>
Current liabilities	-	-		29	26	12%	29	26	12%
Total liabilities	<u>-</u>	<u>-</u>		<u>29</u>	<u>26</u>	<u>12%</u>	<u>29</u>	<u>26</u>	<u>12%</u>
Net position									
Restricted	463	463	0%	-	-	-	463	463	0%
Unrestricted	124	209	-41%	2,294	1,884	22%	2,418	2,093	16%
Total net position	<u>\$ 587</u>	<u>\$ 672</u>	<u>-13%</u>	<u>\$ 2,294</u>	<u>\$ 1,884</u>	<u>22%</u>	<u>\$ 2,881</u>	<u>\$ 2,556</u>	<u>13%</u>

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TABLE 2
CHANGES IN NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2013	Restated 2012		2013	Restated 2012		2013	Restated 2012	
Revenues									
Charges for service	\$ 67	\$ 64	5%	\$ 1,019	\$ 960	6%	\$ 1,086	\$ 1,024	6%
Operating grants and contributions	30	28	7%	-	-	-	30	28	7%
Capital grants and contributions	40	60	0%	3,703	1,879	97%	3,743	1,939	93%
Taxes	917	789	16%	-	-	-	917	789	16%
Intergovernmental revenue	17	17	-	-	-	-	17	17	0%
Investment income	2	3	-33%	2	4	-50%	4	7	-43%
Miscellaneous	81	59	37%	50	8	525%	131	67	96%
Total revenues	1,154	1,020	13%	4,774	2,851	67%	5,928	3,871	53%
Expenses									
General government	276	161	71%	-	-	-	276	161	71%
Public safety	378	377	0	-	-	-	378	377	0
Highways and streets	43	18	139%	-	-	-	43	18	139%
Cemetery	1	1	-	-	-	-	1	1	-
Culture and recreation	24	45	-47%	-	-	-	24	45	-47%
Industrial development	-	1	-100%	-	-	-	-	1	-100%
Interest on long-term debt	16	17	-6%	-	-	-	16	17	-6%
Water	-	-	-	1,109	339	227%	1,109	339	227%
Sewer	-	-	-	241	184	31%	241	184	31%
Sanitation	-	-	-	99	226	-56%	99	226	-56%
Economic development	-	-	-	3,417	130	2528%	3,417	130	2528%
Total expenses	738	620	19%	4,866	879	454%	5,604	1,499	274%
Excess (deficiency) before transfers	416	400	4%	(92)	1,972	-105%	324	2,372	-86%
Transfers	(502)	(348)	44%	502	348	44%	-	-	
Change in net position	(86)	52	-265%	410	2,320	-82%	324	2,372	-86%
Beginning net position, restated	673	620	9%	1,884	(436)	-532%	2,557	184	1290%
Ending net position	\$ 587	\$ 672	-13%	\$ 2,294	\$ 1,884	22%	\$ 2,881	\$ 2,556	13%

The following are explanations for significant changes:

Governmental Activities:

Highways and streets expense (\$25,403 increase- 139%) – asphalt expense increased this year to fix streets.

Culture and recreation expense (\$21,001 decrease – 47%) – due to the exclusion of depreciation expense of capital assets because of a change in the modified basis of accounting.

Business-Type Activities:

Capital grants and contributions (\$1,824,000 increase – 97%) – the City received loan proceeds from 2013 OWRB DWSRF note in the amount of \$1,250,000 to refinance the 2011 USDA loan. The 2011 OWRB had \$1,991,494 in draw-downs in the current year.

Miscellaneous revenue (\$41,941 increase – 525% increase) - due to land sale in the amount of \$49,231.

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Water expense (\$769,457 increase – 227%) – related to increase in water capital outlay from the draw-down of the 2011 OWRB CWSRF loan and the removal of depreciation expense due to the change in the basis of accounting.

Sewer expense (\$3,233,232 increase – 1757%) – due to an increase in sewer operations and capital outlay related to the OWRB loan and the removal of depreciation expense due to the change in the basis of accounting.

Governmental Activities

The City's governmental activities had a decrease in net position of \$85,561 or 12.8%.

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

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2013	Restated 2012		2013	Restated 2012	
General government	\$ 276	\$ 161	71%	\$ (254)	\$ (144)	-76%
Public safety	378	377	0%	(284)	(268)	-6%
Highways and streets	43	18	139%	(24)	1	2500%
Cemetery	1	1	0%	1	1	0%
Culture and recreation	24	45	-47%	(24)	(45)	47%
Industrial development	-	1	-100%	-	4	-100%
Interest on long-term debt	16	17	-6%	(16)	(17)	6%
Total	\$ 738	\$ 620	19%	\$ (601)	\$ (468)	-28%

Business-Type Activities

The business-type activities had an increase in net position of \$409,985. The increase is due in part to OWRB loan proceeds for water and sewer system improvements.

