

**CITY OF SEMINOLE, OKLAHOMA**  
**Report on Audit of Financial Statements**  
**June 30, 2011**

## CONTENTS

	Page Number
<b>BASIC FINANCIAL STATEMENTS:</b>	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-10
<i>Government-Wide Financial Statements:</i>	
Statement of Fiduciary Net Assets	11
Statement of Activities	12-13
<i>Fund Financial Statements:</i>	
Balance Sheet - Governmental Funds	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Net Assets - Proprietary Funds	17
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	18
Statement of Cash Flows - Proprietary Funds	19
Statement of Fiduciary Net Assets - Agency Funds	20
Notes to Basic Financial Statements	21-43
<b>REQUIRED SUPPLEMENTAL INFORMATION:</b>	
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	44
<b>OTHER SUPPLEMENTAL INFORMATION:</b>	
Combining Financial Statements Nonmajor Governmental Funds Combining Balance Sheet	45
Combining Statement of Revenues, Expenditures, and Changes in Fund Net Assets	46
Schedule of Grant Revenues and Expenditures - Budget, Actual and Reconciliation of Audit to Grant - Oklahoma Department of Commerce	47

**INDEPENDENT AUDITOR'S  
REPORT**

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**Independent Auditor's Report**

City Council  
City of Seminole  
Seminole, Oklahoma

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Seminole, Oklahoma, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2011, on our consideration of the City of Seminole's internal control over financial reporting and 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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and page 45 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Seminole's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and statistic tables are presented for purposes of additional analysis and are not a required part of the basis financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistic tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

***Dillon & Associates, P.C.***

Midwest City, Oklahoma  
October 27, 2011

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**City of Seminole**  
**Management's Discussion and Analysis**  
**June 30, 2011**

The following discussion and analysis of the City of Seminole's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the City's financial statements, which begin on page 11.

**Financial Highlights**

- The assets of the City of Seminole exceeded its liabilities at the close of the most recent fiscal year by \$19,495,224 (net assets), an increase of \$4,269,345 or 28.0% from the prior year. The increase included \$4,228,449 in the Reynolds Center fund.
- During the year, the City's expenses for governmental activities were \$7,484,568 and were funded by program revenues of \$665,300, and further funded with taxes and other general revenues, grants and net transfers that totaled \$6,498,155.
- In the business-type activities, which are primarily utilities, had program expenses of \$5,562,046 and were funded by program revenues of \$4,088,756 and other general revenues and net transfers that totaled \$6,063,748.
- Sales and use taxes increased by \$141,084 or 2.9% over the prior fiscal year.
- At June 30, 2011, the General Fund reported an unreserved, undesignated fund balance of \$158,000, a decrease of \$540,115 from the prior year.
- The City's total debt increased by \$592,569 during the current fiscal year. The key factors was the issuance of the Seminole Utilities Authority Sales Tax Revenue Bonds - Series 2010 in the amount of \$2,205,000 and note and principal payments made on existing debt.

**Overview of the Financial Statements**

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

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

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

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

**City of Seminole**  
**Management's Discussion and Analysis**  
**June 30, 2011**

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

The government-wide financial statements include the City of Seminole and the Seminole Utilities Authority. Although the Seminole Utilities Authority is legally a separate entity, it functions for all practical purposes as departments of the City of Seminole, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 11-13 of this report.

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

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

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

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

The City adopts an annual appropriated budget for its general and other governmental funds. Budgetary comparison statements have been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14-16 of this report.

**Proprietary funds.** The City maintains three types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its public works authority.

**City of Seminole**  
**Management's Discussion and Analysis**  
**June 30, 2011**

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Seminole Utilities Authority, which is considered to be major fund of the City.

The basic proprietary fund financial statements can be found on pages 17-19 of this report.

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

The City has two fiduciary funds-the meter deposit fund and the municipal court fund, which are agency funds.

The fiduciary fund financial statements can be found on page 20 of the report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 21-43 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's actual revenues and expenditures on a budgetary basis compared with the original and final budgets for the general fund. Required supplementary information can be found on page 44 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on budget and actual revenues and expenditures for the general fund. Combining and individual fund statements and schedules can be found on pages 45-46 of this report.

### **Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$19,495,224 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (41.9%) reflects its investment in capital assets (e.g., land, buildings, improvements, vehicles, and equipment) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City of Seminole**  
**Management's Discussion and Analysis**  
**June 30, 2011**

Table 1  
Net Assets  
(In Thousands)

	Governmental		Business-type		Total	
	<u>Activities</u>		<u>Activities</u>		<u>Primary Government</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 1,389	1,714	11,023	9,540	12,412	11,254
Capital assets	7,422	7,529	19,926	16,579	27,348	24,108
Total assets	<u>8,811</u>	<u>9,243</u>	<u>30,949</u>	<u>26,119</u>	<u>39,760</u>	<u>35,362</u>
Long-term debt	824	1,131	18,306	16,317	19,130	17,448
Other liabilities	627	431	508	2,257	1,135	2,688
Total liabilities	<u>1,451</u>	<u>1,562</u>	<u>18,814</u>	<u>18,574</u>	<u>20,265</u>	<u>20,136</u>
Net assets:						
Invested in capital						
assets, net of debt	6,556	6,733	1,621	(123)	8,177	6,610
Restricted	435	386	8,576	5,932	9,011	6,318
Unrestricted	369	562	1,938	1,736	2,307	2,298
Total net assets	<u>\$ 7,360</u>	<u>7,681</u>	<u>12,135</u>	<u>7,545</u>	<u>19,495</u>	<u>15,226</u>

A portion of the City's net assets (46.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$2,307,077 may be used to meet the government's ongoing obligations to citizens and creditors.

The government's net assets increased by \$4,269,345 during the current fiscal year. This increase represents the overall excess of revenues over expenses, including depreciation of \$1,202,999.

**Governmental activities.** Governmental activities decreased the City's net assets by \$321,113. The key element of this decrease is an overall increase in expenses.

For the most part, increases in expenses resulted from the charging of depreciation expense on capital assets to various functional areas.

**Business-type activities.** Business-type activities increased the City's net assets by \$4,590,458. The key element in this increase is grant receipts on the Reynolds Center.

**City of Seminole  
Management's Discussion and Analysis  
June 30, 2011**

Table 2  
Changes in Net Assets (In Thousands)

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2011	2010	2011	2010	2011	2010
<b>Revenues:</b>						
<b>Program revenues</b>						
Charge for services	\$ 468	118	4,089	3,345	4,557	3,463
Operating grants	370	41	-	-	370	41
Capital grants	734	238	4,192	3,539	4,926	3,777
<b>General revenues:</b>						
Sales and use taxes	4,967	4,826	-	-	4,967	4,826
Franchise taxes (fees)	396	406	-	-	396	406
Other taxes	395	296	-	-	395	296
Fines and forfeitures	198	185	-	-	198	185
Investment income	10	9	74	61	84	70
Other	600	433	329	214	929	647
<b>Total revenues</b>	<b>8,138</b>	<b>6,552</b>	<b>8,684</b>	<b>7,159</b>	<b>16,822</b>	<b>13,711</b>
<b>Expenses:</b>						
General government	2,651	1,404	2,123	2,397	4,774	3,801
Public safety	2,511	1,628	-	-	2,511	1,628
Public works	1,596	907	-	-	1,596	907
Cultural and recreation	727	637	-	-	727	637
Water	-	-	590	510	590	510
Sewer	-	-	951	671	951	671
Reynold's activity center	-	-	358	3	358	3
Ambulance	-	-	285	710	285	710
Economic development	-	-	1,255	302	1,255	302
<b>Total expenses</b>	<b>7,485</b>	<b>4,576</b>	<b>5,562</b>	<b>4,593</b>	<b>13,047</b>	<b>9,169</b>
Increase before transfers	653	1,976	3,122	2,566	3,775	4,542
Transfers	(1,468)	(1,629)	1,468	1,629	-	-
Change in net assets	(815)	347	4,590	4,195	3,775	4,542
Beginning net assets	7,681	6,932	7,545	3,350	15,226	10,282
Contributed capital	494	-	-	-	494	-
Prior period adjustment	-	402	-	-	-	402
<b>Ending net assets</b>	<b>\$ 7,360</b>	<b>7,681</b>	<b>12,135</b>	<b>7,545</b>	<b>19,495</b>	<b>15,226</b>

**City of Seminole**  
**Management's Discussion and Analysis**  
**June 30, 2011**

**Financial Analysis of the Government's Funds**

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$995,468, a decrease of \$516,752, in comparison with the prior year. Approximately 15.9% of this total amount, \$158,000 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for capital improvements.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$158,000. As a measure of the general fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Unreserved fund balance represents 2.4% of total general fund expenditures and transfers out.

The fund balance of the City's general fund decreased by \$540,115 during the current fiscal year.

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

Unrestricted net assets of the Seminole Utilities Authority at the end of the year amounted to \$452,196. Net assets decreased by \$1,460,761 compared to the prior year.

- Operating revenues increased by \$403,732 from the prior year, mainly related to water and sewer revenue.
- Operating expenses (excluding depreciation) increased by \$291,747 over the prior year, mainly in the water and sewer departments.

**General Fund Budgetary Highlights**

There were differences between the original budget and the final budget for the general fund. Overall, actual revenues on the budgetary basis of \$6,121,802 were \$373,963 less than the estimated revenues in the budget of \$5,747,839. Actual expenditures of \$4,915,432 were \$164,035 less than the \$5,079,467 approved in budget appropriations. After transfers out of \$1,746,485 to other governmental funds, the City decreased its carryforward funds by \$540,115. The amount of carryover funds budget for expenditure was \$158,000.

**Capital Asset and Debt Administration**

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounts to \$27,347,750 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, vehicles, and infrastructure.

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

- Construction of the Reynolds Center.
- Construction of water and wastewater lines and treatment facilities.

