

City of Enid, Oklahoma

Report on Audit of Financial Statements

June 30, 2011



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Ronald C. Cottrell, CPA

Independent Auditor's Report

December 29, 2011

City Council
City of Enid
Enid, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Enid, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City of Enid's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Enid's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Pegasus, Inc. which represent 19 percent, 19 percent, and 23 percent, respectively of the assets, net assets, and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it related to the amounts included for Pegasus, Inc. is based on the report of other auditors.

Except as discussed in the following paragraph, 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 basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Enid's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

The financial statements of Enid Regional Development Alliance have not been audited, and we were not engaged to audit the Enid Regional Development Alliance financial statements as part of our audit of the City of Enid's basic financial statements. Enid Regional Development Alliance's financial activities are included in the City of Enid's basic financial statements as a discretely presented component unit and represent 81 percent, 81 percent, and 77 percent of the assets, net assets, and revenues, respectively of the City of Enid's discretely presented component units.

In our opinion, based on the report of other auditors and, except for the effects of such adjustments, if any, as might have been determined to be necessary had Enid Regional Development Alliance's financial statements been audited, the financial statement referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of the City of Enid, Oklahoma, as of June 30, 2011, and the

Ronald C. Cottrell, CPA

respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Enid as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, 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 December 29, 2011, on our consideration of the City of Enid's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 12 and 46 through 48 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Enid's basic financial statements. The accompanying schedule of expenditures of federal 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*, and is not a required part of the basic financial statements. The accompanying combining and individual nonmajor fund financial statements and the schedule of expenditures of state awards listed under supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of OMB Circular A-133 or the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Ronald C. Cottrell, CPA

City of Enid, Oklahoma
Management's Discussion and Analysis
June 30, 2011

The following discussion and analysis of the City of Enid's (the City) 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 begin on page 13.

Financial Highlights

- ❖ The assets of the City of Enid exceeded its liabilities at the close of the most recent fiscal year by \$ 172,162,066 (net assets).

During the year, the government's total net assets increased by \$ 4,283,754. This is mainly attributed to this year's operations. Business type activities accounted for \$ 12,177,425 while governmental activities reduced net assets by \$ 7,893,671.

- ❖ At the close of the current fiscal year, the City of Enid's governmental funds reported combined ending fund balances of \$ 31,280,591, a decrease of \$ 15,845,199 in comparison with the prior year. Approximately \$ 16,919,232 is available for spending at the government's discretion (unreserved fund balance).
- ❖ At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 5,802,867, or 14 % of total general fund expenditures and transfers out.
- ❖ The City's debt increased by \$ 21,167,420 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Enid's basic financial statements. The City of Enid's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad view of the City of Enid's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City of Enid's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Enid is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Enid that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Enid include general government, public safety, public works, and culture and recreation. The business-type activities of the City of Enid include the Enid Municipal Authority which includes the City's water, wastewater, landfill, and sanitation utility operations.

The government-wide financial statements can be found on pages 13–14 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Enid, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Enid can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains nineteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund police fund and fire fund, all of which are considered to be major funds. Data from the other sixteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund, police fund, and fire fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 15–17 of this report.

Proprietary funds. The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for the Enid Municipal Authority operation.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Enid Municipal Authority, which is considered to be a major fund of the City. The City maintains seven proprietary funds. Data from the other six proprietary funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor proprietary funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 18–20 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 21–22 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23–45 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's actual revenues and expenditures on a budgetary basis compared with the original and final budgets for the general fund, police fund, and fire fund.

Required supplementary information can be found on pages 46–48 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and nonmajor proprietary funds are presented immediately following the required supplementary information on budget and actual revenues and expenditures for the general fund, police fund and fire fund.

Combining statements and schedules can be found on pages 49–55 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City's governmental activities, assets exceeded liabilities by \$ 79,610,563 at the close of the most recent fiscal year. The business-type activities assets exceeded liabilities by \$ 92,551,503.

By far the largest portion of the City's net assets (69 %) reflects its investment in capital assets (e.g., land, buildings, improvements, vehicles, and equipment); less any related debt used to acquire those assets that is still outstanding. 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.

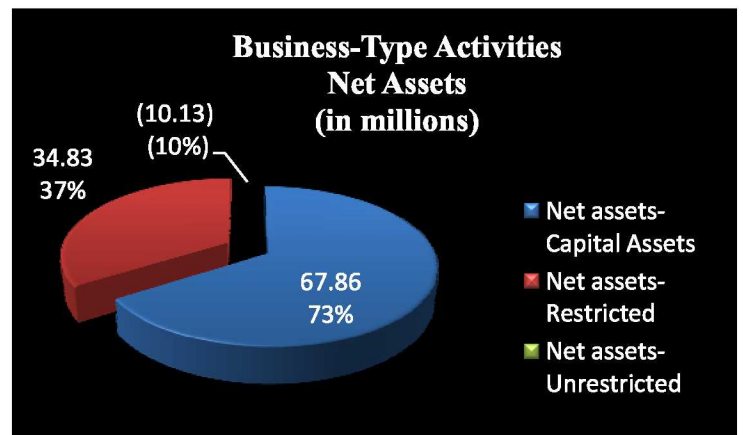
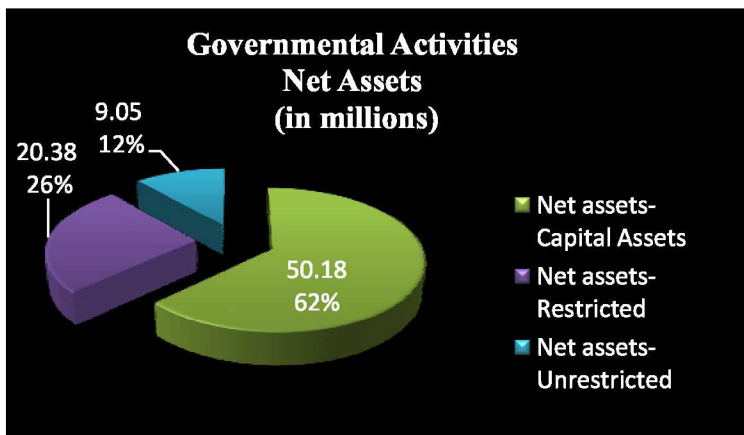
See disclaimer in accompanying Independent Auditor's Report.

City of Enid
Net Assets
June 30, 2011 and 2010

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Current assets	\$ 39,227,223	\$ 48,168,808	\$ 39,854,390	\$ 29,418,136	\$ 79,081,613	\$ 77,586,944
Capital and other noncurrent assets	53,722,242	47,542,666	124,901,680	98,887,123	178,623,922	146,429,789
Total assets	92,949,465	95,711,474	164,756,070	128,305,259	257,705,535	224,016,733
Current liabilities	9,899,388	3,031,030	3,879,761	4,806,731	13,779,149	7,837,761
Long-term liabilities	3,439,514	5,176,210	68,324,806	43,124,450	71,764,320	48,300,660
Total liabilities	13,338,902	8,207,240	72,204,567	47,931,181	85,543,469	56,138,421
Net assets:						
Invested in capital assets, net of related debt	50,175,628	42,220,678	67,855,656	64,892,227	118,031,284	107,112,905
Restricted	20,382,807	26,894,598	34,826,632	28,113,161	55,209,439	55,007,759
Unrestricted	9,052,128	18,388,958	(10,130,785)	(12,631,310)	(1,078,657)	5,757,648
Total net assets	\$ 79,610,563	\$ 87,504,234	\$ 92,551,503	\$ 80,374,078	\$ 172,162,066	\$ 167,878,312

An additional portion of the City's net assets (32%) represents resources that are subject to external restrictions on how they may be used either by external groups such as creditors, grantors, or laws and regulations of other governments, or by law through constitutional provisions or enabling legislation. The remaining balance of unrestricted net assets \$ (1,078,657) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's net assets increased by \$ 4,283,754 during the current fiscal year; mainly attributed to an increase in current assets and a large increase in capital assets net of the related debt.



See disclaimer in accompanying Independent Auditor's Report.

City of Enid
Statement of Activities
Years Ended June 30, 2011 and 2010

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Program revenues:						
Charges for services	\$ 3,317,572	\$ 3,144,743	\$ 25,932,774	\$ 21,178,561	\$ 29,250,346	\$ 24,323,304
Grants/contributions	3,211,167	1,218,391	1,971,466	2,322,667	5,182,633	3,541,058
General revenues	33,543,323	32,880,192	2,685,391	2,126,121	36,228,714	35,006,313
Total revenues	40,072,062	37,243,326	30,589,631	25,627,349	70,661,693	62,870,675
Expenses:						
General government	5,753,245	6,013,945	-	-	5,753,245	6,013,945
Public safety	18,049,290	15,317,562	-	-	18,049,290	15,317,562
Public works	15,754,429	7,217,032	948,786	913,916	16,703,215	8,130,948
Culture and recreation	2,494,971	2,062,614	1,817,916	1,580,506	4,312,887	3,643,120
Utility operations	-	-	16,954,486	14,714,712	16,954,486	14,714,712
Airport	-	-	2,257,483	1,318,158	2,257,483	1,318,158
Economic development	-	-	2,159,017	1,913,968	2,159,017	1,913,968
Other	188,316	265,316	-	-	188,316	265,316
Total expenses	42,240,251	30,876,469	24,137,688	20,441,260	66,377,939	51,317,729
Increase in net assets before transfers	(2,168,189)	6,366,857	6,451,943	5,186,089	4,283,754	11,552,946
Transfers, net	(5,725,482)	(4,279,568)	5,725,482	4,279,568	-	-
Increase in net assets	(7,893,671)	2,087,289	12,177,425	9,465,657	4,283,754	11,552,946
Net assets, beginning	87,504,234	85,416,945	80,374,078	70,908,421	167,878,312	156,325,366
Net assets, ending	\$ 79,610,563	\$ 87,504,234	\$ 92,551,503	\$ 80,374,078	\$ 172,162,066	\$ 167,878,312

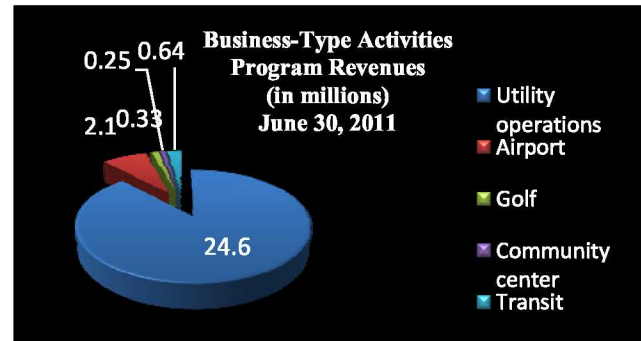
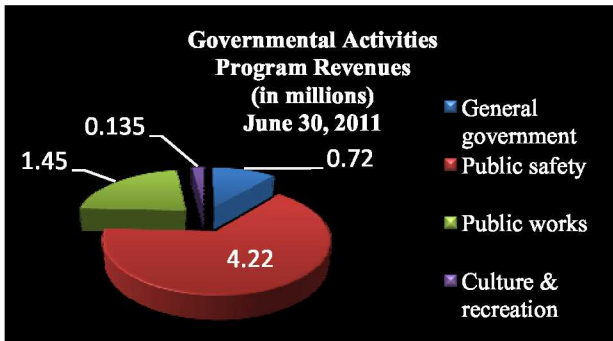
Governmental activities. Governmental activities decreased the City's net assets by \$ 7,893,671. The key elements of this decrease are as follows:

- Large increases in public safety and public works expenditures.
- \$ 4.3 million dollar net transfer from governmental activities to business type activities.

City of Enid
Governmental Activities
Years Ended June 30, 2011 and 2010

	Program Revenues		Cost of Services	
	2011	2010	2011	2010
General government	\$ 722,554	\$ 720,126	\$ 5,753,245	\$ 6,013,945
Public safety	4,220,610	2,498,362	18,049,290	15,317,562
Public works	1,450,305	1,055,719	15,754,429	7,217,032
Culture and recreation	135,270	88,927	2,494,971	2,062,614
Interest on long-term debt	-	-	188,316	265,316
Total governmental activities	\$ 6,528,739	\$ 4,363,134	\$ 42,240,251	\$ 30,876,469

See disclaimer in accompanying Independent Auditor's Report.



Business-type activities. Business-type activities increased the City's net assets by \$ 12,177,425. The key elements in this increase are:

- Automatic increases in utility rates by ordinance and the initial impact of the newer more accurate water meters that were replaced during the year.
- \$ 4.3 million dollar net transfer from governmental activities to business type activities.

City of Enid
Business-Type Activities
Years Ended June 30, 2011 and 2010

	Program Revenues		Cost of Services	
	2011	2010	2011	2010
Utility operations	\$ 24,598,811	\$ 20,312,480	\$ 16,954,486	\$ 14,714,712
Airport	2,091,981	1,663,937	2,257,483	1,318,158
Golf	328,801	365,797	580,498	565,658
Economic development	-	-	2,159,017	1,913,968
Community center	249,532	232,940	1,237,418	1,014,848
Transit	635,115	926,074	948,786	913,916
Total business-type activities	\$ 27,904,240	\$ 23,501,228	\$ 24,137,688	\$ 20,441,260

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 31,280,591, a decrease of \$ 15,845,199 in comparison with the prior year. Approximately 54 % of this total amount (\$ 16,919,232) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for such things as capital improvements, debt service, or encumbrances.

See disclaimer in accompanying Independent Auditor's Report.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$ 5,802,867. As a measure of the general fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Unreserved fund balance represents 14 % of total general fund expenditures and transfers out.

The fund balance of the City's general fund decreased \$ 4,248,186 during the current fiscal year, primarily due to deficit spending for operations, but less than the approved budgetary amount set by the City Council.

The police fund has a total fund balance of \$ 2,747,796. The net decrease in fund balance during the current year was \$ 763,062, due primarily to the completion of the newly remodeled police station to include the northwest wing and fitness areas. A dedicated sales tax, miscellaneous revenue, and transfers from the general fund produced inflows of \$ 8,774,446 in the current fiscal year, while expenditures and transfers out during the current period were \$ 9,537,508. This resulted in the overall decrease in fund balance.

The fire fund has a total fund balance of \$ 1,773,106. The net decrease in fund balance during the current year was \$ 526,271, due primarily to the purchase of two new pumper fire trucks required to upgrade the fleet. A dedicated sales tax, miscellaneous revenue, and transfers from the general fund produced inflows of \$ 8,391,356 in the current fiscal year, while expenditures during the current period were \$ 8,917,627 resulting in the overall decrease in fund balance.

The capital improvements fund had a total fund balance of \$ 5,638,610. The net decrease in fund balance during the current year was \$ 3,504,742, due primarily to the completion of many capital projects during the year. Transfers of sales taxes, governmental grants and other miscellaneous revenues resulted in total inflows of \$ 2,674,646, while expenditures and transfers out totaled \$ 6,179,388, resulting in the net decrease in fund balance.

The sanitary sewer fund had a total fund balance of \$ 1,039,859, a decrease of \$ 6,897,921 for the year. This decrease was primarily due to the completion of significant capital improvements including the early construction of a new wastewater plant. Transfers in and other miscellaneous revenues totaled \$ 22,656,011 while expenditures and transfers out were \$ 29,553,932, thereby resulting in the overall decrease in fund balance.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Enid Municipal Authority at the end of the year amounted to (\$ 7,180,266). The total increase in net assets was \$ 11,971,680. Operating revenues showed an increase of \$ 4,208,806 while operating expenses increased by \$ 1,577,426. The changes in operating revenues and expenses were due to:

- Automatic water rate increases authorized by the current City code.
- Higher average water bills per customer due to the improved accuracy of billing as a result of the new automated water meter infrastructure.
- Increased usage from our largest commercial customers.

The Enid Economic Development Authority showed total net assets of \$ 1,054,188, an increase of \$ 418,903, mainly due to transfers from the Enid Municipal Authority to provide funding for downtown property purchases related to the Renaissance downtown project.

The Woodring Airport had total net assets at year-end of \$ 13,403,098, a decrease of \$ 65,810 from the previous year, due mainly to increases in operating costs of fuel and personnel.

Budgetary Highlights of Major Governmental Funds

The general fund budget increased by \$ 1,217,954 for departmental expenditures and \$ 1,617,999 for transfers out during the year with no increase in estimated revenues and \$ 336,000 for transfers in. Several departmental budgets increased including administration, general government, treasury and budget, information technology, code enforcement, engineering, park/storm water, and capital outlay, while others such as human resources, safety, and street decreased during the year.

