



CITY OF HOLDENVILLE, OKLAHOMA

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

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

**THE CITY OF HOLDENVILLE,
OKLAHOMA**

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Holdenville, 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 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on Discretely Presented Component Unit

The financial statements referred to above do not include financial data for the Holdenville Hospital Authority, a legally separate component unit of the City. Accounting principles generally accepted in the United States of America require financial data for the City's legally separate component units to be reported with the financial date of the City's primary government unless the City also issues financial statements of the financial reporting

entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. The amount by which this omission would affect the assets, liabilities, net assets, revenues, and expenses of the aggregate discretely presented component units is not determinable.

Adverse Opinion on Discretely Presented Component Unit

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on Discretely Presented Component Unit” paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the City as of June 30, 2013, or the changes in financial position for the year then ended.

Unmodified Opinions

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

Basis of Accounting

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

Other Matters – Supplementary and Other Information

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

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

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2014, on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with

certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Arlidge & Associates, P.C.
February 10, 2014

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

The management of the City of Holdenville 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 \$692,791, and the assets of the City exceed its liabilities at June 30, 2013, by \$4,467,468 (net position). Of this amount, \$1,499,606 (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 \$2,694,463.
- At the end of fiscal 2013, unassigned fund balance on a modified cash basis for the General Fund was a deficit of \$23,437, equivalent to a negative 0.7% of General Fund revenues.

ABOUT THE CITY

The City of Holdenville is an aldermanic form of government with a population of approximately 4,700 located in Hughes County in southeastern Oklahoma. The City is governed by a nine-member Council and operates under state law and City ordinances through three branches of government:

- Legislative – the City Council is a nine-member governing body with eight council members elected by ward and the mayor elected by the citizens at large
- Executive – the City Mayor is the Chief Executive Officer and is elected by the citizenry
- Judicial – the Municipal Judge is a practicing attorney appointed by the Mayor and confirmed by the City Council

The City provides typical municipal services such as public safety, health and welfare, street and alley maintenance, parks and recreation, and through its Public Works Authority, certain utility services including water, wastewater, and sanitation.

The City's Financial Reporting Entity

This annual report includes all activities for which the City of Holdenville City Council is financially accountable except for the Holdenville Hospital Authority. The activities, defined as the City's financial reporting entity, are operated within separate legal entities that make up the primary government.

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

- **The City of Holdenville** – an incorporated City that operates the public safety, streets and public works, health and welfare, culture and recreation, and administrative activities of the City
- **The Holdenville Public Works Authority (HPWA)** – public trust created pursuant to 60 O.S. § 176 to operate the water, wastewater, and sanitation services of the City, with the City Council members serving as the trustees
- **The Holdenville Industrial Authority (HIA)** - public trust created pursuant to 60 O.S. § 176 that promotes, develops and secures industrial development within the City, with the City Council members serving as the trustees

The Holdenville Hospital Authority is also a component unit of the City that issues a separate financial statement report, but is not included in this financial statement report. The Hospital Authority provides physical facilities, improvements and services for the purpose of providing public health care. Separate financial statements can be obtained by contacting: Holdenville General Hospital, 100 Crestview Drive, Holdenville, Oklahoma 74848.

For each of the above public trusts, the City of Holdenville is the beneficiary of the trust and the City Council either serves as the governing body of the trust or 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. With the exception of the Holdenville Hospital Authority, 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 Holdenville (the "City"), the Holdenville Public Works Authority (the "Public Works Authority"), and the Holdenville Industrial Authority (the "Industrial Authority"). Included in this report are government-wide statements for each of the two categories of activities - governmental and business-type.

The government-wide financial statements present the financial picture of the City as applicable to the modified cash basis of accounting. These statements include current assets of the City as well as current liabilities, resulting from modified cash basis transactions. They present governmental and business-type activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements 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 and include only those City assets and liabilities resulting from cash transactions.

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

Governmental funds - All of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds report their activities on a modified cash basis of accounting. For example, these funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following the governmental fund financial statements.

Proprietary funds - The City operates two proprietary funds, the Holdenville Public Works Authority (major fund), and the Holdenville Industrial Authority (major fund). When the City, through the Public Works Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported on the modified cash basis of accounting.

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

Notes to the Financial Statements

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 24-38 of this report.

Supplementary and Other Information

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

THE CITY AS A WHOLE

For the year ended June 30, 2013, net position on a modified cash basis for the governmental and business-type activities increased \$692,791.

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

TABLE 1
NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2013	Restated, 2012		2013	Restated, 2012		2013	Restated, 2012	
Current assets	\$ 2,695	\$ 2,276	18%	\$ 1,890	\$ 1,606	18%	\$ 4,585	\$ 3,882	18%
Total assets	<u>2,695</u>	<u>2,276</u>	18%	<u>1,890</u>	<u>1,606</u>	18%	<u>4,585</u>	<u>3,882</u>	18%
Current liabilities	1	1	42%	117	107	9%	118	108	9%
Total liabilities	<u>1</u>	<u>1</u>	42%	<u>117</u>	<u>107</u>	9%	<u>118</u>	<u>108</u>	9%
Net position									
Restricted	2,690	2,298	17%	415	311	34%	3,106	2,609	19%
Unrestricted	4	(23)	-116%	1,358	1,188	14%	1,361	1,165	17%
Total net position	<u>\$ 2,694</u>	<u>\$ 2,275</u>	18%	<u>\$ 1,773</u>	<u>\$ 1,499</u>	18%	<u>\$ 4,467</u>	<u>\$ 3,774</u>	18%

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

TABLE 2
CHANGES IN NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2013	Restated, 2012		2013	Restated, 2012		2013	Restated, 2012	
Revenues									
Charges for service	\$ 135	\$ 121	12%	\$ 2,813	\$ 2,579	9%	\$ 2,948	\$ 2,700	9%
Operating grants and contributions	84	65	29%	-	-	-	84	65	29%
Capital grants and contributions	185	93	99%	200	236	-15%	385	329	17%
Taxes	2,748	2,758	0%	-	-	-	2,748	2,758	0%
Intergovernmental revenue	95	97	-2%	-	-	-	95	97	-2%
Investment income	7	12	-42%	3	5	-40%	10	17	-41%
Miscellaneous	96	44	118%	7	-	100%	103	44	134%
Total revenues	3,350	3,190	5%	3,023	2,820	7%	6,373	6,010	6%
Expenses									
General government	558	413	35%	-	-	-	558	413	35%
Court and judicial	10	10	0%	-	-	-	10	10	0%
Public safety	1,046	985	6%	-	-	-	1,046	985	6%
Streets	244	329	-26%	-	-	-	244	329	-26%
Airport	14	22	-36%	-	-	-	14	22	-36%
Culture, parks and recreation	263	243	8%	-	-	-	263	243	8%
Hospital (payments to component unit)	510	512	0%	-	-	-	510	512	0%
Interest on long-term debt	48	42	14%	-	-	-	48	42	14%
Water	-	-	-	1,429	3,647	-61%	1,429	3,647	-61%
Wastewater	-	-	-	937	3,853	-76%	937	3,853	-76%
Sanitation	-	-	-	422	393	7%	422	393	7%
Lake	-	-	-	94	101	-7%	94	101	-7%
Industrial development	-	-	-	18	18	0%	18	18	0%
Work center	-	-	-	88	167	-47%	88	167	-47%
Total expenses	2,693	2,556	5%	2,988	8,179	-1%	5,681	10,735	-47%
Excess (deficiency) before transfers	657	634	4%	35	(5,359)	101%	692	(4,725)	-115%
Proceeds from capital debt	-	54	100%	-	4,695	100%	-	4,749	-100%
Special item - gain on sale of asset	-	13	-100%	-	-	0%	-	13	-100%
Transfers	(239)	(826)	71%	239	826	-71%	-	-	0%
Change in net position	418	(125)	434%	274	162	69%	692	37	1770%
Beginning net position, restated	2,276	2,400	-5%	1,499	1,337	12%	3,775	3,737	1%
Ending net position	\$ 2,694	\$ 2,275	18%	\$ 1,773	\$ 1,499	18%	\$ 4,467	\$ 3,774	18%

Governmental Activities

The City's governmental activities had an increase in net position of \$418,919. The increase is due primarily from the transfers to the business-type decreasing from prior year by approximately \$587,000. Operating grants and contributions increased 29% due to the amount of grant awards for the general government and police departments when compared to the prior year. Capital grants and contributions increased 99% due to a \$177,000 HOME grant received in the current year. Expenses related to the street and airport departments decreased by 26% and 36%, respectively, due to fewer capital purchases. General Government expenses increased by 35% due to expenditures related to the HOME grant.

