

CITY OF SEMINOLE, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2013

CONTENTS

	Page Number
BASIC FINANCIAL STATEMENTS:	
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-12
<i>Government-Wide Financial Statements:</i>	
Statement of Net Position	13
Statement of Activities	14-15
<i>Fund Financial Statements:</i>	
Balance Sheet - Governmental Funds	16
Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Net Position - Proprietary Funds	19
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	20
Statement of Cash Flows - Proprietary Funds	21
Notes to Basic Financial Statements	22-46
REQUIRED SUPPLEMENTAL INFORMATION:	
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	47
Notes of Required Supplemental Information	48
OTHER SUPPLEMENTAL INFORMATION:	
Combining Financial Statements Nonmajor Governmental Funds Combining Balance Sheet	49
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	50
Schedule of Grant Revenues and Expenditures - Budget, Actual and Reconciliation of Audit to Grant - Oklahoma Department of Commerce	51

**INDEPENDENT AUDITOR'S
REPORT**

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INDEPENDENT AUDITOR'S REPORT

City Council
City of Seminole
Seminole, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Seminole, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Seminole, Oklahoma, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

In accordance with *Government Accounting Standards*, we have also issued our report (under separate cover) dated September 20, 2013, 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 on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Other Matters

Required Supplementary Information

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

Other Information

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 accompanying combining and individual nonmajor fund financial statements and statistical are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information as listed in the Table of Contents are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling

such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information section is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Dillon & Associates, P.C.

Midwest City, Oklahoma
September 20, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF SEMINOLE, OKLAHOMA

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended June 30, 2013

As management of the City of Seminole (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2013.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$19,112,178. Of this amount, \$1,155,100 may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's net position decreased by \$257,137 from the prior year restated amount.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,688,392, an increase of \$285,316 in comparison with the prior year amount. Of this total amount, \$566,749 is *unassigned fund balance* for governmental funds.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$566,749, or approximately 10% of total General Fund expenditures.
- During the current fiscal year, the City's total long-term obligations decreased by \$1,192,392 (6.5%). The debt was increased by the issuance of SUA 2012 Sales Tax Refunding Revenue Bonds in the amount of \$3,985,000 and reduced by principal payments of \$5,177,392.
- Sales and use taxes increased by \$54,722 or 1% over the prior fiscal year.
- The City implemented Governmental Accounting Standards Board Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position*" (GASB #63) for the current fiscal year ended June 30, 2013. GASB No. 63 establishes financial reporting requirements and related disclosures for certain elements of a statement of financial position that were discussed in the GASB's 2007 Concepts Statement No. 4, "*Elements of Financial Statements.*" In Concepts Statement No. 4, the GASB defined a *deferred outflow of resources* as a consumption of net position by a government that is applicable to a future reporting period; a *deferred inflow of resources* as an acquisition of net position by a government that is applicable to a future reporting period; and *net position* as a residual of all other elements presented in a statement of financial position (the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources). Under GASB #63, amounts for items that GASB has designated to be deferred outflows of resources are to be presented in a statement of financial position in a separate section following assets, while amounts for items that the GASB has designated to be deferred inflows of resources are to be presented in a separate section following liabilities. The residual of assets and deferred outflows of resources over liabilities and deferred inflows of resources is to be reported as net

position rather than as net assets in a statement of financial position. Since the City had no deferred outflows or inflows of resources at June 30, 2013, the City's implementation of GASB #63 has no material effect on the presentation of its fiscal year 2012-2013 financial statements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City'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 position* presents information on all of the City's residual of assets and deferred outflows of resources over liabilities and deferred inflows of resources. Over time, increases or decreases in *net position* may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City 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 include general government, public safety, public works, and culture and recreation. The business-type activities of the City, which include the City's water, sewer, sanitation utility and golf course operations, are included in the Seminole Utilities Authority.

The government-wide financial statements include not only the City itself, but also the legally separate Seminole Utilities Authority and Seminole Airport Authority as blended component units. The Authorities, although also legally separate, functions for all practical purposes as departments of the City, and therefore have been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 12-14 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, 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 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 eight 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, which is considered to be a major fund.

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 as listed in the table of contents.

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

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its risk management and insurance activities. These services have been allocated to governmental and business-type functions in the government-wide financial statements.

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 a major fund of the City.

The basic proprietary fund financial statements can be found as listed in the table of contents.

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 as listed in the table of contents.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's (a) variances in budget to actual revenues and expenditures for the General Fund. Required supplementary information can be found as listed in table of contents.

The combining statements referred to earlier in connection with non-major governmental funds is presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found as listed in the table of contents.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$19,112,178 at the close of the most recent fiscal year. The following table provides a summary of the City's net position at June 30, 2013 compared to June 30, 2012.

