

**CITY OF ELK CITY OKLAHOMA
ELK CITY, OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2013**

THE CITY OF ELK CITY, OKLAHOMA
 TABLE OF CONTENTS
 YEAR ENDED JUNE 30, 2013

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	1-2
MANAGEMENT’S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position	11
Statement of Activities	12
<i>Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	16
Statement of Net Position – Proprietary Funds and Component Units	17
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds and Component Units	18
Statement of Cash Flows – Proprietary Funds and Component Units	19
Statement of Fiduciary Net Position	20
Statement of Revenues, Expenses and Changes in Fiduciary Net Position - Trust Funds	21
Notes to Financial Statements	22-32
REQUIRED SUPPLEMENTARY INFORMATION:	
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	33
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) – Capital Construction Fund	34
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) – Economic Development Fund	35
Combining Balance Sheet – Nonmajor Governmental Funds	36-37
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	38-39
Combining Statement of Fiduciary Net Position	40
SUPPLEMENTARY INFORMATION:	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards	41-42

Derrel S. White, CPA

P.O. Box 842
Woodward, OK 73802
(580) 256-6830

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Elk City, OK

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 City of Elk City, OK, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major

fund, and the aggregate remaining fund information of the City of Elk City, OK, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Elk City, OK's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and 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 and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Derrel S. White, CPA

Woodward, OK
November 14, 2013

Within this section, the City of Elk City's ("City") management provides narrative discussion and analysis of the financial performance of the City's for the fiscal year ended June 30, 2013. The City's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. This discussion focuses on the City's primary government, and unless otherwise noted, component units reported separately from the primary government are not included. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL SUMMARY

- At June 30, 2013, the assets of the City exceeded its liabilities by \$100,349,211 (net position). Of this amount \$16,792,754 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors. This compared to the previous year when assets exceeded liabilities by \$92,656,079.
- The City's total net position is comprised of the following:
 - (1) Invested in capital assets, net of related debt of \$59,970,210 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase of construction of capital assets.
 - (2) Restricted net position of \$23,586,247.
 - (3) Unrestricted net position of \$16,792,754 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- Total liabilities of the City were \$22,996,401 which compares favorably to prior year liabilities of \$23,820,386. The decrease of \$823,985 is attributable to payments made on long term debt during fiscal year 2013 offset by an increase in the landfill closure liability recorded in Governmental Activities. Refer to a summary of payments made in the footnotes to the financial statements.
- The City's governmental funds on the Statement of Revenues, Expenses and Changes in Fund Balances in Governmental Funds reported total ending fund balance of \$22,144,015 this year. This compared to prior year ending fund balance of \$21,085,218, showing an increase of \$2,357,684 prior to prior period adjustment. The adjustment was related to the treatment of debt service accounts and the classification of debt. Unassigned fund balance was \$4,644,819 as of June 30, 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The City's annual reporting includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status and are presented to demonstrate the extent the City has met its operating objective efficiently and effectively using all the resources available and whether the City can continue to meet its objectives in the foreseeable future. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Position*. This is the City-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indication of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other financial factors such as diversification of the taxpayer base or the condition of the City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net position changed during the current fiscal year and can be used to assess the City's operating results in its entirety and analyze how the City's programs are financed. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinctively report governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, and business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities includes general government; public safety and judiciary; transportation; and cultural, parks, and recreation. Business-types activities include utility services, including water and sanitation, provided by the City as well as the operation of the rock yard.

The City's financial reporting entity includes the funds of the City (primary government) and organization for which the City is accountable (component units). More comprehensive information about the City's component units can be found in footnotes.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole.

The City has three kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is different with fund statements reporting short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statement is included in the basic financial statement for governmental funds deemed as major. This statement demonstrates compliance with the City's adopted and final revised budget.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. The City has one type of proprietary fund, enterprise funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization such as water and sanitation utilities and sales of rock and airplane fuel.

Proprietary fund statements and statements for discretely presented component units (reporting similarly to proprietary funds) provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail.

Fiduciary funds such as the meter deposits and police bonds are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund City programs. Fiduciary fund financial statements report similarly to proprietary funds.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. Those notes to the financial statement begin immediately following the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information detailing the combining statements of non-major governmental funds.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position

The City's combined net position at June 30, 2013 was \$100,349,211. This is a \$7,693,132 increase over June 30, 2012 net position of \$92,656,079. The City reported positive balances in total net position for both governmental and business-type activities, reporting \$59,664,153 and \$40,685,058, respectively. The City's overall financial position improved during fiscal year 2013.

	Summary of Net Assets (in thousands)							
	Governmental Activities		Business-Type Activities		Total		Change	
	2013	2012	2013	2012	2013	2012	\$	%
Current assets	\$ 24,638	\$ 21,946	\$ 17,264	\$ 14,770	\$ 41,902	\$ 36,716	\$ 5,186	14%
Non-current assets	-	-	1,736	1,881	1,736	1,881	(145)	-8%
Capital assets, net	37,520	34,770	42,188	43,109	79,708	77,879	1,829	2%
Total assets	62,158	56,716	61,188	59,760	123,346	116,476	6,870	6%
Current liabilities	2,494	861	1,812	1,839	4,306	2,700	1,606	59%
Non-current liabilities	-	1,284	18,690	19,836	18,690	21,120	(2,430)	-12%
Total liabilities	2,494	2,145	20,502	21,675	22,996	23,820	(824)	-3%
Net position								
Invested in capital assets, net of related debt	37,520	34,770	22,450	22,256	59,970	57,026	2,944	5%
Restricted	14,467	11,941	9,119	6,968	23,586	18,909	4,677	25%
Unrestricted	7,677	7,860	9,116	8,861	16,793	16,721	72	0%
Total net position	\$ 59,664	\$ 54,571	\$ 40,685	\$ 38,085	\$ 100,349	\$ 92,656	\$ 7,693	8%

Net position increased 8% over prior year. This increase is attributable in increase in liquid assets coupled with a decrease in liabilities. As noted above, Governmental activities reported the estimated liability of closing the landfill as a current liability in fiscal year 2013; whereas the liability was considered a long-term obligation in fiscal year 2012.

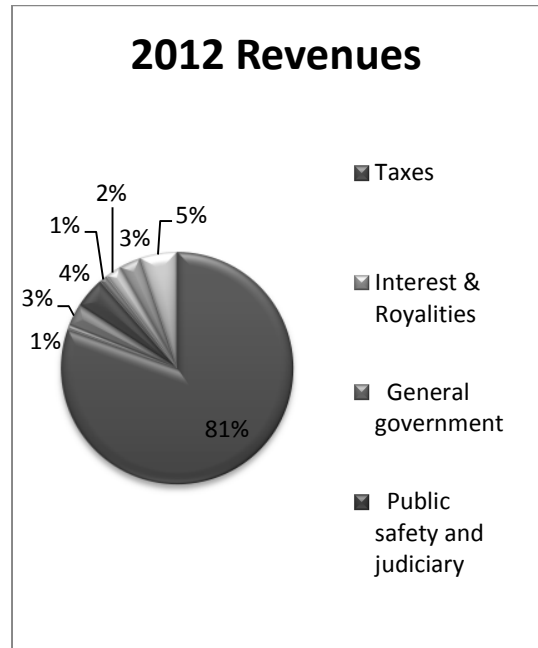
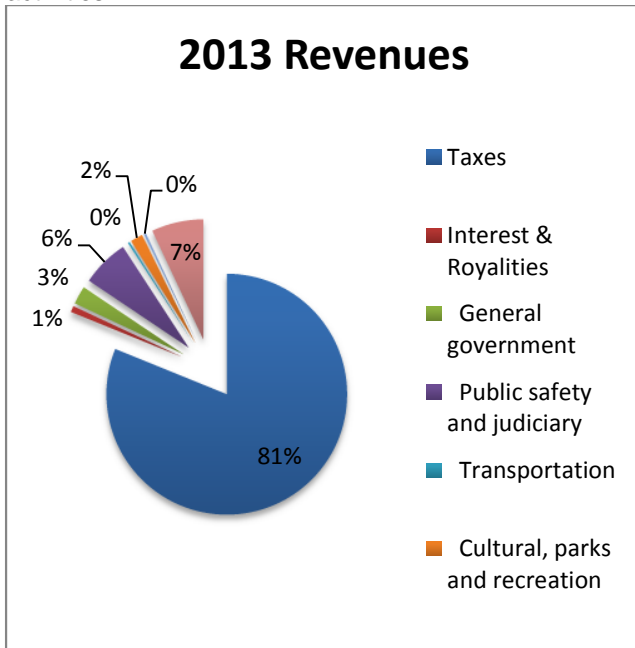
Summary of Changes in Net Position

	Governmental Activities		Business-type Activities		Total		Change	
	2013	2012	2013	2012	2013	2012	\$	%
Revenues								
Program revenues	\$ 3,254,092	\$ 3,317,027	\$ 7,782,964	\$ 7,186,487	\$ 11,037,056	\$ 10,503,514	\$ 533,542	5%
Taxes and other general revenues	14,896,057	13,981,454	4,100,130	3,878,436	18,996,187	17,859,890	1,136,297	6%
Total revenues	18,150,149	17,298,481	11,883,094	11,064,923	30,033,243	28,363,404	1,669,839	11%
Expenses								
General government	2,529,865	2,534,583	-	-	2,529,865	2,534,583	(4,718)	0%
Public safety and judiciary	5,245,358	4,765,499	-	-	5,245,358	4,765,499	479,859	10%
Transportation	83,483	4,223	-	-	83,483	4,223.00	79,260	1877%
Cultural, parks, and recreation	1,704,453	1,589,021	-	-	1,704,453	1,589,021	115,432	7%
Public service	2,847,579	1,434,156	-	-	2,847,579	1,434,156	1,413,423	99%
Economic development	960,517	709,982	-	-	960,517	709,982	250,535	35%
Utilities	-	-	4,501,918	4,454,029	4,501,918	4,454,029	47,889	1%
Airport	-	-	437,149	446,636	437,149	446,636	(9,487)	-2%
Customer service	-	-	664,984	746,305	664,984	746,305	(81,321)	-11%
Industrial development	-	-	3,364,805	3,060,311	3,364,805	3,060,311	304,494	10%
Total expenses	13,371,255	11,037,464	8,968,856	8,707,281	22,340,111	19,744,745	2,595,366	13%
Excess (deficiency) before transfers	\$ 4,778,894	\$ 6,261,017	\$ 2,914,238	\$ 2,357,642	\$ 7,693,132	\$ 8,618,659	\$ (925,527)	-11%
Transfers	314,494	(435,220)	(314,494)	435,220	-	-	-	0%
Increase (decrease) in net position	\$ 5,093,388	\$ 5,825,797	\$ 2,599,744	\$ 2,792,862	\$ 7,693,132	\$ 8,618,659	\$ (925,527)	-11%