Revenues received were below budget estimates by \$ 68,105, and actual expenditures and transfers were less than final budget appropriations by \$ 2,585,845, resulting in an overall net change in fund balance of \$ 2,517,740. As a result, the City had to use a portion of its fund balance to cover expenditures and transfers.

The police fund showed an increase of \$ 1,177,300 in its budgeted expenditures during the year. Its actual revenues and transfers in totaled \$ 8,149,684, which was more than budget estimates by \$ 475,804. Expenditures and transfers out of \$ 7,998,038 were less than budgeted by \$ 1,636,087 resulting in an overall net change in fund balance of \$ 151,646.

The fire fund increased its expenditure budget during the year by \$ 1,130,964, while revenues remained the same as originally estimated. Actual revenues and transfers in totaled \$ 7,252,307, an excess of \$ 87,597 in comparison with budget estimates. Expenditures and transfers totaled \$ 6,785,941, which was less than the final budget appropriation by \$ 1,857,663, resulting in a net change of \$ 466,366.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounts to \$ 172,536,693 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, vehicles and equipment, and infrastructure.

Major capital asset events during the current fiscal year included the following:

- Police building, lobby and northwest wing renovation.
- Southgate road reconstruction.
- 2008 local street program.
- 700 E. Garriott box culvert improvement.
- Cherokee Strip Conference Center roof replacement and heating, ventilation and air conditioning.
- Construction of new wastewater treatment plant.

City of Enid
Capital Assets
June 30, 2011 and 2010
(net of depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land	\$ 2,199,662	\$ 2,205,254	\$ 5,486,776	\$ 4,552,566	\$ 7,686,438	\$ 6,757,820
Construction in progress	15,331,596	10,534,068	34,206,714	16,098,119	49,538,310	26,632,187
Buildings	7,233,460	4,729,211	4,947,512	4,505,475	12,180,972	9,234,686
Improvements	24,460,385	25,898,923	65,682,492	57,949,959	90,142,877	83,848,882
Equipment	1,570,487	1,686,190	6,350,589	6,617,735	7,921,076	8,303,925
Vehicles	2,885,982	2,434,327	2,181,038	2,682,694	5,067,020	5,117,021
Capital assets, net	<u>\$ 53,681,572</u>	<u>\$ 47,487,973</u>	<u>\$ 118,855,121</u>	<u>\$ 92,406,548</u>	<u>\$ 172,536,693</u>	<u>\$ 139,894,521</u>

Additional information of the City's capital assets can be found in Note V.D. on pages 32–33 of this report.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$ 70,961,079. This represents general obligation bonds of \$ 3,500,000; bonds secured solely by specified revenue sources (i.e., revenue bonds and notes) totaling \$ 40,113,482 (plus deferred interest of \$ 16,951,183); tax apportionment bonds (TIF) of \$ 7,004,769; other notes payable to other governmental entities of \$ 1,212,000; \$ 40,744 in capital lease obligations; \$ 382,833 in judgments against the City; and the long-term portion of accrued compensated absences totaling \$ 1,756,068.

City of Enid
Outstanding Debt
June 30, 2011 and 2010

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 3,500,000	\$ 5,250,000	\$ -	\$ -	\$ 3,500,000	\$ 5,250,000
Revenue bonds	-	-	9,330,000	12,055,000	9,330,000	12,055,000
Tax apportionment bonds (TIF)	-	-	7,004,769	7,216,169	7,004,769	7,216,169
Deferred interest on bonds	-	-	16,951,183	15,393,175	16,951,183	15,393,175
Unamortized bond discounts	-	-	-	(196,489)	-	(196,489)
Notes payable	-	-	31,995,482	7,865,732	31,995,482	7,865,732
Capital lease obligations	5,944	17,295	34,800	46,903	40,744	64,198
Judgments	382,833	515,255	-	-	382,833	515,255
Compensated absences	1,527,898	1,402,487	228,170	228,132	1,756,068	1,630,619
Total outstanding debt	<u>\$ 5,416,675</u>	<u>\$ 7,185,037</u>	<u>\$ 65,544,404</u>	<u>\$ 42,608,622</u>	<u>\$ 70,961,079</u>	<u>\$ 49,793,659</u>

See disclaimer in accompanying Independent Auditor's Report.

The City's total debt increased \$ 21,167,420 during the current fiscal year. The key factors in this increase were:

- 2009 automated water meter infrastructure debt.
- 2010 wastewater plant debt.

Additional information on the City's long-term debt can be found in Note V.F. on pages 34–37 of this report.

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the fiscal-year 2011–2012 revenue and expense budgets.

When setting the fiscal year 2012 expenditure budget, city staff worked diligently to keep increases in expenditures to a minimum with some departments and funds having increases due to escalating operating expenses, principally personnel increases, and some having decreases primarily due to personnel decreases through transfers, reassignments, or reductions in employees.

The City will be looking at using General Obligation Bonds, and Revenue Notes in the future to increase the funding available to build and repair infrastructure such as streets, water lines, sewer lines, storm water drains, and downtown Renaissance improvements.

The City currently has two recognized unions, the Fraternal Order of Police (FOP), and the International Association of Fire Fighters (IAFF). The City completed two year agreements for 2011-2013 with both unions. The City has a third union with the American Federation of State, County, and Municipal Employees (AFSCME). However, state law allowing municipal workers to organize was repealed effective November 1, 2011. The City Council chose to honor the two year agreement with AFSCME from 2011-2013 without formally recognizing the union. The City Council will have to decide in the future whether to recognize AFSCME or allow a vote of the people to amend the City Charter to authorize AFSCME permanently.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the City of Enid's Chief Financial Officer, at City of Enid, Post Office Box 1768, Enid, Oklahoma 73702–1768 or telephone (580) 616-7280. You may also visit our website at www.enid.org for more budgetary and contact information.

City of Enid, Oklahoma
Statement of Net Assets
June 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 995,682	\$ 4,552,138	\$ 5,547,820
Investments	27,892,655	-	27,892,655
Receivables (net of allowance for uncollectibles):			
Accounts	71,412	3,625,875	3,697,287
Taxes	5,510,581	103,017	5,613,598
Interest	100,198	44,009	144,207
Due from other governments	82,006	1,312,880	1,394,886
Internal balances	1,437,888	(1,448,060)	(10,172)
Inventories	737,577	103,418	840,995
Restricted assets:			
Cash and investments	2,399,224	31,561,113	33,960,337
Total current assets	<u>39,227,223</u>	<u>39,854,390</u>	<u>79,081,613</u>
Noncurrent assets:			
Debt issuance costs (net of accumulated amortization)	40,670	728,412	769,082
Investments	-	5,318,147	5,318,147
Capital assets (net of accumulated depreciation)	53,681,572	118,855,121	172,536,693
Total noncurrent assets	<u>53,722,242</u>	<u>124,901,680</u>	<u>178,623,922</u>
Total assets	<u>92,949,465</u>	<u>164,756,070</u>	<u>257,705,535</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	7,667,377	38,654	7,706,031
Payable from restricted assets:			
Accrued interest payable	-	674,970	674,970
Customer deposits	-	757,181	757,181
Deferred revenue	254,850	-	254,850
Current portion of long-term obligations	1,977,161	2,408,956	4,386,117
Total current liabilities	<u>9,899,388</u>	<u>3,879,761</u>	<u>13,779,149</u>
Noncurrent liabilities:			
Deferred interest on revenue bonds	-	16,951,183	16,951,183
Bonds and notes payable	3,500,000	48,330,251	51,830,251
Capital lease obligations	5,944	34,800	40,744
Accrued landfill closure costs	-	5,189,358	5,189,358
Judgments	382,833	-	382,833
Accrued compensated absences	1,527,898	228,170	1,756,068
Less: current portion of long-term obligations	(1,977,161)	(2,408,956)	(4,386,117)
Total noncurrent liabilities	<u>3,439,514</u>	<u>68,324,806</u>	<u>71,764,320</u>
Total liabilities	<u>13,338,902</u>	<u>72,204,567</u>	<u>85,543,469</u>
Net assets			
Invested in capital assets, net of related debt	50,175,628	67,855,656	118,031,284
Restricted by:			
Enabling legislation	4,319,911	23,878,349	28,198,260
Statutes	326,985	-	326,985
Debt service	800,020	8,457,337	9,257,357
Contractual agreement	14,935,891	2,490,946	17,426,837
Unrestricted	9,052,128	(10,130,785)	(1,078,657)
Total net assets	<u>\$ 79,610,563</u>	<u>\$ 92,551,503</u>	<u>\$ 172,162,066</u>

The accompanying notes are an integral part of these financial statements.

Component Units		
Pegasys, Inc.	Enid Regional Dev. Alliance	
\$ 80,424	\$ 1,056,434	
24,000	-	
35,348	137,535	
-	-	
-	-	
-	-	
-	-	
-	-	
<u>139,772</u>	<u>1,193,969</u>	
-	-	
152,215	-	
34,333	212,854	
<u>186,548</u>	<u>212,854</u>	
<u>326,320</u>	<u>1,406,823</u>	
593	13,497	
-	-	
-	-	
-	-	
<u>593</u>	<u>13,497</u>	
-	-	
-	-	
-	-	
-	-	
-	-	
-	-	
<u>593</u>	<u>13,497</u>	
34,333	212,854	
-	-	
-	-	
-	-	
-	1,180,472	
291,394		
<u>\$ 325,727</u>	<u>\$ 1,393,326</u>	

City of Enid, Oklahoma
Statement of Activities
Year Ended June 30, 2011

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 5,753,245	\$ 722,554	\$ -	\$ -
Public safety	18,049,290	2,029,556	1,870,039	321,015
Public works	15,754,429	519,369	622,775	308,161
Culture and recreation	2,494,971	46,093	22,705	66,472
Interest on long-term debt	188,316	-	-	-
Total governmental activities	42,240,251	3,317,572	2,515,519	695,648
Business-type activities:				
Utility operations	16,954,486	23,522,066	-	1,076,745
Airport	2,257,483	1,600,394	-	491,587
Golf	580,498	328,801	-	-
Economic development	2,159,017	-	-	-
Community center	1,237,418	249,532	-	-
Transit	948,786	231,981	403,134	-
Total business-type activities	24,137,688	25,932,774	403,134	1,568,332
Total primary government	\$ 66,377,939	\$ 29,250,346	\$ 2,918,653	\$ 2,263,980
Component units:				
Pegasys, Inc.	\$ 223,118	\$ 16,548	\$ 217,947	\$ -
Enid Regional Development Alliance, Inc.	373,788	56,750	536,445	-
Total component units	\$ 596,906	\$ 73,298	\$ 754,392	\$ -
General revenues:				
Taxes:				
Sales and use				
Property				
Franchise				
Other				
Interest income				
Miscellaneous				
Gain (loss) on investments and disposition of capital assets				
Transfers – internal activity				
Total general revenues and transfers				
Change in net assets				
Net assets, beginning, restated				
Net assets, ending				

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Assets			Component Units	
Primary Government				
Governmental Activities	Business-type Activities	Total	Pegasys, Inc.	Enid Regional Dev. Alliance
\$ (5,030,691)	\$ -	\$ (5,030,691)	\$ -	\$ -
(13,828,680)	-	(13,828,680)	-	-
(14,304,124)	-	(14,304,124)	-	-
(2,359,701)	-	(2,359,701)	-	-
(188,316)	-	(188,316)	-	-
<u>(35,711,512)</u>	<u>-</u>	<u>(35,711,512)</u>	<u>-</u>	<u>-</u>
-	7,644,325	7,644,325	-	-
-	(165,502)	(165,502)	-	-
-	(251,697)	(251,697)	-	-
-	(2,159,017)	(2,159,017)	-	-
-	(987,886)	(987,886)	-	-
-	(313,671)	(313,671)	-	-
-	<u>3,766,552</u>	<u>3,766,552</u>	-	-
<u>(35,711,512)</u>	<u>3,766,552</u>	<u>(31,944,960)</u>	-	-
			11,377	-
			-	<u>219,407</u>
			<u>11,377</u>	<u>219,407</u>
26,488,703	-	26,488,703	-	-
1,849,207	1,016,866	2,866,073	-	-
3,030,565	-	3,030,565	-	-
582,723	872,972	1,455,695	-	-
903,956	471,513	1,375,469	1,515	9,578
684,580	375,498	1,060,078	3,028	99,000
3,589	(51,458)	(47,869)	27,741	-
<u>(5,725,482)</u>	<u>5,725,482</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>27,817,841</u>	<u>8,410,873</u>	<u>36,228,714</u>	<u>32,284</u>	<u>108,578</u>
(7,893,671)	12,177,425	4,283,754	43,661	327,985
<u>87,504,234</u>	<u>80,374,078</u>	<u>167,878,312</u>	<u>282,066</u>	<u>1,065,341</u>
<u>\$ 79,610,563</u>	<u>\$ 92,551,503</u>	<u>\$ 172,162,066</u>	<u>\$ 325,727</u>	<u>\$ 1,393,326</u>

City of Enid, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2011

	<u>General</u>	<u>Police Fund</u>	<u>Fire Fund</u>
Assets			
Cash and cash equivalents	\$ -	\$ -	\$ -
Claim on pooled cash	2,585,605	2,555,306	1,615,815
Receivables:			
Accounts	71,412	-	-
Taxes	5,257,646	-	-
Due from other governments	18,273	32,161	4,522
Due from other funds	-	165,729	165,729
Inventories	737,577	-	-
Restricted assets:			
Cash	-	-	-
Total assets	<u>\$ 8,670,513</u>	<u>\$ 2,753,196</u>	<u>\$ 1,786,066</u>
Liabilities and fund balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 61,585	\$ 5,400	\$ 12,960
Due to other funds	1,923,046	-	-
Deferred revenue	-	-	-
Total liabilities	<u>1,984,631</u>	<u>5,400</u>	<u>12,960</u>
Fund balances:			
Reserved for:			
Capital improvements	-	-	-
Debt service	-	-	-
Encumbrances	883,015	81,659	114,533
Unreserved, designated for, reported in:			
Special revenue funds	-	2,666,137	1,658,573
Unreserved, undesignated, report in:			
General Fund	5,802,867	-	-
Total fund balances	<u>6,685,882</u>	<u>2,747,796</u>	<u>1,773,106</u>
Total liabilities and fund balances	<u>\$ 8,670,513</u>	<u>\$ 2,753,196</u>	<u>\$ 1,786,066</u>

The accompanying notes are an integral part of these financial statements.

Capital Improvements Fund	Sanitary Sewer Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 272,501	\$ 272,501
3,490,948	1,039,859	13,172,370	24,459,903
-	-	-	71,412
-	-	252,935	5,510,581
-	-	27,050	82,006
-	-	-	331,458
-	-	-	737,577
2,399,224	-	-	2,399,224
<u>\$ 5,890,172</u>	<u>\$ 1,039,859</u>	<u>\$ 13,724,856</u>	<u>\$ 33,864,662</u>
\$ -	\$ -	\$ 326,230	\$ 406,175
-	-	-	1,923,046
251,562	-	3,288	254,850
<u>251,562</u>	<u>-</u>	<u>329,518</u>	<u>2,584,071</u>
2,399,244	-	1,944,652	4,343,896
-	-	800,020	800,020
3,239,366	1,039,859	3,859,011	9,217,443
-	-	6,791,655	11,116,365
-	-	-	5,802,867
<u>5,638,610</u>	<u>1,039,859</u>	<u>13,395,338</u>	<u>31,280,591</u>
<u>\$ 5,890,172</u>	<u>\$ 1,039,859</u>	<u>\$ 13,724,856</u>	<u>\$ 33,864,662</u>

City of Enid, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2011

	<u>General</u>	<u>Police Fund</u>	<u>Fire Fund</u>
Revenues			
Taxes	\$ 29,519,268	\$ -	\$ -
Licenses and permits	300,050	-	-
Intergovernmental	259,983	566,016	1,338,645
Fines and forfeitures	1,296,883	-	-
Charges for services	96,891	52,813	-
Other	376,492	22,739	10,319
Interest	378,400	37,058	19,041
Total revenues	<u>32,227,967</u>	<u>678,626</u>	<u>1,368,005</u>
Expenditures			
Current:			
General government	4,386,628	-	-
Public safety	-	7,999,065	7,839,021
Public works	6,340,440	-	-
Culture and recreation	2,190,183	-	-
Debt service:			
Principal	-	11,351	-
Interest	-	1,938	-
Capital outlay	1,157,530	1,450,154	1,078,606
Total expenditures	<u>14,074,781</u>	<u>9,462,508</u>	<u>8,917,627</u>
Excess of revenues over (under) expenditures	18,153,186	(8,783,882)	(7,549,622)
Other financing sources (uses)			
Transfers in	6,060,750	8,095,820	7,023,351
Transfers out	(28,462,122)	(75,000)	-
Total other financing sources (uses)	<u>(22,401,372)</u>	<u>8,020,820</u>	<u>7,023,351</u>
Net change in fund balances	(4,248,186)	(763,062)	(526,271)
Fund balances, beginning	<u>10,934,068</u>	<u>3,510,858</u>	<u>2,299,377</u>
Fund balances, ending	<u>\$ 6,685,882</u>	<u>\$ 2,747,796</u>	<u>\$ 1,773,106</u>

The accompanying notes are an integral part of these financial statements.

