

**THE CITY OF  
DEL CITY, OKLAHOMA**

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

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

**CITY OF DEL CITY, OKLAHOMA**  
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## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and the City Council  
City of Del City, Oklahoma

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Del City, Oklahoma (the "City"), as of and for the year ended June 30, 2013, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Del City, State of Oklahoma, as of June 30, 2013, and the respective changes in financial position—modified cash basis, and statement of cash flows – modified cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

### ***Basis of Accounting***

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

### ***Other Matters – Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplemental combining fund schedules – modified cash basis, and debt service coverage information, and the other information including management's discussion and analysis and budgetary comparison information, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

### **Report on Other Legal and Regulatory Requirements**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Arledge & Associates, P.C.*

December 27, 2013

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

The management of the City of Del City is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the year ended June 30, 2013. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

**FINANCIAL HIGHLIGHTS**

- As reported on a modified cash basis, the City's total net position increased by \$1,323,552, and the assets of the City exceed its liabilities at June 30, 2013, by \$26,149,953 (net position). Of this amount, \$838,905 (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2013, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$5,512,925.
- At the end of fiscal year 2013, unassigned fund balance on a modified cash basis for the General Fund was \$ (283,109) or a negative 3.6 % of General Fund revenues.

**ABOUT THE CITY**

The City of Del City is a council-manager form of government with a population of approximately 21,000 located in Oklahoma County in central Oklahoma. The City is governed by a five-member City Council and operates under state law and City ordinances through the three branches of democratic government:

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

The City provides typical municipal services such as public safety, street and alley maintenance, parks and recreation, library, community development, and through its Utilities Authority, certain utility services including water, wastewater, and sanitation.

***The City's Financial Reporting Entity***

This annual report includes all activities for which the City Council is financially accountable. These activities, defined as the City's financial reporting entity, are operated within separate legal entities.

The City's financial reporting entity includes the following separate legal entities.

- **The City of Del City (primary government)** – operates the public safety, streets, health and welfare, culture and recreation, and administrative activities of the City.
- **The Del City Municipal Services (DCMSA)** – public trust created pursuant to 60 O.S. § 176 to operate the water, wastewater, and sanitation services of the City. The City of Del City is the beneficiary of the trust and the City Council serves as the governing body of the trust.

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

- **The Del City Economic Development Authority (DCEDA)** – public trust created pursuant to 60 O.S. § 176 to promote development within the City. The Del City Council appoints the trustees.

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

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements presented herein include all of the activities of the City of Del City (the "City"), the Del City Municipal Services Authority and the Del City Economic Development Authority (the "Authorities"). Included in this report are government-wide statements for each of the two categories of activities - governmental and business-type.

The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the modified cash basis of accounting. They present governmental activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

### **Reporting the City as a Whole**

#### ***The Statement of Net Position and Statement of Activities***

One of the most important questions to ask about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. You will need to consider other non-financial factors, however, such as changes in the City's sales tax base, the condition of the City's roads, and quality of service to assess the overall health of the City. You will also need to keep in mind that these government-wide statements are prepared in accordance with the modified cash basis of accounting.

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

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

#### ***Fund Financial Statements***

The fund financial statements provide detailed information about the City's most significant (major) funds -- not the City as a whole. Some funds are required to be established by State law and by debt covenants. However, the City Council may also establish certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds – *governmental and proprietary* - use different accounting approaches.

*Governmental funds* - All of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds report their activities on a modified cash basis of accounting and current financial resources measurement focus. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

*Proprietary funds* - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported on the modified cash basis of accounting and an economic resources measurement focus. The City's proprietary funds are the Del City Municipal Services Authority that accounts for the operation of the water, sewer, and sanitation activities and the Del City Economic Development Authority which accounts for activities promoting development in the City.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found in the basic financial statement section of this report as noted in the table of contents.

### **Other Information**

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

### **THE CITY AS A WHOLE**

For the year ended June 30, 2013, net position on a modified cash basis for the governmental activities decreased \$6,852 and business-type activities increased \$1,330,404 for a total net increase of \$1,323,552.

A portion of the City's total of \$26,149,953 in net position, \$25,311,051, represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net position, \$838,902, may be used to meet the government's ongoing needs.

### **A FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As the City completed its 2013 fiscal year, the governmental funds reported a combined fund balance of \$5,512,925. For the year ended June 30, 2013, the General Fund's total fund balance decreased by \$1,136,353.

### **Budgetary Highlights**

For the year ended June 30, 2013, the General Fund reported actual modified cash basis revenues under final estimates by \$651,089 or a 6.7% negative variance. General Fund actual expenditures were under final appropriations by \$47,273 or a 0.5% positive variance.

### **ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES**

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

- The Fiscal 2014 budget is consistent with prior years.

**Contacting the City's Financial Management**

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's office at 3701 SE 15<sup>th</sup> Street, Del City, Oklahoma 73115.

## Basic Financial Statements

**CITY OF DEL CITY, OKLAHOMA**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**June 30, 2013**

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 4,826,174	\$ 8,757,548	\$ 13,583,722
Internal balances	692,973	(692,973)	-
Capital Assets:			
Capital assets, non-depreciable	1,562,987	1,072,441	2,635,428
Other capital assets, net	17,873,581	7,880,617	25,754,198
<b>Total assets</b>	<b>24,955,715</b>	<b>17,017,633</b>	<b>41,973,348</b>
<b>Liabilities</b>			
Customer deposits payable	-	446,069	446,069
Due to fiduciary funds	6,222	-	6,222
Long-term liabilities:			
Due within one year	527,288	1,756,743	2,284,031
Due in more than one year	5,662,487	7,424,586	13,087,073
<b>Total liabilities</b>	<b>6,195,997</b>	<b>9,627,398</b>	<b>15,823,395</b>
<b>Net Position</b>			
Invested in capital assets net of related debt	13,246,793	(228,271)	13,018,522
Restricted for:			
Capital projects	3,445,963	8,282,542	11,728,505
Economic development	28,880	-	28,880
Debt service	316,693	-	316,693
Grant projects	192,509	-	192,509
Police training	17,425	-	17,425
Labor relations	8,517	-	8,517
Unrestricted	1,502,938	(664,036)	838,902
<b>Total net position</b>	<b>\$ 18,759,718</b>	<b>\$ 7,390,235</b>	<b>\$ 26,149,953</b>

See accompanying notes to the basic financial statements.