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

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	2013	Restated 2012		2013	Restated 2012	
Water	\$ 1,109	\$ 373	197%	\$ (592)	\$ 130	-555%
Sewer	241	99	143%	9	22	-59%
Santiation	99	226	-56%	(3)	9	-133%
Economic Development	3,417	130	2528%	442	747	-41%
Total	\$ 4,866	\$ 828	488%	\$ (144)	\$ 908	-116%

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2013 fiscal year, the governmental funds reported a combined fund balance of \$587,141.

Other fund highlights include:

- For the year ended June 30, 2013, the General Fund's total fund balance increased by \$30,790.
- The Capital Improvements Fund reported a 34% decrease in fund balance resulting mainly from costs on the City Hall/Library renovations.

Budgetary Highlights

For the year ended June 30, 2013, the General Fund reported actual budgetary basis revenues over final estimates by \$1,041 or a .1% positive variance. General Fund actual expenditures were under final appropriations by \$19,319 or a 1.8% positive variance.

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

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

- The FY 2014 budget is consistent to prior years.

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.

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BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES

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Statement of Net Position (Modified Cash Basis) – June 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 364,493	\$ 2,065,367	\$ 2,429,860
Investments	223,058	258,000	481,058
Total assets	587,551	2,323,367	2,910,918
LIABILITIES			
Due to other governments	410	-	410
Due to depositors	-	29,198	29,198
Total liabilities	410	29,198	29,608
NET POSITION			
Restricted for:			
Cemetery	28,542	-	28,542
Streets	24,395	-	24,395
Parks	15,041	-	15,041
Capital improvements	394,958	-	394,958
Unrestricted	124,205	2,294,169	2,418,374
Total net position	\$ 587,141	\$ 2,294,169	\$ 2,881,310

See accompanying notes to the basic financial statements.

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Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2013

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants, Contributions and Debt Proceeds	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities							
General Government	\$ 275,545	\$ 21,975	\$ -	\$ -	\$ (253,570)	\$ -	\$ (253,570)
Public Safety	377,866	43,333	10,455	40,448	(283,630)	-	(283,630)
Highways and Streets	43,044	-	19,505	-	(23,539)	-	(23,539)
Cemetery	75	1,501	-	-	1,426	-	1,426
Culture and Recreation	24,364	-	-	-	(24,364)	-	(24,364)
Interest on Long-Term Debt	16,420	-	-	-	(16,420)	-	(16,420)
Total governmental activities	<u>737,314</u>	<u>66,809</u>	<u>29,960</u>	<u>40,448</u>	<u>(600,097)</u>	<u>-</u>	<u>(600,097)</u>
Business-Type Activities:							
Water	1,108,901	516,988	-	-	-	(591,913)	(591,913)
Sewer	3,417,309	156,628	-	3,703,094	-	442,413	442,413
Sanitation	240,914	249,274	-	-	-	8,360	8,360
Economic Development	99,236	96,096	-	-	-	(3,140)	(3,140)
Total business-type activities	<u>4,866,360</u>	<u>1,018,986</u>	<u>-</u>	<u>3,703,094</u>	<u>-</u>	<u>(144,280)</u>	<u>(144,280)</u>
Total primary government	<u>\$ 5,603,674</u>	<u>\$ 1,085,795</u>	<u>\$ 29,960</u>	<u>\$ 3,743,542</u>	<u>(600,097)</u>	<u>(144,280)</u>	<u>(744,377)</u>
General revenues:							
Taxes:							
Sales and use taxes					881,782	-	881,782
Franchise taxes and public service taxes					34,982	-	34,982
Intergovernmental revenue not restricted to specific programs					16,725	-	16,725
Unrestricted investment earnings					2,220	2,300	4,520
Miscellaneous					80,508	50,284	130,792
Transfers					(501,881)	501,881	-
Total general revenues and transfers					<u>514,536</u>	<u>554,265</u>	<u>1,068,801</u>
Change in net position					(85,561)	409,985	324,424
Net position - beginning, restated					672,702	1,884,184	2,556,886
Net position - ending					<u>\$ 587,141</u>	<u>\$ 2,294,169</u>	<u>\$ 2,881,310</u>

See accompanying notes to the basic financial statements.

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BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

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Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2013

	<u>General Fund</u>	<u>Capital Improvements Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 127,845	\$ 160,062	\$ 76,586	\$ 364,493
Investments	113,058	100,000	10,000	223,058
Total assets	<u>\$ 240,903</u>	<u>\$ 260,062</u>	<u>\$ 86,586</u>	<u>\$ 587,551</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other governments	\$ 410	-	-	\$ 410
Total liabilities	<u>410</u>	<u>-</u>	<u>-</u>	<u>410</u>
 Fund balances:				
Restricted for:				
Streets	-	-	55,525	55,525
Cemetery	-	-	30,558	30,558
Parks	-	-	440	440
Assigned to:				
Streets	-	-	63	63
Cemetery	53,876	-	-	53,876
Library	2,303	-	-	2,303
Capital Improvements	-	260,062	-	260,062
Unassigned	<u>184,314</u>	<u>-</u>	<u>-</u>	<u>184,314</u>
Total fund balances	<u>240,493</u>	<u>260,062</u>	<u>86,586</u>	<u>587,141</u>
Total liabilities and fund balances	<u>\$ 240,903</u>	<u>\$ 260,062</u>	<u>\$ 86,586</u>	<u>\$ 587,551</u>

See accompanying notes to the basic financial statements.