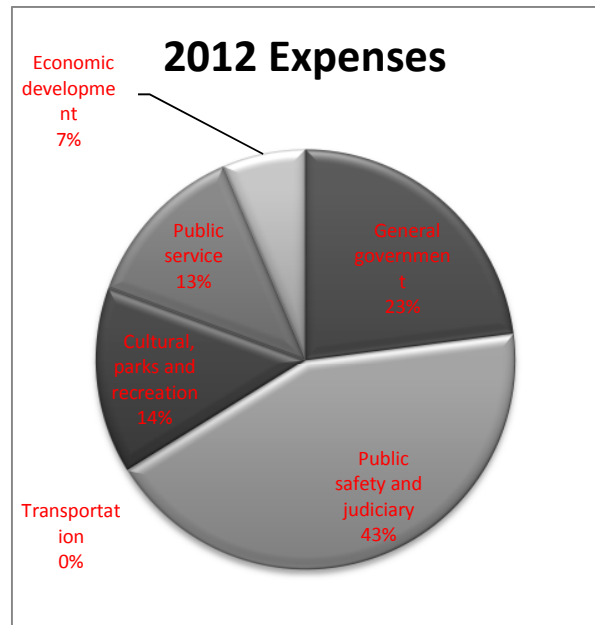
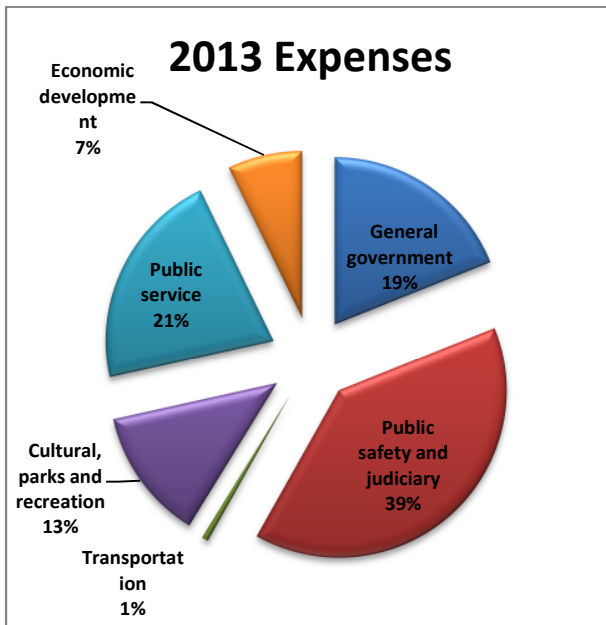
Revenues for the City increased 11% year over year. This increase in revenue is attributable to an increase in general tax revenues as well as an increase in business-type activities sales, specifically landfill usage and sales of rock and airport fuel.

Operating expenses also noted an increase over fiscal year 2012 of 13%. This increase is a function of the estimated costs associated with the closing of the landfill. The City has recorded an estimated liability provided by certified engineers regarding the closing of the landfill. Those costs are recorded in governmental activities, public service, which noted a 99% increase in costs over prior year. The estimated cost as stated is \$1,504,311 which accounts for the year over year increase in that department and the majority of the governmental activities.

Graphic presentations of selected data from the summary table follow to assist in the analysis of the City's activities.



Taxes provided 81% of the City's governmental revenues in fiscal year 2013 and 2012. Sources of revenues for the governmental funds remained consistent between years.



TOTAL EXPENSES \$13,371,255

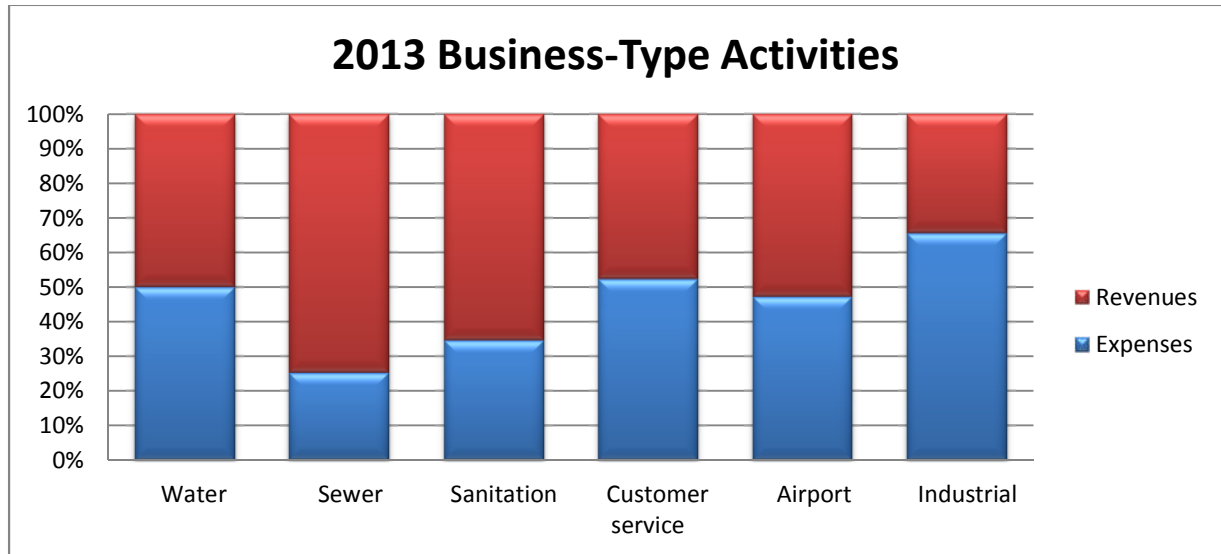
TOTAL EXPENSES \$11,037,464

For the year ended June 30, 2013, total expenses for governmental activities were \$13,371,255. Of this amount, public safety and judiciary with \$5,245,358, was the largest operating service department at 39% of the total cost of services for the City government. This compares to prior year in which public safety accounted for 43% of total expenses. Public service noted an increase in expense allocation from 13% to

21% due to the cost of the landfill closure. These costs, as well as all other governmental activity expenses, were primarily funded by tax revenues. It should be noted that governmental expenses are adjusted from the fund statements to the government-wide statements for the purchase and construction of capital assets. Government-wide statement is full accrual; capital outlay expenses are eliminated and capital assets are reported.

Business-type Activities

The following is a graphic representation of business-type expenses as a percentage of revenues for the major departments of the City's enterprise funds:



Business-type activities are shown comparing operating costs to operating revenues generated by the related services. Sanitation, Sewer, and Water activities are intended to be self-supporting with user charges and other revenues designed to recover costs. Other activities provide services with minimal user charges. The Industrial Authority is funded with a dedicated sales tax, which is pledged against debt offerings. That sales tax is not considered operating income in the above chart.

General Fund Budgetary Highlights

The original adopted General Fund budget for fiscal year 2013 was \$8,647,700. This was an increase of \$70,990 over the previous year's budget of \$8,576,710. During the fiscal year, the City approved four budget amendments totaling \$303,625. Total expenditures for the City were \$8,447,807, which is \$503,918 less than the approved budget. Total General Fund expenditures were less than approved budgeted amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2013, the City had \$59,970,210 invested in capital assets, net of related debt, including vehicles and equipment for police and fire operations, street improvements, and park facilities, in governmental activities and utility improvements/infrastructure in business-type activities. Refer to the table below.

Primary Government Capital Assets
 (in thousands)

	Governmental		Business-type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Land	\$ 4,166	\$ 3,274	\$ 557	\$ 440	\$ 4,723	\$ 3,714
Buildings	16,095	16,095	32,380	34,176	48,475	50,271
Machinery & equipment	18,496	18,171	4,320	2,264	22,816	20,435
Utility property & improvements	34,468	30,423	20,088	20,346	54,556	50,769
Total cost	\$ 73,225	\$ 67,963	\$ 57,345	\$ 57,226	\$ 130,570	\$ 125,189
Accumulated depreciation	35,705	33,194	15,556	14,117	51,261	47,311
Total capital assets, net	\$ 37,520	\$ 34,769	\$ 41,789	\$ 43,109	\$ 79,309	\$ 77,878

The most significant additions to the City's capital assets included significant paving improvements throughout the City, purchase of land for economic development, construction of a training center, and other machinery and equipment.

Long-Term Debt

At year-end, the City had \$18,673,412 in long-term debt outstanding. The City's changes in long-term debt by type of debt are as follows:

Primary Government Long-Term Debt

	Business-type	
	Activities	
	2013	2012
Notes payable	19,737,522	20,853,805
less current portion	(1,064,110)	(1,106,353)
Total long term debt	18,673,412	19,747,452

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES

Economic Environment

According to the Oklahoma Economic Report, the state's twelve-month gross receipts have reached an all-time high, surpassing the previous record set in December 2008. State Treasurer, Ken Miller, Oklahoma has "regained and moved past the ground it lost during the Great Recession". Although the national economy has been sluggish, Oklahoma has shown significant improvement. The economic environment of the state sheds light on the local economy, as the City has also seen improvement.

The City of Elk City has noted increase in sales and other tax revenues when compared to prior year. Utility billing has remained strong due to an increasing customer base. Continued improvement in the City's economic position is cautiously projected.

Fiscal Year 2014 Planning

The City of Elk City has approved a budget for the municipal entity that provides for the continued level of service to citizens while improving the infrastructure and recreation opportunities of the community. The following highlights are noted:

General Fund

- Sales tax and other tax revenues – The sales tax split is budgeted at the amended rate of 1.375%, consistent with the FY14 budget. This results in an increase of approximately \$464,286 in revenue for the General Fund. All tax revenues are budgeted at 90% of prior year collections to develop conservative projections.
- The fund projects an increase in reserve of \$443,000 based upon budgeted revenues and expenses for FY14.

Public Works Authority

- Utility revenues – Utility revenues budgeted consistent with prior year. The City is adhering to a rate study performed in FY12 which identified rates necessary to fund ongoing operations and capital improvements of the City, as a whole.
- The PWA budget reflects a projected net income of \$1,013,976 for the year ended June 30, 2014.

Industrial Authority

- The Industrial Authority – Arena Sales Tax budget includes the use of proceeds for economic development capital projects totaling \$6,455,000. The specific projects are identified in the detailed budget, including infrastructure of the Big Elk Industrial Park and widening/reconstruction of Pioneer Road.
- The Industrial Authority - Rock Yard sales are budgeted with a 22% profit margin, projecting \$265,000 of net sales revenue. The budget includes \$300,000 of capital improvements, including a loader. After operating expenses and planned capital projects, the fund has a projected net loss of \$306,000. The projected loss includes a transfer out to the Economic Development fund.

Capital Construction Fund

- Projects – Capital projects are detailed in the budget to include bathroom improvements at local parks, multi-court basketball facility, a splash pad for the swimming pool, significant road and alleyway improvements, a compactor at the landfill, in addition to others. The budget proposes funding \$8,222,000 in capital projects for fiscal year 2014. Additionally, \$500,000 will be set aside for the landfill closure.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show 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 Elk City City Hall, 320 West 3rd St, Elk City, Oklahoma.