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

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

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	Restated,			Restated,		
	<u>2013</u>	<u>2012</u>		<u>2013</u>	<u>2012</u>	
General government	\$ 558	\$ 413	35%	\$ (350)	\$ (395)	11%
Court and judicial	10	10	0%	(10)	(10)	0%
Public safety	1,046	985	6%	(914)	(875)	-4%
Streets	244	329	-26%	(193)	(193)	0%
Airport	14	22	-36%	(14)	(22)	36%
Culture, parks and recreation	263	243	8%	(250)	(227)	-10%
Hospital	510	512	0%	(509)	(512)	1%
Principal and interest on long-term debt	48	42	14%	(48)	(42)	-14%
Total	\$ 2,693	\$ 2,556	5%	\$ (2,288)	\$ (2,276)	-1%

Business-type Activities

The business-type activities had an increase in net position of \$273,872. There was \$199,999 CDBG grant received in the current year that contributed to the increase. In addition, water and wastewater expenses decreased 61% and 76%, respectively, due to a refunding of debt in the prior year causing increases in debt service payments. Work center expenses decreased 47% due to fewer capital purchases in the current year.

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

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	Restated,			Restated,		
	<u>2013</u>	<u>2012</u>		<u>2013</u>	<u>2012</u>	
Water	\$ 1,429	\$ 3,647	-61%	\$ (102)	\$ (2,375)	96%
Wastewater	937	3,853	-76%	163	(2,891)	106%
Sanitation	422	393	7%	(2)	36	-106%
Lake	94	101	-7%	(83)	(87)	-5%
Industrial development	18	18	0%	106	88	20%
Work center	88	167	-47%	(57)	(135)	-58%
Total	\$ 2,988	\$ 8,179	-63%	\$ 25	\$ (5,364)	-100%

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 \$2,694,463. For the year ended June 30, 2013, the General Fund's total fund balance increased by \$21,106. The proprietary funds reported combined net position of \$1,773,005. The HPWA's total net position increased by \$253,086 while the HIA's total net position increased by \$20,786.

Budgetary Highlights

For the year ended June 30, 2013, the General Fund reported actual budgetary basis revenues over final estimates by \$41,381 or a 0.9% positive variance. General Fund actual expenditures were over final appropriations by \$28,724 or a 0.6% negative variance.

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

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

- The FY 2014 budget is consistent to prior years.

Contacting the City's Financial Management

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk/Treasurer's office at 101 North Creek Street, Holdenville, Oklahoma 74848 or telephone at 405-379-3397.

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

BASIC FINANCIAL STATEMENTS – STATEMENT OF NET POSITION AND ACTIVITIES

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

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

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 2,714,981	\$ 1,818,316	\$ 4,533,297
Investments	-	52,833	52,833
Internal balances	(19,279)	19,279	-
Total assets	<u>\$ 2,695,702</u>	<u>\$ 1,890,428</u>	<u>\$ 4,586,130</u>
LIABILITIES			
Due to other governments	\$ 1,239	\$ -	\$ 1,239
Due to depositors	-	117,423	117,423
Total liabilities	<u>1,239</u>	<u>117,423</u>	<u>118,662</u>
NET POSITION			
Restricted for:			
Debt service	-	385,705	385,705
Culture and recreation	2,487,370	-	2,487,370
Other purposes	203,354	29,711	233,065
Unrestricted	3,739	1,357,589	1,361,328
Total net position	<u>\$ 2,694,463</u>	<u>\$ 1,773,005</u>	<u>\$ 4,467,468</u>

See accompanying notes to these financial statements.

**CITY OF HOLDENVILLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities:							
General Government	\$ 557,626	\$ 25,747	\$ 3,072	\$ 178,587	\$ (350,220)	\$ -	\$ (350,220)
Court and Judicial	9,949	-	-	-	(9,949)	-	(9,949)
Public Safety	1,045,676	107,852	20,686	3,790	(913,348)	-	(913,348)
Highways and Streets	243,777	-	51,042	-	(192,735)	-	(192,735)
Airport	13,732	-	-	-	(13,732)	-	(13,732)
Culture and Recreation	263,433	1,181	9,116	3,000	(250,136)	-	(250,136)
Hospital (payments to component unit)	509,739	-	-	-	(509,739)	-	(509,739)
Principal and Interest on Long-term Debt	48,229	-	-	-	(48,229)	-	(48,229)
Total governmental activities	<u>2,692,161</u>	<u>134,780</u>	<u>83,916</u>	<u>185,377</u>	<u>(2,288,088)</u>	<u>-</u>	<u>(2,288,088)</u>
Business-Type Activities:							
Water	1,429,515	1,327,744	-	-	-	(101,771)	(101,771)
Sewer	936,899	800,098	-	199,999	-	163,198	163,198
Sanitation	421,989	419,685	-	-	-	(2,304)	(2,304)
Lake	93,527	10,086	-	-	-	(83,441)	(83,441)
Industrial Development	17,537	123,768	-	-	-	106,231	106,231
Work Center	88,400	31,417	-	-	-	(56,983)	(56,983)
Total business-type activities	<u>2,987,867</u>	<u>2,812,798</u>	<u>-</u>	<u>199,999</u>	<u>-</u>	<u>24,930</u>	<u>24,930</u>
Total primary government	<u>\$ 5,680,028</u>	<u>\$ 2,947,578</u>	<u>\$ 83,916</u>	<u>\$ 385,376</u>	<u>(2,288,088)</u>	<u>24,930</u>	<u>(2,263,158)</u>
General revenues:							
Taxes:							
Sales and use taxes					2,553,194	-	2,553,194
Franchise taxes and public service taxes					169,557	-	169,557
Payments in lieu of taxes					3,834	-	3,834
E-911 taxes					21,176	-	21,176
Intergovernmental revenue not restricted to specific programs					94,780	-	94,780
Unrestricted investment earnings					6,883	3,281	9,964
Miscellaneous					96,455	6,989	103,444
Transfers					(238,672)	238,672	-
Total general revenues and transfers					<u>2,707,007</u>	<u>248,942</u>	<u>2,955,949</u>
Change in net position					418,919	273,872	692,791
Net position - beginning, restated					2,275,544	1,499,133	3,774,677
Net position - ending					<u>\$ 2,694,463</u>	<u>\$ 1,773,005</u>	<u>\$ 4,467,468</u>

See accompanying notes to these financial statements.

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

BASIC FINANCIAL STATEMENTS -- GOVERNMENTAL FUNDS

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

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

	<u>General Fund</u>	<u>Sales Tax Lake Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,375	\$ 2,499,415	\$ 214,191	\$ 2,714,981
Due from other funds	24,480	-	4,589	29,069
Total assets	<u>\$ 25,855</u>	<u>\$ 2,499,415</u>	<u>\$ 218,780</u>	<u>\$ 2,744,050</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other governments	\$ 1,239	\$ -	\$ -	\$ 1,239
Due to other funds	48,053	-	295	48,348
Total liabilities	<u>49,292</u>	<u>-</u>	<u>295</u>	<u>49,587</u>
Fund balances:				
Restricted:				
Lake project	-	2,474,845	-	2,474,845
Library	-	-	12,525	12,525
Cemetery	-	-	203,354	203,354
Assigned to:				
Lake project	-	24,570	-	24,570
Library	-	-	2,606	2,606
Unassigned	(23,437)	-	-	(23,437)
Total fund balances	<u>(23,437)</u>	<u>2,499,415</u>	<u>218,485</u>	<u>2,694,463</u>
Total liabilities and fund balances	<u>\$ 25,855</u>	<u>\$ 2,499,415</u>	<u>\$ 218,780</u>	<u>\$ 2,744,050</u>

See accompanying notes to these financial statements.