CITY OF ELGIN, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances
(Modified Cash Basis) – Year Ended June 30, 2013

	<u>General Fund</u>	<u>Capital Improvements Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 927,584	\$ -	\$ -	\$ 927,584
Intergovernmental	16,360	40,448	19,505	76,313
Charges for services	31,523	-	563	32,086
Fines and forfeitures	12,748	-	-	12,748
Licenses and permits	21,975	-	-	21,975
Investment income	1,249	895	76	2,220
Miscellaneous	21,013	-	59,495	80,508
Total revenues	1,032,452	41,343	79,839	1,153,434
EXPENDITURES				
Current:				
General government	138,124	48	50	138,222
Public safety	331,994	-	-	331,994
Highway and streets	-	-	3,848	3,848
Culture and recreation	24,364	-	-	24,364
Cemetery	75	-	-	75
Industrial development	-	-	-	-
Capital Outlay	5,424	108,266	57,196	170,886
Debt Service:				
Principal	-	51,505	-	51,505
Interest and other charges	-	16,420	-	16,420
Total expenditures	499,981	176,239	61,094	737,314
Excess (deficiency) of revenues over expenditures	532,471	(134,896)	18,545	416,120
OTHER FINANCING SOURCES (USES)				
Transfers in	50,993	-	-	50,993
Transfers out	(552,674)	-	-	(552,674)
Total other financing sources and uses	(501,681)	-	-	(501,681)
Net change in fund balances	30,790	(134,896)	18,545	(85,561)
Fund balances - beginning	209,703	394,958	68,041	672,702
Fund balances - ending	\$ 240,493	\$ 260,062	\$ 86,586	\$ 587,141

See accompanying notes to the basic financial statements.

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BASIC FINANCIAL STATEMENTS -- PROPRIETARY FUNDS

**CITY OF ELGIN, OKLAHOMA
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Proprietary Funds Statement of Net Position (Modified Cash Basis) – June 30, 2013

	<u>Elgin Public Works Authority</u>	<u>Elgin Economic Development Authority</u>	<u>Total Proprietary Funds</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,714,177	\$ 329,985	\$ 2,044,162
Investments	250,000	-	250,000
Restricted cash and cash equivalents	21,205	-	21,205
Restricted investments	8,000	-	8,000
Total current assets	<u>1,993,382</u>	<u>329,985</u>	<u>2,323,367</u>
Total assets	<u>1,993,382</u>	<u>329,985</u>	<u>2,323,367</u>
LIABILITIES			
Current liabilities:			
Deposits subject to refund	<u>29,198</u>	-	<u>29,198</u>
Total current liabilities	<u>29,198</u>	-	<u>29,198</u>
Total liabilities	<u>29,198</u>	-	<u>29,198</u>
NET POSITION			
Unrestricted	1,964,184	329,985	2,294,169
Total net position	<u>\$ 1,964,184</u>	<u>\$ 329,985</u>	<u>\$ 2,294,169</u>

See accompanying notes to the basic financial statements.

CITY OF ELGIN, OKLAHOMA
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Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended June 30, 2013

	Elgin Public Works Authority	Elgin Economic Development Authority	Total Enterprise Funds
Operating Revenues:			
Water charges	\$ 498,659	\$ -	\$ 498,659
Sewer charges	151,075	-	151,075
Sanitation charges	249,274	-	249,274
Penalty charges	12,884	-	12,884
Reconnect fee	10,998	-	10,998
Rentals	-	96,096	96,096
Total operating revenues	<u>922,890</u>	<u>96,096</u>	<u>1,018,986</u>
Operating Expenses:			
Administration	306,087	-	306,087
Sewer	19,982	-	19,982
Water	156,100	-	156,100
Sanitation	240,914	-	240,914
Economic development	-	10	10
Total operating expenses	<u>723,083</u>	<u>10</u>	<u>723,093</u>
Net operating income	<u>199,807</u>	<u>96,086</u>	<u>295,893</u>
Non-Operating Revenues (Expenses):			
Investment income	2,274	26	2,300
Capital grants and contributions	461,600	-	461,600
Proceeds from debt	3,241,494	-	3,241,494
Debt Service:			
Principal retirement	(1,266,832)	(53,746)	(1,320,578)
Interest expense and fees	(62,117)	(34,530)	(96,647)
Miscellaneous revenue	1,052	49,232	50,284
Capital Outlay	(2,715,092)	(10,950)	(2,726,042)
Total non-operating revenue (expenses)	<u>(337,621)</u>	<u>(49,968)</u>	<u>(387,589)</u>
Net income (expense) before contributions and transfers	(137,814)	46,118	(91,696)
Transfers in	552,674	-	552,674
Transfers out	(50,993)	-	(50,993)
Change in net position	363,867	46,118	409,985
Total net position - beginning, restated	1,600,317	283,867	1,884,184
Total net position - ending	<u>\$ 1,964,184</u>	<u>\$ 329,985</u>	<u>\$ 2,294,169</u>

See accompanying notes to the basic financial statements.