Capital Improvements Fund	Sanitary Sewer Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,849,207	\$ 31,368,475
-	-	-	300,050
308,161	-	1,926,544	4,399,349
-	-	-	1,296,883
-	-	3,344,765	3,494,469
600	-	357,635	767,785
112,710	131,615	225,133	903,957
<u>421,471</u>	<u>131,615</u>	<u>7,703,284</u>	<u>42,530,968</u>
-	-	3,153,996	7,540,624
-	-	902,398	16,740,484
-	-	1,199,840	7,540,280
-	-	42,807	2,232,990
-	-	2,000,952	2,012,303
-	-	186,378	188,316
<u>4,647,721</u>	<u>26,142,038</u>	<u>11,665,233</u>	<u>46,141,282</u>
<u>4,647,721</u>	<u>26,142,038</u>	<u>19,151,604</u>	<u>82,396,279</u>
(4,226,250)	(26,010,423)	(11,448,320)	(39,865,311)
2,253,175	22,524,396	13,746,088	59,703,580
<u>(1,531,667)</u>	<u>(3,411,894)</u>	<u>(2,202,785)</u>	<u>(35,683,468)</u>
<u>721,508</u>	<u>19,112,502</u>	<u>11,543,303</u>	<u>24,020,112</u>
(3,504,742)	(6,897,921)	94,983	(15,845,199)
<u>9,143,352</u>	<u>7,937,780</u>	<u>13,300,355</u>	<u>47,125,790</u>
<u>\$ 5,638,610</u>	<u>\$ 1,039,859</u>	<u>\$ 13,395,338</u>	<u>\$ 31,280,591</u>

City of Enid, Oklahoma
Reconciliation of the Governmental Funds and
Government-Wide Financial Statements
Year Ended June 30, 2011

Total fund balance - governmental funds	\$ 31,280,591
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets and debt issuance costs used in governmental activities are not financial resources and, therefore, are not reported in the funds.	53,722,242
Long-term liabilities are not due and payable in the current period and therefore are not reported in funds.	(5,416,675)
Internal service funds are used to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	<u>24,405</u>
Net assets of governmental activities in the Statement of Net Assets	<u>\$ 79,610,563</u>
Net change in fund balances – total governmental funds	\$ (15,845,199)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets are allocated over their estimated useful lives as a depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation in the current reporting period.	6,193,599
Governmental funds report costs incurred in the issuance of long-term debt as expenditures. However, in the statement of activities, the costs of issuance are allocated over the term of the bonds as amortization expense. This is the amount by which issuance costs exceeded amortization in the current period.	(14,024)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.	1,893,773
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. Accrued compensated absences, net change	(125,411)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	<u>3,590</u>
Change in net assets of governmental activities	<u>\$ (7,893,672)</u>

The accompanying notes are an integral part of these financial statements.

City of Enid, Oklahoma
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Business-type Activities Enterprise Funds	
		Enid
	Enid Municipal Authority	Economic Development Authority
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,290,470	\$ 34,361
Claim on pooled cash	(4,541,405)	(326,833)
Investments	-	-
Receivables:		
Accounts (net of allowance for uncollectibles)	3,515,009	-
Interest	43,996	13
Due from other funds	1,591,588	-
Due from other governments	-	1,212,000
Inventories	-	-
Restricted assets:		
Investments	29,598,667	1,962,446
Total current assets	34,498,325	2,881,987
Noncurrent assets:		
Debt issuance costs (net of accumulated amortization)	655,595	72,817
Invested in TIF	-	5,318,147
Capital assets (net of accumulated depreciation)	100,208,598	1,429,680
Total noncurrent assets	100,864,193	6,820,644
Total assets	135,362,518	9,702,631
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	-	-
Payable from restricted assets:		
Accrued interest payable	243,296	431,674
Customer deposits	757,181	-
Current portion of long-term obligations	1,723,687	658,491
Total current liabilities	2,724,164	1,090,165
Noncurrent liabilities:		
Deferred interest on revenue bonds	16,951,183	-
Capital lease obligations	-	-
Bonds payable (net of unamortized discount)	9,330,000	7,004,769
Notes payable	30,783,482	1,212,000
Accrued landfill closure costs	5,189,358	-
Accrued compensated absences	180,092	-
Less: current portion	(1,723,687)	(658,491)
Total noncurrent liabilities	60,710,428	7,558,278
Total liabilities	63,434,592	8,648,443
Net assets		
Invested in capital assets, net of related debt	49,243,933	1,429,680
Restricted for:		
Debt service	7,478,560	978,777
Capital improvements	22,120,107	983,668
Other	265,592	514,993
Unrestricted	(7,180,266)	(2,852,930)
Total net assets	\$ 71,927,926	\$ 1,054,188

The accompanying notes are an integral part of these financial statements.

Business-type Activities Enterprise Funds			Governmental Activities Internal Service
Woodring Airport	Nonmajor Enterprise Funds	Totals	Pooled cash and Investments
\$ 153,662	\$ 73,645	\$ 4,552,138	\$ 723,181
855,945	972,645	(3,039,648)	(21,430,427)
-	-	-	27,892,655
110,866	103,017	3,728,892	-
-	-	44,009	100,198
-	-	1,591,588	-
16,810	84,070	1,312,880	-
103,418	-	103,418	-
-	-	31,561,113	-
<u>1,240,701</u>	<u>1,233,377</u>	<u>39,854,390</u>	<u>7,285,607</u>
-	-	728,412	-
-	-	5,318,147	-
12,177,587	5,039,256	118,855,121	-
<u>12,177,587</u>	<u>5,039,256</u>	<u>124,901,680</u>	<u>-</u>
13,418,288	6,272,633	164,756,070	7,285,607
-	38,654	38,654	7,261,202
-	-	674,970	-
-	-	757,181	-
-	26,778	2,408,956	-
<u>-</u>	<u>65,432</u>	<u>3,879,761</u>	<u>7,261,202</u>
-	-	16,951,183	-
-	34,800	34,800	-
-	-	16,334,769	-
-	-	31,995,482	-
-	-	5,189,358	-
15,190	32,888	228,170	-
-	(26,778)	(2,408,956)	-
<u>15,190</u>	<u>40,910</u>	<u>68,324,806</u>	<u>-</u>
15,190	106,342	72,204,567	7,261,202
12,177,587	5,004,456	67,855,656	-
-	-	8,457,337	-
-	-	23,103,775	-
1,091,903	1,393,032	3,265,520	-
133,608	(231,197)	(10,130,785)	24,405
<u>\$ 13,403,098</u>	<u>\$ 6,166,291</u>	<u>\$ 92,551,503</u>	<u>\$ 24,405</u>

City of Enid, Oklahoma
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2011

	Business-type Activities Enterprise Funds	
	Enid Municipal Authority	Enid Economic Development Authority
Operating revenues		
Charges for services:		
Water	\$ 8,920,349	\$ -
Wastewater	7,741,025	-
Storm water	1,711,827	-
Solid waste	3,710,028	-
Landfill	818,129	-
Other	620,708	-
Total operating revenues	<u>23,522,066</u>	<u>-</u>
Operating expenses		
Utility services	558,088	-
Water distribution/production	3,403,925	-
Wastewater management services	1,745,478	-
Solid waste	1,515,112	-
Landfill	2,069,325	-
Economic development	-	1,130,286
Other	-	-
Depreciation and amortization	4,531,665	404,995
Bad debt expense	9,777	-
Total operating expenses	<u>13,833,370</u>	<u>1,535,281</u>
Net operating income (loss)	9,688,696	(1,535,281)
Nonoperating revenues (expenses)		
Taxes	-	1,016,866
Government grants	1,076,745	-
Miscellaneous revenues	226,828	124,034
Gain/(loss) on disposition of assets	(63,944)	-
Interest income	255,034	66,873
Interest expense and fiscal charges	(3,121,116)	(460,791)
Total nonoperating revenues (expenses)	<u>(1,626,453)</u>	<u>746,982</u>
Operating transfers		
Transfers in	45,087,879	1,207,202
Transfers (out)	(41,178,442)	-
Total operating transfers	<u>3,909,437</u>	<u>1,207,202</u>
Net income (loss)	11,971,680	418,903
Net assets, beginning	59,956,246	635,285
Net assets, ending	<u>\$ 71,927,926</u>	<u>\$ 1,054,188</u>

The accompanying notes are an integral part of these financial statements.

Business-type Activities Enterprise Funds			Governmental Activities Internal Service
Woodring Airport	Nonmajor Enterprise Funds	Totals	Pooled cash and Investments
\$ -	\$ -	\$ 8,920,349	\$ -
-	-	7,741,025	-
-	-	1,711,827	-
-	-	3,710,028	-
-	-	818,129	-
1,600,394	810,314	3,031,416	-
1,600,394	810,314	25,932,774	-
-	-	558,088	-
-	-	3,403,925	-
-	-	1,745,478	-
-	-	1,515,112	-
-	-	2,069,325	-
-	162,945	1,293,231	-
1,487,360	2,400,161	3,887,521	-
769,502	364,249	6,070,411	-
621	-	10,398	-
2,257,483	2,927,355	20,553,489	-
(657,089)	(2,117,041)	5,379,285	-
-	872,972	1,889,838	-
491,587	403,134	1,971,466	-
-	24,636	375,498	-
-	12,486	(51,458)	3,589
99,692	49,914	471,513	-
-	(2,292)	(3,584,199)	-
591,279	1,360,850	1,072,658	3,589
-	608,843	46,903,924	-
-	-	(41,178,442)	-
-	608,843	5,725,482	-
(65,810)	(147,348)	12,177,425	3,589
13,468,908	6,313,639	80,374,078	20,816
\$ 13,403,098	\$ 6,166,291	\$ 92,551,503	\$ 24,405

City of Enid, Oklahoma
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2011

	Business-type Activities Enterprise Funds	
	Enid Municipal Authority	Enid Economic Development Authority
Cash flows from operating activities		
Receipts from customers	\$ 22,968,432	\$ -
Payments to suppliers	(5,092,792)	(1,038,286)
Payments to employees	(2,943,611)	-
Net cash provided (used) by operating activities	14,932,029	(1,038,286)
Cash flows from noncapital financing activities		
(Increase) decrease in interfund receivables/payables	(254,188)	-
(Increase) decrease in restricted assets	(1,606,074)	(4,463)
Taxes	-	1,016,866
Miscellaneous revenues/ (expenses)	226,828	124,034
Operating transfers in (out)	2,572,037	1,207,202
Net cash provided (used) by noncapital financing activities	938,603	2,343,639
Cash flows from capital and related financing activities		
Proceeds from long-term debt	25,999,317	-
Principal reduction on long-term debt	(4,306,078)	(303,400)
Interest expense and fiscal charges	(1,443,590)	(500,160)
Capital grants	1,076,745	-
Acquisition/construction of capital assets	(30,615,247)	(733,835)
Net cash provided (used) by capital and related financing activities	(9,288,853)	(1,537,395)
Cash flows from investing activities		
(Increase) decrease in investments	-	-
Interest income	229,237	66,860
Net cash provided (used) by investing activities	229,237	66,860
Net increase (decrease) in cash and cash equivalents	6,811,016	(165,182)
Cash and cash equivalents, beginning	(8,399,351)	(127,290)
Cash and cash equivalents, ending	\$ (1,588,335)	\$ (292,472)
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Net operating income (loss)	\$ 9,688,696	\$ (1,535,281)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	4,531,665	404,995
Changes in assets and liabilities:		
(Increase) decrease in receivables	(543,857)	92,000
(Increase) decrease in inventories	-	-
Increase (decrease) in accounts payable and accrued liabilities	1,205,445	-
Increase (decrease) in customer deposits	50,080	-
Total adjustments	5,243,333	496,995
Net cash provided (used) by operating activities	\$ 14,932,029	\$ (1,038,286)

The accompanying notes are an integral part of these financial statements.

Business-type Activities Enterprise Funds			Governmental Activities Internal Service
Woodring Airport	Nonmajor Enterprise Funds	Totals	Pooled cash and Investments
\$ 1,534,971	\$ 810,314	\$ 25,313,717	\$ -
(1,219,238)	(1,810,507)	(9,160,823)	-
(299,797)	(756,141)	(3,999,549)	-
15,936	(1,756,334)	12,153,345	-
-	-	(254,188)	(2,612,962)
-	-	(1,610,537)	-
-	872,972	1,889,838	-
-	37,123	387,985	3,589
-	608,843	4,388,082	-
-	1,518,938	4,801,180	(2,609,373)
-	13,900	26,013,217	-
-	(26,003)	(4,635,481)	-
-	(2,292)	(1,946,042)	-
759,934	424,596	2,261,275	-
(651,385)	(148,448)	(32,148,915)	-
108,549	261,753	(10,455,946)	-
-	-	-	2,579,605
99,692	49,914	445,703	-
99,692	49,914	445,703	2,579,605
224,177	74,271	6,944,282	(29,768)
785,430	972,019	(6,769,192)	752,949
\$ 1,009,607	\$ 1,046,290	\$ 175,090	\$ 723,181
\$ (657,089)	\$ (2,117,041)	\$ 5,379,285	\$ -
769,502	364,249	6,070,411	-
(64,802)	(3,171)	(519,830)	-
(34,016)	-	(34,016)	-
2,341	3,584	1,211,370	-
-	(3,955)	46,125	-
673,025	360,707	6,774,060	-
\$ 15,936	\$ (1,756,334)	\$ 12,153,345	\$ -

City of Enid, Oklahoma
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Agency Funds		Pension Trust Funds		Totals
	CLEET Fund	Court Bonds	Retirement Defined Benefit	Retirement 401(k)	
Assets					
Cash and cash equivalents	\$ -	\$ 9,719	\$ 500,049	\$ -	\$ 509,768
Claim on pooled cash	12,189	-	-	-	12,189
Investments	-	-	17,070,406	7,286,352	24,356,758
Receivables:					-
Accrued interest	-	-	2,200	-	2,200
Participant loans	-	-	-	177,491	177,491
Total assets	12,189	9,719	17,572,655	7,463,843	25,058,406
Liabilities					
Accounts payable and accrued liabilities	12,189	-	-	-	12,189
Due to bondholders	-	9,719	-	-	9,719
Total liabilities	12,189	9,719	-	-	21,908
Net assets	\$ -	\$ -	\$ 17,572,655	\$ 7,463,843	\$ 25,036,498

The accompanying notes are an integral part of these financial statements.

City of Enid, Oklahoma
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Pension Trust Funds		Totals
	Retirement Defined Benefit	Retirement 401(k)	
Additions			
Contributions:			
Employer	\$ 582,575	\$ 303,713	\$ 886,288
Plan members	-	469,274	469,274
Total contributions	<u>582,575</u>	<u>772,987</u>	<u>1,355,562</u>
Investment earnings:			
Realized gains (losses)	844,751	1,116,708	1,961,459
Net increase (decrease) in the fair value of investments	2,368,167	-	2,368,167
Interest and dividends	320,466	-	320,466
Total investment earnings	<u>3,533,384</u>	<u>1,116,708</u>	<u>4,650,092</u>
Total additions	<u>4,115,959</u>	<u>1,889,695</u>	<u>6,005,654</u>
Deductions			
Benefits and withdrawals	554,710	293,380	848,090
Administrative expenses	80,750	19,896	100,646
Total deductions	<u>635,460</u>	<u>313,276</u>	<u>948,736</u>
Change in net assets	3,480,499	1,576,419	5,056,918
Net assets, beginning	<u>14,092,156</u>	<u>5,887,424</u>	<u>19,979,580</u>
Net assets, ending	<u>\$ 17,572,655</u>	<u>\$ 7,463,843</u>	<u>\$ 25,036,498</u>

The accompanying notes are an integral part of these financial statements.

City of Enid, Oklahoma
Notes to Financial Statements
June 30, 2011

I. Organization

The City of Enid, Oklahoma, (the City) operates under a Council-Manager form of government under Title 11 of the *Oklahoma Statutes*. The City provides the following services to its citizens: public safety (police and fire), streets and highways, social services, culture and recreation, sanitation and solid waste services, public improvements, water utilities, public works, planning and zoning, development and general administrative services.

II. Summary of significant accounting policies

A. Financial Reporting entity

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations. The City's financial statements include two discretely presented component units which are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the City.