CITY OF DEL CITY, OKLAHOMA  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
Year ended June 30, 2013

Functions/Programs	Program Revenues				Net Revenues (Expenses) and Changes in Net Position		
	Expenses	Charges for Services	Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary Government:</b>							
Governmental activities:							
General government	\$ 3,498,061	\$ 357,742	\$ 45,441	\$ -	\$ (3,094,878)	\$ -	\$ (3,094,878)
Public safety	6,438,000	999,439	186,002	-	(5,252,559)	-	(5,252,559)
Streets	760,549	-	-	-	(760,549)	-	(760,549)
Community services	666,396	-	-	-	(666,396)	-	(666,396)
Economic development	56,969	-	-	-	(56,969)	-	(56,969)
Parks and recreation	370,613	-	-	-	(370,613)	-	(370,613)
Interest on long-term	245,170	-	-	-	(245,170)	-	(245,170)
<b>Total governmental activities</b>	<b>12,035,758</b>	<b>1,357,181</b>	<b>231,443</b>	<b>-</b>	<b>(10,447,134)</b>	<b>-</b>	<b>(10,447,134)</b>
Business-type activities:							
Water	1,654,382	2,347,641	-	-	-	693,259	693,259
Sewer	1,319,936	2,200,027	-	-	-	880,091	880,091
Sanitation	1,059,243	1,546,632	-	-	-	487,389	487,389
General government	780,822	441,645	-	-	-	(339,177)	(339,177)
Economic development	170,422	-	-	-	-	(170,422)	(170,422)
Debt interest and issuance	210,678	-	-	-	-	(210,678)	(210,678)
Fleet maintenance	534,611	-	-	-	-	(534,611)	(534,611)
<b>Total business-type activities</b>	<b>5,730,094</b>	<b>6,535,945</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>805,851</b>	<b>805,851</b>
<b>Total primary government</b>	<b>\$ 17,765,852</b>	<b>\$ 7,893,126</b>	<b>\$ 231,443</b>	<b>\$ -</b>	<b>(10,447,134)</b>	<b>805,851</b>	<b>(9,641,283)</b>
<b>General Revenues:</b>							
<b>Taxes:</b>							
Taxes							
Franchise and miscellaneous taxes					9,754,669	-	9,754,669
Investment income (loss)					946,647	-	946,647
Miscellaneous					6,662	119	6,781
Transfers - internal activities					182,300	74,438	256,738
Total general revenues and transfers					(449,996)	449,996	-
Change in net position					10,440,282	524,553	10,964,835
Net position, beginning of year, as restated					(6,852)	1,330,404	1,323,552
Net position, end of year					18,766,570	6,059,831	24,826,401
					\$ 18,759,718	\$ 7,390,235	\$ 26,149,953

CITY OF DEL CITY, OKLAHOMA  
 BALANCE SHEET - MODIFIED CASH BASIS  
 GOVERNMENTAL FUNDS  
 June 30, 2013

	General Fund	Limited Purpose Sales Tax	Police Grant	Debt Service	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
<b>Current Assets:</b>							
Cash and cash equivalents	\$ -	\$ 939,146	\$ 392,630	\$ 449,209	\$ 2,932,948	\$ 112,241	\$ 4,826,174
Due from fiduciary funds	14,928	-	-	-	-	-	14,928
Due from other funds	236,128	846,901	-	-	513,015	-	1,596,044
<b>Total assets</b>	<b>\$ 251,056</b>	<b>\$ 1,786,047</b>	<b>\$ 392,630</b>	<b>\$ 449,209</b>	<b>\$ 3,445,963</b>	<b>\$ 112,241</b>	<b>\$ 6,437,146</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
<b>Current liabilities</b>							
Due to fiduciary funds	\$ 21,150	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,150
Due to other funds	513,015	-	200,121	132,516	-	57,419	903,071
<b>Total current liabilities</b>	<b>534,165</b>	<b>-</b>	<b>200,121</b>	<b>132,516</b>	<b>-</b>	<b>57,419</b>	<b>924,221</b>
<b>Fund Balances</b>							
Restricted	-	1,786,047	192,509	316,693	3,445,963	54,822	5,796,034
Committed	1,030,863	-	-	-	-	-	1,030,863
Unassigned	(1,313,972)	-	-	-	-	-	(1,313,972)
<b>Total fund balances</b>	<b>(283,109)</b>	<b>1,786,047</b>	<b>192,509</b>	<b>316,693</b>	<b>3,445,963</b>	<b>54,822</b>	<b>5,512,925</b>
<b>Total liabilities and fund balances</b>	<b>\$ 251,056</b>	<b>\$ 1,786,047</b>	<b>\$ 392,630</b>	<b>\$ 449,209</b>	<b>\$ 3,445,963</b>	<b>\$ 112,241</b>	<b>\$ 6,437,146</b>

See accompanying notes to the basic financial statements.

CITY OF DEL CITY, OKLAHOMA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
June 30, 2013

