



THE CITY OF EL RENO, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

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

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

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of El Reno, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of El Reno, Oklahoma's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of El Reno, Oklahoma, as of June 30, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2012, on our consideration of the City of El Reno, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension plan information on pages 7 through 17 and 60 through 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of El Reno, Oklahoma'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 schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations (federal awards only)*, and is also not a required part of the basic financial statements. The combining and individual nonmajor governmental funds, general fund accounts, enterprise funds and internal service funds combining schedules and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole

HBC CPAs + Advisors

Yukon, Oklahoma
March 12, 2012

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Our discussion and analysis of the City of El Reno's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2011, the City's total net assets increased by \$3.8 million or 11.6% from the prior year.
- During the year, the City's expenses for governmental activities were \$11 million and were funded by program revenues of \$1.6 million and further funded with taxes and other general revenues that totaled \$10.4 million.
- In the City's business-type activities, such as utilities, hospital, airport, and golf program revenues exceeded expenditures by \$3.0 million.
- Sales and use taxes increased by \$2.4 million or 31% over the prior fiscal year. This translates into an increase in taxable sales of \$59.1 million from the prior year.
- At June 30, 2011, the General Fund reported an unassigned, fund balance of \$2 million, which is an increase of 30% from the prior year.
- For budgetary reporting purposes, the General Fund reported revenues over estimates of \$1.3 million or 10%, while expenditures were under the final appropriations by approximately \$425,000 or 3%.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

About the City

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

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

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

(Unaudited. See accompanying auditor's report.)

The City's Financial Reporting Entity

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

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

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

During fiscal year 2011, The El Reno Airpark Authority and El Reno Recreation Authority passed resolutions to meet the criteria for blended component units of the City. The City Council and Mayor are now the Trustees of the Authorities; therefore these Authorities will be reported as blended component units effective for the fiscal year 2010-2011.

For comparison purposes within this MD&A, the fiscal year 2010 comparative data has been restated to include the Airpark Authority and Recreation Authority activity as blended component units within the business-type activities and the total columns.

Using This Annual Report

This annual report is presented in a format that substantially meets the presentation requirements of the Governmental Accounting Standards Board (GASB) in accordance with generally accepted accounting principles. The presentation includes financial statements that communicate the City's financial condition and changes therein on the accrual basis of accounting at two distinct levels:

- **The City as a Whole** (a government-wide presentation)
- **The City's Funds** (a presentation of the City's major and aggregate non-major funds)

(Unaudited. See accompanying auditor's report.)

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

The City's various government-wide and fund financial statements are presented throughout this annual report and are accompanied by:

- **Management's Discussion and Analysis** – that provides useful analysis that facilitates a better understanding of the City's financial condition and changes therein.
- **Footnotes** - that elaborate on the City's accounting principles used in the preparation of the financial statements and further explain financial statement elements
- **Supplemental Schedules** – that provide additional information about specified elements of the financial statements, such as budgetary comparison information

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

One of the most frequently asked questions about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady over the past year?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two government-wide statements report the City's net assets and changes in them from the prior year. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial condition, or position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving, deteriorating, or remaining steady. However, you must consider other nonfinancial factors, such as changes in the City's tax base, the condition of the City's roads, and the quality of services to assess the overall health and performance of the City.

As mentioned above, in the Statement of Net Assets and the Statement of Activities, we divide the City into three kinds of activities:

- **Governmental activities** – Most of the City's basic services are reported here, including the police, fire, general administration, streets, and parks. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.
- **Business-type activities** – The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's water, wastewater, sanitation, hospital, airpark and recreation activities are reported here.
- **Discretely-presented component unit** – This accounts for activities of the City's reporting entity that does not meet the criteria for blending, specifically the El Reno Economic Development Authority.

(Unaudited. See accompanying auditor's report.)

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

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

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

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

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

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the primary government, assets exceeded liabilities by \$36.8 million at the close of the most recent fiscal year.

(Unaudited. See accompanying auditor's report.)

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

TABLE 1
NET ASSETS (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2011	2010 (Restated)		2011	2010 (Restated)		2011	2010 (Restated)	
Current assets	\$ 12,043	\$ 13,829	-13%	\$ 7,332	\$ 8,123	-10%	\$ 19,375	\$ 21,952	-12%
Capital assets, net	31,045	27,900	11%	27,675	28,230	-2%	58,720	56,130	5%
Other non-current assets	-	-	0%	603	669	-10%	603	669	-10%
Total assets	43,088	41,729	3%	35,610	37,022	-4%	78,698	78,751	0%
Current liabilities	1,426	1,097	30%	4,450	7,299	-39%	5,876	8,396	-30%
Non-current liabilities	934	774	21%	35,080	36,603	-4%	36,014	37,377	-4%
Total liabilities	2,360	1,871	26%	39,530	43,902	-10%	41,890	45,773	-8%
Net assets									
Invested in capital assets, net of related debt	30,877	27,481	12%	7,899	10,786	-27%	38,776	38,267	1%
Restricted	6,977	10,258	-32%	1,812	1,953	-7%	8,789	12,211	-28%
Unrestricted	2,867	2,119	35%	(13,631)	(19,619)	-31%	(10,764)	(17,500)	-38%
Total net assets	\$ 40,721	\$ 39,858	2%	\$ (3,920)	\$ (6,880)	-43%	\$ 36,801	\$ 32,978	12%

The largest portion of the City's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. For 2011, this investment in capital assets, net of related debt amounted to \$38.8 million. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The El Reno Municipal Authority issued the 2011 Hotel/Motel Tax Revenue Note in February of 2011. It is a \$305,000 bond issue that was used to restore the front of the Centre Theater. The Authority transferred the proceeds from this issue to the Hotel Motel Occupancy Surcharge Fund which is a Governmental Fund. This is the fourth similar bond issue that the City has issued in the last four years. The other three are the 2008, 2009, and 2010 Sales Tax Revenue Notes Series.

The El Reno Municipal Authority also continued to draw down money on the 2010 DWSRF OWRB promissory note. This note is \$2.4 million and was issued for improvements for the drinking water system.

At the end of the current fiscal year, the City is able to report positive balances in two categories of net assets: for the government as a whole and the governmental activities. The business-type activities, however, report a negative net assets due to the four bond issues mentioned above were issued by the Authority for governmental capital assets.

The change in the governmental activities current liabilities is due to the 2010 Capital Improvement Fund having an increase in accounts payable of \$680,642. The decrease in governmental activities restricted net assets is due to the decrease in cash in the 2010 Capital Improvement Fund for expenses related to the public safety facility.

(Unaudited. See accompanying auditor's report.)

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

The Hospital Authority entered into a lease agreement with Mercy El Reno Hospital Corporation. As a result of this the only items recorded on the Hospital Authority's books is the debt, capital assets, miscellaneous expenses/revenues, and the rental revenue they receive from the lease. This is the reason for a majority of the changes in the business-type activities.

Changes in Net Assets

For the year ended June 30, 2011, net assets of the primary government changed as follows:

TABLE 2
CHANGES IN NET ASSETS (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2011	2010 (Restated)		2011	2010 (Restated)		2011	2010 (Restated)	
Revenues									
Charges for service	\$ 903	\$ 814	11%	\$ 6,855	\$ 18,341	-63%	\$ 7,758	\$ 19,155	-59%
Operating grants and contributions	674	843	-20%	6	80	-93%	680	923	-26%
Capital grants and contributions	8	94	-91%	515	140	268%	523	234	124%
Taxes	11,039	8,647	28%	-	-	0%	11,039	8,647	28%
Intergovernmental revenue	179	155	15%	-	-	0%	179	155	15%
Investment income	61	65	-6%	38	50	-24%	99	115	-14%
Miscellaneous	281	188	49%	8	48	-83%	289	236	22%
Total revenues	13,145	10,806	22%	7,422	18,659	-60%	20,567	29,465	-30%
Expenses									
General government	1,884	1,864	1%	-	-		1,884	1,864	1%
Public safety	5,425	5,216	4%	-	-		5,425	5,216	4%
Streets	1,522	1,533	-1%	-	-		1,522	1,533	-1%
Culture, parks and recreation	1,217	1,105	10%	-	-		1,217	1,105	10%
Payment to EEDA	-	25	-100%	-	-		-	25	-100%
Interest on long-term debt	1,067	896	19%	-	-		1,067	896	19%
Water	-	-		2,025	1,951	4%	2,025	1,951	4%
Wastewater	-	-		1,272	1,399	-9%	1,272	1,399	-9%
Sanitation	-	-		678	667	2%	678	667	2%
Golf	-	-		670	704	-5%	670	704	-5%
Airport	-	-		638	545	17%	638	545	17%
Hospital	-	-		831	14,851	-94%	831	14,851	-94%
Total expenses	11,115	10,639	4%	6,114	20,117	-70%	17,229	30,756	-44%
Excess (deficiency) before transfers	2,030	167	1116%	1,308	(1,458)	-190%	3,338	(1,291)	-359%
Transfers	(1,165)	6,936	-117%	1,165	(6,936)	117%	-	-	
Extraordinary item - gain on lease of hospital	-	-		487	-	100%	487	-	100%
Increase in net assets	\$ 865	\$ 7,103	-88%	\$ 2,960	\$ (8,394)	-135%	\$ 3,825	\$ (1,291)	-396%

The increase in governmental taxes is due to an increase in sales and use tax revenue of \$2.4 million. The significant change in transfers and net assets in both business-type and governmental activities is a result of the 2010 bond issue which was transferred to the 2010 CIF Fund from the EREF in the amount of \$8 million in the prior year. The other significant changes in the business-type activities are explained in the net assets paragraphs above.

(Unaudited. See accompanying auditor's report.)

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

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note all taxes are classified as general revenue even if restricted for a specific purpose.

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

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2011	2010		2011	2010	
	General government	\$ 1,884	\$ 1,864	1%	(\$1,613)	(\$1,606)
Public safety	5,425	5,216	4%	(4,672)	(4,116)	14%
Streets	1,522	1,533	-1%	(1,374)	(1,332)	3%
Culture, parks and recreation	1,217	1,105	10%	(803)	(913)	-12%
Payment to EEDA	-	25	-100%	-	(25)	-100%
Interest on long-term debt	1,067	896	19%	(1,067)	(896)	19%
Total	\$11,115	\$10,639	4%	(\$9,529)	(\$8,888)	7%

For the year ended June 30, 2011, total expenses for governmental activities amounted to \$11 million which is consistent with the prior year. The payment to the EEDA decreased due to the City now paying a committee separate from the EEDA for these services.

Business-type Activities

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

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	2011	2010		2011	2010	
	Water	\$ 2,025	\$ 1,952	4%	\$ 1,187	\$ 846
Wastewater	1,272	1,398	-9%	(82)	(205)	-60%
Sanitation	678	667	2%	304	356	-15%
Golf	670	704	-5%	(243)	(260)	-7%
Airport	638	545	17%	206	(340)	-161%
Hospital	831	14,851	-94%	(110)	(1,953)	-94%
Total	\$ 6,114	\$ 20,117	-70%	\$ 1,262	\$ (1,556)	-181%

(Unaudited. See accompanying auditor's report.)

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

The City's business-type activities include utility services for water, wastewater, and sanitation. It also includes the Hospital Authority, Airpark Authority and Recreation Authority.

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

- Total business-type activities reported net revenues of \$1.3 million for the year ended June 30, 2011.
- Water, Sanitation, and Airport activities reported net revenue for the year ended June 30, 2011 and the Wastewater, Golf, and Hospital reported net expense.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2011 fiscal year, the governmental funds reported a combined fund balance of \$10.2 million or an 18% decrease. The enterprise funds reported combined net assets (deficit) of \$(3.9) million or a 43% increase from 2010.

Other fund highlights include:

- For the year ended June 30, 2011, the 2010 Capital Improvement Fund's total fund balance decreased by \$3.7 million or 48% due to the decrease in cash and the increase in expenditures for the 2010 bond series capital projects.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the General Fund budget various times. The revised budget included an increase in overall revenue projections of 4% or \$501,430 and an increase in appropriations of 4% or \$453,850. Actual revenues were over estimates by \$1,265,080 or 10%, while expenditures were under final appropriations by \$425,102 or 3%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2011, the City had \$59 million invested in capital assets, net of depreciation, including police and fire equipment, buildings, park facilities, streets, water lines, sewer lines and the hospital assets. (See Table 5). This represents a net increase of \$2.6 million over last year.

(Unaudited. See accompanying auditor's report.)

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

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Land	\$ 1,007	\$ 1,007	\$ 1,212	\$ 1,212	\$ 2,219	\$ 2,219
Buildings	5,055	4,953	3,399	3,625	8,454	8,578
Imp. other than buildings	827	535	5,039	5,475	5,866	6,010
Machinery, furniture and equipment	1,496	1,649	2,067	2,406	3,563	4,055
Infrastructure	14,166	12,439	-	-	14,166	12,439
Intangible water rights	-	-	170	174	170	174
Utility property	-	-	14,575	13,591	14,575	13,591
Construction in progress	8,494	7,317	1,213	1,748	9,707	9,065
Totals	\$ 31,045	\$ 27,900	\$ 27,675	\$ 28,231	\$ 58,720	\$ 56,131

This year's more significant capital asset additions included:

- Centre Theater Renovation
- Road Improvements on CC/Jensen/Airport Road
- Downtown Streetscape Sidewalks
- Adam's Park Lighting and Fencing
- East Clearwell Renovation
- Hospital Clinic Renovations

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

Long- Term Debt

At year-end, the City had \$39.6 million in long-term debt outstanding which represents a \$1.7 million or 4% decrease from the prior year. The City's changes in long-term debt by type of debt are as follows:

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

	Governmental		Business-Type		Total		Total
	Activities		Activities				Percentage
	2011	2010	2011	2010	2011	2010	2010-2011
Accrued absences	\$ 714	\$ 552	\$ 93	\$ 68	\$ 807	\$ 620	30.2%
Insurance claims liability	233	156	-	-	233	156	49.4%
Revenue bonds	-	-	30,967	32,850	30,967	32,850	-5.7%
Notes payable	-	114	6,865	6,351	6,865	6,465	6.2%
Refundable grant obligation	-	-	84	98	84	98	-14.3%
Deposits subject to refund	-	-	275	268	275	268	2.6%
Capital leases	167	305	238	544	405	849	-52.3%
Totals	\$ 1,114	\$ 1,127	\$ 38,522	\$ 40,179	\$ 39,636	\$ 41,306	-4.0%

(Unaudited. See accompanying auditor's report.)

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

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

The Upcoming Year

- The City is going to continue to move forward with the CIP bond issues, continue to be prudent with City resources and meet the needs of the citizens.
- The City issued its 2011 Sales Tax Revenue Note in August 2011.
- The City should experience a significant economic growth due to oil and gas businesses relocating here.
- The City is also going to continue to make much needed improvements to waterlines, clearwell and also to meet DEQ requirements regarding their wastewater needs.

Contacting the City's Financial Management

This report is designed to provide our citizens, taxpayers, customers and creditors with an understanding of the City's finances and to demonstrate the City's accountability for the resources it receives. If you have questions about this report or need additional financial information, contact the City's Finance Director at 101 North Choctaw, El Reno, Oklahoma 73036-0700 or telephone at 405-262-4070.

(Unaudited. See accompanying auditor's report.)