City of Elk City, Oklahoma
Statement of Net Position
June 30, 2013

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets:			
Cash and cash equivalents	\$ 1,157,200	\$ 4,456,026	\$ 5,613,226
Investments	5,171,000	3,202,000	8,373,000
Due from other governments	1,166,684	-	1,166,684
Accounts receivable (net)	190,686	768,711	959,397
Other receivables	-	538,148	538,148
Grant receivable	13,821	-	13,821
Note receivable, current	-	134,592	134,592
Inventory	14,766	708,096	722,862
Due from other funds	(259,668)	259,668	-
Total current assets	<u>7,454,489</u>	<u>10,067,241</u>	<u>17,521,730</u>
Restricted assets:			
Cash and cash equivalents	5,468,247	1,896,792	7,365,039
Investments	11,715,000	5,300,000	17,015,000
Total restricted assets	<u>17,183,247</u>	<u>7,196,792</u>	<u>24,380,039</u>
Noncurrent Assets:			
Note receivable	-	1,736,111	1,736,111
Land and construction in progress	4,165,895	556,575	4,722,470
Other capital assets (net of accumulated depreciation)	33,354,243	41,631,019	74,985,262
Total noncurrent assets	<u>37,520,138</u>	<u>43,923,705</u>	<u>81,443,843</u>
Total assets	<u>\$ 62,157,874</u>	<u>\$ 61,187,738</u>	<u>\$ 123,345,612</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 470,030	\$ 432,473	\$ 902,503
Payroll liabilities	159,783	71,882	231,665
Compensated absences	359,597	125,477	485,074
Deferred income	-	1,424	1,424
Accrued payables	1,504,311	116,850	1,621,161
Notes payable, current	-	1,164,110	1,164,110
Total current liabilities	<u>2,493,721</u>	<u>1,912,216</u>	<u>4,405,937</u>
Noncurrent liabilities:			
Other accrued liabilities	-	17,052	17,052
Notes payable, non-current	-	18,573,412	18,573,412
Total noncurrent liabilities	<u>-</u>	<u>18,590,464</u>	<u>18,590,464</u>
Total liabilities	<u>2,493,721</u>	<u>20,502,680</u>	<u>22,996,401</u>
NET POSITION			
Invested in capital assets, net of related debt	37,520,138	22,450,072	59,970,210
Reserved for restricted purposes	14,467,289	9,118,958	23,586,247
Unrestricted	7,676,726	9,116,028	16,792,754
Total net position	<u>\$ 59,664,153</u>	<u>\$ 40,685,058</u>	<u>\$ 100,349,211</u>

City of Elk City, Oklahoma
Statement of Activities
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government	\$ 2,529,865	\$ 210,063	\$ 230,525	\$ -	\$ (2,089,277)
Public safety and judiciary	5,245,358	1,091,012	19,053	42,222	(4,093,071)
Transportation	83,483	-	-	45,077	(38,406)
Cultural, parks and recreation	1,704,453	230,437	60,073	10,000	(1,403,943)
Public service	2,847,579	55,042	-	-	(2,792,537)
Economic development	960,517	939,388	321,200	-	300,071
Total governmental activities	<u>13,371,255</u>	<u>2,525,942</u>	<u>630,851</u>	<u>97,299</u>	<u>(10,117,163)</u>
Business-type activities:					
Water	2,027,284	2,024,085	-	-	(3,199)
Sewer	261,013	772,129	-	-	511,116
Sanitation	1,053,252	1,986,643	-	-	933,391
Streets	1,160,369	-	99,847	-	(1,060,522)
Customer service	437,149	396,538	-	-	(40,611)
Airport	664,984	561,345	-	179,677	76,038
Industrial	3,364,805	1,762,700	-	-	(1,602,105)
Total business-type activities	<u>8,968,856</u>	<u>7,503,440</u>	<u>99,847</u>	<u>179,677</u>	<u>(1,185,892)</u>
Total primary government	<u>\$ 22,340,111</u>	<u>\$ 10,029,382</u>	<u>\$ 730,698</u>	<u>\$ 276,976</u>	<u>\$ (11,303,055)</u>

City of Elk City, Oklahoma
Statement of Activities (continued)
Year Ended June 30, 2013

Changes in Net Position:

	Governmental Activities	Business-type Activities	Total
Net (expense)/revenue	\$ (10,117,163)	\$ (1,185,892)	\$ (11,303,055)
General revenues:			
Taxes:			
Sales tax	12,038,902	4,012,968	16,051,870
Use tax	1,040,987	-	1,040,987
Franchise tax	510,572	-	510,572
Other taxes	282,458	-	282,458
Oil and gas royalties	342,290	-	342,290
Investment income	150,180	87,162	237,342
Gain on sale of assets	107,536	-	107,536
Transfers-Internal activity	314,494	(314,494)	-
Other	423,132	-	423,132
Total general revenues and transfers	<u>15,210,551</u>	<u>3,785,636</u>	<u>18,996,187</u>
Change in net assets	5,093,388	2,599,744	7,693,132
Net position-beginning	54,570,765	38,085,314	92,656,079
Net position-ending	<u>\$ 59,664,153</u>	<u>\$ 40,685,058</u>	<u>\$ 100,349,211</u>

**City of Elk City, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2013**

	General Fund	Debt Service	Capital Projects	Economic Development	Non-Major Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 2,721,560	\$ -	\$ 2,675,531	\$ 401,653	\$ 826,703	\$ 6,625,447
Investments	6,671,000	-	7,000,000	1,700,000	1,515,000	16,886,000
Due from other governments	596,615	-	567,998	-	2,071	1,166,684
Accounts receivable	190,686	-	-	-	-	190,686
Grant receivable	13,821	-	-	-	-	13,821
Inventory	14,766	-	-	-	-	14,766
Total assets	<u>\$ 10,208,448</u>	<u>\$ -</u>	<u>\$ 10,243,529</u>	<u>\$ 2,101,653</u>	<u>\$ 2,343,774</u>	<u>\$ 24,897,404</u>
LIABILITIES						
Accounts payable	\$ 92,852	\$ -	\$ 358,553	\$ 16,205	\$ 2,420	\$ 470,030
Due to other funds	259,668	-	-	-	-	259,668
Payroll liabilities	159,783	-	-	-	-	159,783
Compensated absences	359,597	-	-	-	-	359,597
Other accrued liabilities	1,504,311	-	-	-	-	1,504,311
Total liabilities	<u>2,376,211</u>	<u>-</u>	<u>358,553</u>	<u>16,205</u>	<u>2,420</u>	<u>2,753,389</u>
FUND BALANCES						
Nonspendable	14,766	-	-	-	-	14,766
Restricted	1,946,129	-	-	-	373,101	2,319,230
Committed	737,186	-	9,884,976	-	1,525,897	12,148,059
Assigned	544,966	-	-	2,085,448	386,727	3,017,141
Unassigned	4,589,190	-	-	-	55,629	4,644,819
Total fund balances	<u>7,832,237</u>	<u>-</u>	<u>9,884,976</u>	<u>2,085,448</u>	<u>2,341,354</u>	<u>22,144,015</u>
Total liabilities and fund balances	<u>\$ 10,208,448</u>	<u>\$ -</u>	<u>\$ 10,243,529</u>	<u>\$ 2,101,653</u>	<u>\$ 2,343,774</u>	<u>\$ 24,897,404</u>
Total fund balance- total governmental funds						\$ 22,144,015
Amounts reported for governmental activities in the Statement of Net assets are different because:						
Land and capital assets, net of accumulated depreciation, are not financial resources and, in the funds, and therefore, are not reported						
Land and construction in process					4,165,895	
Capital assets					69,059,410	
Less: Accumulated depreciation					<u>(35,705,167)</u>	
						37,520,138
Net assets of governmental activities						<u>\$ 59,664,153</u>

City of Elk City, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2013

	General Fund	Debt Service	Capital Projects	Economic Development	Non-Major Funds	Total Governmental Funds
REVENUES						
Sales tax	\$ 5,517,830	\$ -	\$ 6,521,072	\$ -	\$ -	\$ 12,038,902
Use tax	1,040,987	-	-	-	-	1,040,987
Franchise tax	510,572	-	-	-	-	510,572
Other taxes	206,411	-	-	-	-	206,411
Licenses and permits	153,586	-	-	-	-	153,586
Rents & royalties	389,615	-	-	50,000	-	439,615
Fines and forfeitures	504,508	-	-	-	-	504,508
Charges for services	881,130	-	-	-	-	881,130
Intergovernmental revenues	324,826	-	45,077	-	288,927	658,830
Donations	60,073	-	10,000	11,000	800	81,873
Other revenues	104,074	-	319,047	21,273	931,630	1,376,024
Sale of assets	-	-	69,460	52,900	-	122,360
Interest	126,880	-	-	10,857	12,443	150,180
Total revenues	<u>9,820,492</u>	<u>-</u>	<u>6,964,656</u>	<u>146,030</u>	<u>1,233,800</u>	<u>18,164,978</u>
EXPENDITURES						
General government:						
Managerial	432,674	-	-	-	-	432,674
City clerk	909,670	-	4,576	-	-	914,246
City treasurer	66,725	-	785	-	-	67,510
City attorney	44,478	-	-	-	-	44,478
General government	638,629	-	3,227	-	-	641,856
Total general government	<u>2,092,176</u>	<u>-</u>	<u>8,588</u>	<u>-</u>	<u>-</u>	<u>2,100,764</u>
Public safety and judiciary:						
Police	2,227,489	-	-	-	203	2,227,692
Municipal court	76,167	-	-	-	-	76,167
Animal control	183,284	-	-	-	-	183,284
Fire	2,106,185	-	88,882	-	42,134	2,237,201
Ambulance	212,305	-	-	-	-	212,305
Total public safety and judiciary	<u>4,805,430</u>	<u>-</u>	<u>88,882</u>	<u>-</u>	<u>42,337</u>	<u>4,936,649</u>
Transportation:						
Street	-	-	41,139	-	-	41,139
Airport	-	-	19,348	-	-	19,348
Total transportation	<u>-</u>	<u>-</u>	<u>60,487</u>	<u>-</u>	<u>-</u>	<u>60,487</u>
Cultural, parks and recreation:						
Museum	399,893	-	15,745	-	-	415,638
Library	183,538	-	816	-	-	184,354
Civic center	75,841	-	3,465	-	-	79,306
Park	440,808	-	7,077	-	-	447,885
Swimming pool	55,306	-	6,425	-	-	61,731
Total cultural, parks and recreation	<u>1,155,386</u>	<u>-</u>	<u>33,528</u>	<u>-</u>	<u>-</u>	<u>1,188,914</u>
Public service:						
Cemetery	144,490	-	-	-	-	144,490
Inspection	153,247	-	-	-	-	153,247
Landfill	1,504,311	-	36,314	-	-	1,540,625
Total public service	<u>1,802,048</u>	<u>-</u>	<u>36,314</u>	<u>-</u>	<u>-</u>	<u>1,838,362</u>
Economic development:						
Hotel/motel tax	-	-	-	231,386	503,238	734,624
Total economic development	<u>-</u>	<u>-</u>	<u>-</u>	<u>231,386</u>	<u>503,238</u>	<u>734,624</u>
Capital outlay	96,678	-	3,595,053	1,470,257	100,000	5,261,988
Total expenditures	<u>9,951,718</u>	<u>-</u>	<u>3,822,852</u>	<u>1,701,643</u>	<u>645,575</u>	<u>16,121,788</u>
Excess (deficiency) of revenues over expenditures	<u>(131,226)</u>	<u>-</u>	<u>3,141,804</u>	<u>(1,555,613)</u>	<u>588,225</u>	<u>2,043,190</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	132,751	-	7,827	847,000	-	987,578
Transfers out	(119,232)	-	(451,733)	-	(102,119)	(673,084)
Total other financing sources and uses	<u>13,519</u>	<u>-</u>	<u>(443,906)</u>	<u>847,000</u>	<u>(102,119)</u>	<u>314,494</u>
Net change in fund balances	(117,707)	-	2,697,898	(708,613)	486,106	2,357,684
Fund balances - beginning (restated)	8,326,166	1,000,612	7,187,078	2,794,061	1,777,301	21,085,218
Prior period adjustment	(376,222)	(1,000,612)	-	-	77,947	(1,298,887)
Fund balances - ending	<u>\$ 7,832,237</u>	<u>\$ -</u>	<u>\$ 9,884,976</u>	<u>\$ 2,085,448</u>	<u>\$ 2,341,354</u>	<u>\$ 22,144,015</u>