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

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

	<u>General Fund</u>	<u>Sales Tax Lake Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 2,722,751	\$ -	\$ -	\$ 2,722,751
Intergovernmental	339,589	-	12,116	351,705
Charges for services	15,212	-	5,770	20,982
Fines and forfeitures	107,852	-	-	107,852
Licenses and permits	5,946	-	-	5,946
Investment income	83	4,792	1,808	6,683
Miscellaneous	133,826	-	7	133,833
Total Revenues	<u>3,325,259</u>	<u>4,792</u>	<u>19,701</u>	<u>3,349,752</u>
EXPENDITURES				
Current:				
General government	528,165	-	160	528,325
Court and judicial	9,949	-	-	9,949
Highway and streets	243,289	-	-	243,289
Airport	12,232	-	-	12,232
Public Safety	998,497	-	-	998,497
Culture and recreation	133,535	-	1,699	135,234
Capital Outlay	72,107	115,610	18,950	206,667
Debt Service:				
Principal	45,705	-	-	45,705
Interest and other charges	2,524	-	-	2,524
Total Expenditures	<u>2,046,003</u>	<u>115,610</u>	<u>20,809</u>	<u>2,182,422</u>
Excess (deficiency) of revenues over expenditures	<u>1,279,256</u>	<u>(110,818)</u>	<u>(1,108)</u>	<u>1,167,330</u>
OTHER FINANCING SOURCES (USES)				
Sales tax payment to hospital	(509,739)	-	-	(509,739)
Transfers in	1,288,256	509,739	-	1,797,995
Transfers out	(2,036,667)	-	-	(2,036,667)
Total other financing sources and uses	<u>(1,258,150)</u>	<u>509,739</u>	<u>-</u>	<u>(748,411)</u>
Net change in fund balances	21,106	398,921	(1,108)	418,919
Fund balances (deficits) - beginning	(44,543)	2,100,494	219,593	2,275,544
Fund balances (deficits) - ending	<u>\$ (23,437)</u>	<u>\$ 2,499,415</u>	<u>\$ 218,485</u>	<u>\$ 2,694,463</u>

See accompanying notes to these financial statements.

**CITY OF HOLDENVILLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
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BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS

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

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

	<u>Holdenville Public Works Authority</u>	<u>Holdenville Industrial Authority</u>	<u>Total Proprietary Funds</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,261,956	\$ 76,354	\$ 1,338,310
Restricted cash and cash equivalents	330,519	36,764	367,283
Restricted investments	52,833	-	52,833
Due from other funds	11,794	7,500	19,294
Total current assets	1,657,102	120,618	1,777,720
Non-current assets:			
Restricted cash and cash equivalents	-	112,723	112,723
Total non-current assets	-	112,723	112,723
Total assets	\$ 1,657,102	\$ 233,341	\$ 1,890,443
LIABILITIES			
Current liabilities:			
Due to other funds	\$ -	\$ 15	\$ 15
Deposits subject to refund	117,423	-	117,423
Total liabilities	117,423	15	117,438
NET POSITION			
Restricted for inmate services	-	4,702	4,702
Restricted for debt service	265,929	119,776	385,705
Restricted for capital improvements	-	25,009	25,009
Unrestricted	1,273,750	83,839	1,357,589
Total net position	\$ 1,539,679	\$ 233,326	\$ 1,773,005

See accompanying notes to these financial statements.

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

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

	<u>Holdenville Public Works Authority</u>	<u>Holdenville Industrial Authority</u>	<u>Total Proprietary Funds</u>
OPERATING REVENUES			
Water charges	\$ 1,316,049	\$ -	\$ 1,316,049
Sewer charges	892,266	-	892,266
Sanitation charges	402,061	-	402,061
Water and sewer taps	400	-	400
Landfill charges	14,142	-	14,142
Penalty charges	9,451	-	9,451
Boat and camping permits	10,086	-	10,086
Reconnect fee	5,805	-	5,805
Rentals	-	41,700	41,700
Telephone and vending commission	-	113,485	113,485
Miscellaneous	7,353	-	7,353
Total operating revenues	<u>2,657,613</u>	<u>155,185</u>	<u>2,812,798</u>
OPERATING EXPENSES			
Administration	294,115	-	294,115
Sewer	522,116	-	522,116
Water	696,095	-	696,095
Sanitation	304,701	-	304,701
Landfill	71,987	-	71,987
Lake	93,527	-	93,527
Industrial development	-	17,537	17,537
Work center	-	53,400	53,400
Total operating expenses	<u>1,982,541</u>	<u>70,937</u>	<u>2,053,478</u>
Operating income	<u>675,072</u>	<u>84,248</u>	<u>759,320</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment income	2,787	494	3,281
Principal expense	(618,002)	(35,000)	(653,002)
Interest expense	(247,440)	(33,947)	(281,387)
Capital grants and contributions	199,999	-	199,999
Miscellaneous revenue	-	6,989	6,989
Total non-operating revenue (expenses)	<u>(662,656)</u>	<u>(61,464)</u>	<u>(724,120)</u>
Income before transfers	12,416	22,784	35,200
Transfers in	1,526,928	98,048	1,624,976
Transfers out	(1,286,258)	(100,046)	(1,386,304)
Change in net position	<u>253,086</u>	<u>20,786</u>	<u>273,872</u>
Total net position - beginning, restated	1,286,593	212,540	1,499,133
Total net position- ending	<u>\$ 1,539,679</u>	<u>\$ 233,326</u>	<u>\$ 1,773,005</u>

See accompanying notes to these financial statements.

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

	<u>Holdenville Public Works Authority</u>	<u>Holdenville Industrial Authority</u>	<u>Total Proprietary Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 2,857,613	\$ 162,174	\$ 2,819,787
Payments to suppliers	(1,289,056)	(70,937)	(1,369,993)
Payments to employees	(683,485)	-	(683,485)
Receipts of customer meter deposits	35,565	-	35,565
Refunds of customer meter deposits	(25,415)	-	(25,415)
Received from other funds	8,140	15	8,155
Paid to other funds	(3,996)	-	(3,996)
Net cash provided by (used in) operating activities	<u>689,366</u>	<u>91,252</u>	<u>780,618</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	1,526,928	98,048	1,624,976
Transfers to other funds	(1,286,258)	(100,046)	(1,386,304)
Net cash provided by (used in) noncapital financing activities	<u>240,670</u>	<u>(1,998)</u>	<u>238,672</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Receipt of capital grant	199,999	-	199,999
Principal paid on debt	(608,512)	(35,000)	(643,512)
Interest and fiscal agent fees paid on debt	(256,930)	(33,947)	(290,877)
Net cash provided by (used in) capital and related financing activities	<u>(665,443)</u>	<u>(68,947)</u>	<u>(734,390)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(359)	-	(359)
Interest and dividends	2,787	494	3,281
Net cash provided by investing activities	<u>2,428</u>	<u>494</u>	<u>2,922</u>
Net Increase in cash and cash equivalents	267,021	20,801	287,822
Balances - beginning of year	<u>1,325,454</u>	<u>205,040</u>	<u>1,530,494</u>
Balances - end of year	<u>\$ 1,592,475</u>	<u>\$ 225,841</u>	<u>\$ 1,818,316</u>
Reconciliation to Statement of Net Position:			
Cash and cash equivalents	\$ 1,261,956	\$ 76,354	\$ 1,338,310
Restricted cash and cash equivalents - current	330,519	36,764	367,283
Restricted cash and cash equivalents - noncurrent	-	112,723	112,723
Total cash and cash equivalents, end of year	<u>\$ 1,592,475</u>	<u>\$ 225,841</u>	<u>\$ 1,818,316</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 675,072	\$ 84,248	\$ 759,320
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Miscellaneous revenue	-	6,989	6,989
Change in assets and liabilities:			
Due from other funds	8,140	-	8,140
Due to other funds	(3,996)	15	(3,981)
Deposits subject to refund	10,150	-	10,150
Net cash provided by operating activities	<u>\$ 689,366</u>	<u>\$ 91,252</u>	<u>\$ 780,618</u>

See accompanying notes to these financial statements.

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

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Footnotes to the Basic Financial Statements:

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City's financial reporting entity includes the primary government (City of Holdenville) and two component units.

- **The City of Holdenville**— that operates the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities
- **The City of Holdenville Public Works Authority** – that operates the water, wastewater and sanitation services of the City
- **The City of Holdenville Industrial Authority** – that promotes, develops and secures industrial development within the City

The Holdenville Hospital Authority is also a component unit of the City that issues a separate financial statement report, but is not included in this financial statement report. The Hospital Authority provides physical facilities, improvements and services for the purpose of providing public health care. Separate financial statements can be obtained by contacting: Holdenville General Hospital, 100 Crestview Drive, Holdenville, Oklahoma 74848.

The City provides typical municipal services such as public safety, health and welfare, street and alley maintenance, parks and recreation, and, through its public trusts, certain utility services including water, wastewater, and sanitation, and economic development activities.

The component units (Authorities) have the City Council as their governing body (trustees) and the City is able to impose its will on the Authorities through required approval of all debt obligations issued by these entities.

In determining the financial reporting entity, the City fully complies, with the exception of the omission of the Holdenville Hospital Authority, with the provisions of Governmental Accounting Standards Board Statement No. 14, "*The Financial Reporting Entity*" and Statement Number 61, "*The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34.*" that requires all component units of which the City is financially accountable be included in the financial report.