**CITY OF ELGIN, OKLAHOMA
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Proprietary Funds Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2013

	<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	\$ 922,890	\$ 96,096	\$ 1,018,986
Payments to suppliers	(503,135)	(10)	(503,145)
Payments to employees	(219,948)	-	(219,948)
Receipts of customer meter deposits	14,548	-	14,548
Refunds of customer meter deposits	(11,436)	-	(11,436)
Miscellaneous revenue	1,052	49,232	50,284
Net cash provided by operating activities	<u>203,971</u>	<u>145,318</u>	<u>349,289</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	552,674	-	552,674
Transfers to other funds	(50,993)	-	(50,993)
Net cash provided by noncapital financing activities	<u>501,681</u>	<u>-</u>	<u>501,681</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(2,715,092)	(10,950)	(2,726,042)
Proceeds from debt	3,241,494	-	3,241,494
Principal paid on debt	(1,266,832)	(53,746)	(1,320,578)
Interest and fiscal agent fees paid on debt	(62,117)	(34,530)	(96,647)
Federal grants received	264,000	-	264,000
Capital contributions received	197,600	-	197,600
Net cash provided by (used in) capital and related financing activities	<u>(340,947)</u>	<u>(99,226)</u>	<u>(440,173)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	2,274	26	2,300
Net cash provided by investing activities	<u>2,274</u>	<u>26</u>	<u>2,300</u>
Net increase in cash and cash equivalents	366,979	46,118	413,097
Balances - beginning of year	1,368,403	283,867	1,652,270
Balances - end of year	<u>\$ 1,735,382</u>	<u>\$ 329,985</u>	<u>\$ 2,065,367</u>
Reconciliation to Statement of Net Position:			
Cash and cash equivalents	\$ 1,714,177	\$ 329,985	\$ 2,044,162
Restricted cash and cash equivalents - current	21,205	-	21,205
Total cash and cash equivalents, end of year	<u>\$ 1,735,382</u>	<u>\$ 329,985</u>	<u>\$ 2,065,367</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 199,807	\$ 96,086	\$ 295,893
Adjustments to reconcile operating income to net cash provided by operating activities:			
Miscellaneous revenue	1,052	49,232	50,284
Change in assets and liabilities:			
Deposits subject to refund	3,112	-	3,112
Net cash provided by operating activities	<u>\$ 203,971</u>	<u>\$ 145,318</u>	<u>\$ 349,289</u>

See accompanying notes to the basic financial statements.

**CITY OF ELGIN, OKLAHOMA
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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”* as amended by GASB Statement No. 61, *“The Financial Reporting Entity: Omnibus”* that requires the primary government and all component units of which the primary government is financially accountable be included in the financial report. The City’s financial reporting entity includes three separate legal entities reported as the primary government.

- **The City of Elgin** – operates the public safety, streets, 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 City Council serving as the governing body of the trust – *considered part of the primary government presentation for reporting purposes since the primary government can impose its will and both entities are managed by the same staff.*
- **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 City Council appoints by majority, the five trustees that serve as the governing body of the trust – *considered part of the primary government presentation for reporting purposes since it provides services that almost entirely benefit the primary government.*

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 majority of 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.

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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 position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities are generally financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position 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:

- cash-based interfund receivables and payables
- assets that normally convert to cash or cash equivalents (certificates of deposit, marketable investments, and receivables resulting from cash)
- liabilities for cash (or cash equivalents) held on behalf of others, held in escrow, or received in advance of being earned

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, operating and capital grants
- Highways and streets: Gas excise and commercial vehicle taxes
- Cemetery: Lot sales and interments
- Culture and Recreation: There are no current year program revenues

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

Combined as accounts of the General Fund:

- Cemetery Account – accounts for revenues and expenditures of the cemetery
 - Community Library Account – accounts for revenues and expenditures of the library
- 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. Only current financial assets and liabilities arising from cash transactions 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.

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 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.

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. 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 7.

E. Fund Balances and Net Position

Fund Balances:

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.

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Net Position:

Net Position is displayed in two components:

a. *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.

b. *Unrestricted Net Position* - All remaining net position that does not meet the definition of "restricted".

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

Prior Period Adjustment:

Beginning net position was restated due to a change in the application of the modified cash basis as follows:

	EPWA	EEDA	Government-Wide	
			Governmental Activities	Business-type Activities
Beginning net position, as previously reported	\$ 4,607,848	\$ 4,148,316	\$ 1,922,446	\$ 8,756,164
Removal of capital assets due to change in basis of accounting	(4,330,385)	(4,446,709)	(1,650,646)	(8,777,094)
Removal of unamortized debt issuance costs due to change in basis of accounting	(108,004)	-	-	(108,004)
Removal of long-term debt due to change in basis of accounting	1,430,858	582,260	400,902	2,013,118
Beginning net position, restated	<u>\$ 1,600,317</u>	<u>\$ 283,867</u>	<u>\$ 672,702</u>	<u>\$ 1,884,184</u>

F. Internal and Interfund Balances and Transfers

The City's policy is to eliminate interfund transfers and balances in the statement 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 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.