**City of Seminole**  
**Management's Discussion and Analysis**  
**June 30, 2011**

Table 3  
Capital Assets  
(In Thousands)

	Governmental		Business-type		Total	
	<u>Activities</u>		<u>Activities</u>		<u>Primary Government</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Construction in progress	\$ -	-	7,762	4,216	7,762	4,216
Land	305	305	14	14	319	319
Buildings	2,366	2,233	6,341	6,341	8,707	8,574
Machinery and equipment	4,052	3,924	1,435	1,373	5,487	5,297
Vehicles	2,279	1,936	369	369	2,648	2,305
Infrastructure	15,933	15,933	15,552	15,321	31,485	31,254
Less: Accum. depreciation	(17,513)	(16,802)	(11,547)	(11,055)	(29,060)	(27,857)
<b>Total capital assets, net</b>	<b>\$ 7,422</b>	<b>7,529</b>	<b>19,926</b>	<b>16,579</b>	<b>27,348</b>	<b>24,108</b>

Additional information of the City's capital assets can be found in Note 3.D. To the basic financial statements.

**Long-term debt.** As of the end of the current fiscal year, the City had total debt outstanding of \$19,171,700. This represents debt secured solely by specified revenue sources (i.e., revenue bonds and bank notes) of \$18,620,576 and general obligation bonds of \$710,000 and a capital lease of \$156,053.

Table 4  
Long-term Debt  
(In Thousands)

	Governmental		Business-type		Total	
	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>		<u>Primary Government</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
General obligation bonds \$	710	860	-	-	710	860
Notes payable	-	-	561	638	561	638
Revenue bonds	-	-	18,060	17,240	18,060	17,240
Other	156	235	-	-	156	235
<b>Total long-term debt</b>	<b>\$ 866</b>	<b>1,095</b>	<b>18,621</b>	<b>17,878</b>	<b>19,487</b>	<b>18,973</b>

**City of Seminole**  
**Management's Discussion and Analysis**  
**June 30, 2011**

The City's total debt decreased by \$1,155,104 during the current fiscal year. The key factors in this decrease were the principal payments on revenue notes, revenue bonds and general obligation bonds.

Additional information on the City's long-term debt can be found in Notes 3.F. To the basic financial statements.

**Economic Factors and Next Year's Budgets and Rates**

The City's elected and appointed officials considered many factors when setting the fiscal-year 2011-2012 budget, tax rates, and fees that will be charged for the proprietary fund type activities. One of these factors is the economy. A potential downturn of the national economy is expected to have limited effect on the local economy for the coming year. Employment costs are stable and sales tax revenues continue to increase over previous periods. Utility revenues are expected to continue to increase at a moderate rate.

These indicators were taken into account when adopting the general fund budget for 2011-2012.

❖ Revenues, transfers in and expenses for the City's general fund are expected to increase slightly over the actual amounts received and expended in the fiscal year ended June 30, 2011.

❖ As for the City's proprietary fund activities, we expect a slight growth in the revenues and expenses over those received in 2011.

All of these factors were considered in preparing the City's budget for the 2011-2012 fiscal year.

**Requests for Information**

This financial report is designed to provide our citizens, funding agencies, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the City of Seminole, 401 N. Main Street, P.O. Box 1218, Seminole, Oklahoma 74868.

# **BASIC FINANCIAL STATEMENTS**

**City of Seminole, Oklahoma**  
**Statement of Net Assets**  
**June 30, 2011**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	SEDC
<b>ASSETS</b>				
Current assets:				
Pooled cash and cash equivalents	\$ 990,212	968,646	1,958,858	326,791
Receivables, net of allowance for uncollectibles:				
Accounts	-	400,112	400,112	3,975
Taxes	422,229	193,685	615,914	-
Due from other governments	-	126,099	126,099	-
Internal balances	(24,010)	28,968	4,958	-
Inventory - Homes held for resale	-	-	-	288,092
Restricted assets:				
Restricted cash and investments	-	8,611,613	8,611,613	1,191,641
Total current assets	1,388,431	10,329,123	11,717,554	1,810,499
Noncurrent assets:				
Debt issuance costs, net of accumulated amortization	-	694,183	694,183	248,185
Capital assets, net of accumulated depreciation	7,421,989	19,925,761	27,347,750	8,095,666
Total noncurrent assets	7,421,989	20,619,944	28,041,933	8,343,851
Total assets	8,810,420	30,949,067	39,759,487	10,154,350
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued expenses	392,963	146,234	539,197	42,623
Accrued interest payable	-	323,638	323,638	230,338
Current portion of long-term obligations	233,391	939,750	1,173,141	165,000
Total current liabilities	626,354	1,409,622	2,035,976	437,961
Noncurrent liabilities:				
Bonds payable	560,000	16,885,092	17,445,092	7,032,772
Notes payable	-	480,805	480,805	-
Capital lease payable	72,662	-	72,662	-
Accrued compensated absences	191,513	38,215	229,728	-
Total noncurrent liabilities	824,175	17,404,112	18,228,287	7,032,772
Total liabilities	1,450,529	18,813,734	20,264,263	7,470,733
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	6,555,936	1,620,714	8,176,650	897,894
Restricted for:				
Capital improvements	278,679	2,715,854	2,994,533	-
Debt service	156,188	4,256,548	4,412,736	718,033
Facility maintenance	-	1,604,228	1,604,228	-
Unrestricted	369,088	1,937,989	2,307,077	1,067,690
Total net assets	\$ 7,359,891	12,135,333	19,495,224	2,683,617

See accompanying notes to the basic financial statement.

**City of Seminole, Oklahoma**  
**Statement of Activities**  
*For the Year Ended June 30, 2011*

	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
<b>PRIMARY GOVERNMENT</b>				
Governmental activities:				
General government	\$ 2,650,740	467,708	-	(2,183,032)
Public safety	2,510,800	197,592	-	(2,313,208)
Public works	1,596,016	-	-	(861,900)
Culture and recreation	727,012	-	369,816	(357,196)
Total government activities	<u>7,484,568</u>	<u>665,300</u>	<u>369,816</u>	<u>(5,715,336)</u>
Business-type activities:				
Administration	2,123,004	437,531	-	(1,685,473)
Water	590,359	1,033,423	-	443,064
Sewer	950,940	1,050,064	-	99,124
Sanitation	-	853,088	-	853,088
Reynold's activity center	358,465	379,474	-	4,212,903
Ambulance	284,682	335,176	-	50,494
Economic development	1,254,596	-	-	(1,254,596)
Total business-type activities	<u>5,562,046</u>	<u>4,088,756</u>	<u>-</u>	<u>2,718,604</u>
Total primary government	<u>13,046,614</u>	<u>4,754,056</u>	<u>369,816</u>	<u>(2,996,732)</u>
<b>COMPONENT UNITS</b>				
Seminole Economic Development Council	1,073,622	1,281,540	-	207,918
Total component units	<u>\$ 1,073,622</u>	<u>1,281,540</u>	<u>-</u>	<u>207,918</u>

**City of Seminole, Oklahoma**  
**Statement of Activities**  
*For the Year Ended June 30, 2011*

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	SEDC
<b>Change in net assets:</b>				
<b>Net (expense) revenue</b>	\$ (5,715,336)	2,718,604	(2,996,732)	207,918
<b>General revenues:</b>				
Taxes:				
Sales and use	4,967,470	-	4,967,470	-
Franchise	395,987	-	395,987	-
Other	394,962	-	394,962	-
Unrestricted investment income	9,869	74,091	83,960	-
Miscellaneous	599,824	329,468	929,292	-
Contributed capital	494,406	-	494,406	-
Transfers - internal activity	(1,468,295)	1,468,295	-	-
<b>Total general revenues and transfers</b>	<u>5,394,223</u>	<u>1,871,854</u>	<u>7,266,077</u>	<u>-</u>
<b>Change in net assets</b>	(321,113)	4,590,458	4,269,345	207,918
<b>Net assets - beginning</b>	<u>7,681,004</u>	<u>7,544,875</u>	<u>15,225,879</u>	<u>2,475,699</u>
<b>Net assets - ending</b>	<u>\$ 7,359,891</u>	<u>12,135,333</u>	<u>19,495,224</u>	<u>2,683,617</u>

See accompanying notes to the basic financial statement.

**City of Seminole, Oklahoma**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2011**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ (58,602)	1,048,814	990,212
Investments	-	-	-
Receivables, net	417,187	5,042	422,229
Due from other funds	-	-	-
	<u>358,585</u>	<u>1,053,856</u>	<u>1,412,441</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued liabilities	176,575	216,388	392,963
Due to other funds	24,010	-	24,010
	<u>200,585</u>	<u>216,388</u>	<u>416,973</u>
Fund balances:			
Reserved for:			
Debt service	-	156,188	156,188
Capital improvements	-	278,679	278,679
Unreserved, reported in:			
General fund	158,000	-	158,000
Special revenue funds	-	402,601	402,601
	<u>158,000</u>	<u>837,468</u>	<u>995,468</u>
	<u>158,000</u>	<u>837,468</u>	<u>995,468</u>
Total liabilities and fund balances	<u>\$ 358,585</u>	<u>1,053,856</u>	
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not required in the funds.			7,421,989
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:			
Bonds payable			(710,000)
Capital lease payable			(156,053)
Accrued compensated absences			(191,513)
			<u>(1,057,566)</u>
Net assets of governmental activities			<u>\$ 7,359,891</u>

See accompanying notes to the basic financial statement.

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

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 5,363,457	314,868	5,678,325
Intergovernmental	47,206	1,136,850	1,184,056
Licenses and permits	29,907	-	29,907
Charge for services	396,940	40,861	437,801
Fines and forfeitures	197,592	-	197,592
Interest	7,049	2,820	9,869
Miscellaneous	79,651	520,173	599,824
Total revenues	<u>6,121,802</u>	<u>2,015,572</u>	<u>8,137,374</u>
<b>EXPENDITURES</b>			
Current:			
General government	1,613,856	1,232,085	2,845,941
Public safety	2,324,911	260,094	2,585,005
Public works	546,058	673,494	1,219,552
Culture and recreation	430,607	104,726	535,333
Capital outlay	-	-	-
Total expenditures	<u>4,915,432</u>	<u>2,270,399</u>	<u>7,185,831</u>
Excess (deficiency) of revenues over expenditures	<u>1,206,370</u>	<u>(254,827)</u>	<u>951,543</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	3,161,484	278,190	3,439,674
Transfers out	(4,907,969)	-	(4,907,969)
Total other financing sources and uses	<u>(1,746,485)</u>	<u>278,190</u>	<u>(1,468,295)</u>
Net change in fund balances	(540,115)	23,363	(516,752)
Fund balances-beginning	698,115	814,105	1,512,220
Fund balances-ending	<u>\$ 158,000</u>	<u>837,468</u>	<u>995,468</u>

See accompanying notes to the basic financial statement.