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

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

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

Statement of Net Assets– June 30, 2011

City of El Reno
Statement of Net Assets
June 30, 2011

	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>Component Unit</u>
	<u>Activities</u>	<u>Activities</u>		
ASSETS				
Cash and cash equivalents	\$ 8,311,162	\$ 3,799,069	\$ 12,110,231	\$ 3,810
Investments	2,114,590	1,738,773	3,853,363	-
Interest receivable	1,143	750	1,893	-
Accounts receivable, net of allowance	-	875,964	875,964	-
Franchise tax receivable	99,359	-	99,359	-
Court fine receivable, net of allowance	315,900	-	315,900	-
Internal balances	(413,821)	413,821	-	-
Due from other governments	1,615,146	216,953	1,832,099	-
Inventory	-	40,191	40,191	-
Prepaid expense	-	875	875	-
Restricted investments	-	244,999	244,999	-
Capital assets				
Land and construction in progress	9,501,276	2,424,754	11,926,030	-
Other capital assets, net of depreciation	21,543,485	25,250,405	46,793,890	-
Unamortized bond issuance costs	-	602,708	602,708	-
Total Assets	43,088,240	35,609,262	78,697,502	3,810
LIABILITIES				
Accounts payable	895,359	349,788	1,245,147	-
Accrued payroll liabilities	340,007	61,267	401,274	-
Accrued interest payable	4,478	670,291	674,769	-
Due to other governments	7,547	-	7,547	-
Refundable court bonds	3,535	-	3,535	-
Unearned revenue	1,011	20,188	21,199	-
Long-term liabilities				
Due within one year	180,200	3,348,240	3,528,440	-
Due in more than one year	934,274	35,079,670	36,013,944	-
Total liabilities	2,366,411	39,529,444	41,895,855	-
NET ASSETS				
Invested in capital assets, net of related debt	30,877,452	7,899,272	38,776,724	-
Restricted by:				
Enabling legislation	30,816	-	30,816	-
External contracts and groups:				
Permanent fund - nonexpendable	182,939	-	182,939	-
Permanent fund - expendable	4,075	-	4,075	-
Other contracts/groups	6,759,340	1,812,278	8,571,618	-
Unrestricted	2,867,207	(13,631,732)	(10,764,525)	3,810
Total net assets	\$ 40,721,829	\$ (3,920,182)	\$ 36,801,647	\$ 3,810

See accompanying notes to the financial statements.

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

Statement of Activities –Year Ended June 30, 2011

City of El Reno Statement of Activities For the Year Ended June 30, 2011					Net (Expense) Revenue and Changes in Net Assets Primary Government			
Functions/Programs	Expenses	Program Revenue			Governmental Activities	Business-type Activities	Total	Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions				
Primary government								
Governmental Activities								
General Government	\$ 1,884,238	\$ 242,547	\$ 29,183	\$ -	\$ (1,612,508)	\$ -	\$ (1,612,508)	\$ -
Public Safety	5,425,157	512,791	232,667	7,574	(4,672,225)	-	(4,672,225)	-
Streets	1,521,371	-	146,988	-	(1,374,383)	-	(1,374,383)	-
Culture, parks and recreation	1,216,497	148,097	265,296	100	(803,004)	-	(803,004)	-
Interest on long-term debt	1,067,363	-	-	-	(1,067,363)	-	(1,067,363)	-
Total governmental activities	11,114,626	903,435	674,034	7,674	(9,529,483)	-	(9,529,483)	-
Business-type activities								
Water	2,024,833	3,206,430	5,847	-	-	1,187,444	1,187,444	-
Wastewater	1,271,844	1,189,397	-	-	-	(82,447)	(82,447)	-
Sanitation	677,988	981,889	-	-	-	303,901	303,901	-
Golf	670,148	427,068	-	-	-	(243,080)	(243,080)	-
Airport	638,175	329,075	-	515,246	-	206,146	206,146	-
Hospital	831,129	721,115	-	-	-	(110,014)	(110,014)	-
Total business-type activities	6,114,117	6,854,974	5,847	515,246	-	1,261,950	1,261,950	-
Total primary government	17,228,743	7,758,409	679,881	522,920	(9,529,483)	1,261,950	(8,267,533)	-
Component Unit								
El Reno Economic Development Authority	659	-	-	-	-	-	-	(659)
Total component units	659	-	-	-	-	-	-	(659)
General revenues:								
Taxes:								
Sales and use taxes					10,028,090	-	10,028,090	-
Property taxes					5,325	-	5,325	-
Franchise and public service taxes					779,694	-	779,694	-
Hotel/motel taxes					225,588	-	225,588	-
Intergovernmental revenue not restricted to specific programs					178,627	-	178,627	-
Investment income					60,870	37,586	98,456	-
Miscellaneous					281,397	8,251	289,648	-
Transfers - Internal activity					(1,165,413)	1,165,413	-	-
Extraordinary item - gain on lease of hospital					-	487,034	487,034	-
Total general revenues and transfers					10,394,178	1,698,284	12,092,462	-
Change in net assets					864,695	2,960,234	3,824,929	(659)
Net assets (deficit) - beginning					39,857,134	(6,880,416)	32,976,718	4,469
Net assets (deficit) - ending					\$ 40,721,829	\$ (3,920,182)	\$ 36,801,647	\$ 3,810

See accompanying notes to the financial statements.

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

BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

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

Governmental Funds Balance Sheet - June 30, 2011

	<u>General Fund</u>	<u>2010 Capital Improvement Fund (410)</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 2,451,284	\$ 4,793,354	\$ 769,600	\$ 8,014,238
Investments	1,476,935	-	637,655	2,114,590
Interest receivable	374	-	769	1,143
Due from other governments	1,466,210	-	82,465	1,548,675
Franchise tax receivable	164,898	-	932	165,830
Court fine receivable, net	315,900	-	-	315,900
Total assets	<u>5,875,601</u>	<u>4,793,354</u>	<u>1,491,421</u>	<u>12,160,376</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	53,211	811,974	25,957	891,142
Accrued payroll payable	337,879	-	2,126	340,005
Due to other funds	418,821	-	-	418,821
Due to other governments	7,547	-	-	7,547
Refundable court bonds	3,535	-	-	3,535
Deferred revenue	307,516	-	16,317	323,833
Total liabilities	<u>1,128,509</u>	<u>811,974</u>	<u>44,400</u>	<u>1,984,883</u>
Fund balances:				
Nonspendable	-	-	182,939	182,939
Restricted	1,589,131	3,981,380	1,223,720	6,794,231
Committed	-	-	12,335	12,335
Assigned	1,122,674	-	28,027	1,150,701
Unassigned	2,035,287	-	-	2,035,287
Total fund balances	<u>4,747,092</u>	<u>3,981,380</u>	<u>1,447,021</u>	<u>10,175,493</u>
Total liabilities and fund balances	<u>\$ 5,875,601</u>	<u>\$ 4,793,354</u>	<u>\$ 1,491,421</u>	<u>\$ 12,160,376</u>

See accompanying notes to the financial statements.

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

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance – Year Ended June 30, 2011

	<u>General Fund</u>	<u>2010 Capital Improvement Fund (410)</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 10,281,581	\$ -	\$ 758,434	\$ 11,040,015
Intergovernmental	796,463	-	-	796,463
Licenses and permits	192,406	-	-	192,406
Charges for services	43,034	-	86,359	129,393
Fines and forfeitures	429,729	-	-	429,729
Investment income	43,923	558	16,341	60,822
Miscellaneous	321,996	-	42,871	364,867
Total revenues	<u>12,109,132</u>	<u>558</u>	<u>904,005</u>	<u>13,013,695</u>
EXPENDITURES				
Current:				
General government	1,574,292	-	142,931	1,717,223
Public Safety	4,736,350	1,383,055	253,274	6,372,679
Streets	637,522	-	-	637,522
Culture, parks, and recreation	928,304	-	619	928,923
Capital outlay	218,359	2,330,990	751,860	3,301,209
Debt Service:				
Principal	36,746	-	116,950	153,696
Interest	-	-	117,768	117,768
Total Expenditures	<u>8,131,573</u>	<u>3,714,045</u>	<u>1,383,402</u>	<u>13,229,020</u>
Excess (deficiency) of revenues over expenditures	<u>3,977,559</u>	<u>(3,713,487)</u>	<u>(479,397)</u>	<u>(215,325)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,243,090	-	305,000	1,548,090
Transfers out	<u>(3,446,778)</u>	<u>-</u>	<u>(76,351)</u>	<u>(3,523,129)</u>
Total other financing sources and uses	<u>(2,203,688)</u>	<u>-</u>	<u>228,649</u>	<u>(1,975,039)</u>
Net change in fund balances	1,773,871	(3,713,487)	(250,748)	(2,190,364)
Fund balances - beginning	2,973,221	7,694,867	1,697,769	12,365,857
Fund balances - ending	<u>\$ 4,747,092</u>	<u>\$ 3,981,380</u>	<u>\$ 1,447,021</u>	<u>\$ 10,175,493</u>

See accompanying notes to the financial statements.

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

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance - Net Asset Reconciliation:	\$ 10,175,493
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$10,209,799	31,044,761
Internal service funds are used by management to charge costs of certain activities that benefit multiple funds, such as self-insurance costs, to individual funds. The assets and liabilities of these internal service funds are reported in the governmental activities of the Statement of Net Assets: Internal service funds' net assets	64,587
Certain long-term liabilities are not due and payable from current financial resources and, therefore are not reported in the funds:	
Deferred revenue	322,822
Accrued interest payable	(4,478)
Capital lease obligation	(167,309)
Accrued compensated absences	(714,047)
	<u>(563,012)</u>
 Net Assets of Governmental Activities in the Statement of Net Assets	 <u>\$ 40,721,829</u>
 Changes in Fund Balance - Changes in Net Asset Reconciliation:	 \$ (2,190,364)
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures while governmental activities report depreciation and amortization expense to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized	4,935,541
Capital assets transferred to Enterprise Fund	(278,604)
Book value of disposed capital assets	(10,515)
Depreciation expense	(1,501,549)
	<u>3,144,873</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Deferred revenue	(109,321)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:	
Principal payment on capital lease obligation	138,103
Principal payment on notes payable obligation	113,823
	<u>251,926</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
Change in accrued interest payable	3,342
Change in accrued compensated absences	(162,529)
	<u>(159,187)</u>
Internal service fund activity is reported as a proprietary fund in the fund financial statements, but certain net revenues are reported in governmental activities on the Statement of Activities	
Change in net assets for internal service funds	(73,232)
Change in net assets of governmental activities	<u>\$ 864,695</u>

See accompanying notes to the financial statements.

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

BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS

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

Proprietary Funds Statement of Net Assets - June 30, 2011

	<u>El Reno</u> <u>Municipal Trust</u> <u>Authority</u> <u>Enterprise Fund</u>	<u>The City of El</u> <u>Reno Hospital</u> <u>Authority</u>	<u>The City of El</u> <u>Reno Airpark</u> <u>Authority</u>	<u>The City of El</u> <u>Reno</u> <u>Recreational</u> <u>Authority</u>	<u>Totals</u>	<u>Internal Service</u> <u>Funds</u>
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 1,112,638	\$ 66,712	\$ 24,691	\$ 9,438	\$ 1,213,479	\$ 296,924
Restricted cash and cash equivalents	2,464,388	-	-	121,202	2,585,590	-
Investments	1,738,773	-	-	-	1,738,773	-
Interest receivable	750	-	-	-	750	-
Due from other funds	581,023	-	5,946	-	586,969	5,000
Due from other governments	423	-	216,530	-	216,953	-
Inventory	-	-	25,447	14,744	40,191	-
Prepaid expenses	-	-	-	875	875	-
Accounts receivable, net	861,158	-	11,253	3,553	875,964	-
Total current assets	<u>6,759,153</u>	<u>66,712</u>	<u>283,867</u>	<u>149,812</u>	<u>7,259,544</u>	<u>301,924</u>
Non-current assets:						
Restricted investments	244,999	-	-	-	244,999	-
Capital assets:						
Land and construction in progress	1,435,459	5,000	618,867	365,428	2,424,754	-
Other capital assets, net of accumulated depreciation	16,671,137	3,665,602	3,463,016	1,450,650	25,250,405	-
Unamortized debt issuance costs	533,366	-	-	69,342	602,708	-
Total non-current assets	<u>18,884,961</u>	<u>3,670,602</u>	<u>4,081,883</u>	<u>1,885,420</u>	<u>28,522,866</u>	<u>-</u>
Total assets	<u>25,644,114</u>	<u>3,737,314</u>	<u>4,365,750</u>	<u>2,035,232</u>	<u>35,782,410</u>	<u>301,924</u>
LIABILITIES						
Current liabilities:						
Accounts payable	94,905	46	217,123	37,714	349,788	4,219
Accrued payroll payable	58,547	-	1,785	935	61,267	-
Accrued interest payable	652,110	-	-	18,181	670,291	-
Deferred revenue	1,117	-	19,071	-	20,188	-
Due to other funds	5,946	49,158	70,544	47,500	173,148	-
Current portion of:						
Claims liability	-	-	-	-	-	35,397
Refundable grant obligation	13,873	-	-	-	13,873	-
Notes payable	284,709	447,491	30,697	32,253	795,150	-
Revenue bonds payable	1,999,700	-	-	305,000	2,304,700	-
Capital lease obligations	-	136,212	-	89,044	225,256	-
Accrued compensated absences	8,862	-	158	241	9,261	-
Total current liabilities	<u>3,119,769</u>	<u>632,907</u>	<u>339,378</u>	<u>530,868</u>	<u>4,622,922</u>	<u>39,616</u>
Non-current liabilities:						
Claims liability	-	-	-	-	-	197,721
Deposits subject to refund	274,689	-	-	-	274,689	-
Refundable grant obligation	70,156	-	-	-	70,156	-
Notes payable	4,859,668	395,742	706,123	108,513	6,070,046	-
Revenue bonds payable	27,578,634	-	-	990,000	28,568,634	-
Capital lease obligations	-	4,326	-	8,463	12,789	-
Accrued compensated absences	79,759	-	1,425	2,172	83,356	-
Total non-current liabilities	<u>32,862,906</u>	<u>400,068</u>	<u>707,548</u>	<u>1,109,148</u>	<u>35,079,670</u>	<u>197,721</u>
Total liabilities	<u>35,982,675</u>	<u>1,032,975</u>	<u>1,046,926</u>	<u>1,640,016</u>	<u>39,702,592</u>	<u>237,337</u>
NET ASSETS						
Invested in capital assets, net of related debt	7,899,272	2,686,831	3,345,063	282,805	14,213,971	-
Restricted for debt service	1,812,278	-	-	103,021	1,915,299	-
Unrestricted	(20,050,111)	17,508	(26,239)	9,390	(20,049,452)	64,587
Total net assets (deficit)	<u>\$ (10,338,561)</u>	<u>\$ 2,704,339</u>	<u>\$ 3,318,824</u>	<u>\$ 395,216</u>	<u>\$ (3,920,182)</u>	<u>\$ 64,587</u>

See accompanying notes to the financial statements.