Blended component units. The Enid Municipal Authority (EMA) serves all the citizens of the City and is governed by a board comprised of the City's elected Councilors. EMA operates the water, wastewater, sanitation collection, and landfill services of the City. The rates for user charges and bond issuance authorizations are approved by the City Council and the legal liability for the general obligation portion of EMA's debt remains with the City. EMA is reported as an enterprise fund type.

The Vance Development Authority was established in June 1995 to promote the development of Vance Air Force Base located in Enid, Oklahoma.

The Enid Public Transportation Authority (EPTA) was established February 7, 1984. The EPTA provides public transportation within the city limits of Enid and North Enid. Transportation is also provided to and from Oklahoma City for a fee sufficient to cover costs. The City of Enid and North Enid have a combined land area of approximately 75 square miles. Estimated ridership of the EPTA is 8,700 trips per month. The type of services offered is a fixed-route bus system and paratransit for the disabled.

The Enid Economic Development Authority (EEDA) was established April 16, 1987, for economic development purposes, including industrial recruitment, and assistance to new and expanding industry with relocation assistance and infrastructure construction.

The Meadowlake Golf Course provides golfing opportunities to the citizens of Enid while the Conference Center provides a cultural venue.

Discretely presented component units. The following organizations are reported in separate columns in the government-wide financial statements to emphasize these organizations are legally separate from the City.

Pegasys, Inc – is a non-profit organization designed to support City of Enid individuals, organizations, and institutions in their efforts to provide, produce, and disseminate non-commercial, educational, cultural, and public interest programming on the public, educational, and governmental access channels of the Enid, Oklahoma cable television systems. Members of the organization’s board of directors are appointed by various entities and governmental organizations by those organizations, including the City of Enid. The City of Enid appoints one of fourteen directors. However, the entity is financially accountable to the City of Enid because the City provides a large share of its annual revenues and the organization provides services for the benefit of the City. Separate financial statements for Pegasys, Inc. as of June 30, 2011 are available by contacting the organization at 123 W. Main Street, Enid, OK 73701; (580) 237-0099; or wquarles@pagasys.org.

Enid Regional Development Alliance – The Enid Regional Development Alliance is a non-profit entity organized to attract, develop, retain, and encourage business, industry, and quality job creation in Garfield County, Ok. Members of the organization’s board of directors are appointed to represent various entities and governmental organizations by those organizations, including the City of Enid. The mayor and one city councilor appointed by the mayor serve on the nine-member board. However, the entity is financially accountable to the City of Enid because the City provides a large share of its annual revenue and the organization provides services for the benefit of the City. Separate financial statements for Enid Regional Development Alliance as of June 30, 2011 are available by contacting the organization at 580-233-4232 or kisling@growenid.com.

B. Basis of presentation and accounting

Government-wide financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All other governmental revenues are reported as general. All taxes are classified as general revenues, even if restricted for a specific purpose.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements

Governmental funds:

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Sales and use taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The police fund accounts for the resources accumulated from a portion of sales tax revenues and payments made for police operations and capital expenditures and transfers in from the general fund.

The fire fund accounts for the resources accumulated from a portion of sales tax revenues and payments made for fire operations and capital expenditures and transfers in from the general fund.

The capital improvements fund accounts for various revenues and transfers from other funds reserved for capital improvement projects, except for those accounted for in the sanitary sewer improvement fund, storm water fund, and street improvement fund.

Non-major funds are reported as other governmental funds.

Proprietary funds:

The City reports the following major proprietary funds:

The Enid Municipal Authority accounts for the City's utility operations including water, wastewater, sanitation, and landfill.

The Enid Economic Development Authority accounts for certain earmarked sales taxes, government grants and other revenues reserved for economic development activities, as well as payment on tax increment financing bonds outstanding.

The Woodring Airport fund accounts for the operations of the municipal airport, including federal and state grant projects.

The city reports its pooled cash and investments fund as an internal service fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enid Municipal Authority and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

C. Assets, liabilities, and net assets or equity

1. Cash, cash equivalents, and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in obligations of the U.S. Treasury; time deposits with financial institutions, if such deposits are fully insured by federal depository insurance or pledged collateral; and debt securities issued by the State of Oklahoma, an Oklahoma County, school district, or municipality. Investments for the City, as well as for its component units, are reported at cost which approximates fair value.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles.

3. Inventories and prepaid items

Inventories are valued at average cost and consist of warehouse supplies and fuel at the airport. The cost of inventory is allocated to the user departments based upon consumption.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted assets

Certain proceeds of the Enid Municipal Authority's enterprise fund revenue bonds and sales tax notes payable, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate trustee accounts, and their use is limited by applicable bond covenants. The construction accounts are used to report those proceeds of bond and note issuances that are restricted for use in construction. Bond reserve and sinking fund accounts are used to segregate resources accumulated for debt service payments over the next twelve months.

5. Capital assets

The accounting treatment of capital assets (property, plant, and equipment) depends on whether they are used in governmental or proprietary fund operations, and whether they are reported in the government-wide or fund financial statements. In the government-wide and proprietary fund financial statements property, plant, and equipment are accounted for as capital assets, net of depreciation. In the governmental fund financial statements they are accounted for as capital outlay expenditures when acquired.

Capital assets consist of land, construction in progress, buildings, improvements, equipment, and vehicles which have an initial cost of \$ 5,000 or more and an estimated useful life of more than one year. Capital assets are reported at actual or estimated historical cost.

Depreciable capital assets are depreciated on a straight-line basis over their estimated useful lives as follows:

Assets	Years
Land	N/A
Buildings	20-50
Improvements	20-50
Equipment	3-10
Vehicles	5-10

6. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is some liability for unpaid accumulated sick leave since the City does pay full-time regular employees who have accrued 90 days of sick leave \$ 15 per day up to twelve accrued, but unused sick leave days per year, except for Firemen who are paid \$ 50 per day up to twelve accrued, but unused sick leave days per year. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

7. Long-term debt

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

8. Fund equity

Net assets –

Net assets are reported in three categories:

- a. *Invested in capital assets, net of related debt* – consists of 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 their assets.
- b. *Restricted* – includes net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulation of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted* – all other net assets that do not meet the definition of “invested in capital assets, net of related debt”, or “restricted”.

Fund balances –

Fund balances are generally reported in the governmental funds financial statements are displayed in two categories:

- a. *Reserved* – fund balances that are either legally restricted as to use (such as voter-restricted sales taxes), or fund balances that are not available for expenditure in the subsequent year (such as encumbrances).
- b. *Unreserved* – all other fund balances not classified or “reserved”.

9. Internal and interfund balances and transfers

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

10. Use of estimates

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

III. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets.

One element concerns capital asset reporting. The costs of capital assets, and debt issuance costs, net of accumulated depreciation and amortization, are reported on the government-

wide statement of net assets, but not on the governmental fund financial statements since they are not financial resources. The details of this difference are as follows:

Capital assets, net of accumulated depreciation	\$ 53,681,572
Debt issuance costs, net of accumulated amortization	<u>40,670</u>
Net adjustment to increase fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 53,722,242</u>

Another element of that reconciliation explains that “long-term liabilities such as judgments and general obligation bonds, capital lease obligations, as well as accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.” The details of this difference are as follows:

General obligation bonds	\$ 3,500,000
Capital lease obligations	5,944
Accrued compensated absences – noncurrent	1,527,898
Judgments payable	<u>382,833</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 5,416,675</u>

A final difference concerns internal service funds which are used to charge the costs of certain activities to individual funds, or record certain assets and liabilities shared by the individual funds. The City uses its disbursements fund to record pooled cash and investments, as well as accounts payable, in the internal service fund. These assets and liabilities are included in governmental activities in the statement of net assets. The details of this difference are as follows:

Internal service funds	\$ 24,405
Net adjustment to increase fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 24,405</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this difference are as follows:

Capital outlay expenditures, net	\$ 11,501,696
Dispositions, net	(168,664)
Depreciation expense	<u>(5,139,433)</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 6,193,599</u>

Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this difference are as follows:

Amortization	<u>\$ 14,024</u>
Net adjustment to decrease changes in fund balance – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 14,024</u>

Another element of that reconciliation states that the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

Debt issued or incurred:	
Judgments	\$ (118,530)
Principal repayments:	
General obligation bonds	1,750,000
Capital lease obligations	11,351
Judgments	250,952
Accrued compensated absences – net change	<u>(125,411)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 1,768,362</u>

Finally, internal service funds are used to record the balances and activity of pooled assets and liabilities of individual funds. The revenues and expenses are reported as internal service funds in the proprietary fund financial statements, but are included as governmental activities in the government-wide statements.

Internal service funds	<u>\$ 3,590</u>
Net adjustment to decrease changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 3,590</u>

IV. Stewardship, compliance, and accountability

Budgetary information

Annual budgets are adopted for all governmental funds and the Enid Municipal Authority. All unencumbered annual appropriations lapsed at fiscal year-end. Actual expenditures within a fund may not exceed 90% of the budget until actual revenues equal to the estimated amount have been received. No expenditure can exceed the actual amount on hand.

Prior to June of each year, all department heads of the City submit requests for appropriations to the city manager so that a budget may be prepared. The city manager meets with each of the department heads to review their needs estimates and requests. The city council holds a public hearing prior to June 15 and a final budget must be prepared and adopted no later than June 23.

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations within a department or between departments may be approved by the city manager. Once the budget is established, the Council must authorize any amendments that change the total legal appropriations of the fund previously approved in the budget.

The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

V. Detailed notes on all funds

A. Deposits and investments

Deposits

The City’s carrying amount of deposits was \$ 3,643,393 as of June 30, 2011, and the bank balances totaled \$ 6,214,694. Deposits are carried at cost.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2011, \$ 6,214,694 of the City’s bank balances of \$ 5,964,694 was collateralized by a pledge of securities held by the bank’s trust department, not in the City’s name.

Investments

As of June 30, 2011, the City had the following investments.

Investment	Maturities	Fair Value
U.S. Treasury obligations	< 1 year	\$ 35,872,703
Certificates of deposit	< 1 year	6,167,000
Certificates of deposit	1 < 2 years	8,174,000
Certificates of deposit	2 < 3 years	4,671,000
Federal Home Loan Bank	3 < 4 years	508,655
Certificates of deposit	3 < 4 years	3,172,000
Certificates of deposit	4 < 5 years	5,200,000
Total		<u>\$ 63,765,358</u>

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

Credit Risk. State statutes limit investments to the following: a) direct obligations of the U.S. Government, its agencies or instrumentalities; b) collateralized or insured certificates of deposit within the state, and insured certificates only if out of state; c) savings accounts or savings certificates; d) fully collateralized prime banker acceptances, prime commercial paper, repurchase agreements, or SEC regulated money market funds; e) obligations to the payment of which the full faith and credit of the state is pledged; f) county, municipal, or school district and valorem tax funded debt; g) bonds, notes, or money judgments of a county, municipality, or school district; h) revenue anticipation notes of a public trust of which the municipality is beneficiary; or; i) any bond, note, or other debt of any public trust of which the municipality is sole beneficiary, or other entities whose governing boards were appointed by the municipality. The City has no investment policy that would further limit its investment choices. As of June 30, 2011, the City’s investments in certificates of deposit were all federally insured.

Concentration of Credit Risk. The City places no limit on the amount it may invest in anyone issuer. More than 5 percent of the City's investments are in U.S. Treasury securities and certificates of deposit. These investments are 56 % and 43 %, respectively, of the City's total investments. Investments reported in the Governmental activities are certificates of deposit, while the investments of the Enid Municipal Authority are comprised of Treasury Strips, Agency bonds and a U.S. Treasury money market account.

B. Receivables

Receivables as of June 30, 2011, for the City of Enid's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

Fund:	Receivables					
	Taxes	Accounts	Due from Other Governments	Accrued Interest	Allowance For Doubtful Accounts	Net Receivables
General	\$ 5,257,646	\$ 71,412	\$ 18,273	\$ -	\$ -	\$ 5,347,331
Police	-	-	32,161	-	-	32,161
Fire	-	-	4,522	-	-	4,522
Nonmajor governmental funds	252,935	-	27,050	-	-	279,985
Enid Municipal Authority	-	4,072,997	-	43,996	(557,988)	3,559,005
EEDA	-	-	1,212,000	13	-	1,212,013
Woodring Airport	-	123,527	16,810	-	(12,661)	127,676
Nonmajor enterprise funds	103,017	-	84,070	-	-	187,087
Internal service funds	-	-	-	100,198	-	100,198
Net total receivables	<u>\$ 5,613,598</u>	<u>\$ 4,267,936</u>	<u>\$ 1,394,886</u>	<u>\$ 144,207</u>	<u>\$ (570,649)</u>	<u>\$ 10,849,978</u>

No allowance for doubtful accounts has been provided on the accounts receivable balances in the governmental funds since they were subsequently received in full. Due from other governments balances represent grant fund expenditures made over grant receipts.

C. Restricted cash and investments

Unexpended proceeds from Series 2008 general obligation bonds are set aside as restricted in the capital improvements fund.

The Enid Municipal Authority Sales Tax Revenue Refunding Bonds, Series 2003, the EMA Series 1987A bonds, as well as the EEDA Tax Apportionment Bonds, Series 2005 include restricted cash and investments for sinking funds and reserve funds for repayment of principal and interest when due. Unexpended proceeds of the various bonds and revenue notes are also restricted in construction funds.

The following is a summary of the restricted cash and investments balances as of June 30, 2011:

	Governmental Activities
	Construction
	Fund
General obligation bonds	\$ 2,399,224
Total	<u>\$ 2,399,224</u>

	Business-Type Activities			Totals
	Sinking Fund	Reserve Fund	Construction Fund	
1987A revenue bonds	\$ -	\$ 6,081,311	\$ 739,699	\$ 6,821,010
2005 tax apportionment bonds	-	978,777	983,669	1,962,446
2003 revenue bonds	349,599	570,206	-	919,805
Utility revenue account	392,829	-	-	392,829
One cent sales tax	84,615	-	21,380,408	21,465,023
Total	<u>\$ 827,043</u>	<u>\$ 7,630,294</u>	<u>\$ 23,103,776</u>	<u>\$ 31,561,113</u>

D. Capital assets

Capital asset balances and activities for the year ended June 30, 2011, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,205,254	\$ -	\$ (5,592)	\$ 2,199,662
Construction in progress	10,534,068	9,337,770	(4,540,242)	15,331,596
Total capital assets, not being depreciated	<u>12,739,322</u>	<u>9,337,770</u>	<u>(4,545,834)</u>	<u>17,531,258</u>
Capital assets, being depreciated:				
Buildings	8,368,459	2,900,515	-	11,268,974
Improvements	52,588,979	1,676,407	(129,503)	54,135,883
Equipment	5,177,166	591,082	(117,620)	5,650,628
Vehicles	7,517,629	1,710,994	(495,363)	8,733,260
Total capital assets, being depreciated	<u>73,652,233</u>	<u>6,878,998</u>	<u>(742,486)</u>	<u>79,788,745</u>
Less accumulated depreciation for:				
Buildings	(3,639,248)	(396,266)	-	(4,035,514)
Improvements	(26,690,056)	(3,011,343)	25,901	(29,675,498)
Equipment	(3,490,976)	(684,519)	95,354	(4,080,141)
Vehicles	(5,083,302)	(1,216,543)	452,567	(5,847,278)
Total accumulated depreciation	<u>(38,903,582)</u>	<u>(5,308,671)</u>	<u>573,822</u>	<u>(43,638,431)</u>
Total capital assets, being depreciated, net	<u>34,748,651</u>	<u>1,570,327</u>	<u>(168,664)</u>	<u>36,150,314</u>
Governmental activities capital assets, net	<u>\$ 47,487,973</u>	<u>\$ 10,908,097</u>	<u>\$ (4,714,498)</u>	<u>\$ 53,681,572</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 4,552,566	\$ 934,209	\$ -	\$ 5,486,776
Construction in progress	16,098,119	30,568,015	(12,459,420)	34,206,714
Total capital assets, not being depreciated	<u>20,650,685</u>	<u>31,502,224</u>	<u>(12,459,420)</u>	<u>39,693,490</u>
Capital assets, being depreciated:				
Buildings	6,768,780	915,620	-	7,684,400
Improvements	99,604,083	11,068,816	-	110,672,899
Equipment	14,135,996	865,103	(132,447)	14,868,652
Vehicles	5,701,662	262,821	(383,256)	5,581,227
Total capital assets, being depreciated	<u>126,210,521</u>	<u>13,112,360</u>	<u>(515,703)</u>	<u>138,807,178</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Less accumulated depreciation for:				
Buildings	(2,263,305)	(473,584)	-	(2,736,888)
Improvements	(41,654,124)	(3,336,282)	-	(44,990,407)
Equipment	(7,518,261)	(1,131,145)	131,343	(8,518,063)
Vehicles	(3,018,968)	(760,601)	379,380	(3,400,189)
Total accumulated depreciation	<u>(54,454,658)</u>	<u>(5,701,612)</u>	<u>510,723</u>	<u>(59,645,547)</u>
Total capital assets, being depreciated, net	<u>71,755,863</u>	<u>7,410,748</u>	<u>(4,980)</u>	<u>79,161,631</u>
Total Business-type activities capital assets, net	<u>\$ 92,406,548</u>	<u>\$ 38,912,972</u>	<u>\$ (12,464,400)</u>	<u>\$ 118,855,121</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 514,747
Public safety	1,235,370
Public works	3,147,322
Cultural and recreation	241,994
Total depreciation expense – governmental activities	<u>\$ 5,139,433</u>
Business-type activities:	
Administration	\$ 21,664
Water	1,676,096
Wastewater/storm water	1,501,034
Sanitation	450,090
Landfill	823,782
Airport	769,502
Golf	75,572
Economic development	19,060
Transportation	159,334
Conference center	129,343
Total depreciation expense – business-type activities	<u>\$ 5,625,477</u>

E. Deposits subject to refund

Utility customers are required to make a meter deposit which is refunded upon the customer's termination of services, or upon request after twelve months of on-time payments with no cut-offs, provided there are no outstanding bills. Monies are deposited into the pooled cash account, and a liability has been recorded to represent the amount of deposits due to customers. As of June 30, 2011, cash and investments included \$ 757,181 available for refund of customer deposits, while the liability to customers was \$ 757,181.