Table 1
Net Position
(In Thousands)

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 1,699	1,403	9,827	11,073	11,526	12,476
Capital assets	6,530	6,960	18,803	19,452	25,333	26,412
Total assets	<u>8,229</u>	<u>8,363</u>	<u>28,630</u>	<u>30,525</u>	<u>36,859</u>	<u>38,888</u>
Long-term debt	502	596	15,703	16,547	16,205	17,143
Other liabilities	190	222	1,352	1,302	1,542	1,524
Total liabilities	<u>692</u>	<u>818</u>	<u>17,055</u>	<u>17,849</u>	<u>17,747</u>	<u>18,667</u>
Net assets:						
Invested in capital						
assets, net of debt	6,120	6,328	3,181	4,232	9,301	10,560
Restricted	1,122	973	7,534	6,845	8,656	7,818
Unrestricted	295	244	860	1,598	1,155	1,842
Total net assets	<u>\$ 7,537</u>	<u>7,545</u>	<u>11,575</u>	<u>12,675</u>	<u>19,112</u>	<u>20,220</u>

By far the largest portion of the City's Net Position (48.6%) 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.

An additional portion of the City's net position (45.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (6.2%) may be used to meet the government's ongoing obligations to citizens and creditors.

During the current fiscal year the City's net position decreased by \$257,137 during the current fiscal year. This decrease represents the overall excess of expenses, including depreciation of \$1,486,624 over revenues.

Governmental activities. Governmental activities decreased the City's net position by \$8,368. The key element was a non-cash charge for depreciation on capital assets of \$988,743.

Business-type activities. Business-type activities decreased the City's net position by \$248,769. The key element was a non-cash charge for depreciation on capital assets of \$497,881.

Table 2
Changes in Net Position (In Thousands)

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues						
Charge for services	\$ 1,123	1,110	3,390	3,751	4,513	4,861
Operating grants	12	24	-	-	12	24
Capital grants	692	566	-	205	692	771
General revenues:						
Sales and use taxes	5,222	5,167	-	-	5,222	5,167
Franchise taxes (fees)	395	421	-	-	395	421
Other taxes	410	398	-	-	410	398
Investment income	7	8	23	55	30	63
Other	483	372	-20	33	463	405
Total revenues	<u>8,344</u>	<u>8,066</u>	<u>3,393</u>	<u>4,044</u>	<u>11,737</u>	<u>12,110</u>
Expenses:						
General government	2,518	1,697	2,106	1,497	4,624	3,194
Public safety	2,558	2,440	-	-	2,558	2,440
Public works	1,664	1,838	-	-	1,664	1,838
Cultural and recreation	751	699	-	-	751	699
Water	-	-	793	565	793	565
Sewer	-	-	601	996	601	996
Reynold's activity center	-	-	762	566	762	566
Economic development	-	-	241	236	241	236
Total expenses	<u>7,491</u>	<u>6,674</u>	<u>4,503</u>	<u>3,860</u>	<u>11,994</u>	<u>10,534</u>
Increase before transfers	853	1,392	(1,110)	(1,518)	(257)	(126)
Transfers	(861)	(1,207)	861	1,207	-	-
Change in net position	<u>(8)</u>	<u>185</u>	<u>(249)</u>	<u>(311)</u>	<u>(257)</u>	<u>(126)</u>
Contributed capital	-	-	-	-	-	-
Beginning net position	<u>7,545</u>	<u>7,360</u>	<u>11,824</u>	<u>12,135</u>	<u>19,369</u>	<u>19,495</u>
Ending net position	<u>\$ 7,537</u>	<u>7,545</u>	<u>11,575</u>	<u>11,824</u>	<u>19,112</u>	<u>19,369</u>

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, *unassigned 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 \$1,688,392, an increase of \$137,613, in comparison with the prior year. Of this total amount, \$566,749 is *unassigned fund balance* for the governmental funds.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$566,749. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. *Unassigned fund balance* and *total fund balance* represents approximately 10% and 10% of total General Fund expenditures, respectively.

During the current fiscal year, the fund balance of the City's General Fund increased by \$137,613.

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 position of the Seminole Utilities Authority at the end of the year amounted to \$1,424,993. The total increase in net position was \$805,749.

- Operating revenues decreased by \$343,973 over the prior year due to a decreased sewer utility revenues.
- Operating expenses decreased by \$730,200, mainly due to a general decrease utility operating expense.

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 \$7,193,539 were \$109,845 more than the estimated revenues in the budget of \$7,083,694. Actual expenditures of \$5,400,684 were \$29,204 less than the \$5,429,888 approved in budget appropriations. After a net transfer out of \$1,655,242 from other funds, the City increased by \$137,613 its carry forward funds to cover the overall excess of expenditures over receipts. The amount of carryover funds budget for expenditure was \$566,749.

Capital Asset and Long-term Obligations

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounts to \$25,333,697 (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:

- Minor equipment purchases in various funds.
- Purchase of a new ambulance.
- Infrastructure improvements including airport runway improvements.