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

Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Assets - Year Ended June 30, 2011

	<u>El Reno</u> <u>Municipal Trust</u> <u>Authority</u> <u>Enterprise Fund</u>	<u>The City of El</u> <u>Reno Hospital</u> <u>Authority</u>	<u>The City of El</u> <u>Reno Airpark</u> <u>Authority</u>	<u>The City of El</u> <u>Reno</u> <u>Recreational</u> <u>Authority</u>	<u>Totals</u>	<u>Internal Service</u> <u>Funds</u>
OPERATING REVENUES						
Water charges	\$ 3,134,095	\$ -	\$ -	\$ -	\$ 3,134,095	\$ -
Sewer charges	1,160,287	-	-	-	1,160,287	-
Sanitation charges	957,447	-	-	-	957,447	-
Airport charges	-	-	293,782	-	293,782	-
Golf Course charges	-	-	-	427,068	427,068	-
Water and sewer taps	7,400	-	-	-	7,400	-
Transfer fees	3,475	-	-	-	3,475	-
Returned check charges	2,925	-	-	-	2,925	-
Cut off charges	27,520	-	-	-	27,520	-
Penalties and interest	62,624	-	-	-	62,624	-
Miscellaneous	27,790	824	35,293	-	63,907	-
Rental	-	720,291	-	-	720,291	-
Self insurance charges	-	-	-	-	-	1,200,489
Total operating revenues	<u>5,383,563</u>	<u>721,115</u>	<u>329,075</u>	<u>427,068</u>	<u>6,860,821</u>	<u>1,200,489</u>
OPERATING EXPENSES						
Managerial	144,819	-	-	-	144,819	-
Administration	151,453	-	-	-	151,453	-
Billing	744,033	-	-	-	744,033	-
Water Plant	853,059	-	-	-	853,059	-
Wastewater	477,335	-	-	-	477,335	-
Utility Lines	444,848	-	-	-	444,848	-
Hospital	-	72,917	-	-	72,917	-
Airport	-	-	266,821	-	266,821	-
Golf	-	-	-	409,954	409,954	-
Claims Expense	-	-	-	-	-	1,275,461
Depreciation expense	759,530	698,039	329,962	178,173	1,965,704	-
Amortization expense	59,586	-	-	8,000	67,586	-
Total Operating Expenses	<u>3,634,663</u>	<u>770,956</u>	<u>596,783</u>	<u>596,127</u>	<u>5,598,529</u>	<u>1,275,461</u>
Operating income (loss)	<u>1,748,900</u>	<u>(49,841)</u>	<u>(267,708)</u>	<u>(169,059)</u>	<u>1,262,292</u>	<u>(74,972)</u>
NON-OPERATING REVENUES (EXPENSES)						
Investment income	36,691	-	394	501	37,586	1,740
Miscellaneous	-	-	-	8,251	8,251	-
Interest expense and fiscal charges	(1,428,232)	(60,173)	(41,392)	(74,021)	(1,603,818)	-
Total non-operating revenue (expenses)	<u>(1,391,541)</u>	<u>(60,173)</u>	<u>(40,998)</u>	<u>(65,269)</u>	<u>(1,557,981)</u>	<u>1,740</u>
Income (loss) before contributions and transfers	357,359	(110,014)	(308,706)	(234,328)	(295,689)	(73,232)
Capital contributions	278,604	-	515,246	-	793,850	-
Transfers in	7,004,014	-	18,732	357,397	7,380,143	-
Transfers out	(5,405,104)	-	-	-	(5,405,104)	-
Extraordinary item - gain on lease of hospital	-	487,034	-	-	487,034	-
Change in net assets	<u>2,234,873</u>	<u>377,020</u>	<u>225,272</u>	<u>123,069</u>	<u>2,960,234</u>	<u>(73,232)</u>
Total net assets (deficit) - beginning	<u>(12,573,434)</u>	<u>2,327,319</u>	<u>3,093,552</u>	<u>272,147</u>	<u>(6,880,416)</u>	<u>137,819</u>
Total net assets (deficit) - ending	<u>\$ (10,338,561)</u>	<u>\$ 2,704,339</u>	<u>\$ 3,318,824</u>	<u>\$ 395,216</u>	<u>\$ (3,920,182)</u>	<u>\$ 64,587</u>

See accompanying notes to the financial statements.

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Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2011

	El Reno Municipal Trust Authority Enterprise Fund	City of El Reno Hospital Authority	City of El Reno Airpark Authority	City of El Reno Recreational Authority	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 5,264,295	\$ 721,115	\$ 120,363	\$ 438,029	\$ 6,543,802	\$ -
Payments to suppliers	(1,987,837)	(57,733)	(205,692)	(335,169)	(2,586,431)	(1,196,500)
Payments to employees	(1,066,167)	-	(78,065)	(215,289)	(1,359,521)	-
Receipts of customer meter deposits	41,345	-	-	-	41,345	-
Refunds of customer meter deposits	(34,970)	-	-	-	(34,970)	-
Payment to component unit	-	-	-	-	-	-
Interfund receipts/payments	(164,692)	49,158	18,679	47,500	(49,355)	-
Other income	-	-	-	-	-	1,200,489
Net cash provided by (used in) operating activities	2,051,074	712,540	(144,715)	(64,929)	2,554,870	3,989
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers from other funds	7,004,014	-	18,732	357,397	7,380,143	-
Transfers to other funds	(5,405,104)	-	-	-	(5,405,104)	-
Net cash provided by (used in) noncapital financing activities	1,598,910	-	18,732	357,397	1,975,039	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchases of capital assets	(465,107)	(176,400)	(324,461)	(333)	(966,301)	-
Principal paid on capital debt	(2,191,653)	(585,814)	(18,533)	(361,527)	(3,157,527)	-
Proceeds from capital debt	1,292,645	176,559	-	-	1,469,204	-
Payment of bond issue cost	(11,750)	-	-	-	(11,750)	-
Interest and fiscal agent fees paid on capital debt	(1,333,155)	(60,173)	(41,392)	(66,083)	(1,500,803)	-
Capital grants and contribution	-	-	515,246	-	515,246	-
Net cash provided by (used in) capital and related financing activities	(2,709,020)	(645,828)	130,860	(427,943)	(3,651,931)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	(22,735)	-	-	-	(22,735)	-
Sale of investments	-	-	-	-	-	-
Interest and dividends	37,212	-	394	-	37,606	1,740
Net cash provided by (used in) investing activities	14,477	-	394	-	14,871	1,740
Net increase (decrease) in cash and cash equivalents	956,341	66,712	5,271	(135,475)	892,849	5,729
Balances - beginning of year	2,620,685	-	19,420	266,115	2,906,220	291,195
Balances - end of year	\$ 3,577,026	\$ 66,712	\$ 24,691	\$ 130,640	\$ 3,799,069	\$ 296,924
Reconciliation to Statement of Net Assets:						
Cash and cash equivalents	\$ 1,112,638	\$ 66,712	\$ 24,691	\$ 9,438	\$ 1,213,479	\$ 296,924
Restricted cash and cash equivalents - current	2,464,388	-	-	121,202	2,585,590	-
Total cash and cash equivalents, end of year	\$ 3,577,026	\$ 66,712	\$ 24,691	\$ 130,640	\$ 3,799,069	\$ 296,924

See accompanying notes to the financial statements.

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Reconciliation of operating income (loss) to net cash provided

by operating activities:						
Operating income (loss)	\$ 1,748,900	\$ (49,841)	\$ (267,708)	\$ (169,059)	\$ 1,262,292	\$ (74,972)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	759,530	698,039	329,962	178,173	1,965,704	-
Amortization expense	59,586	-	-	8,000	67,586	-
Miscellaneous revenue	-	-	-	8,251	-	-
Construction in progress expensed	-	15,184	-	-	15,184	-
Change in assets and liabilities:						
Due from other funds	(170,638)	-	(5,946)	-	(176,584)	-
Due from other governments	3,086	-	(216,530)	-	(213,444)	-
Accounts receivable	(117,603)	-	(11,253)	2,710	(126,146)	-
Inventory	-	-	(11,338)	6,420	(4,918)	-
Accounts payable	(275,468)	-	(8,966)	(140,865)	(425,299)	1,487
Accrued payroll payable	15,207	-	1,785	(7,171)	9,821	-
Due to other funds	5,946	49,158	24,625	47,500	127,229	-
Deferred revenue	(4,751)	-	19,071	-	14,320	-
Claims liability	-	-	-	-	-	77,474
Deposits subject to refund	6,375	-	-	-	6,375	-
Accrued compensated absences	21,804	-	1,583	1,112	24,499	-
Net cash provided by (used in) operating activities	\$ 2,051,974	\$ 712,540	\$ (144,715)	\$ (64,929)	\$ 2,546,619	\$ 3,989
Noncash activities:						
Contributed capital assets	\$ 278,604	\$ -	\$ -	\$ -	\$ 278,604	\$ -

See accompanying notes to the financial statements.

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FIDUCIARY FUND

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Fiduciary Fund Statement of Net Assets – Pension Trust Fund - June 30, 2011

ASSETS:

Investments at contract value:	
Insurance contracts	\$ 274,267
Accrued interest receivable	<u>8,158</u>
Total Assets	<u>282,425</u>

NET ASSETS:

Net assets held in trust for pension benefits	<u>\$ 282,425</u>
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Fiduciary Fund Statement of Changes in Fiduciary Net Assets – Pension Trust Fund - Year Ended June 30, 2011

ADDITIONS:

Employee forfeitures	\$ 15,981
Investment Income:	
Contract investment income	<u>96</u>
Total Additions	16,077

DEDUCTIONS:

Annuity purchases	<u>-</u>
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Change in net assets held in trust for employees' pension benefits	16,077
Net assets--beginning	<u>266,348</u>
Net assets--ending	<u>\$ 282,425</u>

See accompanying notes to the financial statements.

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FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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Footnotes to the Statement of Net Assets and Activities:

1. Financial Reporting Entity

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

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

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

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

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

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

Blended Component Units:

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

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

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

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

Discretely Presented Component Unit:

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

Each of these component units are Public Trusts established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. In addition, the City has leased certain existing assets at the creation for the

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Authorities to the Trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

2. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statements of net assets and activities are reported on the accrual basis of accounting and economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized when earned and expenses (including depreciation and amortization) are recorded when the liability is incurred or economic asset used.

Program revenues in the Statement of Activities, are revenues that are derived directly from each activity or from parties outside of the City's taxpayers. The City has the following program revenues in each activity:

- Public Safety – Fire, Police, Ambulance – fines and forfeitures, restricted operating grants, and restricted capital grants
- Airport – charges for services rendered to component unit and FAA capital grant
- Streets – Commercial vehicle and gasoline excise tax shared by the State and other restricted operating grants.
- Culture, parks, and recreation – cemetery revenues, pool fees, operating and capital grants
- General Government – license and permits, plat and abatement fees, demolition fees, and restricted operating grants

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

The funds of the financial reporting entity are described below. Due to the implementation of GASB 54, some of the fund types were reclassified. These are noted in the descriptions below.

Governmental Funds:

The City's governmental funds include:

Major Funds:

- General Fund – accounts for all activities not accounted for in other special-purpose funds. For financial statement reporting purposes the General Fund contains the following combining accounts:
 - Park Improvement Fund
 - Care & Share Fund
 - Sales Tax ¼ cent Fund
 - Lake Fund
 - NWCC Repair and Maintenance Fund
 - Cemetery Everlasting Care Fund
 - Sales Tax Reserve Fund
 - Friends of Route 66
- 2010 Capital Improvement Fund (reported as a capital project fund) – accounts for 2010 Bond Series Construction

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

Special Revenue Funds:

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

- 911 Emergency Fund – accounts for emergency 911 fees restricted for public safety.
- CDGB Fund – accounts for CDGB grant activity.
- El Reno Employee Retirement Fund – accounts for retirement funds forfeited from non-vested, terminated employees. These funds were withdrawn from Southwestern Life and are restricted for employee retirement.
- ERRA Fund – accounts for revenues, expenses, and transfers to and from the blended component unit, El Reno Recreation Authority.
- Cemetery Care Fund – accounts for cemetery fees restricted for cemetery care.
- Hotel Motel Occupancy Surcharge Fund – accounts for the Hotel/Motel tax collections and related expenditures; this was removed from the General Fund after the January 2008 election which restricts these funds to 40% for tourism and 60% for capital.
- Safety Sales Tax ¼ Cent Fund – for the New Public Safety Sales Tax which was approved by voters in January 2008.
- Tax Increment Fund – accounts for revenues received from the two new Tax Increment Fund Districts.

Debt Service Fund:

- Sinking Fund – accounts for ad-valorem taxes levied by the City for use in retiring court-assessed judgments and their related interest expenses.

Capital Project Funds:

- Drainage Improvement Fund – accounts for revenues and expenses for the purpose of creating and/or improving drainage basins.
- Capital Improvement Fund – accounts for an increase in Municipal Court fines. Funds are to be used for capital improvements in general.
- Infrastructure Fund - accounts for various construction projects funded through interfund transfers.
- 2008 Capital Improvement Fund – accounts for 2008 Bond Series Construction
- 2009 Capital Improvement Fund – accounts for 2009 Bond Series Construction

Permanent Funds:

- Library Endowment Fund – accounts for funds which are restricted for library purposes.
- Cemetery Perpetual Care Fund – accounts for funds restricted for the maintenance or improvement of graves, lots, or perpetual care of the cemetery.

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

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

The General Fund and the 2010 Capital Improvement Fund are considered major funds and are therefore displayed in separate columns. All other governmental funds are considered non-major funds and are aggregated under the column Other Governmental Funds. The fund balances, reported on the modified accrual basis for these aggregated non-major funds changed as follows for the year ended June 30, 2011.

Fund	Fund Balance 7/1/2010	Changes in Fund Balance	Fund Balance 6/30/2011
Special Revenue Funds:			
911 Emergency	\$ 30,840	\$ (3,699)	\$ 27,141
CDBG Fund	-	1	1
El Reno Employee Retirement	65	(65)	-
ERRA	1,608	(1,608)	-
Cemetery Care	232,703	(11,327)	221,376
Hotel Motel Occupancy Surcharge	316,410	109,406	425,816
Safety Sales Tax 1/4 Cent	81,267	50,281	131,548
Tax Increment Fund	2,117	1,558	3,675
Debt Service	18,814	1,365	20,179
Capital Project Funds:			
Infrastructure	284,634	3,928	288,562
Drainage Improvement	28,607	-	28,607
Capital Improvement	84,744	28,323	113,067
2008 Capital Improvement	14,297	(14,297)	-
2009 Capital Improvement	384,508	(384,473)	35
Permanent Funds:			
Library Endowment	31,581	(186)	31,395
Cemetery Perpetual Care	185,574	(29,955)	155,619
Total	<u>\$ 1,697,769</u>	<u>\$ (250,748)</u>	<u>\$ 1,447,021</u>

Proprietary Funds:

The City's proprietary funds include:

Enterprise Fund

- El Reno Municipal Trust Authority Fund that accounts for the activities of the public trust in providing water, sewer, and sanitation services to the public.
- City of El Reno Hospital Authority Fund that accounts for the activities of the public trust which operates the hospital that serves the citizens of El Reno and the surrounding communities.

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- El Reno Airpark Authority Fund that operates the local non-commercial airport activities.
- El Reno Recreation Authority that was established to construct and operate the municipal golf course.

Internal Service Funds (combined for reporting purposes)

- Self Insurance Workers' Comp
- Self Insurance Health

The proprietary funds are reported on the accrual basis of accounting and economic resources measurement focus. For business-type activities and proprietary funds, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

For purposes of the statement of revenues, expenses and changes in fund net assets, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

Fiduciary Fund

The City's fiduciary fund is used to report net assets and changes therein of assets held by the City in a trustee or fiduciary capacity. These net assets are not available for operations of the City. The City reports one type of fiduciary fund:

- Pension Trust Fund – used to account for the net assets and changes therein of the El Reno Employee Retirement System.

3. Cash, Cash Equivalents, and Investments

For the purpose of the statements of net assets, balance sheets, and statement of cash flows, cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three-months or less. Trust account investments in open-ended mutual fund shares are also considered cash equivalents for reporting purposes.

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At June 30, 2011, the reporting entity held the following deposits and investments:

Primary Government:

Type	Maturities	Credit Rating	Carrying Value
Deposits:			
Demand deposits			\$ 4,710,853
Cash on hand			2,600
Time deposits	Due within one year		4,098,362
			<u>\$ 8,811,815</u>
Investments:			
Trustee money market accounts		AAAm	7,396,778
Guaranteed insurance contracts			274,267
			<u>7,671,045</u>
Total deposits and investments			<u>\$ 16,482,860</u>
Reconciliation to Statement of Net Assets:			
Cash and cash equivalents			\$ 12,110,231
Investments			3,853,363
Restricted investments			244,999
Fiduciary Fund investments			274,267
			<u>\$ 16,482,860</u>

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

The City’s policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 110% of the uninsured deposits and accrued interest thereon. At June 30, 2011, the City was not exposed to custodial credit risk as defined above.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk - The City has no investment policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U. S. Government, its agencies and instrumentalities to which the full faith and credit of the U. S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.