Appearance bonds and other payments made to the municipal court funds are held until final disposition by the court, at which time they are refunded to the bondholder or paid over to the City general fund as fines. As of June 30, 2011, \$ 9,719 was being held that was subject to refund.

F. Long-term debt

Long-term liabilities of the City of Enid as of June 30, 2011, are summarized as follows:

Governmental activities	
Compensated absences	\$ 1,527,898
General obligation bonds:	
\$ 7,000,000 City of Enid General Obligation Bonds, Series 2008, dated June 1, 2008, due and payable in annual installments of \$ 1,750,000 beginning June 1, 2010 through June 1, 2013 plus interest of 2.95% to 3.70%, to provide funding for bridge replacement and rehabilitation.	3,500,000
Capital lease obligations:	
Copiers Plus, LLC, dated January 6, 2010 with 36 monthly payments of \$ 990, including interest at 4.06 % for the purchase of 3 copiers for the police department.	5,944
Judgments:	
Judgments in favor of various individuals in settlement of court cases involving workers' compensation and tort claims. Due in annual installments generally over three years with interest at statutory rates.	<u>382,833</u>
Total long-term debt for governmental activities	<u>5,416,675</u>
Business-type activities	
Compensated absences	228,170
Revenue bonds:	
\$ 7,780,000 Sales Tax Revenue Refunding Bonds, Series 2003, issued May 2003 by the Enid Municipal Authority, due in annual installments through June 1, 2018, with interest at 4.10%. The proceeds will be used to provide funds to three area school districts.	6,100,000
\$ 3,230,000 Series 1987A – deferred interest, issued March 31, 1987 with final maturities in 2016 and 2017. No periodic interest is paid with the bonds increasing in value. Amount paid on redemption in 2013, 2014, 2015, 2016 and 2017 based on yields to maturity of 7.60% for the 2016 bonds to 7.80% for the 2017 bonds.	3,230,000
Deferred interest accreted on \$ 3,230,000 Series 1987A Revenue Bonds	<u>16,951,183</u>
Total revenue bonds	<u>26,281,183</u>
Tax apportionment bonds:	
Tax Apportionment Bonds, Series 2005, dated September 22, 2005 and purchased by Advance Foods in the principal amount of \$ 6,250,000. Bond matures on July 1, 2023 and bears interest at 6.00% per annum. Proceeds of the note were used to finance economic development. The bonds will be paid by the incremental increase in Ad valorem tax revenue generated by the development within Increment District No. 1, of the City of Enid.	7,004,769

Notes payable:

Series 1998A note payable to the Oklahoma Water Resources Board, dated September 14, 1998, in the amount of \$ 1,906,000 payable in semi-annual principal installments beginning February 15, 1999, with an administrative fee at the rate of 0.50% for improvements. 714,750

Series 2000A note payable to the Oklahoma Water Resources Board dated December 20, 2000, in the amount of \$ 1,184,042 payable in semi-annual principal installments beginning February 15, 2001, with an administrative fee at the rate of 0.50% for sewer improvements. 562,420

Series 2002A note payable to the Oklahoma Water Resources Board dated August 14, 2002, in the amount of \$ 1,080,000 payable in semi-annual principal installments beginning February 15, 2003, with an administrative fee of 0.50% for sewer improvements. 609,230

Series 2003B note payable to the Oklahoma Water Resources Board dated July 30, 2003, in the amount of \$ 6,455,000 payable in annual principal installments beginning September 15, 2003, with interest of 4.217% for sewer improvements. 3,775,000

Series 2009 drinking water SRF promissory note to Oklahoma Water Resources Board, dated November 20, 2009, in the amount of \$ 8,345,000, payable in semi-annual payments over twenty-years (20), each March 15 and September 15, including interest at 2.73% and an administration fee of 0.50%, for the purchase and installation of automated metering infrastructure system. 4,306,652

Series 2010 clean water SRF promissory note to Oklahoma Water Resources Board/Oklahoma Development Finance Authority, dated May 25, 2010, in the amount of \$ 39,900,000, payable in semi-annual installments over twenty (20) years, each March 15 and September 15, including interest at 2.31% plus an administration fee of 0.50% , for the construction of a wastewater treatment plant. Total draw downs of funds during the year were \$ 20,815,430. 20,815,430

Note payable in the amount of \$ 1,910,000 with interest in semi-annual installments and principal in 20 annual installments beginning August 1, 2000, with final installment due August 31, 2019, with interest at 7.60% for economic development. Note guaranteed by the U.S. Department of Housing and Urban Development. 1,212,000

Total notes payable 31,995,482

Capital lease obligations:

John Deere Credit dated July 1, 2008 with 48 monthly payments of \$ 1,107 including interest at 4.95%, for the purchase of two mowers for the golf course. 13,980

John Deere Credit dated June 8, 2008 with 48 monthly payments of \$ 946 including interest at 4.95%, for the purchase of a fairway mower for the golf course. 10,153

John Deere Credit dated August 9, 2010 with 48 monthly payments of \$ 323 including interest at 5.75%, for the purchase of two turf gators. 10,667

Total capital lease obligations 34,800

Total business-type activities 65,544,404

Total long-term debt \$ 70,961,079

Long-term liabilities transactions for the year ended June 30, 2011, and changes therein were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities					
Compensated absences	\$ 1,402,487	\$ 125,411	\$ -	\$ 1,527,898	\$ -
General obligation bonds	5,250,000	-	(1,750,000)	3,500,000	1,750,000
Capital lease obligations	17,295	-	(11,351)	5,944	5,944
Judgments	515,255	118,530	(250,952)	382,833	221,217
Total governmental activities	<u>7,185,037</u>	<u>243,941</u>	<u>(2,012,303)</u>	<u>5,416,675</u>	<u>1,977,161</u>
Business-type activities					
Compensated absences	228,132	38	-	228,170	-
Revenue bonds:					
Series 1999	2,480,000	-	(2,480,000)	-	-
Series 2003	6,345,000	-	(245,000)	6,100,000	765,000
Series 1987A	3,230,000	-	-	3,230,000	-
Deferred interest on 1987A bonds	15,393,175	1,558,008	-	16,951,183	-
Unamortized bond discounts	(196,489)	-	196,489	-	-
Notes payable:					
OWRB 1998A	810,050	-	(95,300)	714,750	95,300
OWRB 2000A	621,622	-	(59,202)	562,420	59,202
OWRB 2002A	664,615	-	(55,385)	609,230	55,385
OWRB 2003A/B	4,175,000	-	(400,000)	3,775,000	415,000
OWRB 2009	290,445	5,183,887	(1,167,680)	4,306,652	333,800
OWRB/ODFA 2010	-	20,815,430	-	20,815,430	-
HUD loan	1,304,000	-	(92,000)	1,212,000	100,000
Tax apportionment bonds:					
Tax Apportionment Bonds 2005	7,216,169	-	(211,400)	7,004,769	558,491
Capital lease obligations	46,903	13,900	(26,003)	34,800	26,778
Total business-type activities	<u>42,608,622</u>	<u>27,571,263</u>	<u>(4,635,481)</u>	<u>65,544,404</u>	<u>2,408,956</u>
Total long-term debt	<u>\$ 49,793,659</u>	<u>\$ 27,815,204</u>	<u>\$ (6,647,784)</u>	<u>\$ 70,961,079</u>	<u>\$ 4,386,117</u>

Annual debt service requirements to maturity for governmental and business-type activities long-term debt are as follows:

Year Ending June 30,	Governmental Activities			
	Judgments		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2012	\$ 221,217	\$ 24,376	\$ 1,750,000	\$ 100,625
2013	122,106	8,485	1,750,000	51,625
2014	39,510	2,074	-	-
2015	-	-	-	-
2016	-	-	-	-
Totals	<u>\$ 382,833</u>	<u>\$ 34,935</u>	<u>\$ 3,500,000</u>	<u>\$ 152,250</u>

Year Ending June 30,	Business-type Activities			
	Tax Apportionment Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2012	\$ 558,491	\$ 420,286	\$ 765,000	\$ 250,100
2013	592,000	386,777	1,484,375	5,058,753
2014	627,250	351,257	1,519,375	5,023,127
2015	665,172	313,605	1,554,375	4,989,614
2016	705,082	273,695	1,589,375	4,951,655
2017–2021	3,856,774	680,795	2,417,500	4,551,605
Totals	\$ 7,004,769	\$ 2,426,415	\$ 9,330,000	\$ 24,824,854

Year Ending June 30,	Business-type Activities			
	Capital Lease Obligations		Notes Payable	
	Principal	Interest	Principal	Interest
2011	\$ 27,486	\$ 1,181	\$ 1,058,687	\$ 903,376
2012	3,551	328	2,120,458	868,142
2013	3,763	118	2,144,458	809,232
2014	-	-	2,167,458	748,534
2015	-	-	2,195,458	686,073
2016–2020	-	-	9,836,442	2,474,048
2021–2025	-	-	6,227,893	1,333,137
2026–2030	-	-	5,203,858	548,356
2031–2035	-	-	1,040,770	21,934
Totals	\$ 34,800	\$ 1,627	\$ 31,995,482	\$ 8,392,832

G. Debt issuance costs

Debt issuance costs of \$ 84,144 and \$ 1,337,334 have been capitalized for the governmental activities and business-type activities, respectively, and are being amortized on the straight line basis over the term of the relevant debt issues. During the year ended June 30, 2011, \$ 14,024 in debt issuance costs was amortized for governmental activities and \$ 54,148 for business-type activities. Accumulated amortization as of June 30, 2011 was \$ (43,474) for the governmental activities and \$ (608,922) for the business-type activities.

H. Compensated absences

Full-time employees with at least one year of service earn vacation of eleven to twenty days per year depending on years of service completed. The maximum vacation accrual cannot exceed the amount earned in two years. In accordance with the guidelines set forth by GASB Statement No. 16, *Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences*, a provision has been made for accumulated vacation, compensatory time as follows:

Governmental activities	\$ 1,527,898
Business-type activities	228,170
Total	<u>\$ 1,756,068</u>

Full-time employees are granted sick leave at the rate of 8 or 10 hours per month. Employees may accumulate unused sick leave up to a maximum of 90 days. Any sick leave accumulated over 720 hours will be paid to the employee at a rate not to exceed \$ 15 per day

for a maximum of 12 days per year, except for Firemen, which rate is \$ 50 per day for a maximum of 12 days per year. As of June 30, 2011, approximately 178,000 hours of accrued sick leave time is available for use by employees.

I. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2011, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
Police fund	General Fund	\$ 165,729
Fire fund	General Fund	165,729
Enid Municipal Authority	General Fund	1,591,588
Totals		<u>\$ 1,923,046</u>

Interfund transfers:

Transfer in:	Transfers Out						Totals
	General Fund	Police Fund	Capital Improvements	Sanitary Sewer	Nonmajor Governmental Funds	Enid Municipal Authority	
General fund	\$ -	\$ -	\$ -	\$ -	\$ 24,750	\$ 6,036,000	\$ 6,060,750
Police fund	8,095,820	-	-	-	-	-	8,095,820
Fire fund	7,023,351	-	-	-	-	-	7,023,351
Capital improvements	2,128,175	-	-	-	-	125,000	2,253,175
Sewer improvements	-	-	-	-	-	22,524,396	22,524,396
Nonmajor governmental	1,793,042	75,000	-	-	-	11,878,046	13,746,088
Enid Municipal Authority	8,301,735	-	1,531,667	3,411,894	2,178,035	-	15,423,331
EEDA	520,000	-	-	-	-	615,000	1,135,000
Nonmajor proprietary	600,000	-	-	-	-	-	600,000
Totals	<u>\$ 28,462,123</u>	<u>\$ 75,000</u>	<u>\$ 1,531,667</u>	<u>\$ 3,411,894</u>	<u>\$ 2,202,785</u>	<u>\$ 41,178,442</u>	<u>\$ 76,861,911</u>

In addition to the above transfers, \$ 29,664,547 expended in governmental funds for capital projects was reclassified and transferred to the Enid Municipal Authority, \$ 72,202 was reclassified and transferred to the Enid Economic Development Authority, and \$ 8,843 was reclassified and transferred to nonmajor proprietary funds for purposes of the government-wide financial statements. These amounts are included in transfers for the proprietary fund statements.

J. Landfill closure and post-closure liability

Federal and State regulations require the City to place a final cover on its landfill site when it stops accepting waste, and to perform certain maintenance and monitoring functions at the site for thirty (30) years after closure. Although closure and post-closure care costs will be paid only near or after the date the landfill stops accepting waste, the City reports a portion of those costs as an operating expense of the Enid Municipal Authority each fiscal year. The amount of the current period expense is based upon the amount of landfill capacity used as of each fiscal year-end as adjusted by actual usage and estimates.

The \$ 5,189,358 reported as other noncurrent liabilities for the accrued landfill closure cost liability as of June 30, 2011, represents the cumulative amount of such cost reported to date based on the use of approximately 53 % of the estimated capacity of the landfill. The Enid Municipal Authority will recognize the remaining estimated costs of closure and post-closure care in the amount of \$ 4,601,884 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2011.

The City expects to close the landfill in 2039. Actual costs may be more or less at that time than are currently estimated. The estimated closure and post-closure costs and the accrued liability as of June 30, 2011, are as follows:

Estimated closure costs	\$ 4,341,335
Estimated post-closure costs	5,449,907
Total estimated costs	<u>9,791,242</u>
Accrued closure costs	5,189,358
Current estimated costs charged to expense	<u>\$ 1,208,915</u>

The City qualified under the State of Oklahoma Department of Environmental Quality (DEQ) financial assurance test relating to these future closure and post-closure costs, whereby the City's overall financial condition, general obligation bond rating of A2 from Moody's Investor's Service, and other submitted information serves as evidence of the City's ability to pay for the closure and post-closure care costs when the landfill is actually closed.

VI. Revenues, expenditures and expenses

A. Sales tax

The sales tax rate in the City of Enid is 8.35%. The State of Oklahoma receives 4.5% and the City receives 3.50% and Garfield County receives .35%. The 3.50% for the City of Enid is broken down as follows:

- 2% remains in the General Fund to fund City operations.
- 1% is transferred to the Enid Municipal Authority to pay for capital infrastructure and water bond debt.
- 1/4% is transferred to the Police and Fire Fund to pay for capital items.
- 1/8% is transferred to the Enid Municipal Authority to pay for the 2003 School Bond debt.
- 1/8% was transferred to the Street Improvement Fund through May 2011 to help pay for arterial street improvements. After May 2011, it will be combined with the School Bond debt.

The use tax mirrors the sales tax rate and applies to purchases by a resident or business in Enid for the use, storage or consumption of goods in Oklahoma that were purchased outside of the state.

VII. Other information

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City has insurance for the major risks such as property, general liability, workers' compensation, and unemployment. Commercial insurance is used to cover general liability claims and the risk of loss to City buildings and mobile equipment. Judgments against the City may be paid by a property tax assessment over a three-year period.

B. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

The City had entered into contracts or otherwise encumbered expenditures which were not completed until after June 30, 2011. Total outstanding obligations were \$ 29,405,746. Most of these contracts and other commitments were for capital projects which will be completed over the next few years.

C. Employee retirement systems and pension plans

The City of Enid participates in the Oklahoma State Police Pension and Retirement System (OPPRS) and the Oklahoma State Firefighters' Pension and Retirement System (OFPRS), both of which are cost-sharing multiple-employer defined benefit pension plans administered by the State of Oklahoma. Additionally, for other City employees not covered by the other plans, the City of Enid maintains a defined benefit plan—the Employee Retirement System of Enid, Oklahoma (the Plan) and an elective Section 401(k) Plan (the Supplement).

Oklahoma State Police Pension and Retirement System (OPPRS)

Plan Description – The OPPRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The ability to establish and amend benefit provisions is delegated to the administrators of the OPPRS. The OPPRS issues a publicly available financial report that includes financial statements and required supplementary information for the police employees of the City. That report may be obtained by writing to the Oklahoma State Police Pension and Retirement System, 1001 N.W. 63rd Street, Suite 305, Oklahoma City, Oklahoma 73116-7339, or by calling 1-405-840-3555.

Funding Policy – Plan members are required to contribute 8.0% of their annual covered salary and the City of Enid contributes 13.0% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the state legislature. Contributions to the OPPRS for the year ended June 30, 2011 and 2010, for employees and employer were \$ 354,317 and \$ 349,063 and \$ 583,006 and \$ 575,268, respectively, on covered payroll of \$ 4,483,125 and \$ 4,445,978, respectively. The State of Oklahoma made on-behalf payments to OPPRS totaling \$ 443,829 during the year. These on-behalf payments were recognized as revenue and expenditures in the current fiscal year.

Oklahoma State Firefighters' Pension and Retirement System (OFPRS)

Plan Description – The OFPRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The ability to establish and amend benefit provisions is delegated to the administrators of the OFPRS. The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information for the firefighting employees of the City. That report may be obtained by writing to the Oklahoma State Firefighters' Pension and Retirement

System, 4545 North Lincoln Boulevard, Suite 265, Oklahoma City, Oklahoma 73105, or by calling 1-405-525-7813.

Funding Policy – Plan members are required to contribute 8.0% of their annual covered salary and the City of Enid contributes 13.0% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the state legislature. Contributions to the OFPRS for the year ended June 30, 2011 and 2010, for employees and employer were \$ 370,672 and \$ 355,971 and \$ 602,342 and \$ 584,691, respectively, on covered payroll of \$ 4,633,402 and \$ 4,452,508, respectively. The State of Oklahoma made on-behalf payments to OFPRS totaling \$ 1,139,817 during the year. These on-behalf payments were recognized as revenue and expenditures in the current fiscal year.

Employee Retirement System of Enid, Oklahoma

Plan Description – The Employee Retirement System of Enid, Oklahoma (the Plan) is a single-employer defined benefit pension plan administered by the City of Enid's management, with assets managed by Wells Fargo. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries.

Membership in the Plan is provided for all full-time employees after one year of service except police and firemen, who are covered by their respective state retirement plans. Membership consisted of the following at January 1, 2011, the date of the last actuarial valuation:

Active participants	255
Vested terminated participants	79
Retired participants and beneficiaries	101
Total participants	<u>435</u>

Benefits vest after five years of credited service and participation. Employees, who retire at age 65 or completion of five years of service, if later, are entitled to an annual retirement benefit, payable monthly in an amount equal to .85% of average compensation for each year (up to 35 years) that the employee participates in the plan plus .65 % of average basic earnings in excess of \$ 6,600 for each year (up to 35 years) the employee participates in the plan.

After 35 years of service, the benefit is 1.2% of average compensation. Normal retirement is at age 65, but full accrued benefits are provided at age 62 with 15 years of service, or under the Rule of 85.

An employee is eligible for an early retirement benefit once he has attained age 55 and has completed five years of service. The amount of benefit is determined based on normal retirement computation; then reduced ½ of 1 % for each month the participant is from age 65. A late retirement benefit is computed in the same manner as a normal retirement based on average salary and credited service as of the termination of employment.

Employee contributions are returned with interest if their employment is terminated prior to completion of the years of service needed for vesting. A death benefit is payable after five years of service based on 50% of the employee's accrued benefit. This benefit is payable for life or until remarriage of the surviving spouse.

Funding Policy – Benefits are entirely funded by employer contributions as determined at an actuarially determine rate. The current rate is 6.50% of annual covered payroll. The employer contribution for the year ended June 30, 2011 and 2010 was \$ 582,575 and

\$ 301,354, respectively. For the year ended June 30, 2011 and 2010 the City's payroll for all employees eligible to participate in the plan and the City's total covered payroll were \$ 15,535,333 and \$ 11,660,409, respectively.

The annual required contribution for the current year was determined as part of the January 1, 2011, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included 7.0% investment rate of return and projected salary increases of 4% per annum, compounded annually. The assumptions did not include post-retirement benefit increases, which are consistent with the terms of the pension agreement.

Significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the pension benefit obligation.

Historical trend information for the Employee Retirement System of the City of Enid for the past ten (10) years (only information available) is as follows:

Accrual Valuation Date	Value of Assets Available for Benefits	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Percentage Funded	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
01/01/11	\$ 16,761,805	\$ 18,587,756	\$ 1,825,951	90.18%	\$ 9,067,296	20.14 %
01/01/10	14,647,106	17,121,392	2,474,286	85.55%	8,358,315	29.60 %
01/01/09	11,749,202	15,838,684	4,089,483	74.18%	7,069,372	57.85 %
01/01/08	16,696,899	14,517,296	(2,179,603)	115.01%	6,034,485	(36.12)%
01/01/07	15,895,350	13,880,520	(2,014,830)	114.52%	5,825,779	(34.58)%
01/01/06	14,567,091	13,080,824	(1,486,267)	111.36%	5,292,363	(28.08)%
01/01/05	14,202,306	12,491,387	(1,710,919)	113.70%	5,089,488	(33.62)%
01/01/04	13,262,967	12,194,806	(1,068,161)	108.76%	5,605,584	(19.06)%
01/01/03	11,371,386	12,016,944	645,558	94.63%	5,944,203	10.86 %
01/01/02	12,696,281	11,529,237	(1,157,044)	110.03%	6,606,012	(17.52)%

The total actuarial liability exceeded the net assets available for benefits by \$ 1,825,951 at January 1, 2011, as follows:

Actuarial accrued liability	\$ 18,587,756
Net assets available for benefits (actuarial value)	16,761,805
Unfunded actuarial accrued liability	<u>\$ 1,825,951</u>

Any amounts shown for valuation prior to January 1, 1998, are the pension benefit obligation (PBO) as defined in GASB Statement No. 5, *Accounting for Contingencies*. GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, which replaced GASB Statement No. 5, requires that the actuarial accrued liability used to fund the Plan be used to measure funding progress.

Section 401(k) Plan

Plan Description – The City of Enid also maintains a 401(k) Retirement Plan (the Supplement), a defined contribution pension plan for other than employees covered under the OPFRS or OFPRS plans. Employees are eligible to participate in the Supplement upon employment, provided they are at least 21 years of age, with vesting in employer contributions is upon contribution by the City. Participants may elect to make voluntary contributions through regular payroll deductions up to allowable IRS limits, with the City

making matching contributions to those participants' accounts at a rate of 75% of the first 10% of the employees' compensation that is contributed by the employee.

Funding Policy – Contributions to the 401(k) Plan plus earnings, constitute retirement benefits from this plan. For the years ended June 30, 2011 and 2010, covered payroll for the Supplement was \$ 11,223,360 and \$ 10,895,058 while employee and employer contributions totaled \$ 469,274 and \$ 401,742 and \$ 303,713 and \$ 265,501, respectively, for the years ended June 30, 2011 and 2010.

ICMA Plan

The City also allows all employees to make voluntary contributions with no employer match to a Section 457 Deferred Compensation plan maintained by the ICMA Retirement Corporation. During the year ended June 30, 2011, employees contributed \$ 14,661 to this plan.

D. Property taxes

Property taxes levied by the City are billed and collected by the county treasurer's office and remitted to the City in the month following the collection. Property taxes are levied annually in October and are due in equal installments on December 31 and March 31. Property taxes unpaid for the fiscal year are attached by an enforceable lien on property in the following October. The City recognizes the tax in the year it is collected, which is not considered to be materially different from the year earned. For the years ended June 30, 2011 and 2010, the City's net assessed valuation of taxable real and personal property aggregated \$ 273,352,319 and \$ 268,387,213 while the property taxes levied per \$ 1,000 of net assessed valuation were \$ 6.77 and \$ 7.33, respectively.

E. Post employment benefits other than retirement

The City of Enid has established a continuation of medical coverage plan for retired employees whereby the retired employee and their dependents can continue to participate in the City's health insurance plan. The retired employee who participates in the health insurance plan shall pay the full cost of said health insurance plan at the rates and terms established by the City. The City offers the plan to those retired employees unless the retired employee or dependent is over sixty-five years of age and qualifies for Medicare. For the year ended June 30, 2011, retirees and dependents paid the full cost of the coverage.

F. ADA Obligations and commitments

On August 1, 2006 Tiessen, Haney and Access Now sued the City of Enid in federal district court seeking affirmative injunctive relief under the Americans With Disabilities Act (ADA). The suit covers all city owned buildings, parks and sidewalks, intersections and rights of ways located in the city limits of Enid. The plaintiffs are not entitled to damages under the ADA but their attorney fees and costs are recoverable from the City. The City has insurance through OMAG (Oklahoma Municipal Assurance Group) and the fees and costs will be paid by OMAG.

The parties settled in December of 2010. The settlement agreement requires the City to transition to full compliance with ADA in building improvements and parks over a ten year period. These improvements will be budgeted for the applicable fiscal year in which they are to be completed. It is anticipated that the City will be compliant in 2021, and is required to spend at least \$ 300,000 per year making ADA improvements.

G. Subsequent events

The City entered into contracts totaling \$ 24,793,812 for renovation of Convention Hall and construction of a new events center as part of the City of Enid Downtown Renaissance Project. On November 30, 2011, the City approved a low interest variable rate line of credit with Bank of Oklahoma of up to \$ 12 million for project funding if needed.

City of Enid, Oklahoma
Budgetary Comparison Schedule
General Fund and Major Special Revenue Funds (Budgetary Basis)
Year Ended June 30, 2011

	General Fund			Variance with Final Budget Positive (Negative)
	Budget		Actual	
	Original	Final		
Fund balance, beginning	\$ 6,794,126	\$ 6,794,126	\$ 6,794,126	\$ -
Resources				
Taxes	29,335,000	29,335,000	29,212,796	(122,204)
Licenses and permits	212,000	212,000	287,285	75,285
Intergovernmental	201,000	201,000	267,363	66,363
Fines and forfeitures	1,227,500	1,227,500	1,296,883	69,383
Charges for services	73,700	73,700	96,762	23,062
Miscellaneous	295,000	295,000	360,878	65,878
Interest	650,000	650,000	379,378	(270,622)
Operating transfers	5,700,000	6,036,000	6,060,750	24,750
Total resources	<u>37,694,200</u>	<u>38,030,200</u>	<u>37,962,095</u>	<u>(68,105)</u>
Amounts available for appropriation	44,488,326	44,824,326	44,756,221	(68,105)
Charges to appropriations:				
Administration	721,455	799,519	785,026	14,493
Human resources	547,425	502,125	450,939	51,186
Legal	556,475	556,475	541,091	15,384
Safety	625,135	528,135	425,091	103,044
General government	915,785	992,137	981,596	10,541
Treasury and budget	525,230	534,927	497,237	37,690
Records and receipts	278,710	281,910	257,805	24,105
Information technology	534,215	554,072	550,996	3,076
Management services	336,475	341,225	340,185	1,040
Police	-	-	-	-
Fire	-	-	-	-
Warehouse	158,505	158,505	146,802	11,703
Community development	352,355	348,655	334,332	14,323
Code enforcement	592,385	671,602	661,101	10,501
Engineering	1,136,110	1,211,636	1,148,548	63,088
Fleet management	632,805	636,930	612,856	24,074
Street	2,449,700	2,343,595	2,241,032	102,563
Maintenance and technical svcs	751,180	752,348	697,197	55,151
Park/stormwater	1,133,795	1,280,330	1,268,831	11,499
Library	909,660	909,660	902,471	7,189
Debt service	-	-	-	-
Capital outlay	858,800	1,830,368	1,732,270	98,098
Operating transfers	26,848,175	28,466,174	26,539,077	1,927,097
Total charges to appropriations	<u>40,864,375</u>	<u>43,700,328</u>	<u>41,114,483</u>	<u>2,585,845</u>
Fund balance, ending	<u>\$ 3,623,951</u>	<u>\$ 1,123,998</u>	<u>\$ 3,641,738</u>	<u>\$ 2,517,740</u>

See disclaimer in accompanying Independent Auditor's Report.

Police Fund				Variance with Final Budget Positive (Negative)
Budget				
Original	Final	Actual		
\$ 2,159,757	\$ 2,159,757	\$ 2,159,757	\$	-
-	-	-		-
-	-	-		-
215,380	215,380	106,979		(108,401)
-	-	-		-
-	-	52,813		52,813
53,500	53,500	22,739		(30,761)
90,000	90,000	37,058		(52,942)
7,315,000	7,315,000	7,930,095		615,095
<u>7,673,880</u>	<u>7,673,880</u>	<u>8,149,684</u>		<u>475,804</u>
9,833,637	9,833,637	10,309,441		475,804
-	-	-		-
-	-	-		-
-	-	-		-
-	-	-		-
-	-	-		-
-	-	-		-
-	-	-		-
-	-	-		-
-	-	-		-
-	-	-		-
-	-	-		-
-	-	-		-
-	-	-		-
-	-	-		-
-	-	-		-
-	-	-		-
7,979,825	7,986,633	7,563,584		423,049
-	-	-		-
-	-	-		-
-	-	-		-
-	-	-		-
-	-	-		-
-	-	-		-
-	-	-		-
-	-	-		-
12,000	29,820	19,229		10,591
390,000	1,542,672	340,225		1,202,447
75,000	75,000	75,000		-
<u>8,456,825</u>	<u>9,634,125</u>	<u>7,998,038</u>		<u>1,636,087</u>
\$ 1,376,812	\$ 199,512	\$ 2,311,403	\$	2,111,891

City of Enid, Oklahoma
Budgetary Comparison Schedule
General Fund and Major Special Revenue Funds (Budgetary Basis)
Year Ended June 30, 2011

	Fire Fund			Variance with Final Budget Positive (Negative)
	Budget		Actual	
	Original	Final		
Fund balance, beginning	\$ 865,107	\$ 865,107	\$ 865,107	\$ -
Resources				
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	776,710	776,710	365,325	(411,385)
Fines and forfeitures	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous	8,000	8,000	10,319	2,319
Interest	35,000	35,000	19,041	(15,959)
Operating transfers	6,345,000	6,345,000	6,857,622	512,622
Total resources	<u>7,164,710</u>	<u>7,164,710</u>	<u>7,252,307</u>	<u>87,597</u>
Amounts available for appropriation	8,029,817	8,029,817	8,117,414	87,597
Charges to appropriations:				
Administration	-	-	-	-
Human resources	-	-	-	-
Legal	-	-	-	-
Safety	-	-	-	-
General government	-	-	-	-
Accounting	-	-	-	-
Records and receipts	-	-	-	-
Information technology	-	-	-	-
Management services	-	-	-	-
Police	-	-	-	-
Fire	7,392,640	7,437,404	6,746,366	691,038
Warehouse	-	-	-	-
Community development	-	-	-	-
Community development	-	-	-	-
Engineering	-	-	-	-
Fleet management	-	-	-	-
Street and traffic	-	-	-	-
Maintenance and technical svcs	-	-	-	-
Park/stormwater	-	-	-	-
Library	-	-	-	-
Debt service	-	-	-	-
Capital outlay	120,000	1,206,200	39,575	1,166,625
Operating transfers	-	-	-	-
Total charges to appropriations	<u>7,512,640</u>	<u>8,643,604</u>	<u>6,785,941</u>	<u>1,857,663</u>
Fund balance, ending	<u>\$ 517,177</u>	<u>\$ (613,787)</u>	<u>\$ 1,331,473</u>	<u>\$ 1,945,260</u>

See disclaimer in accompanying Independent Auditor's Report.