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G. New Accounting Pronouncements

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

Governmental Accounting Standards Board Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangements – This had no impact on the City’s financial report.

Governmental Accounting Standards Board Statement No. 61 – The Financial Reporting Entity: Omnibus – This had no impact on the City’s financial report.

Governmental Accounting Standards Board Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements – A few sentences were removed from “Section B – Proprietary Funds” note disclosure to eliminate references to FASB pronouncements to APB opinions issued on or before November 30, 1989.

Governmental Accounting Standards Board Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net position – The only change required from the early implementation of this statement are changing the words “Net Assets” in the City’s financial report to “Net Position”.

Governmental Accounting Standards Board Statement No. 65 – Items Previously Reported as Assets and Liabilities – This had no impact on the town’s financial report.

2. Deposits and Investments

For the year ended June 30, 2013, the City recognized \$4,520 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, 2013, 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	\$ 2,429,860
Time deposit	481,058
Total deposits	\$ 2,910,918
 Reconciliation to Statement of Net Assets:	
Cash and cash equivalents	\$ 2,429,860
Investments	481,058
	\$ 2,910,918

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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, 2013, 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. At June 30, 2013, the City's had no investments.

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 position are comprised of amounts restricted for utility deposits. The restricted assets as of June 30, 2013 are as follows:

	Cash and cash equivalents	Investments
Utility deposits	\$ 21,205	\$ 8,000
Total	\$ 21,205	\$ 8,000

3. Sales Tax Revenue

Sales tax revenue represents a 3 cent tax on each dollar of taxable sales of which 1 cent is required to be transferred to the EPWA for the OWRB loan (City Ordinance No. 49).

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4. 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
General Fund	EPWA Operating	\$ 552,674	Sales tax
EPWA Operating	General Fund	50,993	Sales tax
Total		<u>\$ 603,667</u>	
Reconciliation to Fund Financial Statements:			
	Transfers In	Transfers Out	Net Transfers
Governmental Funds	\$ 50,993	\$ (552,674)	\$ (501,681)
Proprietary Funds	(50,993)	409,985	358,992
	<u>\$ -</u>	<u>\$ (142,689)</u>	<u>(142,689)</u>

5. 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.

6. 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

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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 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 2013, the City's annual required contribution was \$5,301 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, 2013, the City contributed \$9,319 to the plan, while the employee contributions totaled \$14,933.

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
2011	4,998	100%	2011	9,647	100%
2012	5,247	100%	2012	12,955	100%
2013	5,301	100%	2013	9,319	100%

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7. Commitments and Contingencies

Long-term Debt Commitments:

Governmental Activities

At June 30, 2013, 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	\$	349,397
		349,397
Total Capital Leases Payable	\$	349,397
		349,397
Total Capital Leases Payable	\$	349,397

Business-Type Activities

Notes Payable:

2012 OWRB DWSRF Promissory Note, issued in March 2013, original amount \$1,250,000, with an annual interest rate of 1.80% and an administration fee of 0.5%, due in semi-annual installments of \$9,109, final installment due September 2032.	\$	1,240,890
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.		528,513
2011 OWRB Promissory Note dated December 1, 2011, original amount \$3,060,000 due in semi-annual principal installments each March 15 and September 15 beginning September 15, 2013, final installment due September 15, 2032 with an administration fee of 0.5% and interest at 2.13% payable annually based on principal outstanding. Remaining funds to be drawn at June 30, 2013 are \$594,677.		2,164,629
		3,934,032
Total Notes Payable	\$	3,934,032
		265,021
Current portion		265,021
Noncurrent portion		3,669,011
Total Notes Payable	\$	3,934,032

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Change in Long-term Debt Commitments

Type of Debt	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Due Within One Year
Governmental Activities:					
Capital lease payable	\$ 400,902	\$ -	\$ 51,505	\$ 349,397	\$ 349,397
Total Governmental Activities	<u>\$ 400,902</u>	<u>\$ -</u>	<u>\$ 51,505</u>	<u>\$ 349,397</u>	<u>\$ 349,397</u>
Business-Type Activities:					
Notes Payable	\$ 2,013,116	\$ 3,241,494	\$ 1,320,578	\$ 3,934,032	\$ 265,020
Total Business-Type Activities	<u>2,013,116</u>	<u>3,241,494</u>	<u>1,320,578</u>	<u>3,934,032</u>	<u>265,020</u>
Total Long-Term Debt	<u>\$ 2,414,018</u>	<u>\$ 3,241,494</u>	<u>\$ 1,372,083</u>	<u>\$ 4,283,429</u>	<u>\$ 614,417</u>