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- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c., and d.

Concentration of Investment Credit Risk – Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The City places no limit on the amount it may invest in any one issuer. The City has the following concentration of credit risk: 96% (or \$7,396,778) invested in Federated Treasury Obligations money market accounts at Bancfirst.

Restricted cash and Investments – The amounts reported as restricted assets of the statement of net assets are comprised of amounts restricted for debt service, debt reserve, or construction purposes. The restricted assets as of June 30, 2011 are as follows:

	Current Cash and cash Equivalents	Noncurrent Investments
2001 Sales Tax Revenue Bond Revenue Fund	\$ 1,208,805	\$ -
2001 Sales Tax Revenue Bond Principal Fund	2,586	-
2002 Sales Tax Revenue Bond Principal Fund	604,000	-
2005 Sales Tax Revenue Bond Principal Fund	157	-
2005 Sales Tax Revenue Bond Interest Fund	356	-
2005 Sales Tax Revenue Bond Revenue Fund	118,085	-
2006 Sales Tax Revenue Bond Principal Fund	102,031	-
2006 Sales Tax Revenue Bond Interest Fund	19,171	-
2008 Sales Tax Revenue Bond Principal Fund	18	-
2008 Sales Tax Revenue Bond Interest Fund	202,855	-
2008 MA Sales Tax Revenue Bond Construction Fund	9	-
2008 Revenue Bond Construction Fund	9,852	-
2009 Revenue Bond Principal Fund	126,725	-
2009 Clean Water SRF Debt Service	8,091	-
2010 Sales Tax Revenue Bond Principal Fund	152,301	-
Utility Deposits	30,548	244,999
Total	<u>\$ 2,585,590</u>	<u>\$ 244,999</u>

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Component Unit:

All deposits and investments of the component unit were not exposed to custodial credit risk as defined above. No other cash and investment disclosures were available for the discretely presented component unit.

4. Accounts Receivable

Accounts receivable of the business-type activities consist of customers utilities services provided, both billed and unbilled, due at year end, reported net of allowance for uncollectible amounts. The governmental activities receivables include fines receivables.

Primary Government

	Court Fines Receivable	Utilities Receivable	Airpark Receivable	El Reno Recreational Authority
Accounts receivable	\$ 1,052,999	\$ 1,534,226	\$ 11,253	\$ 3,553
Less: allowance for uncollectible accounts	(737,099)	(673,068)	-	-
Accounts receivable, net of allowance	\$ 315,900	\$ 861,158	\$ 11,253	\$ 3,553

5. Inventories

The inventories for the blended component units – El Reno Recreation Authority and the El Reno Airpark Authority – are valued at lower of cost or market using first-in, first-out or market.

6. Capital Assets and Depreciation

Capital Assets:

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. Capital assets are reported at actual or estimated historical cost. Donated capital assets are recorded at their fair value at the date of donation. For the year ended June 30, 2011, capital assets balances changed as follows:

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	Balance at July 1, 2010	Additions	Disposals	Balance at June 30, 2011
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,007,409	\$ -	\$ -	\$ 1,007,409
Construction in progress	7,316,565	3,508,289	2,330,987	8,493,867
Total capital assets not being depreciated	<u>8,323,974</u>	<u>3,508,289</u>	<u>2,330,987</u>	<u>9,501,276</u>
Other capital assets:				
Buildings	6,342,369	284,603	-	6,626,972
Improvements	589,345	341,908	-	931,253
Machinery, furniture and equipment	4,554,539	250,369	143,026	4,661,882
Infrastructure	16,930,421	2,602,754	-	19,533,175
Total other capital assets at historical cost	<u>28,416,674</u>	<u>3,479,634</u>	<u>143,026</u>	<u>31,753,282</u>
Less accumulated depreciation for:				
Buildings	1,389,174	182,449	-	1,571,623
Improvements	54,529	50,084	-	104,613
Machinery, furniture and equipment	2,905,146	393,574	132,511	3,166,209
Infrastructure	4,491,910	875,442	-	5,367,352
Total accumulated depreciation	<u>8,840,759</u>	<u>1,501,549</u>	<u>132,511</u>	<u>10,209,797</u>
Other capital assets, net	<u>19,575,915</u>	<u>1,978,085</u>	<u>10,515</u>	<u>21,543,485</u>
Governmental activities capital assets, net	<u>\$ 27,899,889</u>	<u>\$ 5,486,374</u>	<u>\$ 2,341,502</u>	<u>\$ 31,044,761</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 1,211,649	\$ -	\$ -	1,211,649
Construction in progress	1,747,691	815,184	1,349,770	1,213,105
Total capital assets not being depreciated	<u>2,959,340</u>	<u>815,184</u>	<u>1,349,770</u>	<u>2,424,754</u>
Other capital assets:				
Buildings	8,756,810	-	-	8,756,810
Improvements	10,636,530	10,023	-	10,646,553
Machinery, furniture and equipment	12,887,092	269,458	-	13,156,550
Intangible water rights	207,657	-	-	207,657
Utility property improvements	23,445,542	1,602,241	-	25,047,783
Total other capital assets at historical cost	<u>55,933,631</u>	<u>1,881,722</u>	<u>-</u>	<u>57,815,353</u>
Less accumulated depreciation for:				
Buildings	5,131,649	226,167	-	5,357,816
Improvements	5,161,881	445,262	-	5,607,143
Machinery, furniture and equipment	10,481,235	651,233	42,884	11,089,584
Intangible water rights	33,852	3,909	-	37,761
Utility property improvements	9,854,045	618,599	-	10,472,644
Total accumulated depreciation	<u>30,662,662</u>	<u>1,945,170</u>	<u>42,884</u>	<u>32,564,948</u>
Other capital assets, net	<u>25,270,969</u>	<u>(63,448)</u>	<u>(42,884)</u>	<u>25,250,405</u>
Business-type activities capital assets, net	<u>\$ 28,230,309</u>	<u>\$ 751,736</u>	<u>\$ 1,306,886</u>	<u>\$ 27,675,159</u>

Business –type activities capital assets have been restated to include the El Reno Airpark Authority and the El Reno Recreation Authority which were reported as discretely presented component units in prior year.

Depreciation:

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

Category	Threshold	Lives in Years
Buildings	\$100,000	20 - 50
Improvements Other than Buildings	100,000	20 - 50
Machinery and Equipment	2,500	5 - 20
Infrastructure	500,000	20 - 50

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Depreciation of capital assets is included in total expenses and is charged or allocated to the activities primarily benefiting from the use of the specific asset. Depreciation expense has been allocated as follows:

Governmental Activities:		Business-Type Activities:	
General Government	\$ 98,965	Water	\$ 372,579
Public Safety	266,413	Wastewater	386,950
Highways and Streets	866,899	Hospital	677,506
Culture & Recreation	269,272	Airpark	\$ 329,962
	<u>\$ 1,501,549</u>	Recreation	178,173
			<u>\$ 1,945,170</u>

7. Long-Term Debt and Debt Service Requirements

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

Type of Debt	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011	Amounts Due Within One Year
Governmental Activities:					
Notes payable	113,823	-	113,823	-	-
Insurance claims liability	155,645	238,886	161,413	233,118	35,397
Capital lease obligation	305,412	-	138,102	167,310	73,399
Accrued compensated absences	551,517	5,035,446	4,872,917	714,046	71,404
Total Governmental Activities	<u>1,126,397</u>	<u>5,274,332</u>	<u>5,286,255</u>	<u>1,114,474</u>	<u>180,200</u>
Business-Type Activities:					
Notes payable	6,351,273	1,164,204	650,282	6,865,195	795,150
Revenue bonds payable	32,850,000	305,000	2,187,900	30,967,100	2,304,700
Refundable grant obligation	97,902	-	13,873	84,029	13,873
Deposits subject to refund	268,313	41,345	34,969	274,689	-
Capital lease obligation	543,518	-	305,473	238,045	225,256
Accrued compensated absences	68,117	622,358	597,857	92,618	9,261
Total Business-Type Activities	<u>40,179,123</u>	<u>2,132,907</u>	<u>3,790,354</u>	<u>38,521,676</u>	<u>3,348,240</u>
Component Units:					
Accrued compensated absences	456	-	456	-	-
Total Component Units	<u>\$ 456</u>	<u>\$ -</u>	<u>\$ 456</u>	<u>\$ -</u>	<u>\$ -</u>

Governmental activities long-term debt:

Capital Lease Obligations:

\$279,650 Lease with Farmers & Merchants Bank for the purchase of a 2005 Rescue Pumper Fire Truck, issued December 2005 with an interest rate of 5.00% and maturing November 2016	\$ 122,352
\$168,427 lease with Canadian State Bank for the purchase of a Pierce Contender Fire Truck, issued December 2008 with an interest rate of 5.95% and maturing October 2012.	<u>44,958</u>
Total Capital Lease Obligations	<u>\$ 167,310</u>
Current portion	\$ 73,399
non-current portion	93,911
Total	<u>\$ 167,310</u>

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Business-type activities long-term debt:

Notes Payable:

El Reno Municipal Authority:

Series 2000 OWRB Clean Water SRF Promissory Note, original amount of \$504,193, issued by the El Reno Municipal Authority, due in semi-annual installments, matures in March 2020, non-interest bearing.	\$ 232,704
Series 2002A OWRB Drinking Water SRF Promissory Note dated May 30, 2002, original amount of \$1,829,323, issued by the El Reno Municipal Authority, due in semi-annual installments each March 15 and September 15, beginning March 2003, final installment due September 15, 2021 with an administrative fee of .5% and 0% interest	985,020
Series 2002C OWRB Clean Water SRF Promissory Note, original amount of \$767,998, issued by the El Reno Municipal Authority due in semi-annual installments each March 15 and September 15, through 2022, non-interest bearing	433,230
Series 2003A OWRB SRF Promissory Note dated December 22, 2003, original amount of \$643,154, issued by the El Reno Municipal Authority due in semi-annual installments each March 15 and September 15, beginning March 2010, final installment due September 15, 2023, with an administrative fee of .5% and 0% interest	401,971
Series 2008 MA Utility System Revenue Note dated July 1, 2008, original amount of \$760,000, issued by the El Reno Municipal Authority due in monthly installments of \$2,300 to \$5,000, beginning July 2010, final installment due June 1, 2028, with a variable interest rate equal to the BBA LIBOR daily floating rate plus 125 basis points but not to exceed 14% per annum	731,300
Series 2009 OWRB Clean Water SRF Promissory Note dated December 1, 2009, original amount of \$205,000, issued by the El Reno Municipal Authority due in semi-annual installments each March 15 and September 15, beginning March 2010, final installment due September 15, 2014 with an administrative fee of .5% and 1.53% interest	107,438
Series 2010 OWRB Drinking Water SRF Promissory Note dated February 1, 2010, original amount of \$2,405,000, issued by the El Reno Municipal Authority, due in semi-annual installments each March 15 and September 15, beginning September 2010, final installment due March 15, 2030 with an administrative fee of .5% and 3.09% interest, remaining funds to be drawn down at June 30, 2010 are \$1,109,931	<u>2,252,715</u>
Total Municipal Authority	<u>5,144,378</u>
Current portion	\$ 284,709
non-current portion	4,859,669
Total	<u>\$ 5,144,378</u>

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El Reno Hospital Authority:

Notes payable to bank in monthly installments issued by the City of El Reno Hospital Authority, with interest rates that range from 4.375% to 5.00% collateralized by all inventory, equipment and fixtures. \$ 340,033

\$176,559 note payable issued by the City of El Reno Hospital Authority with InterBank for the construction of a clinic, due in monthly principal and interest payments beginning November 2010 with an interest rate of 1.00%, maturing October 2015. 151,910

\$500,000 note payable issued by the City of El Reno Hospital Authority with InterBank for the refinancing of a line of credit, due in monthly principal and interest payments beginning November 2010 with an interest rate of 1.00%, maturing October 2015. 351,290

Total Hospital Authority \$ 843,233

Current portion	\$ 447,491
non-current portion	<u>395,742</u>
Total	<u>\$ 843,233</u>

El Reno Airpark Authority:

Note payable to bank dated June 2, 2008 in the amount of \$805,847, due in thirty-six monthly principal and interest payments in the amount of \$5,800 beginning July 15, 2008 with a balloon payment due May 30, 2013, with an interest rate of 5.5%, remaining funds to be drawn down at June 30, 2010 are \$50,494. The note is secured by all assets and revenues for the Authority. \$ 736,819

Current portion	\$ 30,697
non-current portion	<u>706,122</u>
Total	<u>\$ 736,819</u>

ERRA:

\$33,156 note payable with The Bank of Union for the purchase of an aerfier, due in sixty monthly principal and interest payments in the amount of \$627 beginning May 26, 2010 with an interest rate of 5.00%, maturing April 2015. 26,152

\$136,869 note payable with The Bank of Union for the purchase of miscellaneous grounds equipment, due in sixty monthly principal and interest payments in the amount of \$2,595 beginning August 15, 2010 with an interest rate of 5.00%, maturing July 2015. 114,613

Total ERRA \$ 140,765

Current portion	\$ 32,253
non-current portion	<u>108,512</u>
Total	<u>\$ 140,765</u>

Total Notes Payable:

Current portion	\$ 795,150
non-current portion	<u>6,070,045</u>
Total	<u>\$ 6,865,195</u>

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Revenue Bonds Payable:

El Reno Municipal Authority:

Series 2001 Sales Tax and Utility Revenue Bonds. Original amount of \$9,670,000 issued by the El Reno Municipal Authority, due in annual installments of \$405,000 to \$1,115,000 through 2013, interest at 4.6%	\$ 2,185,000
Series 2002 Sales Tax and Utility Revenue Bonds. Original amount of \$5,080,000 issued by the El Reno Municipal Authority, due in annual installments of \$145,000 to \$605,000 through 2013, interest at 4.7%	1,180,000
Series 2005 Sales Tax and Utility Revenue Bonds. Original amount of \$5,220,000 issued by the El Reno Municipal Authority, due in annual installments of \$265,000 to \$455,000 through 2020, interest at 4.05%	3,490,000
Series 2008 Sales Tax and Utility Revenue Bonds. Original amount of \$9,600,000 issued by the El Reno Municipal Authority, due in annual installments of \$435,000 to \$805,000 through 2029, interest at 4.20%	9,600,000
Series 2009 Sales Tax and Utility Revenue Bonds. Original amount of \$4,920,000 issued by the El Reno Municipal Authority, due in annual installments of \$195,000 to \$405,000 through 2029, interest at 5.10%	4,920,000
Series 2010 Sales Tax and Utility Revenue Bonds. Original amount of \$8,000,000 issued by the El Reno Municipal Authority, due in annual installments of \$255,000 to \$395,000 through 2025, interest at 3.76%	8,000,000
Series 2011 Hotel/Motel Revenue Bonds. Original amount of \$305,000 issued by the El Reno Municipal Authority, due in monthly installments of \$3,258 through 2021, interest at 5.0%	297,100
Total Revenue Bonds Payable	29,672,100
Less Unamortized Loss on Refunding	(71,016)
Less Unamortized Bond Discount	(22,750)
Net Revenue Bonds Payable	<u>29,578,334</u>
Current portion	1,999,700
non-current portion	<u>27,578,634</u>
Total	<u>29,578,334</u>

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ERRA:

Series 2006 Golf Course Revenue Bonds, dated April 27, 2006, original amount of \$2,575,000, interest rate of 4.27%, final maturity March 1, 2015

	1,295,000
Current portion	305,000
non-current portion	990,000
Total	<u>1,295,000</u>

Total Revenue Bonds Payable	30,967,100
Less Unamortized Loss on Refunding	(71,016)
Less Unamortized Bond Discount	(22,750)
Net Revenue Bonds Payable	<u>30,873,334</u>

Current portion	\$ 2,304,700
non-current portion	28,568,634
Total	<u>\$ 30,873,334</u>

Refundable Grant Obligation:

Oklahoma Department of Commerce obligation payable, original amount of \$277,462, issued by the El Reno Municipal Authority, due in monthly installments of \$1,154 through 2018, non-interest bearing.