City of Elk City, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2013

Reconciliation of the change in fund balances - total governmental funds
to the change in net assets of governmental activities:

Net change in fund balances - total governmental funds \$ 2,357,684

Amounts reported for governmental activities in the Statement of Activities are
different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense.

Capital asset purchases capitalized	5,261,988	
Depreciation expense	<u>(2,511,456)</u>	2,750,532

In the statement of activities, the loss on the disposal of assets is reported,
whereas in the governmental funds, the proceeds from the sale increase
financial resources. The change in net assets differs from the change in
fund balance by the cost of the assets disposed, net of related
accumulated depreciation.

(14,828)

Change in Net Assets of Governmental Activities

\$ 5,093,388

City of Elk City, Oklahoma
Statement of Net Position
Proprietary Funds
June 30, 2013

	Public Works Authority	Airport Authority	Industrial Authority	Elk City Online	Total Enterprise Funds
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,911,602	\$ 72,663	\$ 2,471,761	\$ -	\$ 4,456,026
Investments	2,202,000	-	1,000,000	-	3,202,000
Due from other funds	347,255	-	-	-	347,255
Other receivables	8,935	179,677	349,536	-	538,148
Accounts receivable, net	305,759	1,415	461,537	-	768,711
Note receivable, current	-	-	134,592	-	134,592
Inventory	368,608	22,543	316,945	-	708,096
Total current assets	<u>5,144,159</u>	<u>276,298</u>	<u>4,734,371</u>	<u>-</u>	<u>10,154,828</u>
Current assets:					
Restricted assets:					
Cash, including time deposits	256,834	-	1,639,958	-	1,896,792
Investments	-	-	5,300,000	-	5,300,000
Total restricted assets	<u>256,834</u>	<u>-</u>	<u>6,939,958</u>	<u>-</u>	<u>7,196,792</u>
Noncurrent assets:					
Note receivable	-	-	1,736,111	-	1,736,111
Capital assets (net)	15,307,854	695,450	26,184,290	-	42,187,594
Total noncurrent assets	<u>15,307,854</u>	<u>695,450</u>	<u>27,920,401</u>	<u>-</u>	<u>43,923,705</u>
Total assets	<u>\$ 20,708,847</u>	<u>\$ 971,748</u>	<u>\$ 39,594,730</u>	<u>\$ -</u>	<u>\$ 61,275,325</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 186,559	\$ 29,621	\$ 216,293	\$ -	\$ 432,473
Payroll liabilities	174,798	13,132	9,429	-	197,359
Due to other funds	-	11,688	75,899	-	87,587
Other liabilities	-	-	1,424	-	1,424
Accrued interest payable	65,851	-	50,999	-	116,850
Notes payable, current	240,518	-	923,592	-	1,164,110
Total current liabilities	<u>667,726</u>	<u>54,441</u>	<u>1,277,636</u>	<u>-</u>	<u>1,999,803</u>
Noncurrent liabilities:					
Deferred income	-	17,052	-	-	17,052
Notes payable, non-current	6,173,301	-	12,400,111	-	18,573,412
Total noncurrent liabilities	<u>6,173,301</u>	<u>17,052</u>	<u>12,400,111</u>	<u>-</u>	<u>18,590,464</u>
Total liabilities	<u>6,841,027</u>	<u>71,493</u>	<u>13,677,747</u>	<u>-</u>	<u>20,590,267</u>
NET POSITION					
Invested in capital assets, net of related debt	8,894,035	695,450	12,860,587	-	22,450,072
Restricted	256,834	-	9,118,958	-	9,375,792
Unrestricted	4,716,951	204,805	3,937,438	-	8,859,194
Total net position	<u>\$ 13,867,820</u>	<u>\$ 900,255</u>	<u>\$ 25,916,983</u>	<u>\$ -</u>	<u>\$ 40,685,058</u>

City of Elk City, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2013

	<u>Public Works Authority</u>	<u>Airport Authority</u>	<u>Industrial Authority</u>	<u>Elk City Online</u>	<u>Total Enterprise Funds</u>
Operating revenues:					
Charges for services:					
Water charges	\$ 2,024,085	\$ -	\$ -	\$ -	\$ 2,024,085
Sewer charges	772,129	-	-	-	772,129
Sanitation charges	1,986,643	-	-	-	1,986,643
Sale of fuel and rock	-	512,418	1,673,782	-	2,186,200
Penalties	57,561	-	-	-	57,561
Total charges for services	<u>4,840,418</u>	<u>512,418</u>	<u>1,673,782</u>	<u>-</u>	<u>7,026,618</u>
Lease and rental income	-	48,715	88,889	-	137,604
Other fees and charges	338,977	212	29	-	339,218
Total operating revenues	<u>5,179,395</u>	<u>561,345</u>	<u>1,762,700</u>	<u>-</u>	<u>7,503,440</u>
Operating expenses:					
Cost of sales	-	485,859	1,543,300	-	2,029,159
Personal services	2,073,339	90,057	119,658	-	2,283,054
Materials and supplies	1,258,428	21,953	40,206	-	1,320,587
Other services and charges	697,763	36,276	61,799	-	795,838
Depreciation and amortization	646,685	30,839	838,755	9,330	1,525,609
Total operating expenses	<u>4,676,215</u>	<u>664,984</u>	<u>2,603,718</u>	<u>9,330</u>	<u>7,954,247</u>
Net operating income	503,180	(103,639)	(841,018)	(9,330)	(450,807)
Nonoperating revenue (expense):					
Investment income	28,841	352	57,968	-	87,161
Bad debt expense	-	-	(96,844)	-	(96,844)
Intergovernmental revenue	99,847	179,677	4,012,968	-	4,292,492
Interest expense	(253,521)	-	(664,243)	-	(917,764)
Total nonoperating revenue (expense)	<u>(124,833)</u>	<u>180,029</u>	<u>3,309,849</u>	<u>-</u>	<u>3,365,045</u>
Net Income before contributions and transfers	378,347	76,390	2,468,831	(9,330)	2,914,238
Transfers from other funds	397,594	173,371	121,727	-	692,692
Transfers to other funds	(156,461)	(3,725)	(847,000)	-	(1,007,186)
Change in net position	619,480	246,036	1,743,558	(9,330)	2,599,744
Net position-beginning of year	<u>13,248,340</u>	<u>654,219</u>	<u>24,173,425</u>	<u>9,330</u>	<u>38,085,314</u>
Net position-end of year	<u>\$ 13,867,820</u>	<u>\$ 900,255</u>	<u>\$ 25,916,983</u>	<u>\$ -</u>	<u>\$ 40,685,058</u>

City of Elk City, Oklahoma
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2013

	Public Works Authority	Airport Authority	Industrial Authority	Elk City Online	Total Enterprise Funds
Cash flows from operating activities:					
Receipts from customers	\$ 5,129,954	\$ 396,176	\$ 1,626,497	\$ -	\$ 7,152,627
Payments to suppliers	(1,971,805)	(513,373)	(1,961,725)	-	(4,446,903)
Payments to employees	(2,041,369)	(88,046)	(115,159)	-	(2,244,574)
Net cash provided (used) by operating activities	1,116,780	(205,243)	(450,387)	-	461,150
Cash flows from non-capital financing activities:					
Transfers from other funds	397,594	173,371	121,727	-	692,692
Transfers to other funds	(156,461)	3,725	(847,000)	-	(999,736)
Intergovernmental revenues	(204,541)	-	4,012,968	-	3,808,427
Net cash provided (used) by non-capital financing activities	36,592	177,096	3,287,695	-	3,501,383
Cash flows from capital and related financing activities:					
Purchase of capital assets	(378,115)	(188,441)	(15,512)	-	(582,068)
Capital grants and contributions	99,847	179,677	-	-	279,524
Issuance of capital debt	-	-	-	-	-
Principal paid on capital debt	(135,761)	-	(1,216,765)	-	(1,352,526)
Interest paid on capital debt	(235,661)	-	(667,544)	-	(903,205)
Net cash provided (used) by capital and related financing activities	(649,690)	(8,764)	(1,899,821)	-	(2,558,275)
Cash flows from investing activities:					
Purchase of investments	(500,000)	-	(37,632)	-	(537,632)
Investment income	28,841	352	57,968	-	87,161
Net cash provided (used) by investing activities	(471,159)	352	20,336	-	(450,471)
Net increase (decrease) in cash and cash equivalents	32,523	(36,559)	957,823	-	953,787
Cash & cash equivalents, June 30, 2012	2,135,913	109,222	3,153,896	-	5,399,031
Cash & cash equivalents, June 30, 2013	<u>\$ 2,168,436</u>	<u>\$ 72,663</u>	<u>\$ 4,111,719</u>	<u>\$ -</u>	<u>\$ 6,352,818</u>
Cash, including time deposits	\$ 1,911,602	\$ 72,663	\$ 2,471,761	\$ -	\$ 4,456,026
Restricted cash, including time deposits	256,834	-	1,639,958	-	1,896,792
Total cash and cash equivalents, end of year	<u>\$ 2,168,436</u>	<u>\$ 72,663</u>	<u>\$ 4,111,719</u>	<u>\$ -</u>	<u>\$ 6,352,818</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 503,180	\$ (103,639)	\$ (841,018)	\$ (9,330)	\$ (450,807)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	646,685	30,839	838,755	9,330	1,525,609
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(54,716)	9,961	(6,636)	-	(51,391)
(Increase) decrease in other receivable	5,275	(179,677)	(129,567)	-	(303,969)
(Increase) decrease in inventory	12,755	36,852	(325,830)	-	(276,223)
Increase (decrease) in accounts payable	(28,369)	(6,137)	10,256	-	(24,250)
Increase (decrease) in payroll liabilities	31,970	2,011	4,499	-	38,480
Increase (decrease) in other liabilities	-	4,547	(846)	-	3,701
Total adjustments	613,600	(101,604)	390,631	9,330	911,957
Net cash provided (used) by operating activities	\$ 1,116,780	\$ (205,243)	\$ (450,387)	\$ -	\$ 461,150