Table 3
Capital Assets
(In Thousands)

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Construction in progress	\$ -	-	-	-	-	-
Land	305	305	14	14	319	319
Buildings	2,391	2,391	13,774	13,774	16,165	16,165
Machinery and equipment	4,187	4,143	2,036	1,946	6,223	6,089
Vehicles	2,543	2,448	369	369	2,912	2,817
Infrastructure	16,112	15,933	15,552	15,552	31,664	31,485
Less: Accum. depreciation	(19,008)	(18,260)	(12,942)	(12,203)	(31,950)	(30,463)
Total capital assets, net	\$ 6,530	6,960	18,803	19,452	25,333	26,412

Additional information of the City's capital assets can be found in Note 2.D. in the Notes to the Basic Financial Statements as listed in the table of contents.

Long-term obligations. At the end of the current fiscal year, the City had total debt outstanding of \$71,367,172. This represents debt secured solely by specified revenue sources (i.e., general obligation bonds, revenue notes and bonds) of \$70,812,311 and judgments of \$554,861.

Table 4
Long-term Debt
(In Thousands)

	Governmental		Business-type		Total	
	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
General obligation bonds \$	410	560	-	-	410	560
Notes payable	-	-	417	494	417	494
Revenue bonds	-	-	16,235	17,200	16,235	17,200
Other	-	73	-	-	-	73
Total long-term debt	\$ 410	633	16,652	17,694	17,062	18,327

The City's total debt decreased by \$1,192,392 during the current fiscal year. The key factor in this decrease were principal payments and the defeasement of the SUA Series 2004 Revenue Bonds.

Additional information on the City's long-term debt can be found in Notes 2.E. in the Notes to the Basic Financial Statements as listed in the table of contents.

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the fiscal-year 2013-2014 budget, tax rates, and fees that will be charged for the proprietary fund type activities. One of these factors is the economy. Slower growth of the national economy has affected the local economy. Unemployment is up, sales tax revenues, however, have shown steady growth for the last several years, and utility revenues were strong and have shown moderate growth.

These indicators were taken into account when adopting the general fund budget for 2013-2014.

- 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, 2013.
- As for the City's proprietary fund activities, we expect moderate growth in the revenues and expenses over those received in 2013.

All of these factors were considered in preparing the City's budget for the 2013-2014 fiscal year.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, bond rating agencies and creditors with a general overview of the City's finances reflecting the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Office at 401 N. Main Street, Seminole, Oklahoma 74868.

BASIC FINANCIAL STATEMENTS

City of Seminole, Oklahoma
Statement of Net Position
June 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	SEDC
ASSETS				
Current assets:				
Pooled cash and cash equivalents	\$ 1,260,283	211,520	1,471,803	443,227
Investments	10,000	690,199	700,199	191,426
Receivables, net of allowance for uncollectibles:				
Accounts	122,432	399,511	521,943	5,779
Taxes	306,027	203,659	509,686	-
Due from other governments	-	94,218	94,218	-
Internal balances	-	-	-	-
Restricted assets:				
Restricted cash and investments	-	8,227,477	8,227,477	1,437,352
Total current assets	<u>1,698,742</u>	<u>9,826,584</u>	<u>11,525,326</u>	<u>2,077,784</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation	6,530,409	18,803,288	25,333,697	7,365,226
Total noncurrent assets	<u>6,530,409</u>	<u>18,803,288</u>	<u>25,333,697</u>	<u>7,365,226</u>
Total assets	<u>8,229,151</u>	<u>28,629,872</u>	<u>36,859,023</u>	<u>9,443,010</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	10,350	43,111	53,461	31,982
Accrued interest payable	-	211,855	211,855	223,783
Due to depositors	-	111,810	111,810	-
Current portion of long-term obligations	180,000	984,987	1,164,987	192,375
Total current liabilities	<u>190,350</u>	<u>1,351,763</u>	<u>1,542,113</u>	<u>448,140</u>
Noncurrent liabilities:				
Bonds payable	230,000	15,330,000	15,560,000	7,185,000
Notes payable	-	337,208	337,208	144,525
Accrued compensated absences	271,993	35,531	307,524	-
Total noncurrent liabilities	<u>501,993</u>	<u>15,702,739</u>	<u>16,204,732</u>	<u>7,329,525</u>
Total liabilities	<u>692,343</u>	<u>17,054,502</u>	<u>17,746,845</u>	<u>7,777,665</u>
Net Position				
Invested in capital assets, net of related debt	6,120,409	3,180,577	9,300,986	(4,775)
Restricted for:				
Capital improvements	218,535	1,039,739	1,258,274	-
Debt service	304,672	4,873,585	5,178,257	1,437,352
Facility maintenance	-	1,621,125	1,621,125	-
Other purposes	598,436	-	598,436	-
Unrestricted	294,756	860,344	1,155,100	232,768
Total Net Position	<u>\$ 7,536,808</u>	<u>11,575,370</u>	<u>19,112,178</u>	<u>1,665,345</u>

See accompanying notes to the basic financial statement.