**City of Seminole, Oklahoma**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
*For the Year Ended June 30, 2011*

Net change in fund balances - total governmental funds \$ (516,752)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditure exceeded depreciation in the current reporting period.

Capital outlay expenditures, net	604,372
Depreciation expense	(711,104)
	(106,732)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

Change in accrued compensated absences	229,396
	72,975
	302,371

Change in net assets of governmental activities. \$ (321,113)

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

	Business-type Activities - Enterprise Funds					Total Enterprise Funds
	Seminole Utilities Authority	Capital Improvements	Seminole Gas Authority	Seminole Community Wellness Authority	Seminole Medical Authority	
<u>ASSETS</u>						
Current assets:						
Cash and cash equivalents	\$ 253,862	604,592	50,655	3,891	55,646	968,646
Receivables, accounts net of allowance for doubtful accounts	374,711	-	25,401	-	-	400,112
Due from other governments	193,685	-	-	-	-	193,685
Due from Seminole Schools	126,099	-	-	-	-	126,099
Internal balances	28,968	-	-	-	-	28,968
Restricted assets - cash and investments	5,354,476	1,617,926	-	1,639,211	-	8,611,613
Total current assets	<u>6,331,801</u>	<u>2,222,518</u>	<u>76,056</u>	<u>1,643,102</u>	<u>55,646</u>	<u>10,329,123</u>
Non-current assets:						
Bond issuance costs, net of accumulated amortization	694,183	-	-	-	-	694,183
Capital assets, net of accumulated depreciation	12,163,948	-	-	7,761,813	-	19,925,761
Total non-current assets	<u>12,858,131</u>	<u>-</u>	<u>-</u>	<u>7,761,813</u>	<u>-</u>	<u>20,619,944</u>
Total assets	<u>19,189,932</u>	<u>2,222,518</u>	<u>76,056</u>	<u>9,404,915</u>	<u>55,646</u>	<u>30,949,067</u>
<u>LIABILITIES</u>						
Current liabilities:						
Accounts payable	70,236	6,266	22,948	46,784	-	146,234
Accrued interest payable	323,638	-	-	-	-	323,638
Current portion of long-term obligations	939,750	-	-	-	-	939,750
Total current liabilities	<u>1,333,624</u>	<u>6,266</u>	<u>22,948</u>	<u>46,784</u>	<u>-</u>	<u>1,409,622</u>
Non-current liabilities:						
Revenue bonds payable, net of current portion	16,885,092	-	-	-	-	16,885,092
Notes payable, net of current portion	480,805	-	-	-	-	480,805
Accrued compensated absences	38,215	-	-	-	-	38,215
Total non-current liabilities	<u>17,404,112</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,404,112</u>
Total liabilities	<u>18,737,736</u>	<u>6,266</u>	<u>22,948</u>	<u>46,784</u>	<u>-</u>	<u>18,813,734</u>
<u>NET ASSETS</u>						
Invested in capital assets, net of related debt	(6,141,700)	-	-	7,762,414	-	1,620,714
Restricted:						
Debt service	4,256,548	-	-	-	-	4,256,548
Construction	1,097,928	1,617,926	-	-	-	2,715,854
Facility maintenance	-	-	-	1,604,228	-	1,604,228
Unrestricted	1,239,420	598,326	53,108	(8,511)	55,646	1,937,989
Total net assets	<u>\$ 452,196</u>	<u>2,216,252</u>	<u>53,108</u>	<u>9,358,131</u>	<u>55,646</u>	<u>12,135,333</u>

See accompanying notes to the basic financial statement.

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

Business-type Activities - Enterprise Funds

	Seminole Utilities <u>Authority</u>	Capital Improvements	Seminole Gas <u>Authority</u>	Seminole Community Wellness <u>Authority</u>	Seminole Medical <u>Authority</u>	Total Enterprise <u>Funds</u>
<b><u>OPERATING REVENUES:</u></b>						
Charges for services						
Water	\$ 1,033,423	-	-	-	-	1,033,423
Wastewater	1,050,064	-	-	-	-	1,050,064
Sanitation	853,088	-	-	-	-	853,088
Other	118,794	-	318,737	-	-	437,531
Reynold's Center	-	-	-	379,474	-	379,474
Ambulance	-	-	-	-	335,176	335,176
Total operating revenues	<u>3,055,369</u>	<u>-</u>	<u>318,737</u>	<u>379,474</u>	<u>335,176</u>	<u>4,088,756</u>
<b><u>OPERATING EXPENSES:</u></b>						
General and administration	957,429	1,264	22,596	-	-	981,289
Water	338,142	41,165	-	-	-	379,307
Wastewater	676,390	30,488	-	-	-	706,878
Utilities	-	-	255,217	-	-	255,217
Ambulance	-	-	-	-	284,682	284,682
Reynold's Center	-	-	-	358,465	-	358,465
Depreciation and amortization	683,091	-	-	-	-	683,091
Total operating expenses	<u>2,655,052</u>	<u>72,917</u>	<u>277,813</u>	<u>358,465</u>	<u>284,682</u>	<u>3,648,929</u>
Operating income (loss)	<u>400,317</u>	<u>(72,917)</u>	<u>40,924</u>	<u>21,009</u>	<u>50,494</u>	<u>439,827</u>
<b><u>NONOPERATING REVENUES (EXPENSES):</u></b>						
Miscellaneous revenues	273,939	39,642	-	18	15,868	329,467
Private grants	-	-	-	4,191,894	-	4,191,894
Interest income	52,662	4,969	-	15,528	932	74,091
Capital project expenditures	(555,007)	-	-	-	-	(555,007)
Economic development - SEDC	(444,372)	-	-	-	-	(444,372)
Interest expense and fiscal charges	(913,738)	-	-	-	-	(913,738)
Total nonoperating revenues (expenses)	<u>(1,586,516)</u>	<u>44,611</u>	<u>-</u>	<u>4,207,440</u>	<u>16,800</u>	<u>2,682,335</u>
<b><u>OPERATING TRANSFERS</u></b>						
Transfers in	2,391,485	1,996,047	-	-	-	4,387,532
Transfers out	(2,666,047)	(253,190)	-	-	-	(2,919,237)
Total operating transfers	<u>(274,562)</u>	<u>1,742,857</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,468,295</u>
Change in net assets	<u>(1,460,761)</u>	<u>1,714,551</u>	<u>40,924</u>	<u>4,228,449</u>	<u>67,294</u>	<u>4,590,457</u>
Net assets - beginning	1,912,957	501,701	12,184	5,129,682	(11,649)	7,544,875
Net assets-ending	<u>\$ 452,196</u>	<u>2,216,252</u>	<u>53,108</u>	<u>9,358,131</u>	<u>55,645</u>	<u>12,135,332</u>

See accompanying notes to the basic financial statement.

**City of Seminole, Oklahoma**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2011**

	Business-type Activities - Enterprise Funds					Total
	Seminole		Seminole	Seminole	Seminole	
	Utilities Authority	Capital Improvements	Gas Authority	Community Wellness Authority	Medical Authority	
					Enterprise Funds	
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>						
Receipts from customers	\$ 3,034,510	-	317,935	379,474	335,176	4,067,095
Payments to suppliers	(1,348,922)	(66,651)	(284,988)	(988,600)	(102,836)	(2,791,997)
Payments to employees	(568,216)	-	-	-	-	(568,216)
Net cash provided (used) by operating activities	<u>1,117,372</u>	<u>(66,651)</u>	<u>32,947</u>	<u>(609,126)</u>	<u>232,340</u>	<u>706,882</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>						
Change in interfund receivables/payables	-	-	-	-	-	-
Miscellaneous revenues	273,939	39,642	-	18	15,868	329,467
Operating transfers in (out)	(274,562)	1,742,857	-	-	-	1,468,295
Net cash provided (used) by noncapital financing activities	<u>(623)</u>	<u>1,782,499</u>	<u>-</u>	<u>18</u>	<u>15,868</u>	<u>1,797,762</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>						
Grant receipts	-	-	-	4,191,894	-	4,191,894
Proceeds on issuance of long-term debt	2,134,486	-	-	-	-	2,134,486
Principal paid on long-term debt	(1,464,654)	-	-	-	-	(1,464,654)
Interest expense and fiscal charges	(886,776)	-	-	-	-	(886,776)
Decrease (increase) in restricted assets	584,399	(1,617,926)	-	(48,750)	-	(1,082,277)
Capital expenditures for governmental activities	(555,007)	-	-	-	-	(555,007)
Economic development expenditures	(444,372)	-	-	-	-	(444,372)
(Acquisition) disposition of capital assets	(292,413)	-	-	(3,545,673)	-	(3,838,086)
Net cash provided (used) by capital and related financing activities	<u>(924,337)</u>	<u>(1,617,926)</u>	<u>-</u>	<u>597,471</u>	<u>-</u>	<u>(1,944,792)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>						
Interest received	52,662	4,969	-	15,528	932	74,091
Net cash provided (used) by investing activities	<u>52,662</u>	<u>4,969</u>	<u>-</u>	<u>15,528</u>	<u>932</u>	<u>74,091</u>
Net increase (decrease) in cash and cash equivalents	245,074	102,891	32,947	3,891	249,140	633,943
Cash and cash equivalents, beginning of the year	8,788	501,701	17,708	-	(193,495)	334,702
Cash and cash equivalents, end of the year	<u>\$ 253,862</u>	<u>604,592</u>	<u>50,655</u>	<u>3,891</u>	<u>55,645</u>	<u>968,645</u>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u></b>						
Operating income (loss)	400,317	(72,917)	40,924	21,009	50,494	439,827
Adjustments to reconcile operating income to net cash provided by operating activities:						
Cash flows reported in other categories:						
Depreciation and amortization expense	683,091	-	-	-	-	683,091
Change in assets and liabilities:						
Receivable, net	43,531	-	(802)	-	193,495	236,224
Accounts payable	5,539	6,266	(7,175)	(630,135)	(11,649)	(637,154)
Accrued expenses	(15,106)	-	-	-	-	(15,106)
Total adjustments	<u>717,055</u>	<u>6,266</u>	<u>(7,977)</u>	<u>(630,135)</u>	<u>181,846</u>	<u>267,055</u>
Net cash provided by (used in) operating activities	<u>\$ 1,117,372</u>	<u>(66,651)</u>	<u>32,947</u>	<u>(609,126)</u>	<u>232,340</u>	<u>706,882</u>

See accompanying notes to the basic financial statement.