	General Fund	Limited Purpose Sales Tax	Police Grant	Debt Service	Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>							
Taxes	\$ 5,248,785	\$ 3,666,818	\$ -	\$ 786,302	\$ -	\$ 52,764	\$ 9,754,669
Franchise and miscellaneous taxes	946,647	-	-	-	-	-	946,647
Licenses and permits	226,606	-	-	-	-	-	226,606
Charges for services	131,136	-	-	-	-	-	131,136
Fees and fines	999,439	-	-	-	-	-	999,439
Grant proceeds	15,441	30,000	186,002	-	-	-	231,443
Interest income	6,662	-	-	-	-	-	6,662
Miscellaneous	124,176	15,560	-	-	-	36,322	176,058
<b>Total revenues</b>	<b>7,698,892</b>	<b>3,712,378</b>	<b>186,002</b>	<b>786,302</b>	<b>-</b>	<b>89,086</b>	<b>12,472,660</b>
<b>Expenditures:</b>							
<b>Current:</b>							
General government	2,057,952	61,782	-	-	-	16,909	2,136,643
Municipal court	145,484	-	-	-	-	-	145,484
Community services	666,396	-	-	-	-	-	666,396
Public safety	5,783,205	-	-	-	-	27,360	5,810,565
Street/Alley	760,549	-	-	-	-	-	760,549
Parks and recreation	370,613	-	-	-	-	-	370,613
Economic development	1,344	-	-	-	-	55,625	56,969
Debt service	-	-	-	572,171	-	-	572,171
Capital outlay	131,417	523,885	27,543	-	2,040,118	-	2,722,963
<b>Total expenditures</b>	<b>9,916,960</b>	<b>585,667</b>	<b>27,543</b>	<b>572,171</b>	<b>2,040,118</b>	<b>99,894</b>	<b>13,242,353</b>
Excess (deficiency) of revenues over expenditures	(2,218,068)	3,126,711	158,459	214,131	(2,040,118)	(10,808)	(769,693)
<b>Other financing sources (uses):</b>							
Transfers in	1,292,200	-	-	-	-	-	1,292,200
Transfers out	(210,485)	(1,799,101)	-	-	-	-	(2,009,586)
<b>Total other financing sources and (uses)</b>	<b>1,081,715</b>	<b>(1,799,101)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(717,386)</b>
Net change in fund balances	(1,136,353)	1,327,610	158,459	214,131	(2,040,118)	(10,808)	(1,487,079)
Fund balances, beginning of year	853,244	458,437	34,050	102,562	5,486,081	65,630	7,000,004
<b>Fund balances, end of year</b>	<b>\$ (283,109)</b>	<b>\$ 1,786,047</b>	<b>\$ 192,509</b>	<b>\$ 316,693</b>	<b>\$ 3,445,963</b>	<b>\$ 54,822</b>	<b>\$ 5,512,925</b>

See accompanying notes to the basic financial statements.

**CITY OF DEL CITY, OKLAHOMA**  
**RECONCILIATION OF GOVERNMENTAL FUNDS TO GOVERNMENTAL ACTIVITIES**  
**June 30, 2013**

Total fund balance, governmental activities	\$ 5,512,925
---------------------------------------------	--------------

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement but are reported in the governmental activities of the Statement of Net Position.	19,436,568
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Some liabilities (such as Notes Payable, Contracts Payable and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	<u>(6,189,775)</u>
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Net Position of governmental activities in the Statement of Net Position	<u>\$ 18,759,718</u>
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Net change in fund balances, total governmental funds	\$ (1,487,079)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Capital asset purchases capitalized	1,828,138
Capital assets donated from authority	267,390
Depreciation expense	<u>(830,761)</u>

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Position:

Principal payments on long-term debt	327,001
Increase in judgments payable	<u>(111,541)</u>

Change in net position of governmental activities	<u>\$ (6,852)</u>
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See accompanying notes to the basic financial statements.

**CITY OF DEL CITY, OKLAHOMA**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**June 30, 2013**

	Enterprise Funds		
	Del City Municipal Services Authority	Del City Economic Development Authority	Total Enterprise Funds
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 475,006	\$ 7,572,894	\$ 8,047,900
Restricted cash and cash equivalents	709,648	-	709,648
Due from other funds	153,928	-	153,928
Total current assets	<u>1,338,582</u>	<u>7,572,894</u>	<u>8,911,476</u>
Non-current assets:			
Capital assets, non-depreciable	1,072,441	-	1,072,441
Other capital assets, net	7,880,617	-	7,880,617
Total Assets	<u>10,291,640</u>	<u>7,572,894</u>	<u>17,864,534</u>
<b>Liabilities</b>			
Current liabilities:			
Customer deposits payable	446,069	-	446,069
Due to other funds	-	846,901	846,901
Total current liabilities	<u>446,069</u>	<u>846,901</u>	<u>1,292,970</u>
Long-term liabilities			
Due within one year	306,743	1,450,000	1,756,743
Due in more than one year	1,624,586	5,800,000	7,424,586
Total Liabilities	<u>2,377,398</u>	<u>8,096,901</u>	<u>10,474,299</u>
<b>Net Position</b>			
Invested in capital assets net of related debt	7,021,729	-	7,021,729
Restricted	709,648	-	709,648
Unrestricted	182,865	(524,007)	(341,142)
Total net position	<u>\$ 7,914,242</u>	<u>\$ (524,007)</u>	<u>\$ 7,390,235</u>

See accompanying notes to the basic financial statements.

**CITY OF DEL CITY, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**Year ended June 30, 2013**

	Enterprise Funds		
	Del City Municipal Service Authority	Del City Economic Development Authority	Total Enterprise Funds
Operating revenues:			
Water charges	\$ 2,347,641	\$ -	\$ 2,347,641
Sewer charges	2,200,027	-	2,200,027
Sanitation charges	1,546,632	-	1,546,632
Fees and fines	441,645	-	441,645
Miscellaneous	48,658	-	48,658
Total operating revenues	<u>6,584,603</u>	<u>-</u>	<u>6,584,603</u>
Operating expenses:			
General government	197,141	-	197,141
Administration	583,681	-	583,681
Wastewater treatment	798,827	-	798,827
Water services	1,468,145	-	1,468,145
Sewer services	346,889	-	346,889
Sanitation services	936,243	-	936,243
Fleet maintenance	534,611	-	534,611
Economic Development	-	170,422	170,422
Depreciation expense	483,457	-	483,457
Total operating expenses	<u>5,348,994</u>	<u>170,422</u>	<u>5,519,416</u>
Operating income (loss)	<u>1,235,609</u>	<u>(170,422)</u>	<u>1,065,187</u>
Nonoperating revenues (expenses):			
Investment income	-	119	119
Lease revenue	-	25,780	25,780
Debt issuance costs	-	(153,104)	(153,104)
Interest expense	(44,496)	(13,078)	(57,574)
Total nonoperating revenue (expenses)	<u>(44,496)</u>	<u>(140,283)</u>	<u>(184,779)</u>
Income (loss) before contributions and transfers	1,191,113	(310,705)	880,408
Transfers in	-	1,497,386	1,497,386
Transfers out	(780,000)	(267,390)	(1,047,390)
Change in net position	<u>411,113</u>	<u>919,291</u>	<u>1,330,404</u>
Total net position, beginning of year, restated	<u>7,503,129</u>	<u>(1,443,298)</u>	<u>6,059,831</u>
Total net position, end of year	<u>\$ 7,914,242</u>	<u>\$ (524,007)</u>	<u>\$ 7,390,235</u>

See accompanying notes to the basic financial statements.