	<u>\$ 84,029</u>
Current portion	\$ 13,873
non-current portion	70,156
Total	<u>\$ 84,029</u>

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Capital Lease Obligations:

El Reno Hospital Authority:

\$329,424 lease with Bank of America for the purchase of Radiology and Ultrasound equipment, issued December 18, 2006 with an interest rate of 6.73%, maturing November 2011.	24,875
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\$50,771 lease with Cardinal Lab for the purchase of equipment, issued December 2007 with an interest rate of 6.50%, maturing December 2012.	15,631
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\$456,474 lease with Philips Medical for the purchase of CAT Scan equipment, issued June 2007 with an interest rate of 2.70%, maturing June 2012.	91,209
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\$60,825 lease with The Bank of the Union for the purchase of a Fetal Monitor, issued April 2007 with an interest rate of 4.49%, maturing March 2012.	<u>8,824</u>
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Total Hospital Authority	<u><u>140,539</u></u>
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Current portion	\$ 136,212
non-current portion	4,327
Total	<u>\$ 140,539</u>

ERRA:

\$187,366 lease with Yamaha Motor Corporation for the purchase of Golf carts, issued May 1, 2008 with an interest rate of 5.24%, maturing April 2012, collateralized by golf carts purchased.	\$ 81,617
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\$5,038 lease with Yamaha Motor Corporation for the purchase of Golf carts, issued March 1, 2010 with an interest rate of 4.88%, maturing February 2015, collateralized by golf carts purchased.	3,812
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\$19,220 lease with Yamaha Motor Corporation for the purchase of Golf carts, issued May 1, 2010 with an interest rate of 4.88%, maturing April 2013, collateralized by golf carts purchased.	<u>12,077</u>
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Total ERRA	<u><u>\$ 97,506</u></u>
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Current portion	\$ 89,044
non-current portion	8,462
Total	<u>\$ 97,506</u>

Total Capital Lease Obligations	\$ 225,256
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Current portion	12,789
non-current portion	<u>238,045</u>
Total	<u>\$ 238,045</u>

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Debt Service Requirements to Maturity:

Year Ending June 30,	GOVERNMENTAL ACTIVITY DEBT	
	Capital Lease Obligations	
	Principal	Interest
2012	73,399	8,872
2013	29,854	4,720
2014	31,357	3,214
2015	32,700	1,646
2016	-	-
2017-2020	-	-
Totals	\$ 167,310	\$ 18,452

Year Ending June 30,	BUSINESS-TYPE ACTIVITY DEBT							
	Revenue Bonds Payable		Notes Payable		Capital Lease Obligations		Refundable Grant Obligation	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	2,304,700	1,262,465	795,150	190,385	225,256	7,091	13,873	-
2013	2,661,000	1,157,884	481,798	169,063	10,972	353	13,873	-
2014	1,867,300	1,061,720	1,152,513	135,644	1,073	65	13,873	-
2015	1,933,600	984,348	456,443	105,125	744	14	13,873	-
2016	1,665,300	907,760	383,707	96,190	-	-	13,873	-
2017-2021	8,900,200	3,459,194	1,832,562	369,479	-	-	14,664	-
2022-2026	7,795,000	1,691,760	1,120,610	205,407	-	-	-	-
2027-2030	3,840,000	308,333	764,697	50,677	-	-	-	-
Totals	\$ 30,967,100	\$ 10,833,464	\$ 6,987,480	\$ 1,321,970	\$ 238,045	\$ 7,523	\$ 84,029	\$ -
		Less principal to drawdown	(122,285)					
			\$ 6,865,195					

Non-Commitment Debt:

Original Debt	Project	Remaining Principal
El Reno Municipal Authority: \$450,000	(1) Coronado Development Corporation Tax Apportionment Note dated September 1, 2007	\$443,984

(1) *Crimson Creek Increment District Project Tax Apportionment Note*

The Tax Apportionment Note was issued to fund the construction of the Crimson Creek North Addition. The City and Authority are not liable for this debt since payments are made solely with lease agreement proceeds from El Reno Municipal Authority primarily and Coronado Development Corporation, secondarily. In the event of default, the City or Authority only becomes liable if they are negligent in carrying out debt administration responsibilities.

Pledge of Future Revenues

Sales Tax Pledge - The City has pledged two and ½ cents (or 63%) of future sales tax revenues to repay \$42,795,000 of Series 2001, 2002, 2005, 2008, 2009, and 2010 Sales Tax and Utility Revenue Bonds. Proceeds from the bonds provided financing for utility capital assets. The bonds are payable through 2013, 2013, 2020, 2029, 2029 and 2025 respectively. The total principal and interest payable for the remainder of the life of these notes is \$40,081,005. Total pledged sales taxes received in the current fiscal year were \$5,120,970. Debt service payments for the current fiscal year of \$3,138,202 were 61% of the pledged sales taxes.

Hotel/Motel Tax Pledge - The City has pledged 60% of the amount of money generated pursuant to the hotel/motel tax ordinance (Ordinance 5024) to repay \$305,000 of Series 2011 Hotel/Motel Tax Revenue Bonds. Proceeds from the bonds provided financing for economic development and tourism capital projects. The bonds are payable through 2021 respectively. The total principal and interest payable for the remainder of the life of these notes is \$375,748. Total pledged hotel/motel taxes received in the current fiscal year was \$135,353. Debt service payments for the current fiscal year of \$12,977 were 9.6% of the pledged sales taxes.

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Utility Net Revenues Pledge – The City has also pledged future water and sewer net revenues to repay \$7,114,668 of 2000, 2002A, 2002C, 2003A, 2008, 2009 and 2010 Series Oklahoma Water Resources Board Notes Payable and \$760,000 of the 2008 MA Utility System Revenue Note. Proceeds from the bonds and notes provided financing for utility system capital assets. The bonds are payable through 2020, 2021, 2022, 2023, 2028, 2014 and 2030. The total principal and interest payable for the remainder of the life of these notes is \$6,387,753. The notes are payable from the above-mentioned utility net revenues. The debt service payments on the notes this year were \$356,183 which was 22% of pledged net utility revenues of \$1,643,211.

8. Net Assets and Fund Balances

Fund Statements:

Governmental fund equity is classified as fund balance. Upon implementation of GASB Statement 54, fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

- a. Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city's highest level of decision-making authority. The City's highest level of decision-making authority is made by ordinance.
- d. Assigned – includes amounts that are constrained by the city's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through the budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

It is the City's policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The City's policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. The only exception to this policy is for assigned interest income in governmental funds other than the General Fund. In those funds, interest income is used first before other revenues.

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The following tables show the fund balance classifications as shown on the Governmental Funds Balance Sheet in accordance with GASB Statement 54:

General Fund	Major Capital Project Fund		Other Governmental Funds	TOTAL
	2010 Capital Improvement Fund			
Fund Balances:				
Nonspendable:				
Library Endowment	\$ -	\$ -	\$ 31,050	\$ 31,050
Cemetery Perpetual Care	-	-	151,889	151,889
Sub-total Nonspendable	-	-	182,939	182,939
Restricted for:				
Capital outlay	-	3,981,380	401,411	4,382,791
Watershed construction	-	-	28,607	28,607
Cemetery capital	-	-	200,507	200,507
E-911	-	-	27,141	27,141
Route 66	10,316	-	-	10,316
Police	48,363	-	-	48,363
Library	-	-	345	345
Cemetery	66,827	-	3,730	70,557
Public Health and Safety	-	-	131,548	131,548
Care and Share Program	301	-	-	301
Park Improvements	44,215	-	-	44,215
Recreational Facilities, Public Health and Safety	-	-	-	-
Facilities, Public Works Infrastructure capital outlay or debt service for said capital outlay.	563,916	-	-	563,916
Emergencies	848,293	-	-	848,293
Good Samaritan Fund	4,000	-	-	4,000
Law Enforcement	2,900	-	-	2,900
Tourism	-	-	96,445	130,265
Economic development and capital	-	-	313,807	279,987
Debt Service	-	-	20,179	20,179
Sub-total Restricted	1,589,131	3,981,380	1,223,720	6,794,231
Committed to:				
Cemetery capital	-	-	12,335	12,335
Assigned to:				
Fiscal Year 12 budget	1,040,486	-	-	1,040,486
Park Improvements	22,082	-	-	22,082
Lake	42,154	-	-	42,154
Cemetery Capital	-	-	8,534	8,534
Cemetery	819	-	-	819
NW Community Center	1,008	-	-	1,008
CDBG Grant	-	-	1	1
Tourism	-	-	15,564	15,564
Capital outlay	-	-	3,928	3,928
Emergencies	16,125	-	-	16,125
Sub-total Assigned	1,122,674	-	28,027	1,150,701
Unassigned:	2,035,287	-	-	2,035,287
TOTAL FUND BALANCES	\$ 4,747,092	\$ 3,981,380	\$ 1,447,021	\$ 10,175,493

Net assets are displayed in three components:

- a. *Invested in capital assets, net of related debt* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. *Restricted net assets* - Consists of net assets with constraints placed on the use either by

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1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

The restrictions are as follows:

Governmental Activities

External Contracts and Groups:

Cemetery Care	\$	200,507
Cemetery Everlasting Care		66,827
Drainage Improvement		28,607
Care and Share		301
Library Endowment		31,395
Cemetery Perpetual Care		155,619
2009 Capital Improvement		35
Friends of Route 66		10,316
Capital Improvement		113,067
2010 Capital Improvement		3,981,380
Safety Sales Tax 1/4 Cent		131,548
Sales Tax 1/4 Cent		563,916
Park Improvement		44,215
Infrastructure Improvement		284,634
Sales Tax Reserve		848,293
Hotel Motel Occupancy Surcharge		410,252
General Fund (Donations)		6,900
General Fund (Drug Forfeitures)		48,363
Debt Service		20,179
		\$ 6,946,354

Enabling legislation:

E-911	\$	27,141
Tax Increment		3,675
		\$ 30,816

El Reno Municipal Authority

Contractual agreements:

Cash and investments	\$	2,464,388
Less: Accrued Interest Payable		(652,110)
		\$ 1,812,278

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

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

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9. Internal and Interfund Balances and Transfers

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

Transfers:

Internal transfers between funds and activities for the year ended June 30, 2011 were as follows:

Transfer From	Transfer To	Amount	Purpose of Transfer
ERMA	General Fund	1,193,090	Operating subsidy
Safety Sales 1/4 Sales	General Fund	50,000	Reimbursement
General Fund	ERMA Sales Tax	3,090,989	Sales tax transfer
Hotel Motel Surcharge	ERMA	24,727	Debt payment and note issuance costs
2008 Capital Improvement	ERMA	16	Balance of funds
ERRA	Recreation Authority	1,608	To close fund
ERMA	OWRB SRF	984,958	Loan proceeds
ERMA	Hotel Motel Surcharge	305,000	Bond proceeds
ERMA Sales Tax	ERMA	2,717,473	Debt service payments
OWRB SRF	ERMA	17,805	Debt issue costs
OWRB SRF	ERMA	168,046	Capital assets
ERMA	Airpark	18,732	Reimburse payroll expenses
Sales Tax 1/4	Recreation Authority	355,789	Debt payments
Total		<u>8,928,233</u>	

Reconciliation to Fund Financial Statements:

	Transfers In	Transfers Out	Net Transfers
Governmental Funds	\$ 1,548,090	(3,523,129)	\$ (1,975,039)
Proprietary Funds	7,380,143	(5,405,104)	1,975,039
	<u>\$ 8,928,233</u>	<u>\$ (8,928,233)</u>	<u>\$ -</u>

Reconciliation to Statement of Activities:

Net Transfers	\$ 1,975,039
Transfer of business-type activity expenses to governmental:	
Capital assets to governmental activities	\$ 278,604
Interest on long-term debt used for governmental purposes	(1,051,345)
Amortization on long-term debt used for governmental purposes	(36,885)
Transfers - internal activity	<u>\$ 1,165,413</u>

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Balances:

Interfund receivable and payables at June 30, 2011 were comprised of the following:

Payable Fund	Receivable Fund	Amount	Nature of Interfund Balance
General Fund	ERMA Sales Tax	\$ 398,821	Sales tax transfer receivable
General Fund	Self Insurance Fund	5,000	Cafeteria plan start up funds
General Fund	ERMA	15,000	Hanger rent
ERMA	Airpark Authority	5,946	FAA grant matching funds
Hospital Authority	ERMA	49,158	Short-term loan
Airpark Authority	ERMA	31,225	Short-term loan
Airpark Authority	ERMA	39,319	Airport hanger rebuild
Recreation Authority	ERMA	47,500	Loan to Recreation Authority
		<u>\$ 591,969</u>	

Reconciliation to Fund Financial Statements:

	Due to	Due From	Net Interfund Balances
Governmental Funds	\$ 418,821	\$ -	\$ (418,821)
Proprietary Funds	173,148	586,969	413,821
Internal Service Funds	-	5,000	5,000
	<u>\$ 591,969</u>	<u>\$ 591,969</u>	<u>\$ -</u>

Reconciliation to Statement of Net Assets:

Net Interfund Balances	\$ 418,821
Internal service fund combined with governmental activities	(5,000)
Internal Balances	<u>\$ 413,821</u>

10. Sales Tax

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

- 2 cents is recorded in the General Fund. ½ cent of the 2 cents is dedicated for El Reno Recreational Authority debt service on golf course capital debt and ½ cent is dedicated for the 2005 Series Sales Tax Bonds.
- 1.5 cents is recorded in the General fund and then transferred to the El Reno Municipal Authority for debt service per debt agreement.
- .25 cents is recorded in the Sales Tax ¼ Cent Fund to be transferred to the El Reno Recreation Authority for debt service on golf course capital debt.
- .25 cents is recorded in the Safety Sales Tax ¼ Cent Fund to pay for costs pertaining to the provision of emergency services.

11. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City manages these various risks of loss as follows:

- General Liability and Physical Property – Covered through participation in Oklahoma Municipal Assurance Group risk entity pool

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- Workers' Compensation – Self-insured within limits of Oklahoma worker's compensation laws. 100% risk of loss retained.
- Employee's Group Medical –Covered through participation in United Healthcare.

The City's risk is transferred to the risk entity pool except for claim deductible amounts. The risk pool maintains deposits for claims reserves and other purposes for the benefit of the City. The portion of the reserves to which the City has access is reported as Deposits with Insurance Pool. Management believes the insurance coverage listed above is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

For the internal service self-insurance funds, changes in the worker's comp claims liability for the City from July 1, 2008, to June 30, 2011, are as follows:

	<u>Workers'</u> <u>Compensation</u>	<u>Health</u> <u>Care</u>	<u>Total</u>
Claim liability, June 30, 2008	\$ 200,737	\$ -	\$ 200,737
Claims and changes in estimates	74,255	801,647	875,902
Claims payments	(241,764)	(801,647)	(1,043,411)
Claim liability, June 30, 2009	33,228	-	33,228
Claims and changes in estimates	213,049	1,031,794	1,244,843
Claims payments	(90,633)	(1,031,794)	(1,122,427)
Claim liability, June 30, 2010	155,644	-	155,644
Claims and changes in estimates	238,886	1,017,578	1,256,464
Claims payments	(161,412)	(1,017,578)	(1,178,990)
Claim liability, June 30, 2011	<u>\$ 233,118</u>	<u>\$ -</u>	<u>\$ 233,118</u>
Reconciliation to Statement of Net Assets:			
Current portion			\$ 35,397
Noncurrent portion			197,721
Total			<u>\$ 233,118</u>

12. Commitments and Contingencies

Litigation:

The City is currently involved in a lawsuit, related to the City Council's denial of a Conditional Use Permit (CUP). Currently the City is negotiating with the Plaintiff regarding final settlement details. The probability of an unfavorable outcome is at least reasonably possible. The dollar amount of an adverse outcome in this issue is undeterminable at this time, and no provision for a loss contingency has been recognized in the financial statements. Any judgment in this case against the City would not be covered by liability insurance and would be paid out of the budget or by placing the judgment on the judgment rolls and paying out over three years.