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

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 following balances arising from cash transactions:

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

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

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

- General government: License and permits, mowing fees, operating and capital grants
- Public safety: Fine revenue, impound fees, fire runs and operating grants
- Streets and highways: Gas excise and commercial vehicle taxes and capital grants
- Culture and recreation: Operating and capital grants

Governmental Funds:

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

Major Funds:

- General Fund – accounts for all activities not accounted for in other special-purpose funds

Combined as account of the General Fund:

- CDBG Grant Account – accounts for revenues and expenditures of certain CDBG grant projects

Special Revenue Fund:

- Sales Tax Lake Project Fund – accounts for sales tax designated for the construction of a new lake

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

Special Revenue Fund:

- **Library Fund** – accounts for all library revenues retained for library use only

Capital Project Fund:

- **Cemetery Care Fund** – accounts for 12.5 percent of cemetery revenues restricted by State law for cemetery capital improvements

The governmental funds are reported on a modified cash basis of accounting. 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:

Major Funds:

- **Holdenville Public Works Authority (HPWA)** – accounts for the operation of the water, wastewater, and sanitation activities
- **Holdenville Industrial Authority (HIA)** – accounts for industrial development activities

The proprietary funds are reported on a modified cash basis, as defined above.

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

C. Cash, Cash Equivalents, and Investments

Cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three-months or less, and money market accounts. Investments consist of long-term certificates of deposits and are reported at cost.

D. Compensated Absences

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due employees upon termination is reported as a commitment in Note 8.

E. Fund Balances and Net Position

Fund Balances:

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

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

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

Net Position:

Net position is displayed in two components:

- a. *Restricted net position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- b. *Unrestricted net position* - All other net position that do not meet the definition of “restricted.”

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

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Prior Period Adjustment

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

	HPWA	HIA	Government-Wide	
			Governmental Activities	Business-type Activities
Beginning net position, as previously reported	\$ 4,590,026	\$ 725,071	\$ 3,714,258	\$ 5,315,097
Removal of capital assets due to change in basis of accounting	(8,971,917)	(869,589)	(1,509,203)	(9,841,506)
Removal of unamortized debt issuance costs due to change in basis of accounting	(55,101)	(72,196)	-	(127,297)
Removal of long-term debt due to change in basis of accounting	5,723,585	429,254	70,489	6,152,839
Beginning net position, restated	<u>\$ 1,286,593</u>	<u>\$ 212,540</u>	<u>\$ 2,275,544</u>	<u>\$ 1,499,133</u>

F. Internal and Interfund Balances and Transfers

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

G. New Accounting Pronouncements

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

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

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

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

Governmental Accounting Standards Board Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position – The only

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change required from the early implementation of this statement are changing the words “Net Assets” in the city’s financial report to “Net Position”.

Governmental Accounting Standards Board Statement No. 65 – Items Previously Reported as Assets and Liabilities – This was early implemented, but had no impact on the city’s financial report.

2. Deposits and Investments

For the year ended June 30, 2013, the City recognized \$9,964 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City’s deposits are in demand and short-term time deposits.

At June 30, 2013, the primary government held the following deposits and investments:

Type	Credit Rating	Carrying Value
Deposits:		
Demand deposits		\$ 4,379,884
Time deposits-certificates of deposits		52,833
Cash on hand		320
		4,433,037
Investments:		
First United Money Market Funds	not rated	149,487
Goldman Federated Money Market Funds	AAA	3,606
		153,093
Total deposits and investments		\$ 4,586,130
 Reconciliation to Statement of Net Position:		
Cash and cash equivalents		\$ 4,533,297
Investments		52,833
		\$ 4,586,130

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the government deposits may not be returned to it. The City is governed by the State Public Deposit Act which requires that the City obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custody credit risk if the securities are uninsured, are not registered in the name of the government, and if held by either a counterparty or a counterparty’s trust, department or agent, but not in the government’s name. As of June 30, 2013, the City was under collateralized at one bank totaling \$24,438 and therefore was 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.

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Investment Credit Risk - The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district; and government money market funds regulated by the SEC. These investment limitations do not apply to the City's public trusts. As of June 30, 2013, the City's mutual fund in Goldman Federated were rated AAA by Standard and Poor's.

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

Restricted Cash and Investments – The amounts reported as restricted assets on the statement of net position are comprised of amounts restricted for debt service, debt reserve, or construction purposes. The restricted assets as of June 30, 2013 are as follows:

Type of Restricted Assets	Current Cash and cash equivalents	Non-current Cash and cash equivalents	Investments	Total
HPWA - Utilities				
Utility Deposits	\$ 64,590	\$ -	\$ 52,833	\$ 117,423
Bond Indenture Accounts:				
Bond Account	202,814	-	-	202,814
Sinking Fund Account 2005	3,606	-	-	3,606
OWRB Construction	59,509	-	-	59,509
Total HPWA - Utilities	330,519	-	52,833	383,352
HIA Work Center:				
Bond Indenture Accounts:				
Bond Fund Interest Account	95	-	-	95
Bond Fund Reserve Account	-	82,712	-	82,712
Bond Fund Principal Account	6,958	-	-	6,958
Capital Expenditures Fund Account	25,009	-	-	25,009
Operating Reserve Account	-	30,011	-	30,011
Welfare Account	4,702	-	-	4,702
Total Work Center	36,764	112,723	-	149,487
Total Enterprise Funds	\$ 367,283	\$ 112,723	\$ 52,833	\$ 532,839

3. Sales Tax Revenue

Sales tax revenue represents a 5 cent tax on each dollar of taxable sales of which 4 cents are transferred to the Holdenville Public Works Authority and used to secure debt payments. The unused portion is then transferred back to the General Fund. One cent is voter-restricted for the Hospital Authority and one cent is voter-restricted for lake improvements.

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4. Internal Balances and Transfers Between Funds and Legal Entities

Internal balances between funds and legal entities are comprised of the following:

Due From	Due To	Amount	Nature of Balance
Library Fund	General Fund	\$ 295	Expenses paid by GF for LMF
General Fund	HPWA	2,786	Reimbursement
Municipal Court	General Fund	24,170	Court fines transferred
General Fund	Cemetery Care Fund	4,589	12.5% not yet transferred
General Fund	HPWA	9,008	To cover negative cash in the GF
General Fund	HIA Workcenter	7,500	To cover negative cash in the GF
HIA Workcenter	General Fund	15	Rental revenue - dept of corrections
Total		<u>\$ 48,363</u>	

Reconciliation to Fund Financial Statements:

	Due From	Due To	Net Internal Balances
Governmental Funds	\$ 29,069	\$ (48,348)	\$ (19,279)
Proprietary Funds	19,294	(15)	19,279
Total	<u>\$ 48,363</u>	<u>\$ (48,363)</u>	<u>\$ -</u>

Internal transfers between funds and legal entities are comprised of the following:

Transfer From	Transfer To	Amount	Purpose of Transfer
HPWA	General Fund	\$ 1,017,188	Return of sales tax
HPWA	General Fund	269,070	Operating
HIA	General Fund	1,998	Operating
General Fund	HPWA	1,526,928	Sales tax transfer
General Fund	Sales Tax Lake Project Fund	509,739	Sales tax transfer
HIA	HIA Work Center	98,048	Reimbursement of expenses
Total		<u>\$ 3,422,971</u>	

Reconciliation to Fund Financial Statements:

	Transfers In	Transfers Out	Net Transfers
Governmental Funds	\$ 1,797,995	\$ (2,036,667)	\$ (238,672)
Proprietary Funds	1,624,976	(1,386,304)	238,672
Total	<u>\$ 3,422,971</u>	<u>\$ (3,422,971)</u>	<u>\$ -</u>

5. Risk Management

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

- General Liability, Fleet Coverage, and Physical Property – Covered through participation in Oklahoma Municipal Assurance Group risk entity pool.
- Fire Department Building and Vehicles – Covered through participation in the Risk Management Division of the Department of Central Services, State of Oklahoma self-insurance pool.
- Workers' Compensation – Workers' compensation is covered through purchase of commercial insurance – CompSource Oklahoma.
- Employee's Group Health and Life – Covered through participation in the Oklahoma Municipal Assurance Group risk entity pool.

The City's risk is transferred to the risk entity pool except for claim deductible amounts. The risk pool maintains deposits for claims reserves and other purposes for the benefit of the city. Management believes such insurance coverage listed above is sufficient to preclude any significant uninsured losses to the City, and such claims have not exceeded the coverage over the past three fiscal years.

6. Retirement Plan Participation

The City of Holdenville participates in two pension or retirement plans:

- Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide multiple-employer cost-sharing plan
- Oklahoma Public Employees Retirement System (OPERS) – a statewide multiple-employer, cost sharing plan

OFPRS:

The City of Holdenville, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter's Pension and Retirement System (OFPRS) as a result of the employment of full-time and volunteer firefighters. The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ fulltime or volunteer firefighters. OFPRS plan members are required to contribute 8% to the plan. The City is required by state law to contribute 13% per year of covered payroll per paid firefighter. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. For 2013, the City's annual required contribution was \$29,666 for the OFPRS plan and was equal to the City's actual contribution.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to OFPRS, 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414.