City of Enid, Oklahoma
Reconciliation of Budgetary Comparison Schedule on a Budgetary
Basis With Fund Financial Statements on a GAAP Basis
Year Ended June 30, 2011

<u>Budgetary funds</u>	<u>General Fund</u>	<u>Police Fund</u>
<u>Financial statement major funds</u>		
Revenues		
Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules	\$ 31,901,345	\$ 219,589
Adjustments:		
<i>Budgetary</i> general fund revenues are reported on the cash basis, rather than the modified accrual basis	326,622	15,208
On-behalf pension payments made by the State	<u>-</u>	<u>443,829</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 32,227,967</u>	<u>\$ 678,626</u>
Expenditures		
Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedules	\$ 14,575,406	\$ 7,923,038
Adjustments:		
Encumbrances for goods and services ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for GAAP reporting	(500,625)	1,095,641
On-behalf pension payments made by the State	<u>-</u>	<u>443,829</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 14,074,781</u>	<u>\$ 9,462,508</u>
Other financing sources (uses)		
Actual amounts (budgetary basis) "other financing sources and uses" from the budgetary comparison schedules	\$ (20,478,327)	\$ 7,855,095
Adjustments:		
Budgetary amounts are reported on the cash basis, rather than modified accrual basis:		
Tax revenues accrued and transferred to other funds	<u>(1,923,045)</u>	<u>165,725</u>
Total other financing sources as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ (22,401,372)</u>	<u>\$ 8,020,820</u>

See disclaimer in accompanying Independent Auditor's Report.

Fire
Fund

\$ 394,685

(166,497)
1,139,817

\$ 1,368,005

\$ 6,785,941

991,869
1,139,817

\$ 8,917,627

\$ 6,857,622

165,729

\$ 7,023,351

City of Enid, Oklahoma
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

	Special Revenue			
	Special Projects Fund	Water Assessment	Street and Alley Fund	Community Intervention Center
Assets				
Cash and cash equivalents	\$ 259,093	\$ -	\$ -	\$ -
Claim on pooled cash	24,259	6,665	1,416,716	35,843
Receivables:				
Taxes	-	-	108,841	-
Due from other governments	-	-	-	15,708
Total assets	<u>\$ 283,352</u>	<u>\$ 6,665</u>	<u>\$ 1,525,557</u>	<u>\$ 51,551</u>
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ 6,665	\$ -	\$ -
Deferred revenue	289	-	-	-
Total liabilities	<u>289</u>	<u>6,665</u>	<u>-</u>	<u>-</u>
Fund balances				
Reserved:				
Capital improvements	-	-	-	-
Debt service	-	-	-	-
Encumbrances	1,000	-	1,416,716	-
Unreserved:				
Designated	282,063	-	108,841	51,551
Total fund balances	<u>283,063</u>	<u>-</u>	<u>1,525,557</u>	<u>51,551</u>
Total liabilities and fund balances	<u>\$ 283,352</u>	<u>\$ 6,665</u>	<u>\$ 1,525,557</u>	<u>\$ 51,551</u>

Special Revenue

Health Care Fund	CDBG Fund	Paving Assessment	Park Board	Employee Severance	911 Fund
\$ 20,593	\$ (7,185)	\$ -	\$ -	\$ -	\$ -
3,230,801	120,782	1,886	97,873	-	213,938
-	-	-	-	-	113,227
-	11,342	-	-	-	-
<u>\$ 3,251,394</u>	<u>\$ 124,939</u>	<u>\$ 1,886</u>	<u>\$ 97,873</u>	<u>\$ -</u>	<u>\$ 327,165</u>
\$ 239,573	\$ 77,926	\$ 1,886	\$ -	\$ -	\$ 180
-	-	-	-	-	-
<u>239,573</u>	<u>77,926</u>	<u>1,886</u>	<u>-</u>	<u>-</u>	<u>180</u>
-	-	-	94,559	-	-
-	-	-	-	-	-
-	47,013	-	3,314	-	-
3,011,821	-	-	-	-	326,985
<u>3,011,821</u>	<u>47,013</u>	<u>-</u>	<u>97,873</u>	<u>-</u>	<u>326,985</u>
<u>\$ 3,251,394</u>	<u>\$ 124,939</u>	<u>\$ 1,886</u>	<u>\$ 97,873</u>	<u>\$ -</u>	<u>\$ 327,165</u>

City of Enid, Oklahoma
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011
(continued)

	Capital Projects			
	Street Improvement Fund	Capital Projects Escrow	Storm Water Fund	Water Capital Improvements
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Claim on pooled cash	1,968,695	835,226	2,598,007	1,849,527
Receivables:				
Taxes	-	-	-	-
Due from other governments	-	-	-	-
Total assets	<u>\$ 1,968,695</u>	<u>\$ 835,226</u>	<u>\$ 2,598,007</u>	<u>\$ 1,849,527</u>
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -
Deferred revenue	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances				
Reserved:				
Capital improvements	1,850,093	-	-	-
Debt service	-	-	-	-
Encumbrances	118,602	-	422,839	1,849,527
Unreserved:				
Designated	-	835,226	2,175,168	-
Total fund balances	<u>1,968,695</u>	<u>835,226</u>	<u>2,598,007</u>	<u>1,849,527</u>
Total liabilities and fund balances	<u>\$ 1,968,695</u>	<u>\$ 835,226</u>	<u>\$ 2,598,007</u>	<u>\$ 1,849,527</u>

<u>Debt Service</u>		
<u>Sinking Fund</u>		<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 272,501	
772,152	13,172,370	
30,867	252,935	
-	27,050	
<u>\$ 803,019</u>	<u>\$ 13,724,856</u>	
\$ -	\$ 326,230	
2,999	3,288	
<u>2,999</u>	<u>329,518</u>	
-	1,944,652	
800,020	800,020	
-	3,859,011	
-	6,791,655	
<u>800,020</u>	<u>13,395,338</u>	
<u>\$ 803,019</u>	<u>\$ 13,724,856</u>	

City of Enid, Oklahoma
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2011

	Special Revenue			
	Special Projects Fund	Water Assessment	Street and Alley Fund	Community Intervention Center
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Intergovernmental	51,861	-	424,864	166,429
Other	65,711	-	19,397	-
Interest	2,356	-	40,596	1,116
Total revenues	<u>119,928</u>	<u>-</u>	<u>484,857</u>	<u>167,545</u>
Expenditures				
Current:				
General government	50,935	-	-	-
Public safety	73,799	-	-	-
Public works	-	-	253,865	246,821
Culture and recreation	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	-	-	2,220,873	-
Total expenditures	<u>124,734</u>	<u>-</u>	<u>2,474,738</u>	<u>246,821</u>
Excess of revenues over (under) expenditures	(4,806)	-	(1,989,881)	(79,276)
Other financing sources (uses)				
Transfers in	-	-	1,525,000	115,000
Transfers (out)	-	-	(650,414)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>874,586</u>	<u>115,000</u>
Net change in fund balances	(4,806)	-	(1,115,295)	35,724
Fund balances, beginning	<u>287,869</u>	<u>-</u>	<u>2,640,852</u>	<u>15,827</u>
Fund balances, ending	<u>\$ 283,063</u>	<u>\$ -</u>	<u>\$ 1,525,557</u>	<u>\$ 51,551</u>

Special Revenue

Health Care Fund	CDBG Fund	Paving Assessment	Park Board	Employee Severance	911 Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3,170,881	-	-	10,560	-	-
-	622,775	-	-	-	660,615
243	-	-	8,034	-	195
52,784	-	-	1,815	-	4,949
<u>3,223,908</u>	<u>622,775</u>	<u>-</u>	<u>20,409</u>	<u>-</u>	<u>665,759</u>
3,103,061	-	-	-	-	-
-	-	-	-	-	828,599
-	699,154	-	-	-	-
-	-	-	42,807	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	39,412	-	64
<u>3,103,061</u>	<u>699,154</u>	<u>-</u>	<u>82,219</u>	<u>-</u>	<u>828,663</u>
120,847	(76,379)	-	(61,810)	-	(162,904)
-	-	-	25,000	-	-
-	-	-	-	(24,750)	-
-	-	-	25,000	(24,750)	-
120,847	(76,379)	-	(36,810)	(24,750)	(162,904)
2,890,974	123,392	-	134,683	24,750	489,889
<u>\$ 3,011,821</u>	<u>\$ 47,013</u>	<u>\$ -</u>	<u>\$ 97,873</u>	<u>\$ -</u>	<u>\$ 326,985</u>

City of Enid, Oklahoma
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2011
(continued)

	Capital Projects			
	Street Improvement Fund	Capital Projects Escrow	Storm Water Fund	Water Capital Improvements
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	163,324	-	-
Intergovernmental	-	-	-	-
Other	-	-	1,000	263,055
Interest	20,047	11,115	61,919	20,248
Total revenues	<u>20,047</u>	<u>174,439</u>	<u>62,919</u>	<u>283,303</u>
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	1,735,513	1,823	616,410	7,051,138
Total expenditures	<u>1,735,513</u>	<u>1,823</u>	<u>616,410</u>	<u>7,051,138</u>
Excess of revenues over (under) expenditures	(1,715,466)	172,616	(553,491)	(6,767,835)
Other financing sources (uses)				
Transfers in	1,453,042	-	1,699,694	8,928,352
Transfers (out)	-	-	(1,527,621)	-
Total other financing sources (uses)	<u>1,453,042</u>	<u>-</u>	<u>172,073</u>	<u>8,928,352</u>
Net change in fund balances	(262,424)	172,616	(381,418)	2,160,517
Fund balances, beginning	<u>2,231,119</u>	<u>662,610</u>	<u>2,979,425</u>	<u>(310,990)</u>
Fund balances, ending	<u>\$ 1,968,695</u>	<u>\$ 835,226</u>	<u>\$ 2,598,007</u>	<u>\$ 1,849,527</u>

<u>Debt Service</u>	
<u>Sinking Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 1,849,207	\$ 1,849,207
-	3,344,765
-	1,926,544
-	357,635
8,188	225,133
<u>1,857,395</u>	<u>7,703,284</u>
-	3,153,996
-	902,398
-	1,199,840
-	42,807
2,000,952	2,000,952
186,378	186,378
-	11,665,233
<u>2,187,330</u>	<u>19,151,604</u>
(329,935)	(11,448,320)
-	13,746,088
-	(2,202,785)
<u>-</u>	<u>11,543,303</u>
(329,935)	94,983
<u>1,129,955</u>	<u>13,300,355</u>
<u>\$ 800,020</u>	<u>\$ 13,395,338</u>

City of Enid, Oklahoma
Combining Statement of Net Assets
Nonmajor Proprietary Funds/Enterprise Funds
June 30, 2011

	Enterprise	
	Cherokee Strip Conference Center	Enid Public Transportation Authority
Assets		
Current assets:		
Cash and cash equivalents	\$ 38,649	\$ 34,996
Claim on pooled cash	671,540	143,758
Taxes receivable	103,017	-
Due from other governments	-	84,070
Total current assets	<u>813,206</u>	<u>262,824</u>
Noncurrent assets:		
Capital assets (net of accumulated depreciation)	4,166,003	467,152
Total noncurrent assets	<u>4,166,003</u>	<u>467,152</u>
Total assets	<u>4,979,209</u>	<u>729,976</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	38,632	-
Current portion of long-term obligations	-	-
Total current liabilities	<u>38,632</u>	<u>-</u>
Noncurrent liabilities:		
Capital lease obligations	-	-
Accrued compensated absences	-	24,366
Less: current portion of long-term obligations	-	-
Total noncurrent liabilities	<u>-</u>	<u>24,366</u>
Total liabilities	<u>38,632</u>	<u>24,366</u>
Net assets		
Invested in capital assets, net of related debt	4,166,003	467,152
Restricted:		
Other	774,574	238,458
Unrestricted	-	-
Total net assets	<u>\$ 4,940,577</u>	<u>\$ 705,610</u>

Enterprise		
Vance Development Authority	Meadowlake Golf Course	Total Nonmajor Enterprise Funds
\$ -	\$ -	\$ 73,645
405,714	(248,367)	972,645
-	-	103,017
-	-	84,070
<u>405,714</u>	<u>(248,367)</u>	<u>1,233,377</u>
-	406,101	5,039,256
-	406,101	5,039,256
<u>405,714</u>	<u>157,734</u>	<u>6,272,633</u>
-	22	38,654
-	26,778	26,778
-	26,800	65,432
-	34,800	34,800
-	8,522	32,888
-	(26,778)	(26,778)
-	16,544	40,910
-	43,344	106,342
-	371,301	5,004,456
380,000	-	1,393,032
25,714	(256,911)	(231,197)
<u>\$ 405,714</u>	<u>\$ 114,390</u>	<u>\$ 6,166,291</u>

City of Enid, Oklahoma
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Nonmajor Proprietary Funds/Enterprise Funds
Year Ended June 30, 2011

	Enterprise	
	Cherokee Strip Conference Center	Enid Public Transportation Authority
Operating revenues		
Charges for services	\$ 249,532	\$ 231,981
Total operating revenues	<u>249,532</u>	<u>231,981</u>
Operating expenses		
Conference center	1,108,075	-
Transportation	-	789,452
Golf course	-	-
Economic development	-	-
Depreciation and amortization	129,343	159,334
Total operating expenses	<u>1,237,418</u>	<u>948,786</u>
Net operating income (loss)	(987,886)	(716,805)
Nonoperating revenues (expenses)		
Taxes	872,972	-
Interest income	41,212	6,676
Government grants	-	403,134
Miscellaneous	23,226	-
Gain (loss) on disposition of assets	-	12,486
Interest and fiscal charges	-	-
Total nonoperating revenues (expenses)	<u>937,410</u>	<u>422,296</u>
Operating transfers		
Transfers in	8,843	120,000
Transfers out	-	-
Total operating transfers	<u>8,843</u>	<u>120,000</u>
Net income (loss)	(41,633)	(174,509)
Net assets, beginning	<u>4,982,210</u>	<u>880,119</u>
Net assets, ending	<u>\$ 4,940,577</u>	<u>\$ 705,610</u>

Enterprise		Total
Vance Development Authority	Meadowlake Golf Course	Nonmajor Enterprise Funds
\$ -	\$ 328,801	\$ 810,314
-	328,801	810,314
-	-	1,108,075
-	-	789,452
-	502,634	502,634
162,945	-	162,945
-	75,572	364,249
162,945	578,206	2,927,355
(162,945)	(249,405)	(2,117,041)
-	-	872,972
-	2,026	49,914
-	-	403,134
-	1,410	24,636
-	-	12,486
-	(2,292)	(2,292)
-	1,144	1,360,850
380,000	100,000	608,843
-	-	-
380,000	100,000	608,843
217,055	(148,261)	(147,348)
188,659	262,651	6,313,639
\$ 405,714	\$ 114,390	\$ 6,166,291

City of Enid, Oklahoma
Combining Statement of Cash Flows
Nonmajor Proprietary Funds/Enterprise Funds
Year Ended June 30, 2011

	Enterprise	
	Cherokee Strip Conference Center	Enid Public Transportation Authority
Cash flows from operating activities		
Receipts from customers	\$ 249,532	\$ 231,981
Payments to suppliers	(1,112,569)	(289,332)
Payments to employees	-	(497,470)
Net cash provided (used) by operating activities	<u>(863,037)</u>	<u>(554,821)</u>
Cash flows from noncapital financing activities		
Taxes	872,972	-
Miscellaneous revenues	23,226	12,487
Operating transfers in (out)	8,843	120,000
Net cash provided (used) by noncapital financing activities	<u>905,041</u>	<u>132,487</u>
Cash flows from capital and related financing activities		
Proceeds from long-term debt	-	-
Principal paid on long-term debt	-	-
Interest expense and fiscal charges	-	-
Government grants	-	424,596
Acquisition/construction of capital assets	(43,533)	-
Net cash provided (used) by capital and related financing activities	<u>(43,533)</u>	<u>424,596</u>
Cash flows from investing activities		
Interest income	41,212	6,676
Net cash provided (used) by investing activities	<u>41,212</u>	<u>6,676</u>
Net increase (decrease) in cash and cash equivalents	39,683	8,938
Cash and cash equivalents, beginning	<u>670,506</u>	<u>169,816</u>
Cash and cash equivalents, ending	<u>\$ 710,189</u>	<u>\$ 178,754</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Net operating income (loss)	\$ (987,886)	\$ (716,805)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	129,343	159,334
Changes in assets and liabilities:		
(Increase) decrease in taxes receivable	(3,171)	-
Increase (decrease) in accounts payable and accrued liabilities	5,282	-
Increase (decrease) in customer deposits and other	(6,605)	2,650
Total adjustments	<u>124,849</u>	<u>161,984</u>
Net cash provided (used) by operating activities	<u>\$ (863,037)</u>	<u>\$ (554,821)</u>

Enterprise		
Vance Development Authority	Meadowlake Golf Course	Total Nonmajor Enterprise Funds
\$ -	\$ 328,801	\$ 810,314
(162,945)	(245,661)	(1,810,507)
-	(258,671)	(756,141)
<u>(162,945)</u>	<u>(175,531)</u>	<u>(1,756,334)</u>
-	-	872,972
-	1,410	37,123
380,000	100,000	608,843
<u>380,000</u>	<u>101,410</u>	<u>1,518,938</u>
-	13,900	13,900
-	(26,003)	(26,003)
-	(2,292)	(2,292)
-	-	424,596
-	(104,915)	(148,448)
<u>-</u>	<u>(119,310)</u>	<u>261,753</u>
-	2,026	49,914
<u>-</u>	<u>2,026</u>	<u>49,914</u>
217,055	(191,405)	74,271
<u>188,659</u>	<u>(56,962)</u>	<u>972,019</u>
<u>\$ 405,714</u>	<u>\$ (248,367)</u>	<u>\$ 1,046,290</u>
\$ (162,945)	\$ (249,405)	\$ (2,117,041)
-	75,572	364,249
-	-	(3,171)
-	(1,698)	3,584
-	-	(3,955)
<u>-</u>	<u>73,874</u>	<u>360,707</u>
<u>\$ (162,945)</u>	<u>\$ (175,531)</u>	<u>\$ (1,756,334)</u>



Ronald C. Cottrell, CPA

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With *Government Auditing Standards*

December 29, 2011

City Council
City of Enid
Enid, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Enid, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City of Enid's basic financial statements; and have issued our report thereon dated December 29, 2011, which was qualified because one discretely presented component unit was not audited. Our report was modified to include a reference to other auditors on one discretely presented component unit. We did not audit management's discussion and analysis or the budgetary comparison schedules, which are required supplementary information, and therefore expressed no opinion on them. 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

Management of the City of Enid is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Enid'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 the City of Enid's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Enid'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 combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement in the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the 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 cost as items 2011-1, 2011-2, 2011-3, and 2011-4 that we

Ronald C. Cottrell, CPA

consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency or 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 the City of Enid'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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and questioned costs as item 2011-5.