Payment Requirements to Maturity

Year Ending June 30,	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	Capital Leases		Notes Payable	
	Principal	Interest	Principal	Interest
2014	\$ 349,397	\$ 11,942	\$ 265,020	\$ 117,691
2015	-	-	269,855	109,514
2016	-	-	274,813	101,214
2017	-	-	280,313	92,371
2018	-	-	285,974	83,368
2019-2023	-	-	1,288,187	276,804
2024-2028	-	-	1,121,041	150,589
2029-2033	-	-	743,506	33,411
Totals	<u>\$ 349,397</u>	<u>\$ 11,942</u>	<u>\$ 4,528,709</u>	<u>\$ 964,962</u>
			Less amount to be drawn	(594,677)
				<u>\$ 3,934,032</u>

Pledge of Future Revenues:

Sales Tax and Net Revenues Pledge - The City has pledged one cent of future sales tax revenues and also net sewer utility revenues to repay \$3,060,000 of the OWRB Promissory Note Payable. Proceeds from the note provide financing for improvements to the wastewater system in the City of Elgin. The notes are payable from pledged sales tax and net utility revenues and is payable through September 2032. The pledged sales tax revenues were \$277,605 and the net sewer utility revenues were \$131,093. Debt service payments of \$26,795 for the current fiscal year were 6.5% of the pledged sales tax and net utility revenues of \$408,698.

Sales Tax and Net Revenues Pledge - The City has pledged one cent of future sales tax revenues and also net water and sewer utility revenues to repay \$1,250,000 of the OWRB DWSRF Promissory Note Payable. Proceeds from the note provide refinancing of the 2011 USDA Promissory Note for improvements to the water system in the City of Elgin. The notes are payable from pledged sales tax and net utility revenues and is payable through September 2032. The pledged sales tax revenues were \$277,605 and the net sewer utility revenues were \$473,652. Debt service payments of \$13,262 for the current fiscal year were 1.8% of the pledged sales tax and net utility revenues of \$751,257.

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Conduit Debt Obligations of EEDA:

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	\$ 2,843,381
	Total EEDA Conduit Debt	\$ 2,843,381

(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. If the incremental taxes are insufficient to service the debt, the EEDA has no further liability.

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, 2013 is \$26,671.

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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SUPPLEMENTARY AND OTHER INFORMATION

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Budgetary Comparison Schedule (Modified Cash Basis) – General Fund – Year Ended June 30, 2013

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 154,619	\$ 154,619	\$ 154,619	\$ -
Resources (Inflows):				
Taxes	806,000	906,000	927,584	21,584
Intergovernmental	10,800	16,800	16,360	(440)
Charges for services	30,624	30,624	31,148	524
Fines and forfeitures	15,000	15,000	12,748	(2,252)
Licenses and permits	15,000	15,000	21,975	6,975
Investment income	4,000	4,000	1,053	(2,947)
Miscellaneous	18,500	28,600	20,454	(8,146)
Transfers in	65,250	65,250	50,993	(14,257)
Total Resources (Inflows)	<u>965,174</u>	<u>1,081,274</u>	<u>1,082,315</u>	<u>1,041</u>
Amounts available for appropriation	<u>1,119,793</u>	<u>1,235,893</u>	<u>1,236,934</u>	<u>1,041</u>
Charges to Appropriations (Outflows):				
Police	202,257	208,872	206,305	2,567
Fire	117,200	121,200	117,994	3,206
Animal control	12,000	12,000	10,119	1,881
Parks	16,000	18,000	17,909	91
General government	125,434	139,934	138,124	1,810
Cemetery	100	100	75	25
Library	8,400	6,900	6,420	480
Municipal court	3,000	3,000	3,000	-
Industrial park	100	100	-	100
Transfers out	486,833	561,833	552,674	9,159
Total Charges to Appropriations	<u>971,324</u>	<u>1,071,939</u>	<u>1,052,620</u>	<u>19,319</u>
Ending Budgetary Fund Balance	<u>\$ 148,469</u>	<u>\$ 163,954</u>	<u>\$ 184,314</u>	<u>\$ 20,360</u>
Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balance:				
Cemetery Account			53,876	
Community Library Account			2,303	
Total General Fund Balance			<u>\$ 240,493</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 44 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 Governmental Funds (Modified Cash Basis) – City of Elgin
– June 30, 2013

	<u>CAPITAL PROJECT FUNDS</u>		<u>SPECIAL REVENUE FUND</u>	<u>Total Governmental Funds</u>
	<u>Street and Alley Fund</u>	<u>Cemetery CIP Fund</u>	<u>Estate Fund</u>	
ASSETS				
Cash and cash equivalents	\$ 50,588	\$ 25,558	\$ 440	\$ 76,586
Investments	5,000	5,000	-	10,000
Total assets	<u>55,588</u>	<u>30,558</u>	<u>440</u>	<u>86,586</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Restricted for:				
Streets	55,525	-	-	55,525
Cemetery	-	30,558	-	30,558
Parks	-	-	440	440
Assigned to:				
Streets	63	-	-	63
Total fund balances	<u>55,588</u>	<u>30,558</u>	<u>440</u>	<u>86,586</u>
Total liabilities and fund balances	<u>\$ 55,588</u>	<u>\$ 30,558</u>	<u>\$ 440</u>	<u>\$ 86,586</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds (Modified Cash Basis) - City of Elgin - Year Ended June 30, 2013