City of Seminole, Oklahoma
Statement of Activities
For the Year Ended June 30, 2013

	Expenses	Program Revenues		Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
PRIMARY GOVERNMENT					
Governmental activities:					
General government	\$ 2,518,753	860,644	-	438,456	(1,219,653)
Public safety	2,558,215	262,294	-	-	(2,295,921)
Public works	1,663,887	-	-	253,822	(1,410,065)
Culture and recreation	750,928	-	12,543	-	(738,385)
Total government activities	<u>7,491,783</u>	<u>1,122,938</u>	<u>12,543</u>	<u>692,278</u>	<u>(5,664,024)</u>
Business-type activities:					
Administration	2,106,087	356,773	-	-	(1,749,314)
Water	793,300	1,139,037	-	-	345,737
Sewer	601,047	860,674	-	-	259,627
Sanitation	-	648,887	-	-	648,887
Reynold's activity center	762,219	385,072	-	-	(377,147)
Economic development	241,461	-	-	-	(241,461)
Total business-type activities	<u>4,504,114</u>	<u>3,390,443</u>	<u>-</u>	<u>-</u>	<u>(1,113,671)</u>
Total primary government	<u>11,995,897</u>	<u>4,513,381</u>	<u>12,543</u>	<u>692,278</u>	<u>(6,777,695)</u>
COMPONENT UNITS					
Seminole Economic Development Council	1,040,427	61,544	-	-	(978,883)
Total component units	<u>\$ 1,040,427</u>	<u>61,544</u>	<u>-</u>	<u>-</u>	<u>(978,883)</u>

City of Seminole, Oklahoma
Statement of Activities
For the Year Ended June 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	SEDC
Change in Net Position:				
Net (expense) revenue	\$ (5,664,024)	(1,113,671)	(6,777,695)	(978,883)
General revenues:				
Taxes:				
Sales and use	5,221,872	-	5,221,872	-
Franchise	395,011	-	395,011	-
Property	140,132	-	140,132	850,001
Other	269,603	-	269,603	-
Unrestricted investment income	7,221	23,577	30,798	2,379
Miscellaneous	483,220	(20,078)	463,142	42,026
Transfers - internal activity	(861,403)	861,403	-	-
Total general revenues and transfers	<u>5,655,656</u>	<u>864,902</u>	<u>6,520,558</u>	<u>894,406</u>
Change in Net Position	(8,368)	(248,769)	(257,137)	(84,477)
Net Position - beginning	<u>7,545,176</u>	<u>11,824,139</u>	<u>19,369,315</u>	<u>1,749,822</u>
Net Position - ending	<u>\$ 7,536,808</u>	<u>11,575,370</u>	<u>19,112,178</u>	<u>1,665,345</u>

See accompanying notes to the basic financial statement.

**City of Seminole, Oklahoma
Governmental Funds
Balance Sheet
June 30, 2013**

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 147,448	1,106,601	1,254,049
Cash - Police bond account	6,234	-	6,234
Investments	-	10,000	10,000
Receivables, net	391,435	5,042	396,477
Due from Seminole Economic Development Council	31,982	-	31,982
Total assets	577,099	1,121,643	1,698,742
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	8,376	-	8,376
Police bonds outstanding	1,974	-	1,974
Total liabilities (Note 2)	10,350	-	10,350
Fund balances:			
Reserved for:			
Debt service	-	304,672	304,672
Capital improvements	-	218,535	218,535
Unreserved, reported in:			
General fund	566,749	-	566,749
Special revenue funds	-	598,436	598,436
Total fund balances	566,749	1,121,643	1,688,392
Total liabilities and fund balances	\$ 577,099	1,121,643	
Amounts reported for governmental activities in the statement of Net Position (Exhibit 1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not required in the funds.			6,530,409
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:			
Bonds payable			(410,000)
Accrued compensated absences			(271,993)
Net Position of governmental activities			\$ 7,536,808