**CITY OF DEL CITY, OKLAHOMA**  
**STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**Year ended June 30, 2013**

	Enterprise Funds		
	Del City Municipal Service Authority	Del City Economic Development Authority	Total Enterprise Funds
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 6,584,603	\$ -	\$ 6,584,603
Water meter deposits received	35,814	-	35,814
Internal activity	(560,015)	500,000	(60,015)
Payments to employees	(2,764,139)	-	(2,764,139)
Payments to suppliers	(2,101,398)	(170,422)	(2,271,820)
Net cash provided by operating activities	<u>1,194,865</u>	<u>329,578</u>	<u>1,524,443</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers in from other funds	-	1,497,386	1,497,386
Transfers out to other funds	(780,000)	(267,390)	(1,047,390)
Net cash provided by (used in) noncapital financing activities	<u>(780,000)</u>	<u>1,229,996</u>	<u>449,996</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Proceeds of borrowings for capital purposes	650,000	7,250,000	7,900,000
Acquisition and construction of capital assets	(644,574)	-	(644,574)
Principal paid on debt	(184,774)	(1,352,130)	(1,536,904)
Interest and debt issuance costs paid	(44,496)	(166,181)	(210,677)
Net cash provided by (used in) capital and related financing activities	<u>(223,844)</u>	<u>5,731,689</u>	<u>5,507,845</u>
<b>Cash Flows from Investing Activities</b>			
Investment income	-	25,899	25,899
Net cash provided by investing activities	<u>-</u>	<u>25,899</u>	<u>25,899</u>
Net increase (decrease) in cash and cash equivalents	191,021	7,317,162	7,508,183
Cash and cash equivalents, beginning of year	993,633	255,732	1,249,365
Cash and cash equivalents, end of year	<u>\$ 1,184,654</u>	<u>\$ 7,572,894</u>	<u>\$ 8,757,548</u>
<b>Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities:</b>			
Operating Income (Loss)	\$ 1,235,609	\$ (170,422)	\$ 1,065,187
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Change in assets and liabilities:			
Depreciation expense	483,457	-	483,457
Due to other funds	(500,000)	-	(500,000)
Due from other fund	(60,015)	500,000	439,985
Meter deposit liability	35,814	-	35,814
Net cash provided by (used in) operating activities	<u>\$ 1,194,865</u>	<u>\$ 329,578</u>	<u>\$ 1,524,443</u>

See accompanying notes to the basic financial statements.

CITY OF DEL CITY, OKLAHOMA  
 STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS  
 FIDUCIARY FUNDS  
 Year ended June 30, 2013

	AGENCY FUNDS
<b>Assets</b>	
Cash	\$ 211,370
Due from general fund	<u>21,150</u>
Total assets	<u>\$ 232,520</u>
<b>Liabilities</b>	
Assets held on behalf of others	\$ 217,592
Due to general fund	<u>14,928</u>
Total liabilities	<u>\$ 232,520</u>

See accompanying notes to the basic financial statements.

**CITY OF DEL CITY, OKLAHOMA**  
**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**  
**As of and for the Year Ended June 30, 2013**

**Footnotes to the Basic Financial Statements:**

**1. Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

The City's financial reporting entity includes three separate legal entities reported as the primary government.

- **The City of Del City** – that operates the public safety, streets and public works, health and welfare, culture and recreation, and administrative activities
- **The Del City Municipal Service Authority** – that operates the water, sewer, and sanitation services of the City (*blended*)
- **The Del City Economic Development Authority** – that operates the economic development services within the City (*blended*)

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, 34, 39 and 54, and includes all component units for which the City is financially accountable.

The component units are Public Trusts established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. In addition, the City has leased certain existing assets at the creation of the Authorities to the Trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

The City is able to impose its will on the Authorities through the Trustees as well as through required approval of all debt obligations issued by these entities.

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

**B. Basis of Presentation and Accounting**

*Government-Wide Financial Statements:*

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

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as

**CITY OF DEL CITY, OKLAHOMA**  
**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**  
**As of and for the Year Ended June 30, 2013**

accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

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

- General government: License and permits, rents and royalties and fire subscriptions
- Public safety: Fine revenue and operating grants
- Streets and highways: Gas excise and commercial vehicle taxes

*Governmental Funds:*

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

**Major Funds:**

- General Fund - accounts for all activities not accounted for in other special-purpose funds.
- Limited Purpose Sales Tax Fund - accounts for certain restricted sales tax revenue.
- Police Grant Fund - accounts for grant activity for the police department.
- Debt Service Fund- accounts for revenues restricted to use for debt extinguishment.
- Capital Improvements Fund- accounts for debt proceeds restricted for capital improvements.

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

**Special Revenue Funds:**

- CDBG Fund – accounts for funds of the Community Development Block Grant.
- Hotel/Motel Tax Fund - accounts for all hotel/motel tax revenue restricted for economic development activity.
- Labor Relations Fund – monies restricted for labor negotiations.
- Police Training Fund – accounts for the police training revenues and expenses.

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

*Proprietary Funds:*

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

- Del City Municipal Service Authority- accounts for the operation of the water, wastewater, and sanitation activities.
- Del City Economic Development Authority- accounts for economic development activities.

**CITY OF DEL CITY, OKLAHOMA**  
**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**  
**As of and for the Year Ended June 30, 2013**

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

The proprietary funds are reported using the same basis of accounting and measurement focus as the government-wide statements.

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

**C. Cash, Cash Equivalents, and Investments**

Cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three-months or less, and money market accounts.

**D. Capital Assets**

Property, plant and equipment are accounted for as capital assets. The City's capitalization threshold for the year ended June 30, 2013 was \$5,000. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Prior to July 1, 2012, governmental activities' infrastructure assets were not capitalized. These assets (dating back to July 1, 1964) have been valued at estimated historical cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The ranges of estimated useful lives by type of asset are as follows:

Buildings	20-50 years
Other Improvements	20-50 years
Equipment and vehicles	5-50 years
Infrastructure	25-50 years

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service. The City capitalizes interest as a component of capital assets constructed for its own use.