We noted certain matters that we have reported to management of the City of Enid in a separate letter dated December 29, 2011.

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

This report is intended solely for the information and use of the city council and management of the City of Enid 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.

Ronald C. Cottrell, CPA



Ronald C. Cottrell, CPA

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

December 29, 2011

City Council
City of Enid
Enid, Oklahoma

Compliance

We have audited the of City of Enid'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 its major federal programs for the year ended June 30, 2011. The City of Enid'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 the City of Enid's management. Our responsibility is to express an opinion on the City of Enid'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 Enid'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 on the City of Enid's compliance with those requirements.

In our opinion, the City of Enid 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 the City of Enid is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Enid's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing

Ronald C. Cottrell, CPA

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 the City of Enid's internal control over compliance.

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.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the city council and management of the City of Enid, Oklahoma, 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.

Ronald C. Cottrell, CPA

City of Enid, Oklahoma
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
<u>Federal Programs</u>			
<u>U. S. Department of Homeland Security</u>			
Pass-Through Program From:			
Oklahoma Dept of Emergency Management -			
Emergency Management			
Performance Grants	97.042	FY - 2010	\$ 2,500
		FY - 2011	7,500
Assistance to Firefighters Grant	97.044	EMW-2009-FR-00368	54,516
		EMW-2009-FO-09200	84,790
		EMW-2010-FO-07819	54,000
Disaster Grant-Public Assistance	97.036	FEMA-1712-DR-OK	5,770
Citizen Corps Fire Corps	97.053	FY07-CCFC	4,522
Home Fire Sprinkler Coalition	97.099	HSFC	1,000
Total U.S. Department of Homeland Security			<u>214,598</u>
 <u>U. S. Department of the Interior</u>			
Pass-Through Program From:			
Oklahoma Historical Society-Historic Preservation Fund -			
Grants In Aid	15.904	09-601	3,900
		10-601	363
Total U.S. Department of the Interior			<u>4,263</u>
 <u>U. S. Department of Transportation</u>			
Direct Program:			
Airport Improvement Program -	20.106	AIP3-4000280182006	43,539
		AIP3-4000280232010	48,450
		AIP3-4000280242011	4,378
Pass-Through Program From:			
Oklahoma Highway Safety Office -			
State and Community Highway Safety	20.600	OP-10-03-02-06	12,681
		PT-11-03-33-07	50,660
Oklahoma Department of Transportation -			
Formula Grants for Other			
Than Urbanized Areas	20.509	FY - 2010 - 5311	40,395
		FY - 2011 - 5311	282,512
Total U.S. Department of Transportation			<u>482,615</u>

The accompanying notes are an integral part of this schedule.

City of Enid, Oklahoma
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

(continued)

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
<u>Federal Programs</u>			
<u>U. S. Department of Justice</u>			
Direct Program:			
Bureau of Justice Assistance - Edward Byrne Memorial Justice Assistance Grant	16.738	2007-DJ-BX-1335 2009-DJ-BX-1025	19,819 7,549
ARRA-Edward Byrne Memorial Justice Assistance Grant	16.804	2009-SB-B9-3342-ARRA	31,117
Pass-Through Program From:			
Oklahoma State Bureau of Investigation - Internet Crimes Against Children	16.543		2,263
District Attorneys Council - S.T.O.P. Violence Against Women	16.588	V09-20 V10-19	27,773 29,613
Total U.S. Department of Justice			<u>118,134</u>
<u>National Foundation of the Arts and the Humanities</u>			
Pass-Through Program From:			
Oklahoma Department of Libraries - State Library Program - State Aid Grant	45.310	FY - 2011	34,020
Net books			3,156
Total National Foundation of the Arts and the Humanities			<u>37,176</u>
<u>U. S. Department of Housing and Urban Development</u>			
Direct Program:			
Community Development Block Grant - Entitlement Grants	14.218	FY - 2009 FY - 2009 ARRA FY - 2010	505,392 99,569 17,849
Total U.S. Department of Housing and Urban Development			<u>622,810</u>
<u>U. S. Department of Agriculture and Forest Service</u>			
Pass-Through Program From:			
Oklahoma Department of Agriculture and Forestry Services - Cooperative Forestry Assistance/ Highway Tree Grant	10.664	SAFETEALU-10-05	15,410
Total U.S. Department of Agriculture and Forest Service			<u>15,410</u>

The accompanying notes are an integral part of this schedule.

City of Enid, Oklahoma
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

(continued)

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
<u>Federal Programs</u>			
<u>Environmental Protection Agency</u>			
Pass-Through Program From:			
Oklahoma Water Resources Board			
ARRA - Safe Drinking Water State Revolving Fund	66.468	ORF-09-0023-DW	1,000,780
Safe Drinking Water State Revolving Fund		ORF-09-0023-CW	1,576,886
Capital Grants for State Revolving Fund	66.458	ORF-09-0019-CW	6,036,851
Total Environmental Protection Agency			<u>8,614,517</u>
Total Expenditures of Federal Awards			<u>\$ 10,109,523</u>

The accompanying notes are an integral part of this schedule.

City of Enid, Oklahoma
Schedule of Expenditures of State Awards
Year Ended June 30, 2011

State Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
<u>State Programs</u>			
<u>Oklahoma Office of Juvenile Accountability, Prevention, and Protection</u>			
Community Intervention Center (CIC)		FY 2011	\$ 166,429
Total Oklahoma Office of Juvenile Accountability, Prevention, and Protection			<u>166,429</u>
<u>Oklahoma Department of Transportation</u>			
Industrial Access Road		SAP-124D(132)	195,220
Public Transit Revolving Fund		FY 2011	80,227
Total Oklahoma Department of Transportation			<u>275,447</u>
<u>Oklahoma Department of Emergency Management</u>			
Sub-Grantee Administration Costs		FEMA-1712-DR-OK	29,811
Total Oklahoma Department of Emergency Management			<u>29,811</u>
<u>Oklahoma Department of Libraries</u>			
San Jose Way Grant/State Construction Grant		F-09-169	88,723
Total Oklahoma Department of Libraries			<u>88,723</u>
<u>Oklahoma Department of Commerce</u>			
Oklahoma Strategic Military Planning Commission		A-1101A	26,870
		ODFA BRAC Series 2010	75,965
		G-1002	13,850
Total Oklahoma Oklahoma Department of Commerce			<u>116,685</u>
Total Expenditures of State Awards			<u>\$ 677,095</u>

The accompanying notes are an integral part of this schedule.

City of Enid, Oklahoma
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

I. Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Enid, Oklahoma and is presented on the cash basis of accounting, which is another comprehensive basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

II. Expenditures

Expenditures represent the current year federal grant/contract portion only.

III. Noncash Awards

City of Enid, Oklahoma expended no form of noncash assistance during the year and had no loan or loan guarantees outstanding at June 30, 2011, which are required by OMB Circular A-133 to be included in the schedule of expenditures of federal awards.

IV. Subrecipients

City of Enid, Oklahoma provided no federal awards to subrecipients.

City of Enid, Oklahoma
Summary Schedule of Prior Audit Findings

Financial Statement Findings

2010 – 1 Financial Reporting Process

Condition – The financial statements of the City of Enid as of and for the year ended June 30, 2009 included several errors that had to be adjusted in the current financial statements. These prior period adjustments are reflected in the accompanying financial statements and footnotes for the year ended June 30, 2010. Net adjustments totaling approximately \$ 2,275,912 were made to beginning net assets of business-type activities/proprietary funds in the government-wide and fund financial statements. These adjustments included increases in net assets of the Enid Municipal Authority for earned but unbilled accounts receivable and utility revenues, Woodring Airport for the estimated cost of old hangars not recorded, as well as other immaterial adjustments made to other funds.

Status – This condition has been resolved.

2010–2 Completion and Filing of Audit

Condition – The City of Enid’s audit for the fiscal year ended June 30, 2009 was not completed and filed with the State Auditor and Inspector or the Federal Audit Clearinghouse until October 2010. The audit for the fiscal year ended June 30, 2010 will not be filed until August 2011.

Status – This condition has been resolved.

Federal Award Findings and Questioned Costs

There were no matters reported in the prior year’s audit report.

City of Enid, Oklahoma
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	Qualified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiencies identified that are not considered to be material weakness(es)?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grants/Entitlement Grants – Cluster
66.468	Capitalization Grants for Drinking Water-State Revolving Funds
66.458	Capital Grants for State Revolving Fund
97.044	Assistance to Firefighters Grant

Dollar threshold used to distinguish between type A and type B programs:	<u>\$ 303,286</u>
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Auditee qualified as low-risk auditee?	No
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Section II – Financial Statement Findings

2011-1 Accrued Vacation

Criteria – City of Enid Personnel Policies and Procedures, Section 500, *Leave Provisions and Other City Benefits* states, “Vacation time should normally be taken within a year after it is granted. To carry over vacation time into the next year requires written approval of the Department Head. The maximum accrual should never exceed the amount earned in 2 years.”

Ronald C. Cottrell, CPA

Condition – We noted fifteen (15) “management confidential” (MC) employees whose vacation accrual as of June 30, 2011 exceeded the amount earned in two years. The maximum two-year accrual is 336 hours. One employee had accrued 1339 hours of vacation.

Cause and Effect – Mandatory vacation is an important internal control. All employees should be required to take vacation leave every year for several consecutive days. While the employee is on vacation their normal duties should be assumed by another employee.

Recommendation – The City’s policy regarding employee vacation should be enforced so that all City employees take most, if not all, vacation earned in a year, several consecutive days at a time.

Management’s Response – The City’s policy regarding employee vacation will be reviewed and appropriate action will be taken. The current policy has not been enforced. Management may also consider policy changes consistent with maintaining good internal controls.

2011-2 Payroll

Criteria – Employee time and effort should be properly documented by time records. These time records should be reviewed and approved by the employee’s supervisor. Employees who retire or are terminated should be removed from the active payroll system on a timely basis.

Condition – From a random sample of forty-four (44) employees and timecards we noted timesheets in one department were all prepared by one employee rather than each employee completing their own. Also, time records for one employee could not be located for the period of our test. We also noted that timecards for some supervisors were not reviewed and approved. In addition, we reviewed employees who retired, resigned, or were terminated during the year and noted 17 employees were inactivated in the payroll system within five (5) working days of termination; 63 were inactivated within 6 to 22 working days, and the last day worked for three (3) employees could not be substantiated.

Cause and Effect – The actual time and effort of an employee should be properly documented and approved to ensure that employees are paid only for time worked or approved leave. Timely communication between supervisors and the human resources department should occur to ensure employee names do not remain on the active payroll after termination to help prevent continued payment for that terminated employee.

Recommendation – Time cards or timesheets should be prepared by each employee for the hours worked and any leave time taken. Each time card should be reviewed and approved by the employee’s supervisor for accuracy prior to payment. Departmental supervisors should be reminded to communicate employee changes to human resources in a timely manner to help ensure the terminated employee is removed from the active payroll system.

Management’s Response – Management is implementing a new automated electronic timekeeping system in January 2012 that should resolve these issues of documenting the time worked by every City employee. Every employee will be time punching in and out resulting in a detailed electronic time record approved by the employee and their supervisor. Terminations are currently reported to human resources and then to payroll. There can be a difference of up to 18 days from the date of the termination to the final payroll even with timely notification of termination due to the time between termination and the next payroll date.

Ronald C. Cottrell, CPA

Further, the last day worked can always be substantiated either through timecards, personnel file, or payroll system last worked date field and can be substantiated in the future through the new electronic timekeeping system instead of the current manual timecards.

2011-3 Deposit of Golf Course Receipts

Criteria – Oklahoma Statutes require municipalities to make deposits of funds received on a daily basis.

Condition – The golf course brings its collections to City Hall for deposit on a weekly basis rather than daily, as required. Based on our testing of receipts we noted collections for July 6 – 11, 2010 were received by the city clerk on July 12; collections for July 22 – 25 were received by the city clerk on July 26; collections for August 4 – 9 were received by the city clerk on August 10; and collections at the golf course for April 25 – May 1, 2011 were received on May 2.

Cause and Effect – Funds collected may not be properly secured overnight at the golf course. Cash could be misappropriated for a few days and later replaced before deposit.

Recommendation – Collections at the golf course should be delivered to the city clerk on a daily basis.

Management's Response – Management has addressed this issue and emphasized that daily deposits are required throughout the City. Currently, golf course receipts are usually made daily. Exceptions include weekends and holidays when the golf course is open but the City's administration offices are not, which can result in a deposit being delayed for several days. Further, some deposits may not get recorded in the City Clerk's office until the next day after they are delivered depending on the time the deposit is delivered.

2011-4 Member Tracking and Reconciliation of Daily Receipts

Criteria – Member play at the golf course should be monitored and verified to ensure that all players who do not pay a per-round fee are actually members in good standing. Daily collections should be reconciled with daily sign-in sheets to ensure that all collections are properly accounted for and deposited.

Condition – The attendant/cashier at the golf course does not require members to scan their membership cards or otherwise verify they are members in good standing before allowing the individual to play. In addition, the check-in date report and the daily sign-in sheet are not reconciled to the daily collection report.

Cause and Effect – Players may indicate they are a member when in fact they are not a member in good standing to avoid paying a greens fee to play a round of golf. Also, fees collected may not be included as collections but rather shown as a member.

Recommendation – All members should scan their membership cards prior to play and collections for non-members should be reconciled with daily sign-in sheets and member check-in reports at the end of each day to ensure that all players are accounted for as either members in good standing or paying customers.

Management's Response – Management will review options to improve verification of membership and reconciliation of collections.

Financial Statement Findings – Compliance

2011-5 Identity Theft Prevention Program

Criteria – City of Enid Codification Chapter 14 – Identity Theft Prevention Program states that new employees in the utility services department should be properly trained on the identity theft prevention program. Additionally, an annual report should be made to the city manager and city council concerning the program, exceptions noted and corrective actions, if any, taken.

Condition – No training for new employees in the utility services department on the identity theft prevention program has been held since April 2010. Additionally, we were unable to locate any documentation of the required annual report to the city manager or city council during the audit period.

Cause and Effect – The City is not in compliance with the requirements of the identity theft prevention program requirements.

Recommendation – Proper training of all new employees in the utility services department for the identity theft prevention program should be completed and the required annual reports to the city manager and city council should be prepared and presented as soon as possible.

Management's Response – Management reported to the City Commission on the identity theft prevention program at the December 13, 2011 meeting and will ensure that this report is conducted annually. The Deputy Director of Public Works will be responsible for the presentation of the annual report to the City Manager and City Commission. The Chief Financial Officer will work with the Deputy Director of Public Works to ensure identity theft prevention training is available and offered to all new employees in the utility services department by March 31, 2012.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.