OPERS:

The City participates in a statewide cost-sharing multiple employer defined benefit pension benefit for all of its full-time employees with the exception of the fire department, through the Oklahoma Public Employees Retirement System (OPERS). The employee's contribution rate is 3.5%. City's contribution rate is 15.5%. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

A copy of the OPERS financial statements can be obtained from Oklahoma Public Employees Retirement System, 2101 N. Lincoln Blvd., Room 580, Oklahoma City, OK 73105.

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Schedule of Retirement Plan Contributions – OFPRS and OPERS Cost-Sharing Plans:

Oklahoma Public Employees Retirement System			Oklahoma Firefighter's Pension and Retirement System		
Fiscal Year	Required Contribution	Percentage Contributed	Fiscal Year	Required Contribution	Percentage Contributed
2011	\$142,626	100%	2011	\$28,100	100%
2012	\$145,052	100%	2012	\$28,143	100%
2013	\$160,118	100%	2013	\$29,666	100%

7. Commitments and Contingencies

Commitments:

In June 2013, the Oklahoma Department of Corrections (DOC) renewed its lease with the Holdenville Industrial Authority to lease the Davis Correctional Work Center for a period from July 1, 2013 through June 30, 2014, automatically renewable for one year periods beginning each July 1, subject to legislative appropriation sufficient to pay the rentals hereunder, so long as the bond financing for the facility remained outstanding or until the provision of payment is made in accordance with a bond indenture and a subordinate bond indenture. Under the terms of the lease, rent is to be paid quarterly in the amount of \$7,500.

Upon the payment of all indebtedness incurred by Holdenville in connection with the Facility, including indebtedness secured by the Bond Indentures and upon substantial use and occupancy of the Facility by the DOC, Holdenville will convey title to the Facility to the DOC by gift deed, retaining any required utility easements.

Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2013, the reporting entity's long-term debt changed as follows:

Type of Debt	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Due Within One Year
Governmental Activities:					
Capital lease payable	\$ 70,489	\$ -	\$ 45,705	\$ 24,784	\$ 18,506
Total Governmental Activities	<u>\$ 70,489</u>	<u>\$ -</u>	<u>\$ 45,705</u>	<u>\$ 24,784</u>	<u>\$ 18,506</u>
Business-Type Activities:					
Notes payable	\$ 1,945,846	\$ -	\$ 183,002	\$ 1,762,844	\$ 223,652
Revenue bonds payable	5,235,000	-	470,000	4,765,000	490,000
Total Business-Type Activities	<u>7,180,846</u>	<u>-</u>	<u>653,002</u>	<u>6,527,844</u>	<u>713,652</u>
Total Long-Term Debt	<u>\$ 7,251,335</u>	<u>\$ -</u>	<u>\$ 698,707</u>	<u>\$ 6,552,628</u>	<u>\$ 732,158</u>

Governmental Activities:

At June 30, 2013, the governmental activities long-term payable from taxes and other general revenues include the following:

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Capital Lease Obligations Payable

\$54,468 lease obligation for the purchase of backhoe, payable in monthly installments of \$1,582 with an annual interest rate of 2.91%, final payment due November 2014.	\$	24,784
Total Capital Leases Payable		\$ 24,784

Business-Type Activities:

Long-term debt commitments payable from net revenues generated by the utility resources or other resources pledged to the City's business-type activities at June 30, 2013, includes the following:

Notes Payable:

1997 Note Payable to Oklahoma Department of Commerce for sewer line improvements of \$175,000, payable in monthly installments of \$730, zero percent interest, final payment due August 2020.	\$	63,310
1998 Note Payable to Oklahoma Water Resources Board for water plant construction, payable in varying semi-annual installments, variable interest rates payable plus an administrative fee of 0.5% per annum, final payment due September 2020. Total note authorized at \$4,177,000.		1,699,534
Total Notes Payable		\$ 1,762,844

Revenue Bonds Payable:

2012 Taxable Refunding Revenue Bonds, original issue amount of \$4,695,000 dated March 30, 2012, issued by Holdenville Public Works Authority, secured by certain utility revenue and pledged sales tax, and interest rate 3.750%, final payment due October 2021.	\$	4,260,000
2001 Series Work Center Revenue Bonds, original issue amount of \$805,000 dated May 15, 2001, issued by Holdenville Industrial Authority, secured by a second mortgage on and a security interest to the Facility, and gross revenues, interest rate at 6.375%, due in semi-annual principal & interest payments beginning October 1, 2001 with final maturity on April 1, 2023.		505,000
Total Revenue Bonds Payable		\$ 4,765,000

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Long-term debt service requirements to maturity are as follows:

<u>Year Ending June 30,</u>	Governmental Activities	
	Capital Lease obligations	
	Principal	Interest
	2014	\$ 18,506
2015	6,278	19
Totals	\$ 24,784	\$ 498

<u>Year Ending June 30,</u>	Business Type Activities			
	Revenue Bonds Payable		Notes Payable	
	Principal	Interest	Principal	Interest
	2014	490,000	187,087	223,652
2015	510,000	167,475	227,153	23,210
2016	525,000	147,206	230,658	19,750
2017	550,000	126,281	234,324	16,038
218	575,000	104,129	237,998	12,364
2019-2023	2,115,000	182,907	609,059	14,457
Totals	\$ 4,765,000	\$ 915,085	\$ 1,762,844	\$ 112,529

Pledge of Future Revenues

Sales Tax and Utility Net Revenues Pledge - The City has pledged and transferred three cents (or 60.0%) of future sales tax revenues and net utility revenues to repay the \$4,695,000 Series 2012 Refunding Utilities Bonds and the \$4,177,000 Series 1998 OWRB Promissory Notes. Proceeds from the bonds provided refunding of bonds issued for capital assets while proceeds from the notes provided for the purchase or construction of capital assets. The bonds and notes are payable from pledged sales tax revenues and net utility revenues. The bonds are payable through 2021 while the notes are payable through 2020. The total principal and interest payable for the remainder of the life of these bonds and notes are \$6,801,112. Pledged sales taxes received in the current year were \$1,526,928 and net utility revenues were \$696,389. Debt service payments of \$826,952 for the current fiscal year were 37.2% of pledged sales taxes and net utility revenues.

Work Release Center Net Revenues Pledge - The City has also pledged future net rental and commission revenue and investment income of the HIA Work Release Center to repay the \$805,000 Series 2001 Work Center Refunding Bonds. Proceeds from the bonds provided refunding of bonds issued for the construction of capital assets. The bonds are payable from net work center revenues and pledged investment income and are payable through 2023. The total principal and interest payable for the remainder of the life of these contracts is \$690,991. Net work center revenues and pledged investment income were \$76,455. Debt service payments of \$68,947 for the current fiscal year were 90.2% of net revenues.

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Compensated Absences:

As a result of the City's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and comp leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2013, is summarized as follows:

HPWA – accrued compensated absences \$44,215
General Fund – accrued compensated absences \$64,981

Contingencies:

The City and its public trusts are parties to various legal proceedings or have threatened litigation which normally occurs in the course of municipal governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State Constitution and statutes provide for the levy of an ad valorem tax over a three-year period by a Sinking Fund for the payment of any court assessed judgment rendered against the City. (This provision is not available to public trusts.) While the outcome of the above noted proceedings or threatened litigation cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

Federal and State Award Programs:

The City of Holdenville 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 material. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements.