**CITY OF DEL CITY, OKLAHOMA**  
**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**  
**As of and for the Year Ended June 30, 2013**

**E. Debt**

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities. The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

**F. Fund Balances and Net Position**

*Fund Statements:*

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, and unassigned. These classifications are defined as:

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

It is the City's policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The City's policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net position is displayed in three components:

- a. *Net investment in capital assets* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. *Restricted net positions* - Consists of net positions with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

**CITY OF DEL CITY, OKLAHOMA**  
**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**  
**As of and for the Year Ended June 30, 2013**

- b. *Unrestricted net positions* - All other net positions that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

**G. Internal and Interfund Balances and Transfers**

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

**H. Use of Estimates**

Certain estimates are made in the preparation of the financial statements. Estimates are based on management's best judgments and may vary from actual results.

**2. Deposits and Investments**

For the year ended June 30, 2013, the City recognized \$ 6,781 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City's deposits are in demand and short-term time deposits.

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

As of June 30, 2013, the City was not exposed to custodial credit risk as defined above.

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

*Investment Credit Risk* - The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county,

**CITY OF DEL CITY, OKLAHOMA**  
**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**  
**As of and for the Year Ended June 30, 2013**

municipality or school district; and government money market funds regulated by the SEC. These investment limitations do not apply to the City's public trusts.

As of June 30, 2013, the City did not hold any securities with credit ratings since they are all non-negotiable time deposits.

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

**3. Internal and Interfund Balances and Transfers**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Police Grants	\$ 200,121
General Fund	Debt Service	35,807
General Fund	CDBG	200
Capital Improvement Fund	General Fund	513,015
Del City MSA	Debt Service	96,709
Del City MSA	CDBG	57,219
Limited Purpose Sales Tax	Del City EDA	846,901
Total		<u>\$ 1,749,972</u>

**Reconciliation to Fund Financial Statements:**

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 1,596,044	\$ 903,071	\$ 692,973
Business-Type Funds	153,928	846,901	(692,973)
Total	<u>\$ 1,749,972</u>	<u>\$ 1,749,972</u>	<u>\$ -</u>

*Transfers:*

Internal transfers between funds and activities for the year ended June 30, 2013, were as follows:

**Reconciliation to fund financial statements:**

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 1,292,200	\$ 2,009,586	\$ (717,386)
Proprietary Funds	1,497,386	1,047,390	449,996
Total	<u>\$ 2,789,586</u>	<u>\$ 3,056,976</u>	<u>\$ (267,390)</u>

**Reconciliation to Statement of Activities:**

Net transfers - Governmental Funds	\$ (717,386)
Capital assets transferred to governmental funds not reported in fund statements	267,390
Transfers - internal activity - Statement of Net Position	<u>\$ (449,996)</u>

**CITY OF DEL CITY, OKLAHOMA**  
**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**  
**As of and for the Year Ended June 30, 2013**

**4. Fund Balance Restatement**

Fund balances as reported at June 30, 2013 were restated to a modified cash basis.

Governmental Funds:

	Governmental Fund
As previously reported	\$ 7,000,004
Adjustment for Capital Assets	18,171,801
Adjustment for Debt	<u>(6,405,235)</u>
June 30, 2012, as restated	<u>\$ 18,766,570</u>

Proprietary Funds:

	DCMSA	DCEDA	Total
As previously reported	\$ 177,291	\$ (91,169)	\$ 86,122
Adjustment for Capital Assets	8,791,941	-	8,791,941
Adjustment for Debt	<u>(1,466,103)</u>	<u>(1,352,129)</u>	<u>(2,818,232)</u>
June 30, 2012, as restated	<u>\$ 7,503,129</u>	<u>\$ (1,443,298)</u>	<u>\$ 6,059,831</u>

**CITY OF DEL CITY, OKLAHOMA**  
**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**  
**As of and for the Year Ended June 30, 2013**

**5. Capital Assets**

For the year ended June 30, 2013, reported capital asset balances changed as follows:

	Balance at June 30, 2012	Additions	Transfers	Disposals	Balance at June 30, 2013
<b>Governmental Activities:</b>					
Non-depreciable:					
Land	\$ 853,838	\$ 5,500	\$ -	\$ -	\$ 859,338
Construction in Progress	23,500	680,149	-	-	703,649
Total non-depreciable assets at historical cost	<u>877,338</u>	<u>685,649</u>	<u>-</u>	<u>-</u>	<u>1,562,987</u>
Depreciable:					
Buildings	6,500,660	-	-	-	6,500,660
Machinery and Equipment	545,941	1,395,713	-	-	1,941,654
Infrastructure	20,925,001	14,166	-	-	20,939,167
Total depreciable assets at historical cost	<u>27,971,602</u>	<u>1,409,879</u>	<u>-</u>	<u>-</u>	<u>29,381,481</u>
Less accumulated depreciation					
Buildings	539,838	231,990	-	-	771,828
Machinery and Equipment	539,271	74,232	-	-	613,503
Infrastructure	9,598,030	524,539	-	-	10,122,569
Total accumulated depreciation	<u>10,677,139</u>	<u>830,761</u>	<u>-</u>	<u>-</u>	<u>11,507,900</u>
Net Depreciable Assets	<u>17,294,463</u>	<u>579,118</u>	<u>-</u>	<u>-</u>	<u>17,873,581</u>
Governmental activities capital assets, net	<u>18,171,801</u>	<u>1,264,767</u>	<u>-</u>	<u>-</u>	<u>19,436,568</u>
<b>Business-type activities:</b>					
Non-depreciable:					
Land	\$ 982,281	\$ -	\$ -	\$ -	\$ 982,281
Construction in Progress	-	90,160	-	-	90,160
Total non-depreciable assets at historical cost	<u>982,281</u>	<u>90,160</u>	<u>-</u>	<u>-</u>	<u>1,072,441</u>
Depreciable:					
Buildings	2,835,974	-	-	-	2,835,974
Machinery and Equipment	6,759,489	187,707	-	-	6,947,196
Infrastructure	13,666,663	366,707	-	-	14,033,370
Total depreciable assets at historical cost	<u>23,262,126</u>	<u>554,414</u>	<u>-</u>	<u>-</u>	<u>23,816,540</u>
Less accumulated depreciation					
Buildings	2,517,433	39,734	-	-	2,557,167
Machinery and Equipment	6,261,544	100,146	-	-	6,361,690
Infrastructure	6,673,489	343,577	-	-	7,017,066
Total accumulated depreciation	<u>15,452,466</u>	<u>483,457</u>	<u>-</u>	<u>-</u>	<u>15,935,923</u>
Net Depreciable Assets	<u>7,809,660</u>	<u>70,957</u>	<u>-</u>	<u>-</u>	<u>7,880,617</u>
Business-type activities capital assets, net	<u>\$ 8,791,941</u>	<u>\$ 161,117</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,953,058</u>