	<u>CAPITAL PROJECT FUNDS</u>		<u>SPECIAL REVENUE FUND</u>	<u>Total-Other Governmental Funds</u>
	<u>Street and Alley Fund</u>	<u>Cemetery CIP Fund</u>	<u>Estate Fund</u>	
REVENUES				
Intergovernmental	\$ 19,505	\$ -	\$ -	\$ 19,505
Charges for services	-	563	-	563
Investment earnings	19	43	14	76
Miscellaneous	54,650	1,410	3,435	59,495
Total revenues	<u>74,174</u>	<u>2,016</u>	<u>3,449</u>	<u>79,639</u>
EXPENDITURES				
Current:				
General government	-	-	50	50
Highways and streets	3,848	-	-	3,848
Capital Outlay	39,196	-	18,000	57,196
Total expenditures	<u>43,044</u>	<u>-</u>	<u>18,050</u>	<u>61,094</u>
Excess (deficiency) of revenues over expenditures	<u>31,130</u>	<u>2,016</u>	<u>(14,601)</u>	<u>18,545</u>
Net change in fund balances	31,130	2,016	(14,601)	18,545
Fund balances - beginning	24,458	28,542	15,041	68,041
Fund balances - ending	<u>\$ 55,588</u>	<u>\$ 30,558</u>	<u>\$ 440</u>	<u>\$ 86,586</u>

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Combining Balance Sheet – General Fund Accounts (Modified Cash Basis) - June 30, 2013

	GENERAL FUND			
	General Fund	Cemetery Account	Community Library Account	Total General Fund
ASSETS				
Cash and cash equivalents	\$ 118,724	\$ 6,818	\$ 2,303	\$ 127,845
Investments	66,000	47,058	-	113,058
Total assets	<u>184,724</u>	<u>53,876</u>	<u>2,303</u>	<u>240,903</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payable to other governments	410	-	-	410
Total liabilities	<u>410</u>	<u>-</u>	<u>-</u>	<u>410</u>
Fund balances:				
Assigned to:				
Cemetery	-	53,876	-	53,876
Library	-	-	2,303	2,303
Unassigned	184,314	-	-	184,314
Total fund balances	<u>184,314</u>	<u>53,876</u>	<u>2,303</u>	<u>240,493</u>
Total liabilities and fund balances	<u>\$ 184,724</u>	<u>\$ 53,876</u>	<u>\$ 2,303</u>	<u>\$ 240,903</u>

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund Accounts (Modified Cash Basis) – Year Ended June 30, 2013

	General Fund	Cemetery Account	Community Library Account	Total General Fund
REVENUES				
Taxes	\$ 927,584	\$ -	\$ -	\$ 927,584
Intergovernmental	16,360	-	-	16,360
Charges for services	31,148	375	-	31,523
Fines and forfeitures	12,748	-	-	12,748
Licenses and permits	21,975	-	-	21,975
Investment earnings	1,053	194	2	1,249
Miscellaneous	20,454	-	559	21,013
Total revenues	<u>1,031,322</u>	<u>569</u>	<u>561</u>	<u>1,032,452</u>
EXPENDITURES				
Current:				
General government	138,124	-	-	138,124
Public Safety	331,994	-	-	331,994
Cemetery	75	-	-	75
Culture and recreation	24,329	-	35	24,364
Capital Outlay	5,424	-	-	5,424
Total expenditures	<u>499,946</u>	<u>-</u>	<u>35</u>	<u>499,981</u>
Excess (deficiency) of revenues over expenditures	<u>531,376</u>	<u>569</u>	<u>526</u>	<u>532,471</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	50,993	-	-	50,993
Transfers out	(552,674)	-	-	(552,674)
Total other financing sources and uses	<u>(501,681)</u>	<u>-</u>	<u>-</u>	<u>(501,681)</u>
Net change in fund balances	29,695	569	526	30,790
Fund balances - beginning	154,619	53,307	1,777	209,703
Fund balances - ending	<u>\$ 184,314</u>	<u>\$ 53,876</u>	<u>\$ 2,303</u>	<u>\$ 240,493</u>

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EPWA Fund Combining Schedule of Net Position (Modified Cash Basis) – EPWA Accounts – June 30, 2013

	Elgin Public Works Authority Accounts						Total
	EPWA Operating	PWA Bond Account	PWA Money Market Account	Meter Deposit Account	OWRB	USDA-RD Account	
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 1,218,003	\$ 245,471	\$ 46,843	\$ -	\$ 197,807	\$ 6,053	\$ 1,714,177
Investments	-	200,000	50,000	-	-	-	250,000
Restricted:							
Restricted cash and cash equivalents	-	-	-	21,205	-	-	21,205
Restricted investments	-	-	-	8,000	-	-	8,000
Total current assets	1,218,003	445,471	96,843	29,205	197,807	6,053	1,993,382
Total assets	1,218,003	445,471	96,843	29,205	197,807	6,053	1,993,382
LIABILITIES							
Current liabilities:							
Deposits subject to refund	-	-	-	29,198	-	-	29,198
Total current liabilities	-	-	-	29,198	-	-	29,198
Total liabilities	-	-	-	29,198	-	-	29,198
NET POSITION							
Unrestricted	1,218,003	445,471	96,843	7	197,807	6,053	1,964,184
Total net position	\$ 1,218,003	\$ 445,471	\$ 96,843	\$ 7	\$ 197,807	\$ 6,053	\$ 1,964,184