**City of Seminole, Oklahoma**  
**Statement of Fiduciary Net Assets**  
**Agency Funds**  
*June 30, 2011*

	Agency Funds	
	Meter Deposit Fund	Municipal Court Fund
<b>ASSETS</b>		
Cash and cash equivalents	\$ 122,748	(16,483)
Internal balances	(28,968)	24,010
Investments		-
Total assets	93,780	7,527
<b>LIABILITIES</b>		
Customer deposits	93,780	-
Due to bondholders	-	5,291
Due to other governments	-	2,236
Total liabilities	93,780	7,527
<b>NET ASSETS</b>	\$ -	-

See accompanying notes to the basic financial statement.

**NOTES TO BASIC  
FINANCIAL STATEMENTS**

**City of Seminole, Oklahoma**  
**Notes to Financial Statements**  
*June 30, 2011*

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In accordance with GASB Statement Nos. 20, 34, and 39, for its governmental and business-type activities, enterprise funds the City has elected to apply Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

**1.A. - REPORTING ENTITY**

The City of Seminole, Oklahoma (the City) operates under a council-manager form of government under Title 11 of the *Oklahoma Statutes*. The City provides the following services to its citizens: public safety (police and fire), public works (streets and highways), culture and recreation, general government and administration, along with utility services to include water, wastewater, and sanitation.

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement Nos. 14, 34, and 39, and includes all component units of which the City is fiscally accountable.

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

The Seminole Utilities Authority (SUA) serves all the citizens of the City and is governed by a board comprised of the City's elected council (Trustees). The rates for user charges and debt authorization are approved by the city council. The SUA was created April 30, 1985, to finance, develop, and operate the water, wastewater, and sanitation activities of the City. The SUA is reported as an enterprise fund type.

The Seminole Medical Authority was created August 10, 1982 to operate and maintain the Seminole municipal hospital and ambulance service. The hospital was sold in 2004 and is currently owned and operated by Integris Health.

The Seminole Recreation Authority was created October 9, 2001 to promote and finance economic development in the City of Seminole.

The Seminole Gas Authority was created in 1996 to finance and operate the sale and transmission of natural gas to industrial customers. The Seminole Medical Authority and Seminole Gas Authority are reported as proprietary fund types, while the Seminole Recreation Authority is reported as a special revenue fund type.

Separate financial statements have not been prepared for this component unit.

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Discretely presented component unit.** The Seminole Economic Development Council (SEDC) was created July 15, 1998 to promote and finance economic development in the City of Seminole. The SEDC is reported as a discrete component unit of the City, because its governing body is not substantially the same as the City Council.

**1.B. - BASIC FINANCIAL STATEMENTS**

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

*Government-wide financial statements* display information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements.

These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Assets and the Statement of Activities. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment.

*Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

*Fund financial statements* display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the supplemental information.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include charges between the City's business-type activities/enterprise funds, as well as some special revenue funds, and the General Fund. The City allocates charges as reimbursement for services provided by the General Fund in support of those functions based on levels of service provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**1.C. - BASIS OF PRESENTATION**

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

**City of Seminole, Oklahoma**  
**Notes to Financial Statements**  
*June 30, 2011*

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

GASB 34 sets forth minimum criteria (percentage of the assets liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City selectively added funds as major funds, which either had debt outstanding or specific community focus. Non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

The City reports the following major governmental funds:

*General Fund*

This is the City's primary operating fund. It accounts for all the financial operations of the City except those required to be accounted for in another fund. Principal sources of revenue are sales tax, licenses and permits, state and county shared revenues and fines and forfeitures. Primary expenditures are for general government, public safety, public works and community development.

Additionally, the City reports twelve non-major funds within the governmental fund type. Financial statement for the non-major governmental funds are presented on pages 45 and 46.

The City reports the following major proprietary fund:

*Seminole Utilities Authority Fund*

Accounts for the operation, and maintenance of water, sewer and sanitation systems. This fund is used to account for the acquisition, operation, and maintenance of water and sewer assets. These funds are entirely or predominantly self-supported through user charges to customers.

**1.D. - MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus.

The Government-wide Financial Statements and the Proprietary Funds Financial Statements are presented on a *full accrual* basis of accounting with an *economic resource* measurement focus. An economic resource focus concentrates on an entity or fund's net assets. All transactions and events that affect the total economic resources (net assets) during the period are reported. An economic resources measurement focus is inextricably connected with full accrual accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash inflows and outflows.

Governmental Funds and Permanent Fund Financial Statements are presented on a *modified accrual* basis of accounting with a *current financial resource* measurement focus. This measurement focus concentrates on the fund's resources available for spending in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Similar to the connection between an economic resource measurement focus and full accrual accounting, a current financial resource measurement focus is inseparable from a modified accrual basis of accounting. Under modified accrual accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

**City of Seminole, Oklahoma**  
**Notes to Financial Statements**  
*June 30, 2011*

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Similar to the way its revenues are recorded, governmental funds only record those expenditures that affect current financial resources. Principal and interest on general long-term debt are recorded as fund liabilities only when due, or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Vested compensated absences are recorded as expenditures only to the extent that they are expected to be liquidated with expendable financial resources. In the government-wide financial statements, however, with a full accrual basis of accounting, all expenditures affecting the economic resource status of the government must be recognized. Thus, the expense and related accrued liability for long term portions of debt and compensated absences must be included.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

**1.E. - ASSETS, LIABILITIES AND EQUITY**

***Cash and Investments***

Cash and cash equivalents include cash on hand, demand deposits, short-term investments with original or remaining maturities of three months or less when purchased, and cash and investments in the City-wide investment pool. Investments, including equity in pooled cash and investments, are stated at fair value.

***Restricted Assets***

Assets whose use is restricted for construction, debt service or by other agreement are segregated on the Government-wide Statement of Net Assets and the Proprietary Fund Statement of Net Assets.

***Receivables and Payables***

Activity between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Uncollected property taxes receivable that are collected within 60 days after year-end are considered measurable and available and, therefore, are recognized as revenue.

**City of Seminole, Oklahoma**  
**Notes to Financial Statements**  
*June 30, 2011*

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Property taxes are levied and become a lien on July 1. Collection dates are January 1 and March 1 following the lien date.

Taxes unpaid and outstanding on March 1 are considered delinquent.

Receivables of the enterprise funds are recognized as revenue when earned. Receivables in governmental and enterprise funds are stated net of an allowance for uncollectibles.

***Inventories***

Inventories of materials and supplies in the enterprise funds are stated at cost on a first-in, first-out basis and charged to expenses as used.

***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, pathways, street lights, etc.) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In the governmental fund statements, capital assets are charged to expenditures as purchased, and capitalized in the proprietary fund statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value as of the date of the donation.

Capital assets are defined by the City as assets with an initial, individual cost of \$1,500 or more, and an estimated useful life of greater than one year. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets and is provided on the straight-line basis over the following estimated useful lives:

<u>ASSET</u>	<u>YEARS</u>
Buildings and improvements	35-60
Furniture and fixtures	5-10
Machinery and equipment	5-20
Vehicles	5-10
Utility systems	25-99
Infrastructure	25-99

One-half year of depreciation is taken in the year the assets are acquired or retired. Gains or losses from sales or retirements of capital assets are included in operations of the current period.

***Accrued Compensated Absences and Sick Pay***

The City's policies regarding vacation, compensatory, holiday time and sick leave permit employees to accumulate varying amounts as determined by management and contracts with employee groups. Accumulated vested vacation pay is accrued as it is earned. For governmental funds, the non-current portion (the amount estimated to be used in subsequent fiscal years) is maintained separately and represents a reconciling item between the fund-level and government-wide presentations. Only the current portion is reported in the governmental funds, and is calculated based on historical trends. In business-type/enterprise funds, both the current and long-term liabilities are recorded.

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Full-time employees earn vacation at the following rate:

<u>Number of Years of Service</u>	<u>Hours Earned</u>
One to five years	84
Six to ten years	96
Greater than eleven years	120

In accordance with the guidelines set forth by Governmental Accounting Standards Board (GASB) Statement No. 16, *Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences*, a provision has been made for accumulated vacation, compensatory time, and holiday pay.

The Fraternal Order of Police accrue sick leave at eight hours per month, with the maximum limit of 800 hours. All other employees accrue eight hours of sick leave per month with a maximum limit of 800 hours. Sick leave is not recorded until paid. Employees who retire meeting the City's retirement requirements, shall be paid one-half (1/2) of their accrued sick leave up to a maximum of four hundred (400) hours.

***Long-Term Debt***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are treated as period costs in the year of issue and are shown as other financing uses. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***Fund Equity***

Tentative plans for utilization of fund balances in future periods are recorded as designations of fund balance in the fund-level financial statements. Planned expenditures include future capital projects, debt service, equipment reserves and other commitments for which fund balances have not been appropriated or specifically segregated.

***Use of Estimates***

In preparing the City of Seminole's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Subsequent Events***

Subsequent events have been evaluated through October 27, 2011, which is the date the financial statements were issued.

**City of Seminole, Oklahoma**  
**Notes to Financial Statements**  
*June 30, 2011*

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**2.A. - DEFICIT FUND BALANCES OR NET ASSETS**

Title 11, Section 17-211 of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund of the City (excluding public trusts). At June 30, 2011, the City reported no individual fund deficits.

**2.B. - BUDGETARY INFORMATION**

**2.B.1. - BUDGET POLICY AND PRACTICE**

The City Manager submits an annual budget to the City Council in accordance with the City Charter and the Oklahoma Municipal Budget Act. The budget is presented to the City Council for review, and public hearings are held to address priorities and the allocation of resources. By June, the City Council adopts the annual fiscal year budgets for City operating funds. The City's financial statement presents budget and actual financial statements for the following funds approved in the budget: General, Capital Projects, Debt Service and Seminole Utilities Authority. In addition, the City Council approves budgets for other operations, in part or in whole, not presented in the financial statements. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Public trusts submit budgets and other planning documents to their respective governing bodies.

**2.B.2. - BASIS OF BUDGETING**

Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services, material and supplies, other services and charges, capital outlays, transfers and debt service. Budget revisions at this level are managed administratively and reported to the City Council. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations without approval. Revisions to the budget are made throughout the year.