**CITY OF DEL CITY, OKLAHOMA**  
**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**  
**As of and for the Year Ended June 30, 2013**

**6. Long-Term Debt**

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013	Amount Due Within One Year
Governmental:					
General Obligation Refunding Bonds of 2002	\$ 205,000	\$ -	\$ 205,000	\$ -	\$ -
General Obligation Bonds - Series 2011A	3,000,000	-	-	3,000,000	210,000
General Obligation Bonds - Series 2011B	3,000,000	-	-	3,000,000	210,000
Judgments Payable	200,235	111,541	122,001	189,775	107,288
<b>Total</b>	<u>\$ 6,405,235</u>	<u>\$ 111,541</u>	<u>\$ 327,001</u>	<u>\$ 6,189,775</u>	<u>\$ 527,288</u>
Business-type:					
DCEDA Sales Tax Revenue Note, Series 2008	\$ 805,000	\$ -	\$ 805,000	\$ -	\$ -
DCEDA Sales Tax Revenue Note, Series 2010	547,129	-	547,129	-	-
DCEDA Sales Tax Revenue Note, Series 2013	-	7,250,000	-	7,250,000	1,450,000
Notes Payable	733,514	650,000	70,747	1,312,767	189,359
Contracts Payable	732,589	-	114,027	618,562	117,384
<b>Total</b>	<u>2,818,232</u>	<u>7,900,000</u>	<u>1,536,903</u>	<u>9,181,329</u>	<u>1,756,743</u>

**General Obligation Bonds Payable:**

\$3,000,000 General Obligation Bonds, Series 2011A, due in annual installments of \$210,000 with a final installment of \$270,000; final maturity in November 2026 with interest rate of 3%.

Balance Outstanding at June 30, 2013 \$3,000,000

\$3,000,000 General Obligation Limited Tax Bonds, Series 2011B, due in annual installments of \$210,000 with a final installment of \$270,000; final maturity in November 2026 with interest rate of 3%.

Balance Outstanding at June 30, 2013 \$3,000,000

**Del City Economic Development Authority (DCEDA):**

**Revenue Note Payable:**

\$7,250,000 Del City Economic Development Authority Sales Tax Revenue Note, Series 2013, dated March 28, 2013, payable semi-annually at \$725,000 at an interest rate of 1.11%, final maturity March 1,

**CITY OF DEL CITY, OKLAHOMA**  
**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**  
**As of and for the Year Ended June 30, 2013**

2018; used for the acquisition of public works vehicles, constructions of a public works administration building, construction of a fire department administration building, the construction of a women's veteran monument and land acquisition.

Balance Outstanding at June 30, 2013 \$7,250,000

**Del City Municipal Services Authority (DCMSA):**

**Contract Payable:**

\$2,172,752 contract payable with Central Oklahoma Master Conservancy District, 1974 Repayment Contract, payable in 42 annual installments; final maturity dated 2017 with interest at 2.74% used for the purpose of reimbursing costs of construction of water storage, distribution and pumping facilities to furnish a municipal water supplies to cities and towns within the district; secured by a lien on the net revenues of DCMSA's water system.

Balance Outstanding as of June 30, 2013 \$295,985

**Contract Payable:**

The City and Del City Municipal Services Authority on 9/22/2009 approved refinancing the 7/1/2007 amendment to the Central Oklahoma Master Conservancy District dated October 2007, whereby DCMSA agreed to incur \$397,502 of debt, payable in 34 annual installments beginning March 2010; final maturity dated 2026 with interest of 2.44% used for the purpose of funding its proportionate share of the District's 2007 Electrical Energy Savings Project with a total projected cost of \$2,475,000.

Balance Outstanding as of June 30, 2013 \$322,577

Total Contracts Payable \$618,562

**Notes Payable:**

Del City Municipal Services Authority entered into a loan agreement with Oklahoma Water Resources Board (OWRB) on October 1, 2009 in the amount of \$1,190,000 for modifications to their wastewater treatment plant. During 2011 a change order was added to the loan agreement increasing the principal balance with semi-annual payments of principal and accrued interest at 2.58% beginning March 15, 2010. Using funds received from the American Recovery and Reinvestment Act of 2009, OWRB forgave \$367,472 of the principal of this loan. The note is to be repaid no later than 20 years after the date the project is completed; maturity is on the earlier of March 15 or September 15, 2030.

Balance Outstanding as of June 30, 2013 \$701,129

Del City Municipal Services Authority entered into a loan agreement with FNB Community Bank on March 8, 2013 to finance two additional water wells for the City. The loan is payable in 48 monthly installments of \$14,474 with 3.25% interest. Maturity date of the loan is March 8, 2017.

Balance Outstanding as of June 30, 2013 \$611,638

Total Notes Payable \$1,312,767

**CITY OF DEL CITY, OKLAHOMA**  
**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**  
**As of and for the Year Ended June 30, 2013**

*Payment requirements to maturity:*

Year Ending June 30	Governmental-Type Activities		Business-Type Activities	
	Bonds Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2014	\$ 420,000	\$ 146,730	\$ 1,756,625	\$ 119,805
2015	420,000	134,130	1,765,767	100,655
2016	420,000	121,530	1,774,120	72,252
2017	420,000	111,660	1,622,432	49,606
2018	420,000	104,205	1,509,795	30,389
2019-2023	1,680,000	801,704	325,415	69,412
2024-2026	2,220,000	113,716	427,176	45,042
	<u>\$ 6,000,000</u>	<u>\$ 1,533,675</u>	<u>\$ 9,181,329</u>	<u>\$ 487,162</u>

**Pledge of Future Revenues:**

Sales Tax and Net Revenues Pledge – The City has pledged one cent of future sales tax revenues and also net water and wastewater utility revenues to repay \$1,190,000 of the OWRB Promissory Note Payable. Proceeds from the note provided financing for improvements to the water and wastewater system in the City of Del City. The notes are payable from pledged sales tax and net utility revenues and are payable through September 15, 2030. The pledged sales tax revenues were \$780,000 and the net water and wastewater utility revenues were \$4,547,668. Debt service payments of \$32,385 for the current fiscal year were 0.6% of the pledged sales tax and net utility revenues of \$5,327,668.