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SUPPLEMENTARY AND OTHER INFORMATION

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Final Budget - Positive (Negative)</u>
Beginning Budgetary Fund Balance	\$ (45,919)	\$ (45,919)	\$ (45,919)	\$ -
Resources (Inflows):				
TAXES:				
Sales tax	2,500,000	2,500,000	2,553,194	53,194
Franchise tax	160,000	160,000	169,557	9,557
Total taxes	<u>2,660,000</u>	<u>2,660,000</u>	<u>2,722,751</u>	<u>62,751</u>
INTERGOVERNMENTAL:				
Alcoholic beverage tax	50,000	50,000	61,725	11,725
Gas excise tax	8,500	8,500	10,557	2,057
Vehicle tax	38,000	38,000	40,485	2,485
Tobacco tax	35,000	35,000	33,055	(1,945)
Payments in lieu of taxes	-	-	3,834	3,834
Grants	-	174,025	189,933	15,908
Total Intergovernmental	<u>131,500</u>	<u>305,525</u>	<u>339,589</u>	<u>34,064</u>
CHARGES FOR SERVICES:				
Cemetery openings/closing	10,000	10,000	15,212	5,212
Fire runs	-	-	-	-
	<u>10,000</u>	<u>10,000</u>	<u>15,212</u>	<u>5,212</u>
FINES AND FORFEITURES	<u>65,000</u>	<u>69,150</u>	<u>107,852</u>	<u>38,702</u>
LICENSES AND PERMITS:				
Inspection and building permits	3,000	3,000	3,476	476
Other licenses and permits	1,300	10,725	2,470	(8,255)
Total licenses and permits	<u>4,300</u>	<u>13,725</u>	<u>5,946</u>	<u>(7,779)</u>
INVESTMENT INCOME	<u>100</u>	<u>100</u>	<u>83</u>	<u>(17)</u>
MISCELLANEOUS:				
Rentals/leases	300	300	250	(50)
911 revenue	15,000	15,000	21,176	6,176
Miscellaneous	15,000	15,000	36,974	21,974
Reimbursements	3,500	3,500	16,324	12,824
Cemetery - sale of lots	12,000	12,000	16,909	4,909
Donations	-	16,450	1,271	(15,179)
Oil and gas royalty	12,000	33,480	40,922	7,442
Total Miscellaneous	<u>57,800</u>	<u>95,730</u>	<u>133,826</u>	<u>38,096</u>
OTHER FINANCING SOURCES:				
Transfers from other funds	1,417,904	1,417,904	1,288,256	(129,648)
Total Other Financing Sources	<u>1,417,904</u>	<u>1,417,904</u>	<u>1,288,256</u>	<u>(129,648)</u>
Total Resources (Inflows)	<u>4,346,604</u>	<u>4,572,134</u>	<u>4,613,515</u>	<u>41,381</u>
Amount available for appropriation	<u>4,300,685</u>	<u>4,526,215</u>	<u>4,567,596</u>	<u>41,381</u>
Charges to Appropriations (Outflows):				
Departmental:				
General Government:				
General government	219,899	401,689	421,756	(20,067)
Governing Board	38,734	39,224	38,731	493
Cemetery	82,422	86,692	84,979	1,713
Court and Judicial:				
City Attorney	3,875	3,875	3,875	-
Municipal court	6,028	6,073	6,074	(1)
Highways and Streets:				
Street	157,316	160,316	148,379	11,937
Street and Alley	102,146	102,146	113,353	(11,207)
Airport:				
Airport	16,050	16,050	13,732	2,318
Public Safety:				
Police	589,656	617,115	583,401	33,714
Fire	402,083	407,538	399,066	8,472
Civil Defense	81,173	83,493	93,483	(9,990)
Culture and Recreation:				
Parks	50,889	51,589	51,969	(380)
Library	70,885	70,885	74,034	(3,149)
Civic Center	17,000	17,000	13,171	3,829
Payment to Hospital (component unit)	500,000	500,000	509,739	(9,739)
Transfers to Other Funds	2,000,000	2,000,000	2,036,667	(36,667)
Total other financing sources and uses	<u>4,338,156</u>	<u>4,563,685</u>	<u>4,592,409</u>	<u>(28,724)</u>
Fund balances - ending	<u>\$ (37,471)</u>	<u>\$ (37,470)</u>	<u>\$ (24,813)</u>	<u>\$ 12,657</u>

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

Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balance		
Fund Balance - ending - Budget to Actual Schedule	\$	(24,813)
CDBG Grant Account		1,376
Fund Balance - ending - Statement of Revenues, Expenditures, and Changes in Fund Balance	\$	<u>(23,437)</u>

Budgetary Comparison Schedules (Modified Cash Basis) – Sales Tax Lake Project Fund - Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	\$ 2,100,494	\$ 2,100,494	\$ 2,100,494	\$ -
Resources (Inflows)				
Investment Income	9,500	9,500	4,792	(4,708)
Transfers from Other Funds	500,000	500,000	509,739	9,739
Amounts Available for Appropriation	<u>2,609,994</u>	<u>2,609,994</u>	<u>2,615,025</u>	<u>5,031</u>
Charges to Appropriations (Outflows)				
Culture and Recreation	509,500	509,500	115,610	393,890
Total Charges to Appropriations	<u>509,500</u>	<u>509,500</u>	<u>115,610</u>	<u>393,890</u>
Fund balances - ending	<u>\$ 2,100,494</u>	<u>\$ 2,100,494</u>	<u>\$ 2,499,415</u>	<u>\$ 398,921</u>

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. Expenditures exceed budget at the legal level of control, as follows:

General Government	\$20,067
Municipal Court	1
Street and Alley	11,207
Civil Defense	9,990
Parks	380
Library	3,149
Payment to Hospital	9,739
Transfer to other funds	36,667

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

	<u>General Fund</u>	<u>CDBG Grant Account</u>	<u>Total General Fund</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 1,375	\$ 1,375
Due to/from other funds	24,479	1	24,480
Total assets	<u>\$ 24,479</u>	<u>\$ 1,376</u>	<u>\$ 25,855</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ 48,053	\$ -	\$ 48,053
Payable to other governments	1,239	-	1,239
Total liabilities	<u>49,292</u>	<u>-</u>	<u>49,292</u>
Fund balances:			
Unassigned (deficit)	(24,813)	1,376	(23,437)
Total fund balances (deficits)	<u>(24,813)</u>	<u>1,376</u>	<u>(23,437)</u>
Total liabilities and fund balances	<u>\$ 24,479</u>	<u>\$ 1,376</u>	<u>\$ 25,855</u>

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

	<u>General Fund</u>	<u>CDBG Grant Account</u>	<u>Total General Fund</u>
REVENUES			
Taxes	\$ 2,722,751	\$ -	\$ 2,722,751
Intergovernmental	339,589	-	339,589
Charges for services	15,212	-	15,212
Fines and forfeitures	107,852	-	107,852
Licenses and permits	5,946	-	5,946
Investment income	83	-	83
Miscellaneous	133,826	-	133,826
Total revenues	<u>3,325,259</u>	<u>-</u>	<u>3,325,259</u>
EXPENDITURES			
Current:			
General government	528,165	-	528,165
Public Safety	998,497	-	998,497
Highways and roads	243,289	-	243,289
Health and sanitation	9,949	-	9,949
Culture and recreation	133,535	-	133,535
Airport	12,232	-	12,232
Debt Service:			
Principal	45,705	-	45,705
Interest and other charges	2,524	-	2,524
Capital Outlay	72,107	-	72,107
Total Expenditures	<u>2,046,003</u>	<u>-</u>	<u>2,046,003</u>
Excess (deficiency) of revenues over expenditures	<u>1,279,256</u>	<u>-</u>	<u>1,279,256</u>
OTHER FINANCING SOURCES (USES)			
Sales tax payment to hospital	(509,739)	-	(509,739)
Transfers in	1,288,256	-	1,288,256
Transfers out	<u>(2,036,667)</u>	<u>-</u>	<u>(2,036,667)</u>
Total other financing sources and uses	<u>(1,258,150)</u>	<u>-</u>	<u>(1,258,150)</u>
Net change in fund balances	21,106	-	21,106
Fund balances (deficits) - beginning	(45,919)	1,376	(44,543)
Fund balances (deficits) - ending	<u>\$ (24,813)</u>	<u>\$ 1,376</u>	<u>\$ (23,437)</u>

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

	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	
	<u>Library</u>	<u>Cemetery Care Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 15,426	\$ 198,765	\$ 214,191
Due from other funds	-	4,589	4,589
Total assets	<u>\$ 15,426</u>	<u>\$ 203,354</u>	<u>\$ 218,780</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ 295	-	\$ 295
Total liabilities	<u>295</u>	<u>-</u>	<u>295</u>
Fund balances:			
Restricted for:			
Library	12,525	-	12,525
Cemetery	-	203,354	203,354
Assigned to:			
Library	2,606	-	2,606
Total fund balances	<u>15,131</u>	<u>203,354</u>	<u>218,485</u>
Total liabilities and fund balances	<u>\$ 15,426</u>	<u>\$ 203,354</u>	<u>\$ 218,780</u>

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

	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	
	<u>Library</u>	<u>Cemetery Care Fund</u>	<u>Total-Other Governmental Funds</u>
REVENUES			
Intergovernmental	\$ 12,116	\$ -	\$ 12,116
Charges for services	1,181	4,589	5,770
Investment earnings	-	1,808	1,808
Miscellaneous	7	-	7
Total revenues	<u>13,304</u>	<u>6,397</u>	<u>19,701</u>
EXPENDITURES			
Current:			
General government	-	160	160
Culture and recreation	1,699	-	1,699
Capital outlay	6,950	12,000	18,950
Total Expenditures	<u>8,649</u>	<u>12,160</u>	<u>20,809</u>
Net change in fund balances	4,655	(5,763)	(1,108)
Fund balances - beginning	10,476	209,117	219,593
Fund balances - ending	<u>\$ 15,131</u>	<u>\$ 203,354</u>	<u>\$ 218,485</u>