The budgets for the operating funds and proprietary fund operations are prepared on the cash and expenditure/encumbrance basis. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year that the applicable purchase orders are expected to be issued. The Debt Service Fund budget is prepared to provide funding for general obligation debt service when liabilities are due for payment. The budget and actual financial statements are reported on these bases. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

**2.C. - DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS**

In accordance with State Law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations or surety bonds. As required by 12 U.S.C.A., Section 1823(e), the financial institutions pledging collateral to the City must do so with a written collateral agreement approved by the board of directors or loan committee.

**City of Seminole, Oklahoma**  
**Notes to Financial Statements**  
*June 30, 2011*

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued**

Investments of the City (excluding Public Trusts) whose population exceeds 3,000 according to the latest census information are limited by State Law to the following:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.
- c. Negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations. Any investments in these instruments must be fully collateralized with investments mentioned in the previous paragraphs a. and b., where the collateral has been deposited with a trustee in an irrevocable trust or escrow account.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c. and d.

Public trusts created under Title 60 of the Oklahoma Statutes, are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2011, the City and its included component unit complied, in all material respects, with the above noted investment restrictions.

**2.D. - REVENUE RESTRICTIONS**

Certain restrictions are placed over certain revenue sources due to state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Sales Tax	Debt service on Revenue Notes
Gasoline Excise & Commercial Vehicle Tax	Street and Alley Purposes
Grant Revenues	Grant Agreement Specified Uses
Water and Sewer	Debt service on Revenue Notes and Bonds

For the year ended June 30, 2011, the City complied, in all material respects, with these revenue restrictions.

***Other Long-Term Debt***

As required by the Oklahoma State Constitution, the City (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval.

**City of Seminole, Oklahoma**  
**Notes to Financial Statements**  
*June 30, 2011*

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued**

***Enterprise Fund Debt***

The bond indenture relating to debt issuance of the Seminole Utilities Authority contain a number of restrictions or covenants that are financial related. These include covenants such as a required flow of funds through special accounts, a debt service coverage requirement and required reserve account balances. The following schedule presents a brief summary of the most significant requirements and the Authority's level of compliance thereon as of June 30, 2011.

Requirement

a. Flow of Funds -

- |  |   |
|--|---|
| 1. 2004 Utility Systems Sales Tax Revenue Bonds - Debt Service and Reserve Accounts.                                 | The Authority maintained all required accounts and made all required payments into such accounts. |
| 2. 2006 Utility Revenue Bonds - Revenue Account, Bond Account, Project Account, Reserve Account.                     | The Authority maintained all required accounts and made all required payments into such accounts. |
| 3. 2010 Utility System Sales Tax Revenue Bonds - Revenue Account, Bond Account, Project Account and Reserve Account. | The Authority maintained all required accounts and made all required payments into such accounts. |

b. Debt Service Coverage Requirements -

- |   |  |
|---|--|
| 1. 2004 Utility Systems Sales Tax Revenue Bonds - Net operating revenue plus pledged sales tax must equal 125% the maximum annual debt service on all obligations payable from the revenue. | Net revenues, including sales tax transferred, amounts to \$3,474,892. The maximum annual debt service amounted to \$1,743,378. Actual coverage was 1.99 times debt service. |
| 2. 2006 Utility Revenue Bonds - Net operating revenue plus pledged sales tax must equal 125% the maximum annual debt service on all obligations payable from the revenue.                   | Net revenues, including sales tax transferred, amounts to \$3,474,892. The maximum annual debt service amounted to \$1,743,378. Actual coverage was 1.99 times debt service. |
| 3. 2010 Utility System Sales Tax Revenue Bonds - Net operating revenue plus pledged sales tax must equal 125% the maximum annual debt service on all obligations payable from the revenue.  | Net revenues, including sales tax transferred, amounts to \$3,474,892. The maximum annual debt service amounted to \$1,743,378. Actual coverage was 1.99 times debt service. |

**2.E. - FUND EQUITY RESTRICTIONS**

Title 11, Section 17-211 of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. For the year ended June 30, 2011, the City had not incurred any fund balance deficit.

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

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued**

***Fund Balance Required Reserves***

The only required reserves of fund equity relate to restricted revenue accounted for within the General Fund. The only significant restricted revenue of the General Fund is the restricted sales tax (as described in Note 1) and gasoline excise/commercial vehicle tax (as described in Note 2). As of June 30, 2011, all such restricted revenue had been used in accordance with their specified purposes, therefore, no such fund balance reserves are necessary.

***Retained Earnings Required Reserves***

The required reserves of retained earnings relate to net assets held to meet revenue bond and note indenture requirements (as described in Note 2). Details on these reserves at June 30, 2011, are at Note 3.

**NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS**

The following notes present detailed information to support the amounts reported in the basic financial statements for the City's various assets, liabilities, net assets/fund balances, revenues and expenditures/expenses.

**3.A. - DEPOSITS AND INVESTMENT RISKS:**

	<u>Carrying Value</u>		
<b>Deposits</b>			
Demand deposits	\$ 1,958,858		
	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Maturity Date</u>
<b>Investments</b>			
Investments held with Bond Trustees:			
JP Morgan US Treasury Money Mkt Fd	8,611,613	AA+	N/A
<b>Total Deposits and Investments</b>	\$ <u>10,570,471</u>		
 <b>Reconciliation to Statement of Net Assets</b>			
Cash	\$ 1,958,858		
Investments	\$ 8,611,613		
	\$ <u>10,570,471</u>		

**City of Seminole, Oklahoma**  
**Notes to Financial Statements**  
*June 30, 2011*

**NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS - Continued**

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

The City's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 110% of the uninsured deposits and accrued interest thereon. The investment policy also limits acceptable collateral to U.S. Treasury securities and direct debt obligations of municipalities, counties and school districts in the state of Oklahoma. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee.

The bank balances of the City's deposits totaled \$4,838,360 at June 30, 2011. The City was not exposed to custodial credit risk as defined above at June 30, 2011.

Investment Credit Risk - The City's investment policy limits investments to those allowed in state law applicable to municipalities. These investment limitations are described in Note 2.C. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations - rating agencies - as of the year end. Unless there is information to the contrary, obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not require disclosure of credit quality.

As noted in the schedule of deposits and investments above, at June 30, 2011, all of the City's investments in debt securities were rated either AA+ by Standard and Poor's or Aaa by Moody's Investor Service.

Investment Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its investments.

As noted in the schedule of deposits and investments above, at June 30, 2011, the investments held by the City had no stated maturity dates.

Concentration of Investment Credit Risk - Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this concentration. At June 30, 2011, the City had no concentration of credit risk as defined above.

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

**NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS - Continued**

**3.B. RECEIVABLES**

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

	General Fund	Nonmajor Governmental Funds	Seminole Utilities Authority	Seminole Gas Authority	Total
Receivables:					
Taxes	\$ 295,903	5,042	193,685	-	494,630
Accounts	-	-	363,583	25,401	388,984
Other	121,284	-	126,099	-	247,383
Gross receivables	<u>417,187</u>	<u>5,042</u>	<u>683,367</u>	<u>25,401</u>	<u>1,130,997</u>
Less: Allowance for uncollectibles	-	-	89,570	-	89,570
Net total receivables	<u>\$ 417,187</u>	<u>5,042</u>	<u>593,797</u>	<u>25,401</u>	<u>1,041,427</u>

**3.C. RESTRICTED ASSETS**

The revenue bonds and notes as issued from time-to-time by the City, include restricted cash and investments for a debt service fund for repayment of the principal and interest when due, and a debt service reserve to be used for payment of principal and interest provided sufficient funds are not available in the debt service fund. All funds are on deposit with trustee banks.

*Seminole Utilities Authority*

Utility Sales Tax Revenue Bonds, Series 2006 :

Project account	\$ 1,097,928
Debt service	821,849
Debt service reserve	1,028,999

Utility Revenue Bonds, Series 2010 :

Project account	1,617,926
Debt service	144,736
Debt service reserve	220,834

Utility Sales Tax Revenue Bonds, Series 2004 :

Debt service	357,765
Debt service reserve	494,380

Accounts not held at trustee bank :

Debt service	1,187,985
Total restricted assets	<u>\$ 6,972,402</u>

**City of Seminole, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2011**

**NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS - Continued**

**3.D. CAPITAL ASSETS**

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

***Governmental activities***

Capital assets not being depreciated :

Land	\$ 304,926	-	-	304,926
Total capital assets not being depreciated	<u>304,926</u>	<u>-</u>	<u>-</u>	<u>304,926</u>

Capital assets being depreciated :

Buildings and improvements	2,233,360	132,953	-	2,366,313
Machinery and equipment	3,924,124	127,502	-	4,051,626
Vehicles	1,935,538	343,917	-	2,279,455
Infrastructure	15,932,692	-	-	15,932,692
Total capital assets being depreciated	<u>24,025,714</u>	<u>604,372</u>	<u>-</u>	<u>24,630,086</u>

Less accumulated depreciation for :

Buildings and improvements	(1,728,084)	(40,501)	-	(1,768,585)
Machinery and equipment	(3,731,303)	(44,973)	-	(3,776,276)
Vehicles	(1,252,533)	(127,242)	-	(1,379,775)
Infrastructure	(10,089,998)	(498,388)	-	(10,588,386)
Total accumulated depreciation	<u>(16,801,918)</u>	<u>(711,104)</u>	<u>-</u>	<u>(17,513,022)</u>

Total capital assets being depreciated, net	<u>7,223,796</u>	<u>(106,732)</u>	<u>-</u>	<u>7,117,064</u>
Governmental activities capital assets, net	<u>\$ 7,528,722</u>	<u>(106,732)</u>	<u>-</u>	<u>7,421,990</u>

***Business-type activities***

Capital assets not being depreciated :

Land and construction in progress	\$ 4,230,029	3,545,673	-	7,775,702
Total capital assets not being depreciated	<u>4,230,029</u>	<u>3,545,673</u>	<u>-</u>	<u>7,775,702</u>

Capital assets being depreciated :

Buildings and improvements	6,340,909	-	-	6,340,909
Machinery and equipment	1,373,596	61,490	-	1,435,086
Vehicles	369,637	-	-	369,637
Infrastructure	15,320,789	230,922	-	15,551,711
Total capital assets being depreciated	<u>23,404,931</u>	<u>292,412</u>	<u>-</u>	<u>23,697,343</u>