EPWA Fund Combining Schedule of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) - EPWA Accounts - Year Ended June 30, 2013

	Elgin Public Works Authority Accounts						Total
	EPWA Operating	PWA Bond Account	PWA Money Market Account	Meter Deposit Account	OWRB	USDA-RD Account	
Operating Revenues:							
Water charges	\$ 498,659	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 498,659
Sewer charges	118,571	32,504	-	-	-	-	151,075
Sanitation charges	249,274	-	-	-	-	-	249,274
Penalty charges	12,884	-	-	-	-	-	12,884
Reconnect fee	10,998	-	-	-	-	-	10,998
Total operating revenues	890,386	32,504	-	-	-	-	922,890
OPERATING EXPENSES							
Administration	306,087	-	-	-	-	-	306,087
Sewer	19,982	-	-	-	-	-	19,982
Water	156,007	-	-	-	-	93	156,100
Sanitation	240,914	-	-	-	-	-	240,914
Total Operating Expenses	722,990	-	-	-	-	93	723,083
Net operating income (loss)	167,396	32,504	-	-	-	(93)	199,807
NON-OPERATING REVENUES (EXPENSES)							
Interest and investment revenue	819	957	293	-	185	20	2,274
Capital grants and contributions	-	-	-	-	197,600	264,000	461,600
Proceeds from debt	1,250,000	-	-	-	1,991,494	-	3,241,494
Miscellaneous revenue	1,052	-	-	-	-	-	1,052
Debt Service:							
Principal Retirement	(1,266,832)	-	-	-	-	-	(1,266,832)
Interest expense and fees	(82,117)	-	-	-	-	-	(82,117)
Capital Outlay	(39,438)	(420,052)	-	-	(1,991,494)	(264,108)	(2,715,092)
Total non-operating revenue (expenses)	(116,516)	(419,095)	293	-	197,785	(88)	(337,621)
Income (loss) before transfers	50,880	(386,591)	293	-	197,785	(181)	(137,814)
Transfers in	552,674	-	-	-	-	-	552,674
Transfers out	(50,993)	-	-	-	-	-	(50,993)
Change in net position	552,561	(386,591)	293	-	197,785	(181)	363,867
Total net position - beginning, restated	665,442	832,062	96,550	7	22	6,234	1,600,317
Total net position - ending	\$ 1,218,003	\$ 445,471	\$ 96,843	\$ 7	\$ 197,807	\$ 6,053	\$ 1,964,184

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Schedule of Expenditures for Federal and State Awards

<u>Federal/State Grantor/Pass through agency Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Program or Award Amount</u>	<u>Expenditures</u>
FEDERAL AWARDS:				
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>				
Loan for Water and Waste Disposal Systems for Rural Communities	10.760	N/A	\$ 1,066,000	\$ 73,584
TOTAL FEDERAL ASSISTANCE			<u>\$ 1,066,000</u>	<u>\$ 73,584</u>
 STATE AWARDS:				
<u>ASCOG:</u>				
REAP Grant	N/A	REAP 13	\$ 43,600	\$ 40,448
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>				
State aid	N/A	N/A	4,484	4,484
TOTAL STATE ASSISTANCE			<u>\$ 48,084</u>	<u>\$ 44,932</u>

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Schedule of Debt Service Coverage

	OWRB 2011 CWSRF NOTE	OWRB 2013 DWSRF NOTE
	<u> </u>	<u> </u>
Gross Revenue Available for Debt Service:		
Operating revenues (sewer)	\$151,075	-
Operating revenues (water and sewer)	-	\$649,734
Transfer in - sales tax	<u>277,605</u>	<u>277,605</u>
Total Gross Revenues Available	428,680	927,339
Public Works Authority operating expenses (sewer)	19,982	-
Public Works Authority operating expenses (water and sewer)	<u>-</u>	<u>176,082</u>
Net Revenues Available for Debt Service	<u>\$408,698</u>	<u>\$751,257</u>
Debt Service Requirements:		
Maximum annual debt service - OWRB	<u>\$294,435</u>	<u>\$294,435</u>
Total Debt Service Requirements	<u>\$294,435</u>	<u>\$294,435</u>
Coverage	<u>1.39</u>	<u>2.55</u>
Coverage Requirement	<u>1.25</u>	<u>1.25</u>

**CITY OF ELGIN, OKLAHOMA
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INTERNAL CONTROL AND COMPLIANCE INFORMATION

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

To the Honorable Mayor and City Council
City of Elgin, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Elgin, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Elgin, Oklahoma's basic financial statements, and have issued our report thereon dated December 12, 2013. Our report included an emphasis-of-a-matter paragraph related to the City's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Arledge & Associates, P.C.

December 12, 2013