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

**Proprietary Fund Accounts Combining Schedule of Net Position (Modified Cash Basis) –
Holdenville Public Works Authority – June 30, 2013**

	<u>HPWA Operating Account</u>	<u>Water Designation Account</u>	<u>OWRB Drinking Water SRF Account</u>	<u>HPWA Bond Account</u>	<u>Total</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 609,956	\$ 652,000	\$ -	\$ -	\$ 1,261,956
Restricted cash and cash equivalents	64,590	-	59,509	206,420	330,519
Restricted investments	52,833	-	-	-	52,833
Due from other funds	11,794	-	-	-	11,794
Total assets	<u>\$ 739,173</u>	<u>\$ 652,000</u>	<u>\$ 59,509</u>	<u>\$ 206,420</u>	<u>\$ 1,657,102</u>
LIABILITIES					
Current Liabilities:					
Deposits subject to refund	\$ 117,423	\$ -	\$ -	\$ -	\$ 117,423
Total liabilities	<u>117,423</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>117,423</u>
NET POSITION					
Restricted for debt service	-	-	59,509	206,420	265,929
Unrestricted	621,750	652,000	-	-	1,273,750
Total net position	<u>\$ 621,750</u>	<u>\$ 652,000</u>	<u>\$ 59,509</u>	<u>\$ 206,420</u>	<u>\$ 1,539,679</u>

CITY OF HOLDENVILLE, OKLAHOMA
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Proprietary Fund Accounts Combining Schedule of Revenues, Expenses, and Changes in Net Position (Modified Cash Basis) – Holdenville Public Works Authority - Year Ended June 30, 2013

	<u>HPWA Operating Account</u>	<u>Water Designation Account</u>	<u>OWRB Drinking Water SRF Account</u>	<u>HPWA Bond Account</u>	<u>Total</u>
OPERATING REVENUES					
Water charges	\$ 1,316,049	\$ -	\$ -	\$ -	\$ 1,316,049
Sewer charges	892,266	-	-	-	892,266
Sanitation charges	402,061	-	-	-	402,061
Water and sewer taps	400	-	-	-	400
Landfill charges	14,142	-	-	-	14,142
Penalty charges	9,451	-	-	-	9,451
Boat and camping permits	10,086	-	-	-	10,086
Reconnect fee	5,805	-	-	-	5,805
Miscellaneous	7,353	-	-	-	7,353
Total operating revenues	<u>2,657,813</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,657,813</u>
OPERATING EXPENSES					
Administration	294,115	-	-	-	294,115
Sewer	522,116	-	-	-	522,116
Water	696,095	-	-	-	696,095
Sanitation	304,701	-	-	-	304,701
Landfill	71,987	-	-	-	71,987
Lake	93,527	-	-	-	93,527
Total Operating Expenses	<u>1,982,541</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,982,541</u>
Operating Income	<u>675,072</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>675,072</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest and investment revenue	868	1,496	-	423	2,787
Principal expense	(9,490)	(173,512)	-	(435,000)	(618,002)
Interest expense	-	(72,920)	-	(174,520)	(247,440)
Capital grants and contributions	199,999	-	-	-	199,999
Total non-operating revenue (expenses)	<u>191,377</u>	<u>(244,936)</u>	<u>-</u>	<u>(609,097)</u>	<u>(662,656)</u>
Income (loss) before transfers	<u>866,449</u>	<u>(244,936)</u>	<u>-</u>	<u>(609,097)</u>	<u>12,416</u>
Interaccount transfers in	-	253,942	-	610,944	864,886
Interaccount transfers out	(864,886)	-	-	-	(864,886)
Transfers in	1,526,928	-	-	-	1,526,928
Transfers out	(1,286,258)	-	-	-	(1,286,258)
Change in net position	242,233	9,006	-	1,847	253,086
Total net position - beginning, restated	379,517	642,994	59,509	204,573	1,286,593
Total net position - ending	<u>\$ 621,750</u>	<u>\$ 652,000</u>	<u>\$ 59,509</u>	<u>\$ 206,420</u>	<u>\$ 1,539,679</u>

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

**Proprietary Fund Accounts Combining Schedule of Net Position (Modified Cash Basis) –
Holdenville Industrial Authority – June 30, 2013**

	<u>HIA Operating Account</u>	<u>HIA Work Release Center Account</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 69,941	\$ 6,413	\$ 76,354
Restricted cash and cash equivalents	-	36,764	36,764
Due from other funds	-	7,500	7,500
Total current assets	<u>69,941</u>	<u>50,677</u>	<u>120,618</u>
Non-current assets:			
Restricted:			
Cash and cash equivalents	-	112,723	112,723
Total non-current assets	-	112,723	112,723
Total assets	<u>\$ 69,941</u>	<u>\$ 163,400</u>	<u>\$ 233,341</u>
LIABILITIES			
Current Liabilities:			
Due to other funds	15	-	15
Total liabilities	<u>15</u>	<u>-</u>	<u>15</u>
NET POSITION			
Restricted for inmate services	-	4,702	4,702
Restricted for debt service	-	119,776	119,776
Restricted for capital improvements	-	25,009	25,009
Unrestricted	69,926	13,913	83,839
Total net position	<u>\$ 69,926</u>	<u>\$ 163,400</u>	<u>\$ 233,326</u>

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

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

	<u>HIA Operating Account</u>	<u>HIA Work Release Center Account</u>	<u>Total</u>
OPERATING REVENUES			
Rentals	\$ 11,700	\$ 30,000	\$ 41,700
Telephone and vending commission	112,068	1,417	113,485
Total operating revenues	<u>123,768</u>	<u>31,417</u>	<u>155,185</u>
OPERATING EXPENSES			
Industrial development	17,537	-	17,537
Work center	-	53,400	53,400
Total Operating Expenses	<u>17,537</u>	<u>53,400</u>	<u>70,937</u>
Operating Income (loss)	<u>106,231</u>	<u>(21,983)</u>	<u>84,248</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	104	390	494
Miscellaneous revenue	6,989	-	6,989
Interest expense	-	(33,947)	(33,947)
Principal expense	-	(35,000)	(35,000)
Total non-operating revenue (expenses)	<u>7,093</u>	<u>(68,557)</u>	<u>(61,464)</u>
Income (loss) before transfers	<u>113,324</u>	<u>(90,540)</u>	<u>22,784</u>
Transfers in	-	98,048	98,048
Transfers out	<u>(100,046)</u>	<u>-</u>	<u>(100,046)</u>
Change in net position	13,278	7,508	20,786
Total net position - beginning, restated	56,648	155,892	212,540
Total net position - ending	<u>\$ 69,926</u>	<u>\$ 163,400</u>	<u>\$ 233,326</u>

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

Schedule of Expenditures of Federal and State Awards (Modified Cash Basis) – For year ended June 30, 2013

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

Federal/State Grantor/Pass through agency Grantor/Program Title	Federal CFDA Number	Grant Number	Program or Award Amount	Award Expenditures
FEDERAL ASSISTANCE:				
<u>U.S. DEPARTMENT OF JUSTICE:</u>				
Passed through the Oklahoma Highway Safety Office Police Traffic Service	20.600	PT-12-03-98-02	\$3,800	\$3,790
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>				
Passed through the Oklahoma Housing Finance Agency: Home Investment Partnerships Program	14.239	1384 HOME 11	262,500	177,500
Passed through the Oklahoma Department of Commerce: CDBG-Nonentitlement Grant	14.228	15170 CDBG 12	149,999	149,999
			412,499	327,499
TOTAL FEDERAL ASSISTANCE			\$ 416,299	\$ 331,289
 STATE ASSISTANCE:				
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>				
Rural Fire Defense Operational Grant	N/A	N/A	\$4,484	\$4,484
<u>OKLAHOMA DEPARTMENT OF LIBRARIES:</u>				
State Aid Grant	N/A	N/A	9,916	5,649
Collection Enhancement Grant	N/A	N/A	3,000	3,000
<u>OKLAHOMA DEPARTMENT OF EMERGENCY MANAGEMENT</u>				
Disaster Assistance	N/A	FEMA 1883-DR	3,072	3,072
 <u>COEDD:</u>				
REAP Grant	N/A	2012-2013 REAP Fund 03	50,000	50,000
Community Expansion of Nutritional Assistance	N/A	2012-2013CENA Fund 003	1,087	1,087
TOTAL STATE ASSISTANCE			\$71,559	\$67,292