The City of El Reno Hospital Authority is currently involved in a lawsuit regarding an accident involving one of their ambulances. The plaintiff is seeking damages up to \$150,000. While the City's insurance coverage through Oklahoma Municipal Assurance Group may not cover this claim, the claim could be paid out of the budget or placed on the judgment rolls and paid out over three years. The probability of an unfavorable outcome is unknown at this time. The City will vigorously defend this claim.

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Contingent Asset:

The City entered into an agreement with the El Reno Airpark Authority (ERAA) to loan ERAA funds to cover the cost of re-constructing an airport hangar destroyed by a tornado. The hangar was not yet completely constructed when it was destroyed, and the construction company did not have the project insured even though the terms of the contract required insurance. The ERAA was litigating to recover the costs incurred to re-construct the hangar. The litigation was not successful. However, the City is continuing to pursue collection of these funds from the ERAA but the collectability of the loan to the ERAA is unknown.

Federal and State Award Programs:

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

Construction Commitments:

At June 30, 2011 the City had awarded construction contracts totaling approximately \$6,715,355 for various City and Authority projects and of this amount, \$4,256,973 was still outstanding and payable from various funds.

13. Pension Plan Participation

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

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

Firefighters' Plan:

Pursuant to the requirements of Title 11, section 49-102, the City of El Reno participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Firefighters Pension Board on behalf of both paid and volunteer firefighters. The paid firefighter contributes 8% to the plan. The City is required by state law to contribute 13% per year per paid firefighter to the statewide plan. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

A copy of the Firefighters Statewide Pension Plan financial statements can be obtained from the Oklahoma Firefighters Pension System, 4545 Lincoln Blvd. Suite 263, Oklahoma City, OK, 73105-3707.

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Police Plan:

Pursuant to the requirements of Title 11, section 50-102, the City of El Reno participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). The paid police person contributes 8% to the plan. The City is required by state law to contribute 13% per year per paid police person to the statewide plan. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OPPRS issues a publicly available report that includes financial statements, which can be obtained from the Oklahoma Police Pension and Retirement System, 1001 N.W. 63rd Street, Oklahoma City, OK, 73116-7335.

Summary of Contributions – Cost Sharing Plans:

Oklahoma Police Pension and Retirement System			Oklahoma Firefighter's Pension and Retirement System		
Fiscal Year	Required Contribution	Percentage Contributed	Fiscal Year	Required Contribution	Percentage Contributed
2006	123,382	100%	2006	98,321	100%
2007	117,165	100%	2007	103,703	100%
2008	143,382	100%	2008	106,332	100%
2009	152,537	100%	2009	114,861	100%
2010	142,587	100%	2010	143,030	100%
2011	134,697	100%	2011	158,096	100%

Employee Plan:

The City provides a pension benefit for all of its full-time employees with the exception of the police and fire departments, through the Oklahoma Municipal Retirement Fund (OMRF).

1. Plan Description

Effective January 1, 1967, the City began contributing to the City of El Reno Plan and Trust in the form of a guaranteed annuity contract with Southwestern Life Insurance Company. The group annuity contract purchased under the plan is fully funded. On February 1, 2005, the City began participating in the agent multiple-employer plan—Oklahoma Municipal Retirement Fund (OMRF). Under the terms of the new retirement system with OMRF, the benefits payable from Southwestern Life for existing employees will be a portion of the total benefits calculated under the OMRF plan. When all employees previously participating in Southwestern Life have retired, all benefit payments will be paid by OMRF. At June 30, 2011, the Southwestern Life plan had total reserves of \$814,140 and a fund balance of \$274,267.

2. Eligibility Factors, Contribution Methods and Benefit Provisions

Provision

a. Eligible to Participate

OMRF Plan

Full-time, non-uniformed employees of the City or Authority six months following hire date except for City Manager, Finance Director, and Public Works Director.

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- b. Contribution Requirements:
- Authorization By City ordinance
 - Actuarially Determined Yes
 - Employer Rate 9.37%
 - Employee Rate 4.50%
- c. Period Required to Vest 10 years Cliff vesting schedule
- d. Eligibility for Distribution
- Normal retirement at age 65 with 10 years of service
 - Early retirement at age 55 with a 5% reduction in benefits for each year of service less than 10 years
 - Disability retirement available for vested employees
 - Death benefit of 50% for five years certain for a non-spouse beneficiary; and 50% pension for lifetime or remarriage for a spouse beneficiary
- e. Benefit Determination Base Final average salary – the average of the five highest consecutive annual salaries out of the last 10 calendar years of service
- f. Benefit Determination Methods:
- Normal Retirement 2.25% of final average salary multiplied by credited years of service
 - Early Retirement Actuarially reduced benefit based upon age and years of service at termination.
 - Disability Retirement Yes
 - Death Benefit Yes
 - Prior to 10 Years Service Return of employee contributions with interest.
- g. Form of Benefit Payments Employee may elect optional form of benefit payments.

Schedule of Contributions - OMRF Defined Benefit Plan

<u>Period Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2006	124,153	100%	-
June 30, 2007	162,153	100%	-
June 30, 2008	181,095	100%	-
June 30, 2009	240,437	100%	-
June 30, 2010	223,126	100%	-
June 30, 2011	186,906	100%	-

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Funded Status and Funding Progress

As of January 1, 2011, the funded status of the OMRF agent multiple employer defined benefit plan is as follows:

Actuarial accrued liability (AAL)	\$3,418,721
Actuarial value of plan assets	<u>1,939,263</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$1,479,458</u>
Funded ratio (actuarial value of plan assets/AAL)	57%
Annual covered payroll (active plan members)	2,341,710
UAAL as a percentage of covered payroll	63%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

OMRF issues separate plan financial statements which may be obtained by contacting the Oklahoma Municipal Retirement Fund, 525 Central Park Drive, Suite 320, Oklahoma City, Oklahoma, 73105.

14. Use of Estimates

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

15. Extraordinary Items

Gain on Hospital Lease – During the year ended June 30, 2011, the City of El Reno Hospital Authority entered into a lease agreement with Mercy El Reno Hospital Corporation. The net gain from this lease is reported as an extraordinary item on the Statement of Revenues, Expenses and Changes in Net Assets for Proprietary Funds and also on the Statement of Activities. As part of the lease agreement, the City transferred \$2.5 million in short-term payables and \$2.0 million in short-term assets to the Mercy El Reno Hospital Corporation which resulted in a \$0.5 million gain.

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REQUIRED SUPPLEMENTARY INFORMATION

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Budgetary Comparison Schedule – Year Ended June 30, 2011

	GENERAL FUND			Variance with
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	8,492,360	9,200,050	10,315,501	1,115,451
Fees and fines	315,500	413,800	442,572	28,772
Licenses and permits	145,220	155,160	205,640	50,480
Intergovernmental	541,300	583,350	629,526	46,176
Charges for services	34,600	31,050	33,634	2,584
Investment earnings	24,800	21,500	25,934	4,434
Miscellaneous	332,310	419,210	436,393	17,183
Transfers from Other Funds	1,679,690	1,243,090	1,243,090	-
Total revenues	<u>11,565,780</u>	<u>12,067,210</u>	<u>13,332,290</u>	<u>1,265,080</u>
EXPENDITURES				
Mayor and Council	204,050	298,880	226,040	72,840
Administration	291,330	302,760	273,211	29,549
Finance	773,240	802,100	754,756	47,344
Police	2,672,040	2,666,400	2,574,190	92,210
Fire	1,939,880	1,936,390	1,932,818	3,572
Library	200,500	199,390	196,328	3,062
Community Development	429,610	366,520	323,422	43,098
Senior Citizens	40,220	54,460	50,743	3,717
Municipal Garage	131,330	103,950	96,529	7,421
Streets	695,020	709,210	692,291	16,919
Municipal Court	151,520	151,580	149,411	2,169
Legal	43,050	40,000	39,094	906
Parks and Recreation	477,350	451,570	442,000	9,570
Swimming Pool	150,510	159,030	86,407	72,623
Animal Control	62,600	55,650	44,420	11,230
Cemetery	166,800	166,370	157,506	8,864
Transfers to Other Funds	3,645,680	4,064,320	4,064,312	8
Total Expenditures	<u>12,074,730</u>	<u>12,528,580</u>	<u>12,103,478</u>	<u>425,102</u>
Excess (deficiency) of revenues over expenditures	<u>(508,950)</u>	<u>(461,370)</u>	<u>1,228,812</u>	<u>1,690,182</u>
Net change in fund balances	(508,950)	(461,370)	1,228,812	(1,690,182)
Fund balances - beginning	867,370	1,082,690	1,087,952	(5,262)
Fund balances - ending	<u>\$ 358,420</u>	<u>\$ 621,320</u>	<u>\$ 2,316,764</u>	<u>\$ (1,695,444)</u>

See accompanying footnotes to this schedule.

Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedule is reported on a non-GAAP budgetary basis that report revenues and expenditures on a modified cash basis. For budgetary purposes expenditures are recorded in the period the invoice is received, except for payroll expenditures that are recorded when paid.
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require the approval of the City Manager. All supplemental appropriations require the approval of the City Commission. Supplemental appropriations must be filed with the Office of the State Auditor and Inspector.
3. The budgetary basis differs from the modified accrual basis as shown in the schedule below:

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	General Fund
Total revenue- budgetary basis	\$ 13,332,290
Total expense- budgetary basis	(12,103,478)
Change in fund balance-budgetary basis	<u>1,228,812</u>
Revenue Accruals	(584,621)
Expenditures accruals	<u>916,887</u>
Change in fund balance-GAAP basis	<u><u>\$ 1,561,078</u></u>

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Schedule of Pension Plan Funding Progress – OMRF Defined Benefit and ERERS Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Actuarial Method	Unfunded (Overfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
1/1/2002	1,762,445	1,762,445	*	-	100%	*	0%
1/1/2003	1,326,838	1,326,838	*	-	100%	*	0%
1/1/2004	1,485,412	1,485,412	*	-	100%	1,502,485	0%
7/1/2005	1,310,269	1,310,269	*	-	100%	1,445,530	0%
1/1/2006 **	1,296,605	2,497,077	EAN	1,200,472	52%	1,703,897	70%
1/1/2007	1,328,271	2,520,993	EAN	1,192,722	53%	1,850,824	64%
1/1/2008	1,590,439	2,800,036	EAN	1,209,597	57%	2,014,499	60%
1/1/2009	1,604,085	3,005,996	EAN	1,401,911	53%	2,029,556	69%
1/1/2010	1,939,263	3,418,721	EAN	1,479,458	57%	2,341,710	63%
1/1/2011	2,312,185	3,683,643	EAN	1,371,458	63%	1,983,683	69%

Covered payroll is the total annualized rate of pay as of the valuation date based on actual pay for the preceding year.

Actuarial Method – EAN refers to “Entry Age Normal”.

* - Information unavailable

** - First actuarial valuation for OMRF plan. Prior years represent information for Southwestern Life Insurance Annuity Contract.

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OTHER SUPPLEMENTARY INFORMATION

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Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2011

	<u>911 Emergency</u> <u>Fund (204)</u>	<u>CDBG Fund</u> <u>(211)</u>	<u>El Reno</u> <u>Employee</u> <u>Retirement</u> <u>Fund (280)</u>	<u>ERRA (700)</u>	<u>Cemetery Care</u> <u>Fund (208)</u>	<u>Hotel Motel</u> <u>Occupancy</u> <u>Surcharge Fund</u>
ASSETS						
Cash and cash equivalents	\$ 10,807	\$ 1	\$ -	\$ -	\$ 70,969	\$ 401,908
Investments	15,402	-	-	-	150,093	40,980
Interest receivable	-	-	-	-	314	25
Due from other governments	-	-	-	-	-	-
Franchise tax receivable	932	-	-	-	-	-
Total assets	<u>27,141</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>221,376</u>	<u>442,913</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	-	-	-	-	-	14,971
Accrued payroll payable	-	-	-	-	-	2,126
Due to other funds	-	-	-	-	-	-
Due to component unit	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,097</u>
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	27,141	-	-	-	200,507	410,252
Committed	-	-	-	-	12,335	-
Assigned	-	1	-	-	8,534	15,564
Unassigned	-	-	-	-	-	-
Total fund balances	<u>27,141</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>221,376</u>	<u>425,816</u>
Total liabilities and fund balances	<u>\$ 27,141</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 221,376</u>	<u>\$ 442,913</u>

	<u>Safety Sales</u> <u>Tax 1/4 Cent</u> <u>Fund (616)</u>	<u>Other</u> <u>Governmental</u> <u>Debt Service 1</u> <u>(212)</u>	<u>Infrastructure</u> <u>Fund (420)</u>	<u>Drainage</u> <u>Improvement</u> <u>Fund (422)</u>	<u>Capital</u> <u>Improvement</u> <u>Fund (425)</u>
ASSETS					
Cash and cash equivalents	\$ 65,078	\$ 20,501	\$ 41,371	\$ 28,607	\$ 124,053
Investments	-	-	246,790	-	-
Interest receivable	-	-	401	-	-
Due from other governments	77,998	4,467	-	-	-
Franchise tax receivable	-	-	-	-	-
Total assets	<u>143,076</u>	<u>24,968</u>	<u>288,562</u>	<u>28,607</u>	<u>124,053</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	-	-	-	-	10,986
Accrued payroll payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Due to component unit	-	-	-	-	-
Deferred revenue	11,528	4,789	-	-	-
Total liabilities	<u>11,528</u>	<u>4,789</u>	<u>-</u>	<u>-</u>	<u>10,986</u>
Fund balances:					
Nonspendable	-	-	-	-	-
Restricted	131,548	20,179	284,634	28,607	113,067
Committed	-	-	-	-	-
Assigned	-	-	3,928	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>131,548</u>	<u>20,179</u>	<u>288,562</u>	<u>28,607</u>	<u>113,067</u>
Total liabilities and fund balances	<u>\$ 143,076</u>	<u>\$ 24,968</u>	<u>\$ 288,562</u>	<u>\$ 28,607</u>	<u>\$ 124,053</u>

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Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2011, (Continued)

	<u>2008 Ser. Capital Improvement Fund</u>	<u>2009 Ser. Capital Improvement Fund</u>	<u>Tax Increment Fund (217)</u>	<u>Library Endowment (215)</u>	<u>Cemetery Perpetual (820)</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ -	\$ 35	\$ 3,675	\$ 486	\$ 2,109	\$ 769,600
Investments	-	-	-	30,884	153,506	637,655
Interest receivable	-	-	-	25	4	769
Due from other governments	-	-	-	-	-	82,465
Franchise tax receivable	-	-	-	-	-	932
Total assets	<u>-</u>	<u>35</u>	<u>3,675</u>	<u>31,395</u>	<u>155,619</u>	<u>1,491,421</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	-	-	-	-	-	25,957
Accrued payroll payable	-	-	-	-	-	2,126
Due to other funds	-	-	-	-	-	-
Due to component unit	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	16,317
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,400</u>
Fund balances:						
Nonspendable	-	-	-	31,050	151,889	182,939
Restricted	-	35	3,675	345	3,730	1,223,720
Committed	-	-	-	-	-	12,335
Assigned	-	-	-	-	-	28,027
Unassigned	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>35</u>	<u>3,675</u>	<u>31,395</u>	<u>155,619</u>	<u>1,447,021</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 35</u>	<u>\$ 3,675</u>	<u>\$ 31,395</u>	<u>\$ 155,619</u>	<u>\$ 1,491,421</u>