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, 2013

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Taxes	\$ 5,616,883	289,211	5,906,094
Intergovernmental	121,253	704,093	825,346
Licenses and permits	25,147	-	25,147
Charge for services	813,343	22,154	835,497
Fines and forfeitures	262,294	-	262,294
Interest	6,068	1,153	7,221
Miscellaneous	348,551	134,669	483,220
Total revenues	<u>7,193,539</u>	<u>1,151,280</u>	<u>8,344,819</u>
EXPENDITURES			
Current:			
General government	1,877,921	697,035	2,574,956
Public safety	2,436,501	124,529	2,561,030
Public works	627,865	847,360	1,475,225
Culture and recreation	458,397	128,492	586,889
Total expenditures	<u>5,400,684</u>	<u>1,797,416</u>	<u>7,198,100</u>
Excess (deficiency) of revenues over expenditures	<u>1,792,855</u>	<u>(646,136)</u>	<u>1,146,719</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,097,503	793,839	1,891,342
Transfers out	<u>(2,752,745)</u>	-	<u>(2,752,745)</u>
Total other financing sources and uses	<u>(1,655,242)</u>	<u>793,839</u>	<u>(861,403)</u>
Net change in fund balances	137,613	147,703	285,316
Fund balances-beginning	429,136	973,940	1,403,076
Fund balances-ending	<u>\$ 566,749</u>	<u>1,121,643</u>	<u>1,688,392</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, 2013

Net change in fund balances - total governmental funds \$ 285,316

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 expenditures exceeded depreciation in the current reporting period.

Capital outlay expenditures, net	318,315
Depreciation expense	(748,181)
	(429,866)

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	222,663
	(86,481)
	136,182

Change in net assets of governmental activities.	\$ (8,368)
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City of Seminole, Oklahoma
Proprietary Funds
Statement of Net Position
June 30, 2013

	Business-type Activities - Enterprise Funds						
	Seminole Utilities Authority	Meter Deposit Fund	Capital Improvements	Seminole Gas Authority	Seminole Community Wellness Authority	Seminole Medical Authority	Total Enterprise Funds
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 213,758	90,745	(82,151)	12,887	(23,719)	-	211,520
Investments	-	43,864	589,159	-	-	57,176	690,199
Receivables, accounts net of allowance for doubtful accounts	374,711	-	-	24,800	-	-	399,511
Due from other governments	203,659	-	-	-	-	-	203,659
Due from Seminole Schools	94,218	-	-	-	-	-	94,218
Internal balances	22,799	(22,799)	-	-	-	-	-
Restricted assets - cash and investments	6,073,621	-	532,731	-	1,621,125	-	8,227,477
Total current assets	6,982,766	111,810	1,039,739	37,687	1,597,406	57,176	9,826,584
Non-current assets:							
Capital assets, net of accumulated depreciation	11,356,373	-	-	-	7,446,915	-	18,803,288
Total non-current assets	11,356,373	-	-	-	7,446,915	-	18,803,288
Total assets	18,339,139	111,810	1,039,739	37,687	9,044,321	57,176	28,629,872
LIABILITIES							
Current liabilities:							
Accounts payable	14,565	-	-	28,546	-	-	43,111
Accrued interest payable	211,855	-	-	-	-	-	211,855
Due to depositors	-	111,810	-	-	-	-	111,810
Current portion of long-term obligations	984,987	-	-	-	-	-	984,987
Total current liabilities	1,211,407	111,810	-	28,546	-	-	1,351,763
Non-current liabilities:							
Revenue bonds payable, net of current portion	15,330,000	-	-	-	-	-	15,330,000
Notes payable, net of current portion	337,208	-	-	-	-	-	337,208
Accrued compensated absences	35,531	-	-	-	-	-	35,531
Total non-current liabilities	15,702,739	-	-	-	-	-	15,702,739
Total liabilities	16,914,146	111,810	-	28,546	-	-	17,054,502
NET POSITION							
Net investment in capital assets	(4,266,338)	-	-	-	7,446,915	-	3,180,577
Restricted:							
Debt service	4,873,585	-	-	-	-	-	4,873,585
Construction	-	-	1,039,739	-	-	-	1,039,739
Facility maintenance	-	-	-	-	1,621,125	-	1,621,125
Unrestricted	817,746	-	-	9,141	(23,719)	57,176	860,344
Total net position	\$ 1,424,993	-	1,039,739	9,141	9,044,321	57,176	11,575,370

See accompanying notes to the basic financial statement.