City of Elk City, Oklahoma
Statement of Fiduciary Net Position
June 30, 2013

	District 2 Drug Task Force Trust Funds	Agency Funds	Total Fiduciary Funds
ASSETS			
Cash and cash equivalents	\$ 198,634	\$ 109,949	\$ 308,583
Investments	3,375,000	96,000	3,471,000
Due from other governments	-	-	-
Property, plant and equipment, net	39,878	-	39,878
Total assets	<u>\$ 3,613,512</u>	<u>\$ 205,949</u>	<u>\$ 3,819,461</u>
LIABILITIES			
Accounts payable	\$ 9,960	\$ -	\$ 9,960
Accrued salaries	5,514	-	5,514
Compensated absences	35,451	-	35,451
Bonds and deposits subject to refund	-	205,949	205,949
Due to other funds	19,007	-	19,007
Total liabilities	<u>69,932</u>	<u>205,949</u>	<u>275,881</u>
NET ASSETS HELD IN TRUST			
District 2 drug task force funds	3,543,580	-	3,543,580
Net assets held in trust	<u>\$ 3,543,580</u>	<u>\$ -</u>	<u>\$ 3,543,580</u>

City of Elk City, Oklahoma
Statement of Revenues, Expenses and Changes in Fiduciary Net Position
Trust Fund
Year Ended June 30, 2013

	District 2 Drug Task Force Trust Funds
<u>ADDITIONS</u>	
Forfeitures	\$ 147,511
Other Income	29,600
Interest	28,227
Total additions	205,338
<u>DEDUCTIONS</u>	
Personal services	258,881
Supplies and repairs	25,262
Other charges and services	66,308
Depreciation	15,652
Total deductions	366,103
Change in net assets	(160,765)
<u>NET ASSETS HELD IN TRUST</u>	
Beginning of year	3,704,345
End of year	\$ 3,543,580

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting framework and the more significant accounting principles and practices of the City of Elk City, Oklahoma ("City") are discussed in subsequent section of this note. The remainder of the notes is organized to provide explanations, including required disclosures of the City's financial activities for the fiscal year ended June 30, 2013. The City operates under a charter with a Council-Manager form of government.

A. Reporting Entity

Fund Types and Major Funds

Major Governmental Funds

General Fund

Reported as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

Debt Service Fund

Accounts for the accumulation of financial resources for the payment of principal and interest on the City's debt.

Capital Projects Fund

Accounts for the capital expenditures of the 1.625% limited purpose sales tax.

Economic Development Fund

Accounts for operations of the economic development of the City of Elk City.

Major Proprietary Funds

Elk City Public Works Authority

Accounts for the operating activities of the water, sewer, and sanitation utilities of the City. The City Council serves as the trustees of the Authority. The Elk City Public Works Authority was established in June 1981 and amended in March 1999.

Elk City Airport Authority

Accounts for the operating activities of the Elk City Municipal Airport. The City Council serves as the trustees of the Airport Authority established in July 1979.

Elk City Industrial Authority

Created in March 1967 to promote the development of industry within the City. The Industrial Authority includes the operations of the rock yard.

Fiduciary Component Units (reported in fiduciary financial statements)

District 2 Drug Task Force Trust

Established to account for the operations of the drug task force of the District

Agency Fund

Accounts for fiduciary assets held by the City in a custodial capacity as an agent on behalf of others. The City's Agency Fund is used to account for various deposits and bail bonds.

Due to restrictions of the state constitution relating to the issuance of municipal debt, public trusts are created to finance City services with revenue bonds or other non-general obligation financing and provide for multi-year contracting. Financing services provided by these public trusts are solely for the benefit of the City. Public trusts created to provide financing services are blended into the City's primary government as an integral part of City operations although retaining separate legal identity. Component units that do not meet the criteria for blending are reported discretely. The City of Elk City blends all component units.

B. Basic Financial Statements

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities. The statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. Individual funds are not displayed by the statements.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services with usage fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund

the acquisition, construction, or rehabilitation of capital assets. Taxes and other revenues sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurements focus and the accrual basis of accounting. Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements and financial statements of the City's component units also report using the same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

District 2 Drug Task Force funds recognize revenue in the period the assets are seized. The Agency Fund is custodial in nature and does not measure results of operations.

Governmental fund financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considered revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenses are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales and use taxes and intergovernmental revenues. In general, other revenues are recognized when cash is received.

Operating income reported in the proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of provided goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

C. Budget Policy and Practice

Budget Approval

The City Manager submits an annual budget to the City Commission in accordance with the Oklahoma Municipal Budget Act. The budget is presented to the Commission for review, and public hearings are held to address priorities and the allocation of resources. In June, the Commission adopts the annual fiscal year budgets for City's operating funds. Budget amendments or supplements may be made during the year when unexpected modifications are required in estimated revenues and appropriations. Budget amendments are recommended by the City Manager and must be approved by the Commission. Public trusts submit budgets and other planning documents to their respective governing bodies. Other funds budgeted on a project-length basis are also subjected to the Commission review and approval process.

Basis of Budgeting

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and object class as follows: personal services, other services and charges, supplies, capital outlay, transfers, and debt service. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations without Commission approval. Revisions to the budget were made throughout the year.

The budgets for operating funds and proprietary funds are prepared on the cash basis. Revenues are budgeted in the year they are expected to be received. Expenses are budgeted in the year they are expected to be paid.

D. Policies Related to Assets, Liabilities, and Fund Equity

Cash and Investments

For the purposes of the combined balance sheet and the statement of cash flows, "cash and cash equivalents" includes all demand deposits, savings accounts and certificates of deposits or short-term investments (including restricted assets) with an original maturity of three months or less. Deposits are stated at cost.

Investments are reported at fair value which is determined using market prices. Short-term investments are reported at cost, which approximates fair value.

Inventories

Inventories are similarly reported in government-wide and fund financial statements.

Inventories consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost and recorded as an expense at the time the item is used. Governmental inventory consists of maintenance supplies for the museum. Business-type inventory includes rock, maintenance parts, and repair supplies.

Accounts Receivable

Significant receivables for governmental activities include sales and use tax receivables and ambulance receivables. Business-type receivables consist mainly of amount due from customers primarily for rock sales and utility services. These receivables are due within one year. Certain enterprise funds report accounts receivable net of an allowance for uncollectible accounts. The allowance amount is estimated using accounts receivable past due more than 60 to 90 days. At June 30, 2013, the City has estimated an allowance of \$212,305 and \$1,231 for governmental and business-type activities, respectively.

Restricted Assets

Restricted assets include assets legally restricted for capital projects and special revenue funds funded through long-term debt, debt service reserves or grants. Restricted assets and liabilities current in nature are reported with current assets and current liabilities in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

Interfund Balances

Generally, outstanding balances between funds reported as due to/due from other funds include outstanding charges by one fund to another for services or goods or miscellaneous receivables/payables between funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year and are described as due to/due from other funds.

Capital Assets, Depreciation, and Amortization

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalized assets with cost of \$4,000 or more as purchase and construction outlay occur.

The cost of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

- Buildings 40 years
- Machinery, furniture & equipment 5-10 years
- Infrastructure 40 years

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service.

Compensated Absences

Full-time employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Sick leave accrues to full-time employees to specified maximums. Generally, after one year of services, employees are entitled to all of their sick leave balance and all accrued vacation leave upon termination. The estimated liabilities include required salary-related payments. Compensated absences are reported as accrued current liabilities in the government-wide and proprietary financial statements. Governmental funds report compensated absences payable to current employees.

Long-Term Debt

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as a liability.

Fund Equity

Fund Balance

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes beyond the restrictions applicable to the fund.

Net Position

Both proprietary fund financial statements and government-wide financial statements report net position. Amounts invested in capital assets, net of related debt and legally restricted amounts are separated from unrestricted net position.

Invested in capital assets, net of related debt

The amount restricted 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 improvement of those assets.

Restricted net assets

Amounts reported as restricted consist of net position with constraints placed on their 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.

Governmental Fund Balances

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

Non-spendable

Fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

Restricted

Fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

Committed

Fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Commission, the City's highest level of decision-making authority,

Assigned

Fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned

Fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reporting amounts and disclosures; accordingly, actual results could differ from those estimates.

Certain reclassifications have been made to prior period balances in order to conform to the current period's presentation.

Date of Management's Review

Subsequent events were evaluated through November 14, 2013, which is the date the financial statements were available to be issued.

E. Policies Related to Revenues and Expenses

Program Revenues

Charges for Services

Program revenues reported with governmental activities include charges for services like permits and fees, park charges, and fines and forfeitures. Business-type activity charges for services include all operating income of proprietary funds.

CITY OF ELK CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Grants and Contributions

Governmental grants and contributions primarily consist of grants from Federal and state agencies. The nature of the grant determines if it is reported as operating or capital program revenues.

Business-type activity grants and contributions include donations from others as well as grants from Federal and state agencies.

General Revenues

General revenues reported with governmental activities include tax revenues and unrestricted investment income.

Sales Tax

The City levied a 4% sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. A portion of the sales tax received is restricted as to use. The unrestricted portion (1.375%) is recorded as sales tax revenue within the General Fund; 1.625% is restricted and recorded as sales tax revenue in the Capital Improvement fund, and 1% is restricted for debt payments in the Industrial Authority.

(2) ASSETS AND LIABILITIES

A. Assets

Deposits and Investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's deposits are secured by collateral values at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

Investments

The City invests primarily in certificates of deposit. Investment securities are exposed to various risks such as interest rate risk and credit risk.