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Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds – For the Year Ended June 30, 2011

	<u>911 Emergency Fund (204)</u>	<u>CDBG Fund (211)</u>	<u>El Reno Employee Retirement Fund (280)</u>	<u>ERRA (700)</u>	<u>Cemetery Care Fund (208)</u>	<u>Hotel Motel Occupancy Surcharge (203)</u>
REVENUES						
Taxes	\$ 11,194	\$ -	\$ -	\$ -	\$ -	\$ 225,588
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	33,204	13,486
Investment income	209	-	-	-	2,682	3,925
Miscellaneous	-	1	-	-	100	42,770
Total revenues	<u>11,403</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>35,986</u>	<u>285,769</u>
EXPENDITURES						
Current:						
Culture, parks, and recreation	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
General government	-	-	65	-	-	131,161
Capital Outlay	15,102	-	-	-	47,313	207,707
Debt Service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	117,768
Total Expenditures	<u>15,102</u>	<u>-</u>	<u>65</u>	<u>-</u>	<u>47,313</u>	<u>456,636</u>
Excess (deficiency) of revenues over expenditures	<u>(3,699)</u>	<u>1</u>	<u>(65)</u>	<u>-</u>	<u>(11,327)</u>	<u>(170,867)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	305,000
Transfers out	-	-	-	(1,608)	-	(24,727)
Transfers out - component unit	-	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,608)</u>	<u>-</u>	<u>280,273</u>
Net change in fund balances	(3,699)	1	(65)	(1,608)	(11,327)	109,406
Fund balances - beginning	30,840	-	65	1,608	232,703	316,410
Fund balances - ending	<u>\$ 27,141</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 221,376</u>	<u>\$ 425,816</u>

	<u>Safety Sales Tax 1/4 Cent Fund (616)</u>	<u>Other Governmental Debt Service 1 (212)</u>	<u>Infrastructure Fund (420)</u>	<u>Drainage Improvement Fund (422)</u>	<u>Capital Improvement Fund (425)</u>	<u>2008 Ser. Capital Improvement Fund</u>
REVENUES						
Taxes	\$ 515,165	\$ 1,162	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	39,669	-
Investment income	1,747	203	3,928	-	1,156	-
Miscellaneous	-	-	-	-	-	-
Total revenues	<u>516,912</u>	<u>1,365</u>	<u>3,928</u>	<u>-</u>	<u>40,825</u>	<u>-</u>
EXPENDITURES						
Current:						
Culture, parks, and recreation	-	-	-	-	-	-
Public Safety	253,274	-	-	-	-	-
General government	-	-	-	-	-	56
Capital Outlay	46,407	-	-	-	12,502	14,225
Debt Service:						
Principal	116,950	-	-	-	-	-
Interest	-	-	-	-	-	-
Total Expenditures	<u>416,631</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,502</u>	<u>14,281</u>
Excess (deficiency) of revenues over expenditures	<u>100,281</u>	<u>1,365</u>	<u>3,928</u>	<u>-</u>	<u>28,323</u>	<u>(14,281)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	(50,000)	-	-	-	-	(16)
Transfers out - component unit	-	-	-	-	-	-
Total other financing sources and uses	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16)</u>
Net change in fund balances	50,281	1,365	3,928	-	28,323	(14,297)
Fund balances - beginning	81,267	18,814	284,634	28,607	84,744	14,297
Fund balances - ending	<u>\$ 131,548</u>	<u>\$ 20,179</u>	<u>\$ 288,562</u>	<u>\$ 28,607</u>	<u>\$ 113,067</u>	<u>\$ -</u>

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Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds – For the Year Ended June 30, 2011, (Continued)

	<u>2009 Ser.</u> <u>Capital</u> <u>Improvement</u> <u>Fund</u>	<u>Tax Increment</u> <u>Fund (217)</u>	<u>Library</u> <u>Endowment</u> <u>(215)</u>	<u>Cemetery</u> <u>Perpetual (820)</u>	<u>Total-Other</u> <u>Governmental</u> <u>Funds</u>
REVENUES					
Taxes	\$ -	\$ 5,325	\$ -	\$ -	\$ 758,434
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	86,359
Investment income	13	-	433	2,045	16,341
Miscellaneous	-	-	-	-	42,871
Total revenues	<u>13</u>	<u>5,325</u>	<u>433</u>	<u>2,045</u>	<u>904,005</u>
EXPENDITURES					
Current:					
Culture, parks, and recreation	-	-	619	-	619
Public Safety	-	-	-	-	253,274
General government	7,882	3,767	-	-	142,931
Capital Outlay	376,604	-	-	32,000	751,860
Debt Service:					
Principal	-	-	-	-	116,950
Interest	-	-	-	-	117,768
Total Expenditures	<u>384,486</u>	<u>3,767</u>	<u>619</u>	<u>32,000</u>	<u>1,383,402</u>
Excess (deficiency) of revenues over expenditures	<u>(384,473)</u>	<u>1,558</u>	<u>(186)</u>	<u>(29,955)</u>	<u>(479,397)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	305,000
Transfers out	-	-	-	-	(76,351)
Transfers out - component unit	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>228,649</u>
Net change in fund balances	(384,473)	1,558	(186)	(29,955)	(250,748)
Fund balances - beginning	384,508	2,117	31,581	185,574	1,697,769
Fund balances - ending	<u>\$ 35</u>	<u>\$ 3,675</u>	<u>\$ 31,395</u>	<u>\$ 155,619</u>	<u>\$ 1,447,021</u>

CITY OF EL RENO, OKLAHOMA
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Combining Balance Sheet – General Fund Accounts – June 30, 2011

	<u>General Fund</u>	<u>NWCC Repair and Maintenance Fund (209)</u>	<u>Lake Fund (213)</u>	<u>Care & Share Fund (220)</u>	<u>Friends of Route 66</u>	<u>Sales Tax 1/4 Cent Fund (415)</u>
ASSETS						
Cash and cash equivalents	\$ 1,978,147	\$ 1,008	\$ 42,154	\$ 301	\$ 10,316	\$ 312,300
Investments	400,739	-	-	-	-	185,133
Interest receivable	122	-	-	-	-	12
Due from other governments	1,466,210	-	-	-	-	-
Franchise tax receivable	98,427	-	-	-	-	66,471
Court fine receivable, net	315,900	-	-	-	-	-
Total assets	<u>4,259,545</u>	<u>1,008</u>	<u>42,154</u>	<u>301</u>	<u>10,316</u>	<u>563,916</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	53,211	-	-	-	-	-
Accrued payroll payable	337,879	-	-	-	-	-
Due to other funds	418,821	-	-	-	-	-
Due to other governments	7,547	-	-	-	-	-
Due to component unit	-	-	-	-	-	-
Refundable court bonds	3,535	-	-	-	-	-
Deferred revenue	307,516	-	-	-	-	-
Total liabilities	<u>1,128,509</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	55,263	-	-	301	10,316	563,916
Committed	-	-	-	-	-	-
Assigned	1,040,486	1,008	42,154	-	-	-
Unassigned	2,035,287	-	-	-	-	-
Total fund balances	<u>3,131,036</u>	<u>1,008</u>	<u>42,154</u>	<u>301</u>	<u>10,316</u>	<u>563,916</u>
Total liabilities and fund balances	<u>\$ 4,259,545</u>	<u>\$ 1,008</u>	<u>\$ 42,154</u>	<u>\$ 301</u>	<u>\$ 10,316</u>	<u>\$ 563,916</u>

	<u>Sales Tax Reserve Fund (612)</u>	<u>Cemetery Everlasting Care Fund (821)</u>	<u>Park Improvement & Special Activity Fund (210)</u>	<u>Total General Fund Accounts</u>
ASSETS				
Cash and cash equivalents	\$ 12,451	\$ 38,225	\$ 56,382	\$ 2,451,284
Investments	851,787	29,420	9,856	1,476,935
Interest receivable	180	1	59	374
Due from other governments	-	-	-	1,466,210
Franchise tax receivable	-	-	-	164,898
Court fine receivable, net	-	-	-	315,900
Total assets	<u>864,418</u>	<u>67,646</u>	<u>66,297</u>	<u>5,875,601</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	-	-	-	53,211
Accrued payroll payable	-	-	-	337,879
Due to other funds	-	-	-	418,821
Due to other governments	-	-	-	7,547
Due to component unit	-	-	-	-
Refundable court bonds	-	-	-	3,535
Deferred revenue	-	-	-	307,516
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,128,509</u>
Fund balances:				
Nonspendable	-	-	-	-
Restricted	848,293	66,827	44,215	1,589,131
Committed	-	-	-	-
Assigned	16,125	819	22,082	1,122,674
Unassigned	-	-	-	2,035,287
Total fund balances	<u>864,418</u>	<u>67,646</u>	<u>66,297</u>	<u>4,747,092</u>
Total liabilities and fund balances	<u>\$ 864,418</u>	<u>\$ 67,646</u>	<u>\$ 66,297</u>	<u>\$ 5,875,601</u>

**CITY OF EL RENO, OKLAHOMA
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**Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund
Accounts – For the Year Ended June 30, 2011**

	<u>General Fund</u>	<u>NWCC Repair and Maintenance Fund (209)</u>	<u>Lake Fund (213)</u>	<u>Care & Share Fund (220)</u>	<u>Friends of Route 66</u>	<u>Sales Tax 1/4 Cent Fund (415)</u>
REVENUES						
Taxes	\$ 9,766,416	\$ -	\$ -	\$ -	\$ -	\$ 515,165
Intergovernmental	781,254	-	-	-	-	-
Licenses and permits	192,406	-	-	-	-	-
Charges for services	30,734	-	-	-	-	-
Fines and forfeitures	429,729	-	-	-	-	4,906
Investment income	25,884	-	458	7	58	-
Miscellaneous	278,156	1,155	6,512	516	9,000	-
Total revenues	<u>11,504,679</u>	<u>1,155</u>	<u>6,970</u>	<u>523</u>	<u>9,058</u>	<u>520,071</u>
EXPENDITURES						
Current:						
General government	1,571,920	1,106	500	500	-	-
Public Safety	4,736,350	-	-	-	-	-
Streets	630,943	-	-	-	-	-
Culture, parks, and recreation	928,132	-	-	-	172	-
Capital outlay	191,511	-	-	-	-	-
Debt Service:						
Principal	36,746	-	-	-	-	-
Interest	-	-	-	-	-	-
Total Expenditures	<u>8,095,602</u>	<u>1,106</u>	<u>500</u>	<u>500</u>	<u>172</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>3,408,977</u>	<u>49</u>	<u>6,470</u>	<u>23</u>	<u>8,886</u>	<u>520,071</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	1,243,090	-	-	-	-	-
Transfers out	(3,090,989)	-	-	-	-	(355,789)
Total other financing sources and uses	<u>(1,847,899)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(355,789)</u>
Net change in fund balances	1,561,078	49	6,470	23	8,886	164,282
Fund balances - beginning	1,569,958	959	35,684	278	1,430	399,634
Fund balances - ending	<u>\$ 3,131,036</u>	<u>\$ 1,008</u>	<u>\$ 42,154</u>	<u>\$ 301</u>	<u>\$ 10,316</u>	<u>\$ 563,916</u>

	<u>Sales Tax Reserve Fund (612)</u>	<u>Cemetery Everlasting Care Fund (821)</u>	<u>Park Improvement & Special Activity Fund (210)</u>	<u>Total General Fund Accounts</u>
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 10,281,581
Intergovernmental	15,209	-	-	796,463
Licenses and permits	-	-	-	192,406
Charges for services	-	12,300	-	43,034
Fines and forfeitures	-	-	-	429,729
Investment income	11,550	819	241	43,923
Miscellaneous	4,575	-	22,082	321,996
Total revenues	<u>31,334</u>	<u>13,119</u>	<u>22,323</u>	<u>12,109,132</u>
EXPENDITURES				
Current:				
General government	-	-	266	1,574,292
Public Safety	-	-	-	4,736,350
Streets	6,579	-	-	637,522
Culture, parks, and recreation	-	-	-	928,304
Capital outlay	8,172	-	18,676	218,359
Debt Service:				
Principal	-	-	-	36,746
Interest	-	-	-	-
Total Expenditures	<u>14,751</u>	<u>-</u>	<u>18,942</u>	<u>8,131,573</u>
Excess (deficiency) of revenues over expenditures	<u>16,583</u>	<u>13,119</u>	<u>3,381</u>	<u>3,977,559</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	1,243,090
Transfers out	-	-	-	(3,446,778)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,203,688)</u>
Net change in fund balances	16,583	13,119	3,381	1,773,871
Fund balances - beginning	847,835	54,527	62,916	2,973,221
Fund balances - ending	<u>\$ 864,418</u>	<u>\$ 67,646</u>	<u>\$ 66,297</u>	<u>\$ 4,747,092</u>

CITY OF EL RENO, OKLAHOMA
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Combining Statement of Net Assets – El Reno Municipal Authority– June 30, 2011

	<u>EREF (610)</u>	<u>ERMA Sales Tax (611)</u>	<u>Utility Deposit (800)</u>	<u>MA Tax Sur. PW Fac (407)</u>	<u>SRF OWRB Loans Fund</u>	<u>Total</u>
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 408,804	\$ 703,653	\$ -	\$ -	\$ 181	\$ 1,112,638
Restricted cash and cash equivalents	2,423,988	-	30,548	9,852	-	2,464,388
Investments	90,357	1,648,416	-	-	-	1,738,773
Interest receivable	24	637	89	-	-	750
Due from other funds	182,202	398,821	-	-	-	581,023
Due from component unit	-	-	-	-	-	-
Due from other governments	423	-	-	-	-	423
Accounts Receivable, net	861,158	-	-	-	-	861,158
Total current assets	<u>3,966,956</u>	<u>2,751,527</u>	<u>30,637</u>	<u>9,852</u>	<u>181</u>	<u>6,759,153</u>
Non-current assets:						
Restricted investments	-	-	244,999	-	-	244,999
Capital Assets:						
Land and construction in progress	1,435,459	-	-	-	-	1,435,459
Other capital assets, net of accumulated depr	16,671,137	-	-	-	-	16,671,137
Unamortized debt issuance costs	533,366	-	-	-	-	533,366
Total non-current assets	<u>18,639,962</u>	<u>-</u>	<u>244,999</u>	<u>-</u>	<u>-</u>	<u>18,884,961</u>
Total assets	<u>22,606,918</u>	<u>2,751,527</u>	<u>275,636</u>	<u>9,852</u>	<u>181</u>	<u>25,644,114</u>
LIABILITIES						
Current Liabilities:						
Accounts payable	94,905	-	-	-	-	94,905
Accrued payroll payable	58,547	-	-	-	-	58,547
Accrued interest payable	652,110	-	-	-	-	652,110
Deferred Revenue	1,117	-	-	-	-	1,117
Due to other funds	5,946	-	-	-	-	5,946
Due to component unit	-	-	-	-	-	-
Current portion of:						
Refundable grant obligation	13,873	-	-	-	-	13,873
Notes payable	284,709	-	-	-	-	284,709
Revenue bonds payable	1,999,700	-	-	-	-	1,999,700
Accrued compensated absences	8,862	-	-	-	-	8,862
Total current liabilities	<u>3,119,769</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,119,769</u>
Non-current liabilities:						
Deposits subject to refund	-	-	274,689	-	-	274,689
Refundable grant obligation	70,156	-	-	-	-	70,156
Notes payable	4,859,668	-	-	-	-	4,859,668
Revenue bonds payable, net	27,578,634	-	-	-	-	27,578,634
Accrued compensated absences	79,759	-	-	-	-	79,759
Total non-current liabilities	<u>32,588,217</u>	<u>-</u>	<u>274,689</u>	<u>-</u>	<u>-</u>	<u>32,862,906</u>
Total liabilities	<u>35,707,986</u>	<u>-</u>	<u>274,689</u>	<u>-</u>	<u>-</u>	<u>35,982,675</u>
NET ASSETS						
Invested in capital assets, net of related debt	7,899,272	-	-	-	-	7,899,272
Restricted for debt service	1,812,278	-	-	-	-	1,812,278
Unrestricted	(22,812,618)	2,751,527	947	9,852	181	(20,050,111)
Total net assets (deficit)	<u>\$ (13,101,068)</u>	<u>\$ 2,751,527</u>	<u>\$ 947</u>	<u>\$ 9,852</u>	<u>\$ 181</u>	<u>\$ (10,338,561)</u>