City of Seminole, Oklahoma
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds					
	Seminole Utilities Authority	Capital Improvements	Seminole Gas Authority	Seminole Community Wellness Authority	Seminole Medical Authority	Total Enterprise Funds
OPERATING REVENUES:						
Charges for services						
Water	\$ 1,139,037	-	-	-	-	1,139,037
Wastewater	860,674	-	-	-	-	860,674
Sanitation	648,887	-	-	-	-	648,887
Other	110,276	-	246,497	-	-	356,773
Reynold's Center	-	-	-	385,072	-	385,072
Total operating revenues	<u>2,758,874</u>	<u>-</u>	<u>246,497</u>	<u>385,072</u>	<u>-</u>	<u>3,390,443</u>
OPERATING EXPENSES:						
General and administration	759,998	6,675	24,329	-	-	791,002
Water	446,370	126,189	-	-	-	572,559
Sewer	341,559	15,794	-	-	-	357,353
Natural gas	-	-	241,461	-	-	241,461
Reynold's Center	-	-	-	521,656	-	521,656
Depreciation and amortization	497,881	-	-	240,563	-	738,444
Total operating expenses	<u>2,045,808</u>	<u>148,658</u>	<u>265,790</u>	<u>762,219</u>	<u>-</u>	<u>3,222,475</u>
Operating income (loss)	<u>713,066</u>	<u>(148,658)</u>	<u>(19,293)</u>	<u>(377,147)</u>	<u>-</u>	<u>167,968</u>
NONOPERATING REVENUES (EXPENSES):						
Miscellaneous revenues	(20,078)	-	-	-	-	(20,078)
Interest income	9,574	6,105	-	7,318	580	23,577
Capital project expenditures	(310,730)	-	-	-	-	(310,730)
Debt issuance expense	(176,229)	-	-	-	-	(176,229)
Interest expense and fiscal charges	(794,680)	-	-	-	-	(794,680)
Total nonoperating revenues (expenses)	<u>(1,292,143)</u>	<u>6,105</u>	<u>-</u>	<u>7,318</u>	<u>580</u>	<u>(1,278,140)</u>
OPERATING TRANSFERS						
Transfers in	2,507,326	25,000	-	-	-	2,532,326
Transfers out	(1,122,500)	(548,423)	-	-	-	(1,670,923)
Total operating transfers	<u>1,384,826</u>	<u>(523,423)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>861,403</u>
Change in net position	<u>805,749</u>	<u>(665,976)</u>	<u>(19,293)</u>	<u>(369,829)</u>	<u>580</u>	<u>(248,769)</u>
Net position - beginning	619,244	1,705,715	28,434	9,414,150	56,596	11,824,139
Net position - ending	<u>\$ 1,424,993</u>	<u>1,039,739</u>	<u>9,141</u>	<u>9,044,321</u>	<u>57,176</u>	<u>11,575,370</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, 2013**

	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>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>						
Receipts from customers	\$ 2,758,874	-	238,480	385,072	-	3,382,426
Payments to suppliers	(1,142,662)	(148,658)	(257,338)	(521,656)	-	(2,070,314)
Payments to employees	(470,968)	-	-	-	-	(470,968)
Net cash provided (used) by operating activities	<u>1,145,244</u>	<u>(148,658)</u>	<u>(18,858)</u>	<u>(136,584)</u>	<u>-</u>	<u>841,144</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>						
Change in interfund receivables/payables	(3,836)	-	-	-	-	(3,836)
Miscellaneous revenues	(20,078)	-	-	-	-	(20,078)
Operating transfers in (out)	1,384,826	(523,423)	-	-	-	861,403
Net cash provided (used) by noncapital financing activities	<u>1,360,912</u>	<u>(523,423)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>837,489</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>						
Proceeds from issuance of long-term debt	3,985,000	-	-	-	-	3,985,000
Principal paid on long-term debt	(5,027,392)	-	-	-	-	(5,027,392)
Interest expense, fiscal charges and issuance costs	(970,909)	-	-	-	-	(970,909)
Decrease (increase) in restricted assets	(92,726)	548,423	-	93,205	-	548,902
Capital expenditures for governmental activities	(310,730)	-	-	-	-	(310,730)
(Acquisition) disposition of capital assets	(89,531)	-	-	-	-	(89,531)
Net cash provided (used) by capital and related financing activities	<u>(2,506,288)</u>	<u>548,423</u>	<u>-</u>	<u>93,205</u>	<u>-</u>	<u>(1,864,660)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>						
Decrease (increase) in investments	-	(6,105)	-	-	-	(6,105)
Interest received	9,574	6,105	-	7,318	580	23,577
Net cash provided (used) by investing activities	<u>9,574</u>	<u>-</u>	<u>-</u>	<u>7,318</u>	<u>580</u>	<u>17,472</u>
Net increase (decrease) in cash and cash equivalents	9,442	(123,658)	(18,858)	(36,061)	580	(168,555)
Cash and cash equivalents, beginning of the year	204,316	41,507	31,745	12,342	56,596	346,506
Cash and cash equivalents, end of the year	<u>\$ 213,758</u>	<u>(82,151)</u>	<u>12,887</u>	<u>(23,719)</u>	<u>57,176</u>	<u>177,951</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>						
Operating income (loss)	713,066	(148,658)	(19,293)	(377,147)	-	167,968
Adjustments to reconcile operating income to net cash provided by operating activities:		37,279				
Cash flows reported in other categories:						
Depreciation and amortization expense	497,881	-	-	240,563	-	738,444
Change in assets and liabilities:						
Receivable, net	25,277	-	(8,016)	-	-	17,261
Accounts payable	(255)	-	8,451	-	-	8,196
Accrued expenses	(90,725)	-	-	-	-	(90,725)
Total adjustments	<u>432,178</u>	<u>-</u>	<u>435</u>	<u>240,563</u>	<u>-</u>	<u>673,176</u>
Net cash provided by (used in) operating activities	<u>\$ 1,145,244</u>	<u>(148,658)</u>	<u>(18,858)</u>	<u>(136,584)</u>	<u>-</u>	<u>841,144</u>

See accompanying notes to the basic financial statement.