Less accumulated depreciation for :

Buildings and improvements	(1,704,340)	(179,530)	-	(1,883,870)
Machinery and equipment	(1,022,887)	(32,969)	-	(1,055,856)
Vehicles	(338,191)	(12,206)	-	(350,397)
Infrastructure	(7,989,971)	(267,190)	-	(8,257,161)
Total accumulated depreciation	<u>(11,055,389)</u>	<u>(491,895)</u>	<u>-</u>	<u>(11,547,284)</u>

Total capital assets being depreciated, net	<u>12,349,542</u>	<u>(199,483)</u>	<u>-</u>	<u>12,150,059</u>
Business-type activities capital assets, net	<u>\$ 16,579,571</u>	<u>3,346,190</u>	<u>-</u>	<u>19,925,761</u>

**City of Seminole, Oklahoma**  
**Notes to Financial Statements**  
*June 30, 2011*

**NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS - Continued**

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government	\$ 27,774
Public safety	115,187
Public works	376,464
Cultural and recreation	191,679
Total depreciation expense - governmental activities	711,104

Business-type activities:

Water	211,053
Sewer	244,062
General government	36,780
Total depreciation expense - business-type activities	\$ 491,895

**3.E. DEPOSITS SUBJECT TO REFUND**

Utility customers are required to make a meter deposit, which is refunded upon the customer's termination of services, provided there are no outstanding bills. Monies are deposited in separate accounts, and a liability has been recorded to represent the amount of deposits due to customers. As of June 30, 2011, cash and investments included \$122,748 available for refund of customer deposits, while the liability to customers was \$93,780.

Appearance bonds and other payments made to the municipal court funds are held until final disposition by the court at which time they are refunded to the bondholder or paid over to the City general fund as fines. As of June 30, 2011, \$5,291 was being held that was subject to refund.

**3.F. LEASES**

The City has entered into a lease agreement as lessee for financing the acquisition of equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. The capital lease obligation is as follows:

*Governmental activities :*

Lease purchase agreement with Emergency One, Inc. through Oshkosh Capital, dated July 17, 2007, payable in monthly installments of \$7,284, including interest at 4.78%, through April 25, 2013 for one pumper unit	\$ 156,053
Total capital lease obligation - governmental activities	\$ 156,053

**City of Seminole, Oklahoma**  
**Notes to Financial Statements**  
*June 30, 2011*

**NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS - Continued**

The assets acquired through a capital lease is as follows:

**Governmental activities :**

Asset : One fire pumper unit	\$ 448,230
Less : Accumulated depreciation	(114,548)
Total net book value	\$ 333,682

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011, are as follows:

**Governmental activities:**

Year Ending June 30,

2012	\$ 87,409
2013	72,841
Total required payments	160,250
Less: Interest expense	(4,197)
Total principal payments	\$ 156,053

**3.G. LONG-TERM LIABILITIES**

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

\$660,000 General Obligation Waterworks Bonds, Series 1993, dated November 1, 1993, payable in annual principal installments of \$35,000 through November 1, 2012 and a final installment of \$65,000 due November 1, 2013, with interest at 3.40% to 5.65%	\$ 135,000
\$2,025,000 Hospital Bonds, Series 1996, dated February 1, 1996, payable in an initial installment of \$70,000 due February 1, 1999 and annual installments of \$115,000 due February 1, 2000 through February 1, 2016, with interest at 4.35% to 8.00%	575,000
Total general obligation bonds	710,000
Accrued compensated absences	191,513
Total governmental activities	\$ 901,513

**City of Seminole, Oklahoma**  
**Notes to Financial Statements**  
*June 30, 2011*

**NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS - Continued**

**Business-type activities:**

Revenue bonds:

\$2,205,000 Seminole Utilities Authority Sales Tax Revenue Bonds, Series 2010. Bonds dated December 1, 2010, due in annual installments of \$165,000 to \$455,000 through December 1, 2020, with interest at 3.00% to 5.00%, secured by a lien against sales tax revenues. \$ 2,205,000

\$12,800,000 Seminole Utility System Sales Tax Revenue Bonds, Series 2006A and 2006B. Bonds dated September 1, 2006, due in annual principal installments of \$355,000 to \$1,115,000 through September 1, 2026, with interest at 3.50% to 6.25%, secured by a lien against sales tax revenues. 11,260,000

\$7,725,000 Seminole Utility System Sales Tax Revenue Bonds, Series 2004A and 2004B. Bonds dated August 1, 2004, due in annual principal installments of \$205,000 to \$935,000 through August 1, 2022, with interest at 4.00% to 5.70%, secured by a lien against sales tax revenues. 4,545,000

18,010,000

Less : Unamortized bond discount (167,298)

Less : Unamortized loss on refunding (147,610)

Net revenue bonds payable 17,695,092

Notes payable:

Obligation to State of Oklahoma, CDBG-EDIF Note #9174 dated July 1, 2002, due in monthly principal installments of \$1,581 to through July 1, 2022, with interest at 0.00%. 208,658

Notes payable to a local bank with varying terms and maturities 351,897

Total net revenue bonds and notes payable 18,255,647

Accrued compensated absences 38,215

Total business-type activities \$ 18,293,862

**City of Seminole, Oklahoma**  
**Notes to Financial Statements**  
*June 30, 2011*

**NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS - Continued**

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

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>	Amounts Due Within <u>One Year</u>
<b>Governmental activities</b>					
General obligation bonds:					
Series 1993	\$ 170,000	-	35,000	135,000	35,000
Series 1996	690,000	-	115,000	575,000	115,000
Accrued compensated absences	264,488	-	72,975	191,513	-
Total governmental activities	<u>1,124,488</u>	<u>-</u>	<u>222,975</u>	<u>901,513</u>	<u>150,000</u>
<b>Business-type activities</b>					
Revenue bonds payable:					
Series 2010	-	2,205,000	-	2,205,000	165,000
Series 2006	11,675,000	-	415,000	11,260,000	430,000
Series 2004	4,840,000	-	245,000	4,595,000	265,000
Series 2004 Refunding	725,000	-	725,000	-	-
Notes payable:					
CDBG-EDIF #9174	227,627	-	18,969	208,658	18,969
Bank	35,742	-	4,300	31,442	4,500
Bank	167,025	-	26,808	140,217	27,200
Bank	66,908	-	12,769	54,139	13,438
Bank	140,665	-	14,545	126,120	15,643
Accrued compensated absences	31,514	6,701	-	38,215	-
Total business-type activities	<u>17,909,481</u>	<u>2,211,701</u>	<u>1,462,391</u>	<u>18,658,791</u>	<u>939,750</u>
<b>Component unit</b>					
Revenue bonds payable:					
Series 2009	7,870,000	-	160,000	7,710,000	165,000
Notes payable:	85,475	-	85,475	-	-
Total component unit	<u>\$ 7,955,475</u>	<u>-</u>	<u>245,475</u>	<u>7,710,000</u>	<u>165,000</u>

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

**NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS - Continued**

***Annual Debt Service Requirements***

The annual debt service requirements to maturity, including principal and interest, for long-term debt, excluding accrued compensated absences, with interest rates applicable at June 30, 2011 are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities		Component Unit	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 150,000	39,893	939,750	890,126	165,000	553,033
2013	150,000	31,545	971,751	845,612	175,000	545,607
2014	180,000	22,191	1,029,204	798,592	185,000	537,295
2015	115,000	13,685	1,072,748	750,908	195,000	528,045
2016	115,000	6,900	1,116,888	704,683	225,000	517,808
2017-2021	-	-	6,311,266	2,699,010	1,345,000	2,370,780
2022-2026	-	-	273,968	1,128,090	1,890,000	1,821,056
2027-2031	-	-	1,905,000	48,233	2,820,000	973,188
2032-2036	-	-	-	-	710,000	55,913
<b>Totals</b>	<b>\$ 710,000</b>	<b>114,214</b>	<b>13,620,575</b>	<b>7,865,254</b>	<b>7,710,000</b>	<b>7,902,725</b>

The City, through its public trust, has, in substance, defeased certain outstanding bond issues by placing deposits in an irrevocable trust escrow account for the purchase of U.S. Government securities to pay the principal and interest on the refunded bonds as they are due and payable. For financial reporting purposes both the defeased bonds outstanding and the escrowed securities have been excluded from the financial statements. As of June 30, 2011, the remaining outstanding defeased bonds were as follows:

1993 Utility System Revenue Bonds	\$ 1,775,000
1998 Utility System Refunding Revenue Bonds	1,810,000
2000 Taxable Sales Tax Revenue Bonds	3,960,000
<b>Total outstanding defeased bonds</b>	<b>\$ 7,545,000</b>

**3.H. DEBT ISSUANCE COSTS**

Debt issuance costs of \$1,034,515 have been capitalized on enterprise fund sales tax revenue notes and refunding revenue bonds, and are being amortized on the straight-line basis over the term of the relevant debt issues. During the year ended June 30, 2011, \$71,102 in debt issuance costs were amortized.

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

**NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS - Continued**

**3.I. COMPENSATED ABSENCIES**

Full-time employees with at least one year of service earn vacation of ten to twenty-five days per year depending on years of service completed. A maximum of five days may be carried over from one benefit year into another. Payment in lieu of vacation is limited to a maximum of five days. In accordance with guidelines set forth by GASB Statement No. 16, *Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences*, a provision has been made for accumulated vacation and sick leave as follows:

Governmental activities	\$ 191,513
Business-type activities	38,215
Total accrued compensated absences	\$ 229,728

**3.J. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund transactions:

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Municipal Court Fund - Agency	General Fund	\$ (24,010)
Seminole Utilities Authority	Meter Deposit Fund	28,968
		\$ 4,958

Interfund transactions:

	Transfers In		
	<u>General Fund</u>	<u>Nonmajor Governmental</u>	<u>Seminole Utilities Authority</u>
Transfer out:			
General fund	\$ -	25,000	698,295
Nonmajor governmental	770,000	-	-
Seminole Utilities Authority	-	253,190	-
Totals	\$ 770,000	278,190	698,295

**City of Seminole, Oklahoma**  
**Notes to Financial Statements**  
*June 30, 2011*

**NOTE 4 - OTHER NOTES**

**4.A. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City has insurance for the major risks such as property and general liability and workers compensation. The city has a self-insured retention amount for workers' compensation of \$78,661. Commercial insurance is used to cover general liability claims and the risk of loss to City buildings and mobile equipment. Judgments against the City may be paid by a property tax assessment over a three-year period.