**7. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City manages these various risks of loss by securing commercial insurance for all risks, except for injuries to employees. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

**8. Commitments and Contingencies**

*Litigation:*

The City is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City "Sinking Fund" for the payment of any court assessed judgment rendered against the City. These statutory provisions do not apply to the City's public trust Authorities. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or

**CITY OF DEL CITY, OKLAHOMA**  
**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**  
**As of and for the Year Ended June 30, 2013**

judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

*Federal and State Award Programs:*

The City of Del City participates in various federal or state grant/loan programs from year to year. In 2013, the City's involvement in federal and state award programs was not significant. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements. Any liability or reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

**9. Pension Plan Participation**

The City of Del City participates in three pension or retirement plans:

- Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
- Oklahoma Police Pension and Retirement System (OPPRS)- a statewide cost-sharing plan
- Oklahoma Municipal Retirement System Master Defined Benefit Plan and Trust (OMRF)-an agent multiple-employer defined plan

*Firefighter Pension System*

Pursuant to the requirements of Title 11, section 22-102, the City of Del City participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Firefighters Pension Board on behalf of both paid and volunteer firefighters. The paid firefighter contributes 9% to the plan, while the City is required by law to contribute 14% per year per firefighter to the statewide plan. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The City's obligation to fund the plan extends only to making the statutorily required contributions. For 2013, the City's annual contribution was \$196,792 for the OFPRS plan.

A copy of the Firefighter Statewide Pension Plan financial statements can be obtained from the Oklahoma Firefighters Pension System, 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414.

*Police Pension System*

The City of Del City, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Police Pension and Retirement System (OPPRS). The OPPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ a certain number of fulltime police officers. The City is required by state law to contribute 13% of covered payroll per year for each police officer. Employees contribute 8% of covered payroll. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. For 2013, the City's annual contribution was \$200,304 for the OPPRS plan.

The OPPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to, OPPRS, 1001 N.W. 63<sup>rd</sup> St., Suite 605, Oklahoma City, OK 73116.

**CITY OF DEL CITY, OKLAHOMA  
 FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS  
 As of and for the Year Ended June 30, 2013**

*OMRF Defined Benefit Plan*

The City contributes to the City of Del City Plan and Trust in the form of The Oklahoma Municipal Retirement System Master Defined Benefit Plan and Trust, and agent multiple employer-defined benefit plan, for all eligible employees except for those covered by the Police and Firefighter Pension Systems. Administration of the City's individual plan rests with the City Council. The overall operations of OMRF are supervised by a nine-member Council of Trustees elected by the participating municipalities. JP Morgan Chase of Oklahoma City acts as administrator and securities custodian.

Eligibility Factors, Contributions Methods, and Benefit Provisions:

<u>Provisions</u>	<u>OMRF Plan</u>
Eligible to Participate	Full-time, non-uniformed employees of the City after 1 year of service
Contribution Requirements:	
Authorization	By City ordinance
Actuarially Determined	Yes
Employer Rate	14% of covered payroll
Employee Rate	4% for employees hired prior to 2/1/2010; 6% for subsequent hires
Period Required to Vest	7 years of credited service
Eligibility for Distribution	Normal retirement at age 60 with 7 years of service Early retirement at age of 55 with 20 years of service Disability retirement with 10 years of service Marital death benefit with 10 years of service
Benefit Determination Base	Final average salary – the average of the five highest consecutive annual salaries out of the last 10 calendar years of service
Benefit Determination Methods:	
Normal Retirement	3% of final average salary multiplied by credited years of service
Early Retirement	Actuarially reduced benefit based upon age and years of service at termination
Disability Retirement	Same as normal retirement
Death Benefit	50% of employee's accrued benefit, but terminates upon spouse remarriage
Prior to 7 Years of Service	Return of employee contributions with accrued interest
Form of Benefit Payments	Normal form is a 60 months certain and life thereafter basis; employee may elect, with City consent, optional form based on actuarial equivalent

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

## Supplementary Information

CITY OF DEL CITY, OKLAHOMA  
 Budgetary Comparison Schedule (Modified Cash Basis) - General Fund  
 Year Ended June 30, 2013

	Original and Final Budgeted Amount	Actual Amount	Variance Positive (Negative)
<b>Beginning Budgetary Fund Balance</b>	\$ 1,211,320	\$ 853,244	\$ 358,076
<b>Resources (Inflows):</b>			
Taxes	6,210,000	5,851,432	(358,568)
Intergovernmental	420,000	344,000	(76,000)
Charges for services	448,300	131,136	(317,164)
Fines & forfeitures	700,000	999,439	299,439
Licenses & permits	239,300	226,606	(12,694)
Investment income	85,300	6,662	(78,638)
Grant Proceeds	111,333	15,441	(95,892)
Miscellaneous	115,598	124,176	8,578
Transfers in	1,312,350	1,292,200	(20,150)
<b>Total Resources (Inflows)</b>	<u>9,642,181</u>	<u>8,991,092</u>	<u>(651,089)</u>
<b>Amount Available for Appropriation</b>	<u>10,853,501</u>	<u>9,844,336</u>	<u>(1,009,165)</u>
<b>Charges to Appropriations (Outflows):</b>			
Administration	312,082	309,577	2,505
Community Services	559,432	666,396	(106,964)
Police	3,434,489	3,421,764	12,725
Fire	2,375,260	2,361,421	13,839
General government	1,876,196	1,893,879	(17,683)
Summer Recreation	333,672	212,525	121,147
Streets	767,510	760,549	6,961
Parks	162,577	159,432	3,145
Capital Improvements	143,000	131,417	11,583
Transfers out	210,500	210,485	15
<b>Total Charges to Appropriations</b>	<u>10,174,718</u>	<u>10,127,445</u>	<u>47,273</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ 678,783</u>	<u>\$ (283,109)</u>	<u>\$ (961,892)</u>

**CITY OF DEL CITY, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
Year Ended June 30, 2013**

**Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended June 30, 2013 (Continued)**

**Footnotes to Budgetary Comparison Schedules:**

1. The budgetary comparison schedules are reported on the same modified cash basis as governmental funds within the basic financial statements.
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require Mayor's approval, while supplemental appropriations require City Council approval.