**NOTES TO BASIC
FINANCIAL STATEMENTS**

City of Seminole, Oklahoma
Notes to the Basic Financial Statements
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the City of Seminole, Oklahoma (the City) conform to accounting principles generally accepted in the United States of America for state and local governments. General accepted accounting principles for municipalities are defined as those principles promulgated by the Governmental Accounting Standards Board (“GASB”). Business-type activities and enterprise funds apply Financial Accounting Standards Board (“FASB”) and Accounting Principles Board (“APB”) opinions issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The following represents the more significant accounting and reporting policies of the City:

Reporting Entity - The City is a municipal corporation. The City is governed by an elected mayor and six-member council. As required by accounting principles generally accepted in the United States of America (primarily Governmental Accounting Standards Board Statement No. 14, *Reporting Entity*), these financial statements present the government and its component units, entities for which the City is considered to be financial accountable. Blended component units, although legally separate entities, are, in substance, part of the City’s operations and therefore data from these units are combined with the data of the City. Each blended component unit has a June 30 year end.

Blended component units. 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.

The Seminole Urban Renewal Authority was created March 21, 2011 to promote and finance economic development in the City of Seminole.

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.

City of Seminole, Oklahoma
Notes to Basic Financial Statements
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation - The City follows Governmental Accounting Standards Board (“GASB”) Statement No. 34 “Basic Financial Statements and Management’s Discussion and Analysis - for States and Local Governments” and related pronouncements in the preparation of its financial statements. Additional information regarding the basis of accounting and the differences in presentation are contained in Management’s Discussion and Analysis, which preceded the financial statements.

Government-wide and Fund Financial Statements - The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of Interfund activity has been removed from these financial statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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*.

Separate financial statements are provided for governmental funds, proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

City of Seminole, Oklahoma
Notes to Basic Financial Statements
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

The following are the City's major governmental funds:

General Fund - is the general operating fund of the City. It accounts and reports for all financial resources not required to be reported in another fund.

The following are the City's major proprietary funds:

Seminole Utilities Authority (SUA) - accounts for the revenues from operations of electric, water, sanitary sewer, solid waste.

Seminole Gas Authority (SGA) - accounts for operations of providing natural gas to specific industrial customers.

Seminole Community Wellness Authority (SCWA) - accounts for operations of the Reynolds Community Center.

The following are the City's agency funds:

Meter Deposit Fund - accounts for utility customer deposits.

Municipal Court Fund - accounts for municipal court bonds related intergovernmental payments.

The following are the City's non-major governmental funds:

Special Revenue Funds - accounts for the proceeds of government grants or specific revenue sources (other than grants applicable to enterprise fund activities, expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes.

- Street & Alley Fund
- Library Funds
- Vacation Liability Fund
- Tourism Fund
- Park User Fee Fund
- Animal Control Fund
- Airport Trust Fund
- Seminole Recreation Authority
- Seminole Urban Renewal Authority

City of Seminole, Oklahoma
Notes to Basic Financial Statements
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Debt Service Sinking Fund - accounts for the accumulation of financial resources for the payment of principal and interest on the general long-term debt of the City, other than debt service payments made by enterprise funds. Ad Valorem taxes and interest earned on investments of the Debt Service Fund are used for the payment of principal, interest and commissions to fiscal agents on the City's general obligation bonds.

Cemetery Perpetual Care Fund - accounts for and reports resources that are restricted, committed, or assigned to expenditure for the maintenance and care of the cemetery.

Capital Projects - accounts for and report financial resources that are restricted, committed, or assigned to expenditure for the construction and repair of streets as approved by a special sales tax ordinance.

As a general rule the effect of Interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are payments-in-lieu of taxes and other charges between governments risk management internal service fund. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 City's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Accounting Policies - The City's significant accounting policies related to the following financial statement categories are summarized below:

Assets, Liabilities, and Fund Equity

- a. ***Cash and Cash Equivalents*** - The City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents.
- b. ***Pooled Cash and Investments*** - The City Charter requires all cash belonging to the City to be placed in the custody of the Financial Services Department of the City. A "Pooled Cash" concept is used in maintaining the cash and investment accounts in the accounting records. Under this method, all cash is pooled for investment purposes and each fund has an equity in the pooled amounts. Investments are allocated to the individual participating

City of Seminole, Oklahoma
Notes to Basic Financial Statements
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- c. funds based upon a percentage determined by the Financial Services Department of the City. An interfund receivable/payable is recognized if the allocation of investments to a particular fund exceeds the fund's pooled cash amount before the allocation of the pooled investments.