**4.B. CONTINGENT LIABILITIES**

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

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

**4.C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS**

The City of Seminole participates in the Oklahoma State Police Pension and Retirement System and the Oklahoma State Firefighters' Pension and Retirement System, both of which are cost-sharing multiple-employer defined benefit pension plans administered by the State of Oklahoma. Additionally, for other City employees not covered by the other plans, the City of Seminole maintains a single-employer defined benefit plan - the City of Seminole, Oklahoma Employee Retirement Plan.

City of Seminole, Oklahoma Employee Retirement Plan (the Plan)

Plan Description - The City of Seminole, Oklahoma Employee Retirement Plan, is a single-employer defined contribution money purchase pension plan covering City employees not covered by other plans. The Plan operates as a trust administered by the Ameritas Life Insurance. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. All regular, full-time City employees not covered by other plans are eligible to participate in the Plan after six months of service. Benefits vest after five years of service, as follows:

<u>Years of Service</u>	<u>Vested Percentage</u>
Less than five years	0%
Five years	50%
Six years	60%
Seven years	70%
Eight years	80%
Nine years	90%
Ten years	100%

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

NOTE 4 - OTHER NOTES - Continued

Benefits to be paid to employees at a future date are dependent on the sum of the employee contributions with interest, the City financed contributions with interest, and the respective employee vesting percentage as established by the plan. There are no guaranteed retirement benefits in the plan, and the City disclaims any liability between the employer and the employee regarding benefits in the plan. Any and all claims of the employee may be satisfied only out of the funds held in the plan under the individual employee's account. Each employee receives a year-end statement of his account and selects how the funds are invested.

Funding Policy - The employee contributes 2% of compensation to the Plan, and the employer contributes 10% of employee compensation. Contributions to the Plan for the year ended June 30, 2011, for employees and employer were \$22,421 and \$115,052, respectively. For the year ended June 30, 2011, the City's covered payroll was \$1,269,744. Covered payroll refers to all compensation paid by the City of Seminole to active employees covered by the Plan on which contributions are based.

*Oklahoma Police and Firefighter's Pension and Retirement Systems*

The City of Seminole, as the employer, participates in two statewide cost-sharing multiple employer defined benefit plans on behalf of the police officers and firefighters. The systems are funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The following is a summary of eligibility factors, contribution methods, and benefit provisions.

*A. Eligibility Factors, Contribution Methods, and Benefit Provisions*

	Oklahoma Police Pension and Retirement System	Oklahoma Firefighter's Pension and Retirement System
Obtaining separately issued financial statements	Police Pension and Retirement 1001 N.W. 63rd St., Suite 605 Oklahoma City, OK 73116-7335	Firefighter's Pension & Retirement 4545 N. Lincoln Blvd., Suite 265 Oklahoma City, OK 73105-3414
Eligibility to participate	All full-time officers, employed by a participating municipality, not less than 21 years of age or more than 45 years of age when hired.	All full-time or voluntary firefighters of a participating municipality hired before age 45.
Authority establishing contribution obligations and benefits	State Statute	State Statute
Employee's contribution rate (percent of covered Payroll)	8%	8%
State obligation	State appropriation to fund the unfunded actuarial accrued liability	State appropriation to fund the unfunded actuarial accrued liability
Period required to vest	10 years	10 years

**City of Seminole, Oklahoma**  
**Notes to Financial Statements**  
*June 30, 2011*

**NOTE 4 - OTHER NOTES - Continued**

	Oklahoma Police Pension and Retirement System	Oklahoma Firefighter's Pension and Retirement System
Eligibility and benefits distribution (full time)	20 years credited service, 2 1/2% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.	20 years credited service, 2 1/2% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.
Eligibility and benefits for distribution (volunteer)	-	20 years credited service equal to \$7.24 per month per year of service, with a maximum of 30 years considered.
Deferred retirement option	Yes, 20 years credited service with additional option to participate in Louisiana Plan.	Yes, 20 years credited service with continued service for a maximum of 30 or more years.
Provisions for: Cost of living adjustments (normal retirement)	Yes	Yes, if vested by 5/83
Death (duty, non-duty, post retirement)	Yes	Yes
Disability (duty, non-duty)	Yes	Yes
Cost of living allowances	Yes	Yes

**B. Trend Information**

Contributions required by State statute and made:

Fiscal Year	Oklahoma Police Pension and Retirement System		Oklahoma Firefighter's Pension and Retirement System	
	Required Contribution		Required Contribution	
2009	\$	36,890	\$	52,006
2010		49,363		48,772
2011		56,510		86,994
		Percentage Contributed		Percentage Contributed
		100%		100%
		100%		100%
		100%		100%

**City of Seminole, Oklahoma**  
**Notes to Financial Statements**  
*June 30, 2011*

**NOTE 4 - OTHER NOTES**

Trend information showing the progress of the Systems in accumulating sufficient assets to pay benefits when due is presented in their respective separate annual financial reports.

*C. Related Party Investments*

As of June 30, 2011, the Systems held no related-party investments of the City or of its related entities.

**4.D. COMPLIANCE WITH BOND INDENTURES**

The bond indentures for the Authority to maintain the net revenue available for debt service of at least 1.25 times the maximum annual amount to be paid into the Sinking Fund. The amount available is computed as follows:

Gross revenue available for debt service :	
Pledged sales tax	\$ 2,391,484
System-wide Gross Revenues - Water & Wastewater	3,055,369
System-wide Operating Expense - Exclusive of capital improvements, debt service and depreciation	
Water and wastewater	1,971,961
Net revenues available for debt service	\$ 3,474,892
Annual amount to be paid into Sinking Fund	\$ 1,743,378
Coverage	1.99
Coverage requirement	1.25

**REQUIRED SUPPLEMENTARY  
INFORMATION**

City of Seminole, Oklahoma  
General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
For the Year Ended June 30, 2011

	Budget		Actual	Variance with Final Budget Over
	Original	Final		(Under)
<b>REVENUES</b>				
Taxes	\$ 5,224,707	5,179,398	5,363,457	184,059
Intergovernmental	143,396	45,309	47,206	1,897
Licenses and permits	25,840	25,840	29,907	4,067
Charge for services	56,749	56,749	396,940	340,191
Fines and forfeitures	168,901	177,888	197,592	19,704
Interest	6,469	6,469	7,049	580
Miscellaneous	121,777	256,186	79,651	(176,535)
Total revenues	<u>5,747,839</u>	<u>5,747,839</u>	<u>6,121,802</u>	<u>373,963</u>
<b>EXPENDITURES</b>				
General government:				
General government	1,388,200	1,388,200	1,313,761	74,439
City council	1,500	1,500	1,120	380
City manager	83,212	88,400	88,400	-
City clerk	94,544	94,544	87,699	6,845
City attorney	35,393	40,864	40,864	-
Municipal court	82,422	82,422	82,012	410
Public safety:				
Police	1,032,631	1,032,631	1,009,941	22,690
Fire	1,333,720	1,333,720	1,300,281	33,439
Emergency management	14,080	14,689	14,689	-
Public works:				
Streets	276,497	276,497	264,775	11,722
Fleet maintenance	54,469	56,466	56,466	-
Community services	143,722	143,722	135,430	8,292
Cemetery	63,677	63,677	57,985	5,692
Airport	22,350	22,350	31,402	(9,052)
Culture and recreation:				
Senior citizens bus	20,450	23,251	23,251	-
Parks	180,612	157,121	152,565	4,556
Golf course	76,010	76,010	71,388	4,622
Sportsman lake	48,759	52,360	52,360	-
Library	110,136	113,720	113,720	-
Senior citizens crafts	17,083	17,323	17,323	-
Total expenditures	<u>5,079,467</u>	<u>5,079,467</u>	<u>4,915,432</u>	<u>164,035</u>
Excess (deficiency) of revenues over (under) expenditures	668,372	668,372	1,206,370	537,998
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	<u>(1,532,201)</u>	<u>(1,672,201)</u>	<u>(1,746,485)</u>	<u>(74,284)</u>
Net change in fund balances	(863,829)	(1,003,829)	(540,115)	463,714
Fund balances - beginning	859,109	859,109	698,115	(160,994)
Fund balances - ending	<u>\$ (4,720)</u>	<u>(144,720)</u>	<u>158,000</u>	<u>302,720</u>

See accompanying notes to the basic financial statement.

**OTHER SUPPLEMENTARY  
INFORMATION**

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

	Special Revenue								Debt Service	Capital Projects		Permanent	Total
	Street & Alley	Library Funds	Vacation Liability	Tourism	Park User Fees	Animal Control	Airport Trust	Seminole Recreation Authority	Sinking Fund	Capital Improvements	Grant Fund	Cemetery Perpetual Care	Nonmajor Governmental Funds
<b>ASSETS</b>													
Cash and cash equivalents	\$ 106,411	21,072	17,647	13,050	5,005	41,285	30,435	30,242	278,679	84,003	280,683	140,302	1,048,814
Receivables, net	5,042	-	-	-	-	-	-	-	-	-	-	-	5,042
<b>TOTAL</b>	<b>111,453</b>	<b>21,072</b>	<b>17,647</b>	<b>13,050</b>	<b>5,005</b>	<b>41,285</b>	<b>30,435</b>	<b>30,242</b>	<b>278,679</b>	<b>84,003</b>	<b>280,683</b>	<b>140,302</b>	<b>1,053,856</b>
<b>LIABILITIES AND FUND BALANCES</b>													
Liabilities:													
Accounts payable	2,102	3,133	-	-	1,587	1,068	-	-	-	2,518	205,980	-	216,388
<b>Total Liabilities</b>	<b>2,102</b>	<b>3,133</b>	<b>-</b>	<b>-</b>	<b>1,587</b>	<b>1,068</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,518</b>	<b>205,980</b>	<b>-</b>	<b>216,388</b>
Fund balances:													
Reserved for:													
Debt service	-	-	-	-	-	-	-	-	278,679	-	-	-	278,679
Capital improvements	-	-	-	-	-	-	-	-	-	81,485	74,703	-	156,188
Unreserved:													
Designated	109,351	17,939	17,647	13,050	3,418	40,217	30,435	30,242	-	-	-	140,302	402,601
<b>Total Fund Balances</b>	<b>109,351</b>	<b>17,939</b>	<b>17,647</b>	<b>13,050</b>	<b>3,418</b>	<b>40,217</b>	<b>30,435</b>	<b>30,242</b>	<b>278,679</b>	<b>81,485</b>	<b>74,703</b>	<b>140,302</b>	<b>837,468</b>
<b>TOTAL</b>	<b>\$ 111,453</b>	<b>21,072</b>	<b>17,647</b>	<b>13,050</b>	<b>5,005</b>	<b>41,285</b>	<b>30,435</b>	<b>30,242</b>	<b>278,679</b>	<b>84,003</b>	<b>280,683</b>	<b>140,302</b>	<b>1,053,856</b>

See accompanying notes to the basic financial statement.