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Combining Schedule of Revenues, Expenses, and Changes in Net Assets – El Reno Municipal Authority - Year Ended June 30, 2011

	<u>EREF (610)</u>	<u>ERMA Sales Tax (611)</u>	<u>Utility Deposit (800)</u>	<u>MA Tax Sur. PW Fac (407)</u>	<u>SRF OWRB Loans Fund</u>	<u>Total</u>
OPERATING REVENUES						
Water charges	\$ 3,134,095	\$ -	\$ -	\$ -	\$ -	\$ 3,134,095
Sewer charges	1,160,287	-	-	-	-	1,160,287
Sanitation	957,447	-	-	-	-	957,447
Water and sewer taps	7,400	-	-	-	-	7,400
Transfer fees	3,475	-	-	-	-	3,475
Returned check charges	2,925	-	-	-	-	2,925
Cut off charges	27,520	-	-	-	-	27,520
Penalties	62,624	-	-	-	-	62,624
Miscellaneous	27,790	-	-	-	-	27,790
Total operating revenues	<u>5,383,563</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,383,563</u>
OPERATING EXPENSES						
Managerial	144,819	-	-	-	-	144,819
Administration	151,453	-	-	-	-	151,453
Billing	744,033	-	-	-	-	744,033
Water Plant	851,260	-	-	1,799	-	853,059
Wasterwater	477,335	-	-	-	-	477,335
Utility Lines	444,848	-	-	-	-	444,848
Depreciation expense	759,530	-	-	-	-	759,530
Amortization expense	59,586	-	-	-	-	59,586
Total Operating Expenses	<u>3,632,864</u>	<u>-</u>	<u>-</u>	<u>1,799</u>	<u>-</u>	<u>3,634,663</u>
Operating income (loss)	<u>1,750,699</u>	<u>-</u>	<u>-</u>	<u>(1,799)</u>	<u>-</u>	<u>1,748,900</u>
NON-OPERATING REVENUES (EXPENSES)						
Investment income	13,913	22,765	(51)	1	63	36,691
Intergovernmental	-	-	-	-	-	-
Interest expense and fiscal charges	(1,428,232)	-	-	-	-	(1,428,232)
Total non-operating revenue (expenses)	<u>(1,414,319)</u>	<u>22,765</u>	<u>(51)</u>	<u>1</u>	<u>63</u>	<u>(1,391,541)</u>
Income (loss) before contributions and transfers	<u>336,380</u>	<u>22,765</u>	<u>(51)</u>	<u>(1,798)</u>	<u>63</u>	<u>357,359</u>
Capital contributions	278,604	-	-	-	-	278,604
Transfers in	2,928,067	3,090,989	-	-	984,958	7,004,014
Transfers out	(2,501,780)	(2,717,473)	-	-	(185,851)	(5,405,104)
Transfers out to component unit	-	-	-	-	-	-
Special item - gain (loss) on sale of land	-	-	-	-	-	-
Change in net assets	<u>1,041,271</u>	<u>396,281</u>	<u>(51)</u>	<u>(1,798)</u>	<u>799,170</u>	<u>2,234,873</u>
Total net assets (deficit) - beginning	<u>(14,142,339)</u>	<u>2,355,246</u>	<u>998</u>	<u>11,650</u>	<u>(798,989)</u>	<u>(12,573,434)</u>
Total net assets (deficit) - ending	<u>\$ (13,101,068)</u>	<u>\$ 2,751,527</u>	<u>\$ 947</u>	<u>\$ 9,852</u>	<u>\$ 181</u>	<u>\$ (10,338,561)</u>

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Combining Statement of Net Assets – Internal Service Funds – June 30, 2011

	<u>Self Insurance Worker's Comp (810)</u>	<u>Self Insurance Health</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 164,699	\$ 132,225	\$ 296,924
Due from other funds	-	5,000	5,000
Total current assets	<u>164,699</u>	<u>137,225</u>	<u>301,924</u>
Total assets	<u><u>164,699</u></u>	<u><u>137,225</u></u>	<u><u>301,924</u></u>
LIABILITIES			
Current Liabilities:			
Accounts payable	4,219	-	4,219
Current portion of:			
Claims liability	<u>35,397</u>	<u>-</u>	<u>35,397</u>
Total current liabilities	<u>39,616</u>	<u>-</u>	<u>39,616</u>
Non-current liabilities:			
Claims liability	<u>197,721</u>	<u>-</u>	<u>197,721</u>
Total non-current liabilities	<u>197,721</u>	<u>-</u>	<u>197,721</u>
Total liabilities	<u><u>237,337</u></u>	<u><u>-</u></u>	<u><u>237,337</u></u>
NET ASSETS			
Unrestricted	<u>(72,638)</u>	<u>137,225</u>	<u>64,587</u>
Total net assets	<u><u>\$ (72,638)</u></u>	<u><u>\$ 137,225</u></u>	<u><u>\$ 64,587</u></u>

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

Combining Schedule of Changes in Net Assets – Internal Service Funds – Year Ended June 30, 2011

	<u>Self Insurance Worker's Comp (810)</u>	<u>Self Insurance Health</u>	<u>Total</u>
REVENUES			
Self insurance charges	\$ 194,220	\$ 1,006,269	\$ 1,200,489
Total operating revenues	<u>194,220</u>	<u>1,006,269</u>	<u>1,200,489</u>
OPERATING EXPENSES			
Claims expenses	257,883	1,017,578	1,275,461
Total operating expenses	<u>257,883</u>	<u>1,017,578</u>	<u>1,275,461</u>
Operating income (loss)	<u>(63,663)</u>	<u>(11,309)</u>	<u>(74,972)</u>
NON-OPERATING REVENUES (EXPENSES)			
Unpledged revenues:			
Investment income	48	1,692	1,740
Total non-operating revenue (expenses)	<u>48</u>	<u>1,692</u>	<u>1,740</u>
Income (loss) before contributions and transfers	<u>(63,615)</u>	<u>(9,617)</u>	<u>(73,232)</u>
Change in net assets	(63,615)	(9,617)	(73,232)
Total net assets (deficit) - beginning	(9,023)	146,842	137,819
Total net assets (deficit) - ending	<u>\$ (72,638)</u>	<u>\$ 137,225</u>	<u>\$ 64,587</u>

**CITY OF EL RENO, OKLAHOMA
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Schedule of Expenditures of Federal and State Awards – Year Ended June 30, 2011

Federal/State Grantor/Pass Thru Agency Grantor/Program Title	Federal CFDA Number	Project or Award Number	Award Amount	Awards Expended
FEDERAL AWARDS:				
<u>U.S. DEPARTMENT OF JUSTICE:</u>				
Bullet-Proof Vest Partnership Program	16.607		2,935	1,079
<u>U.S. DEPARTMENT OF EMERGENCY MANAGEMENT:</u>				
Passed through Oklahoma Department of Emergency Management:				
Disaster Recovery	97.036	OK-DR1989	28,670	8,956
Staffing for Adequate Fire and Emergency Response	97.083	EMW-2008-00386	650,280	217,379
Hazard Mitigation - Storm Sirens	97.039	OK-DR-1712	39,750	1,590
Total U.S. Department of Emergency Management			<u>718,700</u>	<u>227,925</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Passed through Oklahoma Highway Safety Office:				
State and Community Highway Safety	20.600	PT-10-03-12-07	37,000	2,513
<u>Federal Aviation Administration:</u>				
Airport Improvement Program (ARRA)	20.106	AIP-3-40-0026-008-2009	80,085	59,669
Airport Improvement Program (ARRA)	20.106	AIP-3-40-0026-008-2010	502,268	455,577
Total Federal Aviation Administration			<u>582,353</u>	<u>515,246</u>
Total U.S. Department of Justice			<u>619,353</u>	<u>517,759</u>
Total Federal Awards			<u>1,340,988</u>	<u>746,763</u>
State Grantor/Pass Thru Agency Grantor/Program Title		Project or Award Number	Award Amount	Awards Expended
STATE AWARDS:				
<u>OKLAHOMA DEPARTMENT OF LIBRARIES</u>				
State Aid		N/A	12,884	12,884
State Aid - Automation Selection Grant		N/A	1,585	1,585
Total Oklahoma Department of Libraries			<u>14,469</u>	<u>14,469</u>
Total State Awards			<u>14,469</u>	<u>14,469</u>

Footnotes to Schedule of Expenditures of Federal and State Awards:

1. The Schedule of Expenditures of Federal and State Awards is prepared on an accrual basis of accounting. The expenditures are recorded when the liability is incurred regardless of when the award proceeds are received.
2. The City has not been notified of any noncompliance with federal and state award requirements. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

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

SINGLE AUDIT AND COMPLIANCE INFORMATION

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of El Reno, Oklahoma as of and for the year ended June 30, 2011, which collectively comprise City of El Reno, Oklahoma's basic financial statements and have issued our report thereon dated March 12, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of El Reno, Oklahoma's internal control over financial reporting as a basis for designing our auditing procedures 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 El Reno, Oklahoma's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of El Reno, Oklahoma's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting (finding 2011-1). 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of El Reno, Oklahoma's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs (finding 2011-2).

City of El Reno, Oklahoma's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit City of El Reno, Oklahoma's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the entity, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

HBC CPA & Advisors

Yukon, Oklahoma
March 12, 2012



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited City of El Reno, Oklahoma's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of El Reno, Oklahoma's major federal programs for the year ended June 30, 2011. City of El Reno, Oklahoma's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of El Reno, Oklahoma's management. Our responsibility is to express an opinion on City of El Reno, Oklahoma's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of El Reno, Oklahoma's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of El Reno, Oklahoma's compliance with those requirements.

As described in finding 2011-2 in the accompanying schedule of findings and questioned costs, City of El Reno, Oklahoma did not comply with requirements regarding the Pavement Maintenance Management Program that is applicable to its Airport Improvement Program. Compliance with such requirements is necessary, in our opinion, for City of El Reno, Oklahoma to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, City of El Reno, Oklahoma complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of City of El Reno, Oklahoma is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of El Reno, Oklahoma's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control

over compliance. Accordingly, we do not express an opinion on the effectiveness of City of El Reno, Oklahoma's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as finding 2011-2 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

City of El Reno, Oklahoma's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit City of El Reno, Oklahoma's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

HBC CPA & Advisors

Yukon, Oklahoma
March 12, 2012

**CITY OF EL RENO, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2011**

Summary of Auditor's Reports

1. The independent auditor's report on the financial statements expressed an unqualified opinion.
2. There was one significant deficiency reported in the independent auditor's report on internal control over financial reporting.
3. There was one instance of noncompliance considered material to the financial statements of the City disclosed during the audit.
4. There was one material weakness in internal control over compliance with requirements applicable to major federal awards programs reported in the independent auditors' report on internal control over compliance.
5. The independent auditor's report on compliance with requirements applicable to major federal awards programs expressed a qualified opinion.
6. The audit disclosed one finding required to be reported under section 510 (a) of OMB Circular A-133.
7. The Authority's major program was

Program/Cluster	CFDA Number
Federal Aviation Administration	20.106
Airport Improvement Program	

8. A threshold of \$300,000 was used to distinguish between Type A and Type B programs as those terms are defined by OMB Circular A-133.
9. The Authority does not qualify as a low risk auditee as that term is defined by OMB Circular A-133.

CITY OF EL RENO, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2011

Findings required to be reported by *Government Auditing Standards*

FINDING 2011-1

CRITERIA: One individual should not have the custody and control of assets and the ability to record the related transaction.

CONDITION: There are instances where incompatible job duties have been assigned to a single person.

CAUSE: Due to the reduced staffing and limited staff in some departments, some incompatible job functions are being performed by one person.

EFFECT: While there are some compensating controls currently in place, the current system does not provide for the adequate separation of duties in all areas.

MANAGEMENT'S RESPONSE:

The City has hired a new Finance Director, August 2011. Since this time staff has been reviewing the assigned job duties and several responsibilities and controls have been separated in order to be able and have this audit finding released next year. Administrative controls inside of the software are also being adjusted and automated. One example would be where the staff responsible for reconciling bank accounts and so forth, no longer signs on the actual checks. In addition the receipting and disbursing functions are separated from the reconciling, verification and approval processes. All void receipts will be accounted for. Adjustments made through Utility Billing are all approved by supervisors. Staff will be implementing secure signatures inside of the payables software for more automated and regulated payments.

**CITY OF EL RENO, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2011**

Findings required to be reported under Section 510 (a) of OMB Circular A-133

FINDING 2011-2

CFDA Number and Title:	20.106 Airport Improvement Program
Federal Grantor Name:	Federal Aviation Administration
Federal Award/Contract Number:	AIP-3-40-0026-008-2009 and AIP-3-40-0026-008-2010
Questioned Costs:	\$0

CRITERIA: The Federal Aviation Administration grants monies for airport improvements subject to certain terms and conditions. Each grant recipient is required to develop and follow a Pavement Maintenance Management Program. The grantee must use and maintain such program for the useful life of any pavement constructed, reconstructed, or repaired with federal assistance.

The minimum elements as required by the grant includes development of a pavement inventory with an appropriate level of detail. For compliance with Airport Improvement Program assurances, pavement constructed, reconstructed or repaired with federal financial assistance must be so depicted.

An inspection schedule must be developed including a detailed annual inspection performed once a year and drive-by inspections performed at a minimum of once per month to detect unexpected changes in pavement condition. Complete record keeping information on the findings of all detailed inspections and on the maintenance performed must be recorded and kept on file for a minimum of five years. The type of distress, their locations, and remedial action, scheduled or performed, must be documented.

CONDITION: The City has not adopted the minimum elements of a Pavement Maintenance Management Program as required by the two contract numbers referenced above.

CAUSE: The City worked with and relied heavily upon outside consultants for the site plan development and construction phases of the grant. Ultimately, the City is responsible for grant oversight and implementation. The terms and conditions contained within the grant document were not adhered to by the City.

EFFECT: The City did not comply with the conditions of the grant. An acceptable Pavement Maintenance Management Program was not been adopted or put into operation by the City.

RECOMMENDATION: The City should implement procedures for identifying and documenting all requirements for each grant received. The City should adopt measures to ensure compliance with all grant conditions and terms.

CITY OF EL RENO, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2011

VIEW OF RESPONSIBLE OFFICIALS: The City is in contact with the Oklahoma Aeronautics Commission and a consultant to establish a Pavement Maintenance Management Program. In researching this finding, the City learned that the Pavement Maintenance Management Program has been a requirement since January 1st, 1995. The City assumed operational control of the El Reno Airpark on July 1st, 2011. The City management assumed that all required programs were established and in place upon assuming operational control of the Airpark. The El Reno Airpark has used funds requiring the Pavement Maintenance Management Program since 1999. One would assume that if this required program was not being followed it would have been identified in previous audits.

**CITY OF EL RENO, OKLAHOMA
PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2011**

No matters were reported.

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