<u>Types of Investments</u>	<u>Primary Government</u>			
	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Weighted Average Days to Maturity (2)</u>
Primary government				
<u>INVESTMENTS:</u>				
Certificates of deposit	\$ 28,859,000	\$ 28,859,000	N/A	80
Total investments	<u>28,859,000</u>	<u>28,859,000</u>		
 Total primary government investments	 <u>\$ 28,859,000</u>	 <u>\$ 28,859,000</u>		

RECONCILIATION TO STATEMENT OF NET ASSETS

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary</u>	<u>Total</u>
Investments, unrestricted	\$ 5,171,000	\$ 3,202,000	\$ -	\$ 8,373,000
Investments, restricted	11,715,000	5,300,000	3,471,000	20,486,000
Total investments	<u>\$ 16,886,000</u>	<u>\$ 8,502,000</u>	<u>\$ 3,471,000</u>	<u>\$ 28,859,000</u>

(1) Ratings are provided where applicable to indicate associated **Credit Risk**. N/A indicates not applicable.

(2) **Interest rate risk** is estimated using either duration or weighted average days to maturity depending on the respective policy.

CITY OF ELK CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Receivables and Uncollectable Amounts

Due from other governments

Governmental activities report sales taxes receivable and grant receivable amounts as due from other governments. Sales tax receivable is comprised of amounts received after year-end for current year taxes on sales. Balances are considered fully collectible.

Accounts Receivable

Governmental activities report ambulance patient receivables totaling \$190,686, net of allowance of \$212,305.

Proprietary activities report accounts receivable of \$768,711 comprised of amounts due from rock yard vendors and citizens for utility services provided. The City has recorded an allowance of \$1,231 based upon historical management knowledge and experience.

Note Receivable

The Elk City Industrial Authority entered into a note receivable with Superior Fabrication, Inc. for the purpose of leasing a building valued at \$3,000,000, of which \$1,870,703 is still due to the city as of June 30, 2013. The note has a variable interest rate stated 4.75% at June 30, 2013. The terms of the note call for 180 monthly payments of principal and interest in the amount of \$27,408, and the note matures on August 1, 2022. Superior Fabrication, Inc. has the option to purchase the building at any time by paying the amount owed on the offsetting loan (Note 2(B)) or extending the agreement another 15 years after the agreement matures in 2022.

Capital Assets

Changes in Capital Assets

	Primary Government			
	Balance at June 30, 2012	Additions	Deletions	Balance at June 30, 2013
<i><u>Governmental Activities</u></i>				
Land and construction in process	\$ 3,274,102	\$ 891,793	\$ -	\$ 4,165,895
Buildings & structures	16,094,569	-	-	16,094,569
Machinery, furniture, & equipment	18,171,461	325,137	-	18,496,598
Infrastructure & improvements	30,423,187	4,045,056	-	34,468,243
Total	67,963,319	5,261,986	-	73,225,305
Less accumulated depreciation	33,193,710	2,511,457	-	35,705,167
Governmental fixed assets, net	\$ 34,769,609	\$ 2,750,529	\$ -	\$ 37,520,138
<i><u>Business-type Activities</u></i>				
Land	\$ 440,000	\$ 116,575	\$ -	\$ 556,575
Buildings & structures	34,175,830	-	1,795,862	32,379,968
Machinery, furniture, & equipment	2,264,176	2,244,104	-	4,508,280
Infrastructure & improvements	20,345,849	-	467	20,345,382
Total	57,225,855	2,360,679	1,796,329	57,790,205
Less accumulated depreciation	14,116,494	1,486,584	467	15,602,611
Business-type fixed assets, net	\$ 43,109,361	\$ 874,095	\$ (1,795,862)	\$ 42,187,594
Total primary government	\$ 77,878,970	\$ 3,624,624	\$ (1,795,862)	\$ 79,707,732

CITY OF ELK CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Capital Assets by Fund

	Public Works Authority	Airport Authority	Industrial Authority	Elk City Online	Total Enterprise Capital Assets
Land	\$ -	\$ 270,000	\$ 286,575	\$ -	\$ 556,575
Buildings & structures	12,340	135,000	32,232,628	-	32,379,968
Machinery, furniture, & equipment	2,319,677	175,195	1,987,301	26,107	4,508,280
Infrastructure & improvements	19,658,997	430,316	256,069	-	20,345,382
Total	21,991,014	1,010,511	34,762,573	26,107	57,790,205
Less accumulated depreciation	(6,683,160)	(315,061)	(8,578,283)	(26,107)	(15,602,611)
Business-type fixed assets, net	\$ 15,307,854	\$ 695,450	\$ 26,184,290	\$ -	\$ 42,187,594

Depreciation Expense

Primary Government			
<u>Governmental Activities</u>		<u>Business-type Activities</u>	
General government	\$ 429,102	Water	\$ 638,907
Public safety & judiciary	308,710	Airport	30,839
Transportation	22,996	Industrial	816,838
Cultural, parks & recreation	515,539		
Public service	1,009,217	Total depreciation expense	<u>\$ 1,486,584</u>
Economic development	225,893		
Total depreciation expense	<u>\$ 2,511,457</u>		

B. Liabilities

Notes and Bonds Payable

Business-Type Activities

Notes Payable:

The Elk City Public Works Authority entered into a loan with the City of Sayre for a percentage of Oklahoma Department of Commerce loan funds. The funds were obtained for landfill improvements. The loan is non-interest bearing and has a final maturity date of June 28, 2019. Principal payments of \$521 are due each month. \$ 37,499

In fiscal year 2010, The Elk City Public Works Authority obtained a construction loan not to exceed an original amount \$8,825,000 from the Oklahoma Water Resources Board (OWRB) to finance construction of a waterline. The loan has a fixed interest rate of 3.09% plus an administrative fee of .50% per year and is payable in semi-annual installments of \$117,667 plus interest and administrative fees beginning September 15, 2011. The loan is secured with the Elk City Public Works Authority's assets and future revenues and matures March 15, 2041. The project was completed in January 2012 and the unused funds were de-obligated. The final loan was for \$8,686,856, reduced by \$2,000,000 of principal forgiveness through the American Recovery and Reinvestment Act of 2009. 6,376,319

The Elk City Industrial Authority entered into a loan agreement with First National Bank & Trust for the purpose of constructing a building for Superior Fabrication, Inc. The loan is offset with a note receivable with Superior Fabrication, Inc. (Note 2(A)) which has the same payment terms as this loan. The loan is payable in 180 monthly installments of principal and interest of \$27,408 and matures on August 1, 2022. The loan has a variable interest rate which was 4.75% on June 30, 2013. The loan can be paid of early if Superior Fabrication, Inc. chooses to purchase the building for the remaining cost of the loan. 1,870,703

Conduit Debt Obligations:

The Elk City Industrial Authority entered into two separate loans \$10,000,000 and \$7,000,000 with Bank 11,453,000

CITY OF ELK CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

of America for a total of \$17,000,000 to finance the construction of a school arena complex. Both loans are secured with a 1% sales tax on the gross receipts derived from all sales within the City approved by the citizens of Elk City during fiscal year, 2004. The loans carry a variable interest rate calculated at 65% of 6-month LIBOR plus 150 basis points. The Authority has entered in to an interest rate swap agreement that effectively establishes a fixed rate for each loan 5.43% and 5.4%, respectively. The loans are payable in annual installments ranging from \$709,000-\$1,336,000 plus interest each year until the loans mature in 2023. Refer to conduit debt further described below.

\$ 19,737,521

Conduit Debt

The Elk City Industrial Authority issued three limited obligations to finance the construction of a school arena complex. This facility is owned by the Industrial Authority and leased by Elk City Public Schools and reported as an Industrial Authority asset. The debt is a limited obligation of the Industrial Authority and payable only from the dedicated 1 cent sales tax. This does not constitute a pledge of faith and the Authority has no obligation for the debt beyond the dedicated sales tax. The debt is reported under the Industrial Authority. At June 30, 2013, the Industrial Authority reported \$11,453,000 of outstanding conduit debt.

Changes in Long-Term Debt

<u>Type of Debt</u>	<u>Balance at July 1, 2012</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Balance at June 30, 2013</u>	<u>Due Within One Year</u>
Business-type activities:					
Public Works Authority					
City of Sayre	\$ 43,749	\$ -	\$ 6,250	\$ 37,499	\$ 6,250
OWRB	<u>6,505,830</u>	<u>-</u>	<u>129,511</u>	<u>6,376,319</u>	<u>134,268</u>
Total Public Works Authority	<u>6,549,579</u>	<u>-</u>	<u>135,761</u>	<u>6,413,818</u>	<u>140,518</u>
Industrial Authority					
First National Bank (SFI)	2,103,226	-	232,523	1,870,703	234,592
Conduit Debt	<u>12,201,000</u>	<u>-</u>	<u>748,000</u>	<u>11,453,000</u>	<u>789,000</u>
Total Industrial Authority	<u>14,304,226</u>	<u>-</u>	<u>980,523</u>	<u>13,323,703</u>	<u>1,023,592</u>
Total business-type debt	<u>\$ 20,853,805</u>	<u>\$ -</u>	<u>\$ 1,116,284</u>	<u>\$ 19,737,521</u>	<u>\$ 1,164,110</u>

Annual Debt Service Requirements

Year Ending June 30	Public Works Authority		Industrial Authority		Conduit Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 140,518	\$ 198,746	\$ 234,563	\$ 94,331	\$ 789,000	\$ 42,746
2015	145,449	194,501	247,179	81,715	831,000	45,021
2016	149,960	190,618	260,473	68,422	877,000	47,513
2017	155,840	185,557	274,481	54,413	924,000	50,060
2018	161,335	29,260	289,244	39,651	974,000	52,769
2019-2023	846,438	853,776	564,763	71,340	5,722,000	310,001
2024-2028	998,819	711,858	-	-	1,336,000	72,381
2029-2033	1,196,016	542,156	-	-	-	-
2034-2038	1,432,951	338,190	-	-	-	-
2039-2041	1,186,492	67,885	-	-	-	-
Totals	<u>\$ 6,413,818</u>	<u>\$ 3,312,547</u>	<u>\$ 1,870,703</u>	<u>\$ 409,872</u>	<u>\$ 11,453,000</u>	<u>\$ 620,491</u>

CITY OF ELK CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

C. Interfund Balances

	<u>Transfer In</u>	<u>Transfer Out</u>
GOVERNMENTAL ACTIVITIES		
<i>GENERAL FUND</i>		
PUBLIC WORKS AUTHORITY	\$ 30,632	\$ 119,232
NON-MAJOR FUNDS	102,119	-
<i>CAPITAL PROJECTS</i>		
PUBLIC WORKS AUTHORITY	4,102	278,362
AIRPORT AUTHORITY	3,725	173,371
<i>ECONOMIC DEVELOPMENT</i>		
INDUSTRIAL AUTHORITY	847,000	-
<i>NON-MAJOR FUNDS</i>		
GENERAL FUND	-	102,119
BUSINESS-TYPE ACTIVITIES		
<i>PUBLIC WORKS AUTHORITY</i>		
GENERAL FUND	119,232	30,632
CAPITAL PROJECTS	278,362	4,102
INDUSTRIAL AUTHORITY	-	121,727
<i>AIRPORT AUTHORITY</i>		
CAPITAL PROJECTS	173,371	3,725
<i>INDUSTRIAL AUTHORITY</i>		
PUBLIC WORKS AUTHORITY	121,727	-
ECONOMIC DEVELOPMENT	-	847,000
	\$ 1,680,270	\$ 1,680,270

(3) REVENUES AND EXPENSES

Interfund Transfers

Refer to Note (2)C. Interfund Balances

(4) PENSION AND POST-EMPLOYMENT PLANS

The City participates in three employee pension systems as follows:

<u>Name of Plan</u>	<u>Type of Plan</u>
The Hartford Deferred Comp	457 Deferred Compensation Plan
Oklahoma Police Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan
Oklahoma Firefighter Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan

A. Hartford Deferred Comp

Plan Description

Substantially all of the City's full time employees, with the exception of police officers and firefighters, participate in a deferred compensation plan administered by The Hartford. The plan is funded through contributions as elected by the City Commission. Participants may contribute a portion of their salary to the plan under Internal Revenue Code section 457. The City contributes to the plan using a sliding scale dependent upon longevity.