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

Schedule of Debt Service Coverage Requirement – Year Ended June 30, 2013

	1998 OWRB NOTES AND HPWA 2012 REFUNDING BONDS	HIA SERIES 2001 WORK RELEASE BONDS
Gross Revenue Available for Debt Service:		
Operating revenues (water and sanitary sewer systems)	\$2,208,715	-
Operating revenues (rentals and commissions)	-	\$31,417
Investment income	-	390
Transfer In - sales tax (A)	1,526,928	-
Transfer In	-	98,048
	3,735,643	129,855
Public Works Authority operating expenses (administration, water, and sanitary sewer systems)	1,512,326	-
Davis Work Center operating expenses	-	53,400
	\$2,223,317	\$76,455
Debt Service Requirements:		
Aggregate bond service requirements - Refunding Revenue Bonds Series 2012	\$609,520	-
Average annual debt service - OWRB 1998 Small Community Drinking Water SRF	245,505	-
Aggregate bond service requirements - Series 2001 Work Release Center	-	\$68,947
	\$855,025	\$68,947
Coverage	2.60	1.11
Coverage Requirement	1.25	1.10

(A) Although the bond indenture required that the total four (4) cent sales tax be appropriated and paid to the Authority, the City only appropriated and paid three (3) cents to the Authority. This was sufficient to achieve the coverage requirement.

Schedule of Reserve Requirement

	SERIES 2001 WORK RELEASE BONDS		
	Bond Fund Reserve	Capital Expenditure Account	Operating Reserve Account
Required Balance:			
Reserve Accounts	\$ 80,500	\$ 25,000	\$ 30,000
Investments in Trustee Accounts, June 30, 2013	82,712	25,009	30,011
Excess (Deficiency) of Account Balances over Required Balances	\$ 2,212	\$ 9	\$ 11

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

INTERNAL CONTROL AND COMPLIANCE

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Holdenville, 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 February 10, 2014. Our report was a special report on the City's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We issued an adverse opinion on the discretely presented component unit.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as item 2013-1 that we consider to be a significant deficiency.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2013-2 and 2013-3.

The City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Arlidge & Associates, P.C.
February 10, 2014

CITY OF HOLDENVILLE, OKLAHOMA

SUMMARY OF FINDINGS

For the Year Ended June 30, 2013

Finding 13-1: Negative Fund Balances

Criteria: Oklahoma state law prescribes that the City may not have a negative fund balance.

Condition: The City's General fund reports a deficit fund balance totaling \$23,437.

Cause: The City started the year with a deficit of \$44,543. During the year, expenditures and other uses continued to exceed revenues exceeded expenditures and other financing sources by \$21,106, leaving a deficit of \$23,437.

Effect: Negative fund balance is an indicator of financial stress on the City, and can lead to cuts in services, increases in rates, and may also lead to the inability of the City to honor its obligations in a timely manner.

Recommendation: We recommend that the City have procedures in place to monitor balances and that transfers from unrestricted sources be arranged before a deficit in fund balance is created.

City's Response: Monthly transfers were being performed during the fiscal year to cover any negative cash balances as noted in prior year audit. In April 2013, the City experienced a change in accounting personnel. Due to this change in personnel, bank reconciliations were not performed in a timely manner. Consequently, these monthly transfers were not made to cover any deficits since the amounts needed were unknown. With additional training performed subsequent to year-end, bank reconciliations are now being performed timely and transfers will again be made as needed throughout the year. We will begin monitoring this issue on a monthly basis to ensure compliance in the future.

CITY OF HOLDENVILLE, OKLAHOMA

SUMMARY OF FINDINGS

For the Year Ended June 30, 2013

Finding 13-2: Cash Collateralization

Criteria: Oklahoma state statutes require that all uninsured deposits of municipal funds in financial institutions must be secured by the financial institution with acceptable collateral.

Condition: At June 30, 2013, deposits totaling approximately \$28,000 were not insured or collateralized as required by state law.

Cause: Controls were not in place to ensure that deposits at the City's financial institutions were fully insured or collateralized, or to monitor or update agreements, as applicable, with the financial institutions on an on-going basis.

Effect: The City was exposed to potential losses resulting from custodial credit risk up to \$28,000 as of June 30, 2013.

Recommendation: We recommend that the City have procedures in place to ensure that all applicable deposits are adequately insured or collateralized throughout the year.

City's Response: In prior years, the bank balance for The Bank NA did not exceed FDIC coverage. Due to a change in personnel, the City was unaware that a collateral pledge was needed. The City will contact this bank to obtain collateral to cover any excess deposits over the amount of FDIC coverage. The City will also implement additional monitoring procedures to more accurately ensure collateralization is maintained throughout the year.

CITY OF HOLDENVILLE, OKLAHOMA

SUMMARY OF FINDINGS

For the Year Ended June 30, 2013

Finding 13-3: Appropriations

Criteria: Oklahoma state law prescribes that no encumbrances or expenditures may be authorized or made by an officer or employee which exceeds the available appropriations for each object category within a department or fund.

Condition: Expenditures exceeded appropriations at the legal level of control as follows:

General government	\$ 20,067
Street and alley	11,207
Civil defense	9,990
Transfers to other funds	36,667
Transfers to hospital	9,739

Cause: Controls were not in place to ensure that adequate appropriations were made during the year or at year end to adequately cover expenditures.

Effect: Failure to properly monitor these appropriations cause the above budget categories to be overspent in violation of state law.

Recommendation: We recommend that the City adopt formal budget amendments, especially at or near year-end, and that these spending constraints be monitored and enforced.

City's Response: In April 2013, the City experienced a change in accounting personnel. Due to this change in personnel, bank reconciliations were not performed in a timely manner. These reconciliations were caught up and all adjustments were made subsequent to year-end, which did not allow sufficient time to perform any necessary budget amendments. The City will make a better effort to do these budgetary comparisons in a more-timely manner in the future.

CITY OF HOLDENVILLE, OKLAHOMA

SUMMARY OF PRIOR FINDINGS

For the Year Ended June 30, 2012

Finding 12-1: Negative Fund Balances

Criteria: Oklahoma state law prescribes that the City may not have a negative fund balance.

Condition: The City's General fund reports a deficit fund balance totaling \$44,543.

Cause: The City started the year with a deficit of \$25,438. During the year, expenditures and other uses continued to exceed revenues and other financing sources.

Effect: Negative fund balance is an indicator of financial stress on the City, and can lead to cuts in services, increases in rates, and may also lead to the inability of the City to honor its obligations in a timely manner.

Recommendation: We recommend that the City have procedures in place to monitor balances and that transfers from unrestricted sources be arranged before a deficit in fund balance is created.

City's Response: The City has been experiencing financial issues for the past several years. We are still in the process of searching for areas we can improve upon to get us in a better financial position. One of the areas that we have already addressed is our utility rates. We have increased utility rates effective November 1, 2011 which resulted in an increase in utility revenues from the prior year of approximately \$400,000. We will transfer any needed monies in FY 12-13 to correct this negative fund balance. We will also begin monitoring this issue on a monthly basis to ensure compliance in the future.

Current Year Status: See comment 2013-1.

CITY OF HOLDENVILLE, OKLAHOMA

SUMMARY OF PRIOR FINDINGS For the Year Ended June 30, 2012

Finding 12-2: Noncompliance with Debt Covenants

Criteria: The City's debt covenants require the City to maintain specified minimum levels of debt service coverage.

Condition: The Holdenville Industrial Authority was not in compliance with its debt covenants requiring minimum debt service ratio requirements. Pursuant to the bond indenture, the Authority was to maintain a minimum of 1.10 times net revenues (as defined in the indenture) to the debt service requirements. For the year ended June 30, 2012, the actual coverage was .65.

Cause: Revenues were not sufficient to cover operating costs and maintain the necessary minimum requirements.

Effect: Failure to meet debt covenants can lead to the lender declaring the payment in default as defined in the agreement and may lead to the outstanding balance being called and payable.

Recommendation: We recommend that the City monitor these requirements and work with its lenders to ensure that terms and conditions of agreements are either met or waived.

City's Response: The HIA Work Center's rental revenue has decreased significantly (from \$20,000 per quarter to \$7,500 per quarter) within the past 2 years related to the Earl Davis Facility. In prior years, the HIA transferred monies to help cover the debt service costs. The City will begin monitoring these requirements on a regular basis and transfer monies as needed to ensure that proper coverage is achieved.

Current Year Status: This comment was resolved in the current year.