**City of Seminole, Oklahoma**  
**Nonmajor Governmental Funds**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**For the Year Ended June 30, 2011**

	Special Revenue							Debt Service	Capital Projects		Permanent Cemetery	Total Nonmajor Governmental	
	Street & Alley	Library Funds	Vacation Liability	Tourism	Park User Fees	Animal Control	Airport Trust	Seminole Recreation Authority	Sinking Fund	Capital Improvements	Grant Fund	Care	Funds
<b>REVENUES</b>													
Taxes	\$ 61,804	-	-	51,552	-	-	-	-	201,512	-	-	-	314,868
Intergovernmental	-	10,262	-	-	-	-	224,297	-	-	-	902,291	-	1,136,850
Charge for services	-	-	-	-	6,551	5,606	25,100	-	-	-	-	3,604	40,861
Interest	-	90	-	-	-	-	494	75	2,161	-	-	-	2,820
Insurance reimbursements	-	-	-	-	-	-	346,283	-	-	-	-	-	346,283
Miscellaneous	4,336	-	-	-	-	-	8,999	-	-	9,222	151,333	-	173,890
Total revenues	<u>66,140</u>	<u>10,352</u>	<u>-</u>	<u>51,552</u>	<u>6,551</u>	<u>5,606</u>	<u>605,173</u>	<u>75</u>	<u>203,673</u>	<u>9,222</u>	<u>1,053,624</u>	<u>3,604</u>	<u>2,015,572</u>
<b>EXPENDITURES</b>													
Current:													
General government	-	-	-	-	-	-	-	-	198,288	7,905	1,025,892	-	1,232,085
Public safety	-	-	-	-	-	6,904	-	-	-	253,190	-	-	260,094
Public works	94,233	-	-	-	-	-	579,261	-	-	-	-	-	673,494
Cultural and recreational	-	10,140	-	50,051	21,732	-	-	-	-	10,602	-	12,201	104,726
Total expenditures	<u>94,233</u>	<u>10,140</u>	<u>-</u>	<u>50,051</u>	<u>21,732</u>	<u>6,904</u>	<u>579,261</u>	<u>-</u>	<u>198,288</u>	<u>271,697</u>	<u>1,025,892</u>	<u>12,201</u>	<u>2,270,399</u>
Excess (deficiency) of revenues over expenditures	<u>(28,093)</u>	<u>212</u>	<u>-</u>	<u>1,501</u>	<u>(15,181)</u>	<u>(1,298)</u>	<u>25,912</u>	<u>75</u>	<u>5,385</u>	<u>(262,475)</u>	<u>27,732</u>	<u>(8,597)</u>	<u>(254,827)</u>
<b>OTHER FINANCING SOURCES (USES)</b>													
Transfers in	-	-	-	-	-	-	-	-	-	278,190	-	-	278,190
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>278,190</u>	<u>-</u>	<u>-</u>	<u>278,190</u>
Net change in fund balances	(28,093)	212	-	1,501	(15,181)	(1,298)	25,912	75	5,385	15,715	27,732	(8,597)	23,363
Fund balances-beginning	137,444	17,727	17,647	11,549	18,599	41,515	4,523	30,167	273,294	65,770	46,971	148,899	814,105
Fund balances-ending	<u>\$ 109,351</u>	<u>17,939</u>	<u>17,647</u>	<u>13,050</u>	<u>3,418</u>	<u>40,217</u>	<u>30,435</u>	<u>30,242</u>	<u>278,679</u>	<u>81,485</u>	<u>74,703</u>	<u>140,302</u>	<u>837,468</u>

See accompanying notes to the basic financial statement.

City of Seminole, Oklahoma

Schedule of Grant Revenues and Expenditures  
 Budget, Actual and Reconciliation of Audit Grant  
 June 30, 2011

14044 SCDBG 09

	<u>Program Budget</u>	<u>Cumulative Expenditures to Date Per Expenditure Report</u>	<u>Adjustments</u>	<u>Per Audit</u>	<u>Current Year Activity Per Audit</u>
<u>REVENUE</u>					
Grant Proceeds	\$ 1,000,000	509,819	-	509,819	509,819
Matching funds	131,152	91,551	-	91,551	91,551
Total Revenue	1,131,152	601,370	-	601,370	601,370
<u>EXPENDITURES</u>					
Infrastructure improvements	929,203	439,022	-	439,022	439,022
Engineering, legal and professional	70,797	70,797	-	70,797	70,797
Matching funds	131,152	91,551	-	91,551	91,551
Total Expenditures	1,131,152	601,370	-	601,370	601,370
Revenues Over (Under) Expenditures	\$ -	-	-	-	-

**CITY OF SEMINOLE, OKLAHOMA  
SINGLE AUDIT SUPPLEMENT AND  
INDEPENDENT AUDITOR'S REPORTS  
ON COMPLIANCE AND INTERNAL CONTROL**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2011**

## TABLE OF CONTENTS

	<u>PAGE</u>
Report on Internal Control Over Financial Reporting Based and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	3-4
Schedule of Expenditures of Federal Awards	5
Schedule of Findings and Questioned Costs	6

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

Honorable Mayor and City Council Members  
City of Seminole, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Seminole, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City of Seminole's basic financial statements and have issued our report thereon dated October 27, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the following paragraph that we consider to be significant deficiencies in internal control over financial reporting. Finding 2011-1 is considered a significant deficiency. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## **Finding 2011-1 Presentation of Financial Statements**

In accordance with accounting standard SAS 115, should management choose to allow the auditors to prepare the City's financial statements, including full footnote disclose, instead of preparing the statements themselves, this is considered an internal control deficiency. While it is common practice for the auditors to prepare the financial statements for many organizations, the standard requires us to communicate to those charged with governance this choice to have the auditors prepare the financial statements as a significant deficiency or material weakness. This is to ensure that you understand that the auditors, not management, have prepared the financial statements and allow those charged with governance the ability to determine whether the cost of implementing an appropriate control to prepare the financial statements outweighs the benefit that could be gained. An appropriate control could be hiring additional staff with knowledge and ability to prepare the financial statements or hiring another accountant to prepare the financial statements before the audit commences.

### **Management Response**

In accordance with the Statement of Auditing Standards (SAS) No. 115, it is the responsibility of the City of Seminole to prepare the City's financial statements. The City of Seminole chose to allow the independent auditor to prepare the financial statements for the reporting period, as has been standard practice for previous audits. It is important to note that this practice is not precluded under the guideline, but rather is listed as a significant deficiency under published standards.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Seminole, Oklahoma's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Seminole, Oklahoma in a separate letter dated October 27, 2010.

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

***Dillon & Associates, P.C.***

Midwest City, Oklahoma  
October 27, 2011

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Mayor and  
Members of the City Council  
City of Seminole, Oklahoma

**COMPLIANCE**

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

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

In our opinion, the City of Seminole, Oklahoma complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

## INTERNAL CONTROL OVER COMPLIANCE

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

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Seminole, Oklahoma as of and for the year ended June 30, 2011, and have issued our report thereon dated October 27, 2011. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of Seminole, Oklahoma's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

***Dillon & Associates, P.C.***

Midwest City, Oklahoma  
October 27, 2011

City of Seminole, Oklahoma  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2011

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS - THROUGH GRANTOR NUMBER	PROGRAM OR AWARD AMOUNT	EXPENDITURES
<u>U.S. Department of Housing and Urban Development</u>				
Passed through Oklahoma Department of Commerce:				
Stimulus Community Development Block Grant (ARRA)	14.255	14044 SCDBG 09	\$ 1,000,000	509,819
Passed through Oklahoma Housing Finance Agency:				
HOME Investments Partnerships Program	14.239	1291 HOME 09	260,000	250,000
Total U.S. Department of Housing and Urban Development			1,260,000	759,819
<u>Federal Emergency Management Agency</u>				
Passed through Oklahoma Department of Emergency Management:				
Emergency Management Performance Grant	97.042	SLA 2011	10,000	2,500
Emergency Management Performance Grant	97.042	SLA 2010	7,500	3,750
Public Assistance Grant	97.001	FEMA-1876-DR-OK	20,894	20,894
Public Assistance Grant	97.001	FEMA-1883-DR-OK	49,989	49,989
Public Assistance Grant	97.001	FEMA-1917-DR-OK	31,621	31,621
Total Federal Emergency Management Agency			120,004	108,754
<u>U.S. Department of Transportation</u>				
Federal Aviation Administration				
Direct Program:				
Airport Improvement Program	20.106	03-40-0087-012-2009	227,050	224,297
Total U.S. Department of Transportation			227,050	224,297
Total Federal Assistance			1,607,054	1,092,870
<u>State of Oklahoma</u>				
Passed through the Central Oklahoma				
Econ. Development District (COEDD) :				
Community Expansion of Nutritional Assistance		2010-2011 CENA 033	800	800
Oklahoma Department of Libraries				
State Aid Grant			10,262	10,262
Total Federal and State Assistance			\$ 1,618,116	1,103,932

Notes to Schedule of Expenditures of Federal Awards

Note A - Significant Accounting Policies - The accompanying schedule of expenditures of federal awards is prepared on the basis of accounting consistent with the definition of federal awards expended in paragraph 205 of OMB Circular A-133.

CITY OF SEMINOLE, OKLAHOMA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2011

**A. SUMMARY OF AUDIT RESULTS**

***Financial Statements***

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

***Federal Awards***

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.255	ARRA - Stimulus Community Development Block Grant

Dollar threshold used to distinguish between type A And type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	No

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

None

**Compliance**

None

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT**

None