The fair value of the plan assets for the City was \$2,995,498 as of June 30, 2013. For the year ended June 30, 2013, total contributions to the plan were \$246,537.

B. Oklahoma Police and Firefighter's Pension and Retirement Systems

Plan Description

The City participates in two statewide, cost-sharing, multiple-employer defined benefit plans on behalf of police officers and firefighters. The table below is a summary of eligibility factors contribution methods, and benefit provisions.

CITY OF ELK CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

These two systems are administered by agencies of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations as necessary.

	Oklahoma Firefighter's Pension and Retirement System	Oklahoma Police Pension and Retirement System
Eligibility to participate	All full-time or voluntary firefighters of a participating municipality hired before age 45.	All full-time officers employed by a participating municipality; not less than 21 years of age or more than 45 years of age when hired
Authority establishing contribution obligations and benefits	State Statute	State Statute
Plan member's contribution rate	8% of covered payroll	8% of covered payroll
City's contribution rate	13% per year, per firefighter	13% of covered payroll
Period required to vest	10 years	10 years
Benefits and eligibility for distribution (full time)	20 years credited service, 2 1/2% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.	20 years credited service, 2 1/2% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.
Benefits and eligibility for distribution (volunteer)	20 years credited service equal to \$7.53 per month per year of service, with a maximum of 30 years considered.	NA
Deferred retirement option	Yes, 20 years credited service with continued service for 30 or more years.	Yes, 20 years credited service with option to participate in deferred option plan for a maximum of 5 years
<i>Annual Required Contributions</i>		
Provision for:		
Cost of living adjustment	Yes, if vested by 5/83	Yes
Death (duty, non-duty, post retirement)	Yes	Yes
Disability (duty, non-duty)	Yes	Yes
Cost of living allowances	Yes	Yes

Contributions are required by Oklahoma State Statute. Trend information showing the progress of the systems in accumulating sufficient assets to pay benefits when due is presented in the annual financial reports of the respective plans. Copies of these reports may be obtained from the respective state retirement systems; Oklahoma Firefighter Pension and Retirement System at 4545 N. Lincoln Blvd., Ste. 265, Oklahoma City, OK 73105 and the Oklahoma Police Pension and Retirement System 1001 N.W. 63rd Street, Suite 305, Oklahoma City, OK 7316-7335.

(5) COMMITMENTS AND CONTINGENCIES

A. Landfill Closure and Post-Closure Care

State and federal laws and regulations require the City of Elk City to place a final cover on landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure on the current landfill. Although closure and post-closure care costs will be paid only near or after the date the landfill stops accepting waste as a liability based on landfill capacity used as of June 30, 2013. The landfill, which is currently in use, was estimated to have used ninety-nine percent of its capacity as of June 30, 2013 and has approximately 298 days of capacity remaining. The financial statements reflect an accrual of \$1,504,311 as a liability in current debt to cover the estimated costs. This is an increase of \$256,250 over prior year. This amount is only an estimate based on current circumstances and may change due to inflation, changes in technology, or changes in regulations.

B. Litigation

The City is a party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the

CITY OF ELK CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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.

C. Grant Program Involvement

In the normal course of operations, the City participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement, which may arise as a result of these audits, cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

City of Elk City Oklahoma
General Fund
Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2013

	Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES					
Sales tax	\$ 4,544,650	\$ 670,000	\$ 5,214,650	\$ 5,517,830	\$ 303,180
Use tax	1,100,000	-	1,100,000	1,040,987	(59,013)
Franchise tax	460,000	-	460,000	510,572	50,572
Other taxes	258,750	-	258,750	206,411	(52,339)
Licenses and permits	60,000	-	60,000	153,586	93,586
Rents & royalties	288,250	-	288,250	389,615	101,365
Fines and forfeitures	600,000	-	600,000	504,508	(95,492)
Charges for services	709,750	-	709,750	881,130	171,380
Intergovernmental revenues	121,000	52,732	173,732	324,826	151,094
Donations	20,000	-	20,000	60,073	40,073
Other revenues	185,000	-	185,000	104,074	(80,926)
Interest	80,000	-	80,000	126,880	46,880
Total revenues	8,427,400	722,732	9,150,132	9,820,492	670,360
EXPENDITURES					
<u>General government:</u>					
Managerial	613,000	-	613,000	482,674	130,326
Clerk	1,080,000	80,000	1,160,000	1,125,103	34,897
Treasurer	95,500	-	95,500	66,725	28,775
City Attorney	44,500	-	44,500	44,478	22
Information Technology	159,500	-	159,500	116,502	42,998
<u>Public safety and judiciary:</u>					
Police & DOC	2,510,500	4,081	2,514,581	2,439,794	74,787
Municipal Court	86,200	-	86,200	76,167	10,033
Animal Control	204,000	-	204,000	183,284	20,716
Fire/ambulance	1,987,500	155,679	2,143,179	2,106,185	36,994
Ambulance	-	-	-	-	-
<u>Culture and recreation:</u>					
Museum	405,000	-	405,000	399,893	5,107
Library	190,000	-	190,000	183,538	6,462
Civic Center	75,000	2,500	77,500	75,841	1,659
Park	442,500	51,365	493,865	440,808	53,057
Swimming Pool	89,000	-	89,000	55,306	33,694
<u>Public services</u>					
Cemetery	135,500	10,000	145,500	144,490	1,010
Inspection	163,000	-	163,000	153,247	9,753
Youth & Family	367,000	-	367,000	353,372	13,628
Total expenditures	8,647,700	303,625	8,951,325	8,447,407	503,918
Revenue over (under) expenditures	(220,300)	419,107	198,807	1,373,085	166,442
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	235,000	(95,000)	140,000	13,519	(126,481)
Net other financing sources (uses)	235,000	(95,000)	140,000	13,519	(126,481)
Revenues and other financing sources over (under) expenditures and other uses	14,700	324,107	338,807	1,386,604	39,961
Fund balance at beginning of year (Non-GAAP budgetary basis)				7,064,700	
Fund balance at end of year (Non-GAAP budgetary basis)				<u>\$ 8,451,304</u>	
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				(619,067)	
Fund balance at end of year (GAAP basis)				<u>\$ 7,832,237</u>	

City of Elk City Oklahoma
Capital Projects
Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2013

	<u>Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUES					
Sales tax	\$ 5,382,800	\$ 680,000	\$ 6,062,800	\$ 6,521,072	\$ 458,272
Interest	15,000	-	15,000	-	(15,000)
Other income	-	350,873	350,873	443,584	92,711
Total revenues	<u>5,397,800</u>	<u>1,030,873</u>	<u>6,428,673</u>	<u>6,964,656</u>	<u>535,983</u>
EXPENDITURES					
Capital Projects					
Airport	120,000	-	120,000	192,720	(72,720)
Ambulance	-	-	-	-	-
Police	156,500	-	156,500	38,848	117,652
Fire	262,000	(41,500)	220,500	131,608	88,892
Animal Control	-	-	-	-	-
Cemetery	40,000	(10,000)	30,000	-	30,000
City Hall	298,000	-	298,000	29,097	268,903
Managerial	-	-	-	-	-
Park	98,000	172,372	270,372	142,499	127,873
Swimming Pool	-	-	-	6,425	(6,425)
Museum	195,000	140,781	335,781	186,526	149,255
Street	1,095,000	2,354,541	3,449,541	2,258,255	1,191,286
Right of way	-	-	-	-	-
Fleet	230,000	(50,000)	180,000	183,217	(3,217)
Public facilities	32,000	-	32,000	-	32,000
Water	683,000	(17,704)	665,296	202,730	462,566
Wastewater	150,000	32,000	182,000	77,490	104,510
Sanitation	72,500	-	72,500	36,314	36,186
Landfill	860,000	-	860,000	210,924	649,076
Youth & Family	3,500	28,500	32,000	31,727	273
Treasurer	3,000	-	3,000	785	2,215
Library	36,000	18,323	54,323	19,139	35,184
Civic Center	50,000	191,000	241,000	210,065	30,935
Information Technology	50,000	-	50,000	9,965	40,035
Total expenditures	<u>4,434,500</u>	<u>2,818,313</u>	<u>7,252,813</u>	<u>3,968,334</u>	<u>3,284,479</u>
Revenue over (under) expenditures	963,300	(1,787,440)	(824,140)	2,996,322	(2,748,496)
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	(500,000)	95,000	(405,000)	(1,578)	403,422
Net other financing sources (uses)	<u>(500,000)</u>	<u>95,000</u>	<u>(405,000)</u>	<u>(1,578)</u>	<u>403,422</u>
Revenues and other financing sources over (under) expenditures and other uses	463,300	(1,692,440)	(1,229,140)	2,994,744	
Fund balance at beginning of year (Non-GAAP budgetary basis)				6,091,916	
Fund balance at end of year (Non-GAAP budgetary basis)				<u>\$ 9,086,660</u>	
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				798,316	
Fund balance at end of year (GAAP basis)				<u>\$ 9,884,976</u>	

City of Elk City Oklahoma
Economic Development
Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2013