CITY OF DEL CITY, OKLAHOMA  
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS  
 NON-MAJOR GOVERNMENTAL FUNDS  
 June 30, 2013

	Special Revenue Funds				Total Governmental Funds
	CDBG	Hotel/Motel Tax	Police Training	Labor Relations	
<b>Assets</b>					
Cash and cash equivalents	\$ 57,419	\$ 28,880	\$ 17,425	\$ 8,517	\$ 112,241
Total assets	\$ 57,419	\$ 28,880	\$ 17,425	\$ 8,517	\$ 112,241
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Due to other funds	\$ 57,419	\$ -	\$ -	\$ -	\$ 57,419
Total liabilities	57,419	-	-	-	57,419
<b>Fund Balances</b>					
Restricted	-	28,880	17,425	8,517	54,822
Total fund balances	-	28,880	17,425	8,517	54,822
Total liabilities and fund balances	\$ 57,419	\$ 28,880	\$ 17,425	\$ 8,517	\$ 112,241

CITY OF DEL CITY, OKLAHOMA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS  
 NON-MAJOR GOVERNMENTAL FUNDS  
 Year ended June 30, 2013

	Special Revenue Funds				Total Governmental Funds
	CDBG	Hotel/Motel Tax	Police Training	Labor Relations	
Revenues:					
Taxes	\$ -	\$ 52,764	\$ -	\$ -	\$ 52,764
Interest income	-	-	-	-	-
Miscellaneous	-	-	28,694	7,628	36,322
Total revenues	-	52,764	28,694	7,628	89,086
Expenditures:					
Current:					
Professional services	-	-	-	16,909	16,909
Economic development	-	55,625	-	-	55,625
Public safety	-	-	27,360	-	27,360
Horticulture	-	-	-	-	-
Total expenditures	-	55,625	27,360	16,909	99,894
Excess (deficiency) of revenues over expenditures	-	(2,861)	1,334	(9,281)	(10,808)
Net change in fund balances	-	(2,861)	1,334	(9,281)	(10,808)
Fund balances, beginning of year	-	31,741	16,091	17,798	65,630
Fund balances, end of year	\$ -	\$ 28,880	\$ 17,425	\$ 8,517	\$ 54,822

CITY OF DEL CITY, OKLAHOMA  
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS- MODIFIED CASH BASIS  
 AGENCY FUNDS  
 Year ended June 30, 2013

	FIDUCIARY FUNDS						TOTAL
	Police Training	Municipal Court	Employee Benefit	Legal Escrow	Housing Authority		AGENCY FUNDS
<b>Assets</b>							
Cash	\$ 20,267	\$ 160,541	\$ 716	\$ 25,144	\$ 4,702	\$	211,370
Due from general fund		21,150	-	-	-		21,150
<b>Total assets</b>	<b>\$ 20,267</b>	<b>\$ 181,691</b>	<b>\$ 716</b>	<b>\$ 25,144</b>	<b>\$ 4,702</b>	<b>\$</b>	<b>232,520</b>
<b>Liabilities</b>							
Assets held on behalf of others	\$ 6,055	\$ 181,691	\$ -	\$ 25,144	\$ 4,702	\$	217,592
Due to general fund	14,212	-	716	-	-		14,928
<b>Total liabilities</b>	<b>\$ 20,267</b>	<b>\$ 181,691</b>	<b>\$ 716</b>	<b>\$ 25,144</b>	<b>\$ 4,702</b>	<b>\$</b>	<b>232,520</b>

**City of Del City**  
**Schedule of Debt Coverage**  
**For the fiscal year ended June 30, 2013**

2009 OWRB Note,  
MCD Contracts, FNB Loan

Gross revenue available for debt service:		
Charges for services:		
Water charges	\$	2,347,641
Wastewater charges		2,200,027
Sales tax pledged and transferred		<u>780,000</u>
 Total gross revenues available	 \$	 <u>5,327,668</u>
 Operating expenses:		
Water		1,468,145
Wastewater		<u>1,145,716</u>
 Total operating expenses		 <u>2,613,861</u>
 Net revenues for debt service	 \$	 <u>2,713,807</u>
 Debt service requirements:		
Average annual debt service - FNB Loan, Master Conservancy Contracts	\$	281,398
Maximum annual debt service - 2009 OWRB Note		<u>216,726</u>
Total debt service requirements	\$	<u>498,124</u>
 Computed coverage		 545%
 Coverage requirement		 125%

Note: The above gross revenue and operating expenses only include the activities of the Authority related to water and wastewater service, excluding depreciation and amortization expense.

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*

The Honorable Mayor and the City Council  
City of Del City, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Del City, Oklahoma (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 27, 2013. Our report was a special report which included an emphasis-of-a-matter paragraph related to the City's use of modified cash basis, a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of non-compliance or other matter that is required to be reported under *Governmental Auditing Standards* and which is described as finding 2013-1 in the accompanying schedule of findings.

## **Purpose of this Report**

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

*Arledge & Associates, P.C.*

December 27, 2013

**CITY OF DEL CITY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2013**

**Finding 2013 – 1 – Deficit Fund Balance**

*Criteria:* Oklahoma State law prescribes that it shall be unlawful for any officer or employee to create or authorize creation of a deficit in any fund.

*Condition:* The General Fund reports a deficit at June 30, 2013 of \$283,109.

*Cause:* Expenditures in the current year have exceeded available revenues.

*Effect or Potential Effect:* Funds have deficit balances at year end.

*Recommendation:* We recommend that the City adopt formal budgets that provide for a restoration of fund balance to acceptable amounts.

*City's Response:* The City plans to restore the general fund to a positive fund balance in the next fiscal year.