	<u>Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUES					
Rental Income	\$ 50,000	\$ -	\$ 50,000	\$ 50,000	\$ -
Interest	10,000	-	10,000	52,900	42,900
Other income	-	-	-	85,173	85,173
Total revenues	<u>60,000</u>	<u>-</u>	<u>60,000</u>	<u>188,073</u>	<u>128,073</u>
EXPENDITURES					
Economic Development					
Personal Services	145,000	-	145,000	75,820	69,180
Materials & Supplies	5,000	-	5,000	23,451	(18,451)
Other Charges & Services	225,000	-	225,000	132,116	92,884
Capital Outlay	-	2,082,000	2,082,000	1,470,257	611,743
Debt Service	-	-	-	-	-
Total expenditures	<u>375,000</u>	<u>2,082,000</u>	<u>2,457,000</u>	<u>1,701,644</u>	<u>755,356</u>
Revenue over (under) expenditures	(315,000)	(2,082,000)	(2,397,000)	(1,513,571)	(627,283)
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	<u>250,000</u>	<u>-</u>	<u>250,000</u>	<u>-</u>	<u>(250,000)</u>
Net other financing sources (uses)	<u>250,000</u>	<u>-</u>	<u>250,000</u>	<u>-</u>	<u>(250,000)</u>
Revenues and other financing sources over (under) expenditures and other uses	(65,000)	(2,082,000)	(2,147,000)	(1,513,571)	
Fund balance at beginning of year (Non-GAAP budgetary basis)				2,794,061	
Fund balance at end of year (Non-GAAP budgetary basis)				<u>\$ 1,280,490</u>	
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				804,958	
Fund balance at end of year (GAAP basis)				<u>\$ 2,085,448</u>	

City of Elk City, Oklahoma
Combining Balance Sheet
Non-Major Governmental Funds (continued)
June 30, 2013

	<u>Street & Alley Fund</u>	<u>Improvement Fund</u>	<u>Civil Defense</u>	<u>Police Special Revenue</u>	<u>Fire Special Revenue</u>	<u>Cemetery Corpus Fund</u>	<u>Municipal Court Fund</u>	<u>Museum Building Fund</u>	<u>Special Library Fund</u>
ASSETS									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 42,685	\$ 81,264	\$ -	\$ 1,198	\$ -	\$ -
Investments	100,000	15,000	2,000	-	57,000	60,000	-	-	60,000
Due from other governments	-	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 100,000</u>	<u>\$ 15,000</u>	<u>\$ 2,000</u>	<u>\$ 42,685</u>	<u>\$ 138,264</u>	<u>\$ 60,000</u>	<u>\$ 1,198</u>	<u>\$ -</u>	<u>\$ 60,000</u>
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 1,222	\$ -	\$ 1,198	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,222</u>	<u>-</u>	<u>1,198</u>	<u>-</u>	<u>-</u>
FUND BALANCES									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	100,000	-	-	-	-	60,000	-	-	-
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	15,000	2,000	42,685	137,042	-	-	-	60,000
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balances	<u>100,000</u>	<u>15,000</u>	<u>2,000</u>	<u>42,685</u>	<u>137,042</u>	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>60,000</u>
Total liabilities and fund balances	<u>\$ 100,000</u>	<u>\$ 15,000</u>	<u>\$ 2,000</u>	<u>\$ 42,685</u>	<u>\$ 138,264</u>	<u>\$ 60,000</u>	<u>\$ 1,198</u>	<u>\$ -</u>	<u>\$ 60,000</u>

City of Elk City, Oklahoma
Combining Balance Sheet
Non-Major Governmental Funds (continued)
June 30, 2013

	<u>Revolving Loan Fund</u>	<u>Carousel Maintenance</u>	<u>Museum Exhibit Fund</u>	<u>Landfill</u>	<u>Clearing</u>	<u>Public Facilities</u>	<u>Hotel Tax Fund</u>	<u>Tax Incentive Fund</u>	<u>Total Non-Major Funds</u>
ASSETS									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 7,883	\$ 55,629	\$ -	\$ 427,014	\$ 211,030	\$ 826,703
Investments	5,000	100,000	25,000	450,000	-	41,000	600,000	-	1,515,000
Due from other governments	-	-	-	-	-	-	-	2,071	2,071
Inventory	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 5,000</u>	<u>\$ 100,000</u>	<u>\$ 25,000</u>	<u>\$ 457,883</u>	<u>\$ 55,629</u>	<u>\$ 41,000</u>	<u>\$ 1,027,014</u>	<u>\$ 213,101</u>	<u>\$ 2,343,774</u>
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,420
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,420</u>
FUND BALANCES									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	213,101	373,101
Committed	-	-	-	457,883	-	41,000	1,027,014	-	1,525,897
Assigned	5,000	100,000	25,000	-	-	-	-	-	386,727
Unassigned	-	-	-	-	55,629	-	-	-	55,629
Total fund balances	<u>5,000</u>	<u>100,000</u>	<u>25,000</u>	<u>457,883</u>	<u>55,629</u>	<u>41,000</u>	<u>1,027,014</u>	<u>213,101</u>	<u>2,341,354</u>
Total liabilities and fund balances	<u>\$ 5,000</u>	<u>\$ 100,000</u>	<u>\$ 25,000</u>	<u>\$ 457,883</u>	<u>\$ 55,629</u>	<u>\$ 41,000</u>	<u>\$ 1,027,014</u>	<u>\$ 213,101</u>	<u>\$ 2,343,774</u>

City of Elk City, Oklahoma
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
June 30, 2013

	Street & Alley Fund	Improvement Fund	Civil Defense	Police Special Revenue	Fire Special Revenue	Cemetery Corpus Fund	Municipal Court Fund	Museum Building Fund	Special Library Fund
REVENUES									
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-	-	-
Fines & forfeitures	-	-	-	-	-	-	-	-	-
Rental income	-	-	-	-	-	-	-	-	-
Other income	-	-	-	5,380	36,862	-	-	-	-
Donations	-	-	-	800	-	-	-	-	-
Interest income	-	-	-	199	611	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,379</u>	<u>37,473</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES									
General government:									
General government	-	-	-	-	-	-	-	-	-
Total general government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Public safety and judiciary:									
Police	-	-	-	203	-	-	-	-	-
Fire	-	-	-	-	42,134	-	-	-	-
Ambulance	-	-	-	-	-	-	-	-	-
Total public safety and judiciary	<u>-</u>	<u>-</u>	<u>-</u>	<u>203</u>	<u>42,134</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transportation:									
Street	-	-	-	-	-	-	-	-	-
Total transportation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cultural, parks and recreation:									
Musuem	-	-	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-	-	-
Total cultural, parks and recreation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Public Service:									
Landfill	-	-	-	-	-	-	-	-	-
Total public services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Economic Development:									
Economic development	-	-	-	-	-	-	-	-	-
Total economic development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital outlay	-	-	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>203</u>	<u>42,134</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,176</u>	<u>(4,661)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)									
Transfers in/(out)	-	-	-	-	-	-	-	(15,260)	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,260)</u>	<u>-</u>
Net change in fund balances	-	-	-	6,176	(4,661)	-	-	(15,260)	-
Fund balances - beginning	100,000	15,000	2,000	36,509	141,703	60,000	-	15,260	60,000
Prior period adjustment	-	-	-	-	-	-	-	-	-
Fund balances - ending	<u>\$ 100,000</u>	<u>\$ 15,000</u>	<u>\$ 2,000</u>	<u>\$ 42,685</u>	<u>\$ 137,042</u>	<u>\$ 60,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,000</u>

City of Elk City, Oklahoma
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
June 30, 2013

	<u>Revolving Loan Fund</u>	<u>Carousel Maintenance</u>	<u>Museum Exhibit Fund</u>	<u>Landfill</u>	<u>Clearing</u>	<u>Public Facilities</u>	<u>Hotel Tax Fund</u>	<u>Tax Incentive Fund</u>	<u>Total Non-Major Funds</u>
REVENUES									
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 288,927	\$ 288,927
Charges for services	-	-	-	-	-	-	-	-	-
Fines & forfeitures	-	-	-	-	-	-	-	-	-
Rental income	-	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	889,388	-	931,630
Donations	-	-	-	-	-	-	-	-	800
Interest income	-	-	-	3,811	1,429	-	5,874	519	12,443
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,811</u>	<u>1,429</u>	<u>-</u>	<u>895,262</u>	<u>289,446</u>	<u>1,233,800</u>
EXPENDITURES									
General government:									
General government	-	-	-	-	-	-	-	-	-
Total general government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Public safety and judiciary:									
Police	-	-	-	-	-	-	-	-	203
Fire	-	-	-	-	-	-	-	-	42,134
Ambulance	-	-	-	-	-	-	-	-	-
Total public safety and judiciary	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,337</u>
Transportation:									
Street	-	-	-	-	-	-	-	-	-
Total transportation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cultural, parks and recreation:									
Musuem	-	-	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-	-	-
Total cultural, parks and recreation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Public Service:									
Landfill	-	-	-	-	-	-	-	-	-
Total public services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Economic Development:									
Economic development	-	-	-	-	-	-	503,238	-	503,238
Total economic development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>503,238</u>	<u>-</u>	<u>503,238</u>
Capital outlay	-	-	-	-	-	-	-	100,000	100,000
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>503,238</u>	<u>100,000</u>	<u>645,575</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,811</u>	<u>1,429</u>	<u>-</u>	<u>392,024</u>	<u>189,446</u>	<u>588,225</u>
OTHER FINANCING SOURCES (USES)									
Transfers in/(out)	-	-	-	-	-	-	-	(86,859)	(102,119)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(86,859)</u>	<u>(102,119)</u>
Net change in fund balances	-	-	-	3,811	1,429	-	392,024	102,587	486,106
Fund balances - beginning	5,000	100,000	25,000	454,072	54,200	41,000	634,990	32,567	1,777,301
Prior period adjustment	-	-	-	-	-	-	-	77,947	77,947
Fund balances - ending	<u>\$ 5,000</u>	<u>\$ 100,000</u>	<u>\$ 25,000</u>	<u>\$ 457,883</u>	<u>\$ 55,629</u>	<u>\$ 41,000</u>	<u>\$ 1,027,014</u>	<u>\$ 213,101</u>	<u>\$ 2,341,354</u>

City of Elk City, Oklahoma
Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2013

	<u>Water Meter Deposit Fund</u>	<u>Municipal Court Bond Fund</u>	<u>Total Agency Funds</u>
ASSETS			
Cash and cash equivalents	\$ 107,937	\$ 2,012	\$ 109,949
Investments	96,000	-	96,000
Total assets	<u>\$ 203,937</u>	<u>\$ 2,012</u>	<u>\$ 205,949</u>
LIABILITIES			
Due to other funds	\$ -	\$ -	\$ -
Bonds and deposits subject to refund	203,937	2,012	205,949
Total liabilities	<u>\$ 203,937</u>	<u>\$ 2,012</u>	<u>\$ 205,949</u>

Derrel S. White, CPA

P.O. Box 842
Woodward, OK 73802
(580) 256-6830

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 City Council
City of Elk City, OK

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Elk City, OK, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Elk City, OK's basic financial statements, and have issued our report thereon dated November 14, 2013. Our report was issued with unmodified opinions on the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Elk City, OK'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 City of Elk City, OK's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Elk City, OK'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 Elk City, OK'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.



Derrel S. White, CPA

Woodward, OK

November 14, 2013