Purchases and maturities of the pooled investments, as reported in the fund's statement of cash flow, are allocated to the participating proprietary funds based on their portion of total pooled investments.

- d. *Investments* - Investments are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The City considers quoted market price at June 30, 2013, to be the fair value of its investments.

Oklahoma Statutes authorize the City to invest in obligations of the United States government, its agencies and instrumentalities; collateralized or insured certificates of deposit and other evidences of deposit at banks, savings banks, savings and loan associations and credit unions located in this state, or fully insured certificates of deposit at banks, savings bank, savings and loan associations and credit unions located out of state; negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings bank, a savings and loan association or a state-licensed branch of a foreign bank; prime banker's acceptances which are eligible for purchases by the Federal Reserve System and which do not exceed 270 days' maturity; prime commercial paper which shall not have a maturity that exceeds 180 days nor represent more than 10% of the outstanding paper of an issuing corporation; repurchase agreements that have underlying collateral consisting of those items specified above; and money market funds regulated by the Securities and Exchange Commission and which investments consist of those items noted above.

- e. *Receivables and payables* - In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

In the governmental fund financial statements, receivables are recorded when they are both measurable and available. Proprietary fund receivables consist of all revenues earned at year-end and not yet received.

- f. *Interfund Receivable and Payables* - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to / due 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."

City of Seminole, Oklahoma
Notes to Basic Financial Statements
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- g. *Restricted Assets* - Restricted assets include cash and investments of both governmental activities and business-type activities that are legally restricted as to their use. The restricted assets are primarily related to debt trustee accounts and guaranty deposits.
- h. *Capital Assets* - Capital assets, which include property, plant and equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with initial, individual cost of more than \$2,500 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, the majority of which generally consists of donated land and infrastructure which is recorded in the governmental funds and donated water and sewer distribution systems which are recorded in the proprietary funds, are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment is depreciated using the straight line method over the following estimated useful lives:

Buildings	40 - 65 years
Infrastructure	25 - 50 years
Improvements other than buildings & infrastructure	10 - 20 years
Machinery and equipment	3 - 20 years
Vehicles	3 - 7 years

- i. *Inventory* - The City records parts and fuel inventory within the General Fund. Parts inventory is recorded using actual cost. Fuel inventory is recorded using average cost.
- j. *Long-term Debt* - In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt is reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, issuance costs and losses on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred losses on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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 issues is reported as other financing sources. Premiums received on debt issuances are 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 services expenditures.

City of Seminole, Oklahoma
Notes to Basic Financial Statements
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- k. *Claims and Judgments Payable* - Under state law, judgments against the City can be paid over three years or can be paid immediately. The General Fund pays all claims and judgments. A liability has been recorded within the government-wide, proprietary and fiduciary fund financial statements for claims and judgments payable. A liability for these amounts is reported in governmental funds only if they will be paid from current financial resources.

- l. *Compensated Absences* - Under the terms of union contracts and City personnel policies, City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for vacation leave accumulated and vested accumulated sick leave. Vesting of sick leave by employees and maximum number of hours that can be accumulated for vacation and sick leave are dependent upon an employees' years of service. Upon retirement, one-half of accumulated sick leave is converted to vacation time, subject to the above limitation for maximum compensation for unused compensated absences.

- m. *Fund Equity* - In the government-wide financial statements, equity is classified as net position and displayed in three components:
 - 1. *Net investment in capital assets* - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings attributable to those assets.

 - 2. *Restricted net position* - Consists of net position with constraints placed on the use either by external groups, such as grantors or laws and regulations of other governments, or law through constitutional provisions or enabling legislation. The most significant restriction as of June 30, 2013 related to three ordinances benefiting the City's wastewater system which provide funds that are being held to complete capital projects.

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

When both restricted and unrestricted net position are available for use, generally it is the City's policy to use restricted resources first. For projects funded with tax-exempt debt proceeds and other sources, the debt proceeds are used first.

City of Seminole, Oklahoma
Notes to Basic Financial Statements
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

- a) *Nonspendable* - Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.
- b) *Restricted* - Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- c) *Committed* - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the City through formal action of the highest level of decision making authority. To commit these funds, formal action is required by the City Council either by resolution or ordinance that identifies the specific circumstances under which the resources may be expended.
- d) *Assigned* - Includes fund balance amount that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent can be stipulated by the governing body, another body (such as Finance Committee), or by an official to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance of the classification for all governmental funds with positive balances.
- e) *Unassigned* - Includes the residual balance of the General Fund that has not been assigned to other funds and that has not be restricted, committed, or assigned to specific purposes with the General Fund.

Revenues, Expenditures and Expenses

- a. *Property Tax Revenue* - Property taxes attach an enforceable lien on property as of January 1. Taxes are levied annually on November 1 and are due one-half by December 31 and one-half by March 31. The Tax Assessor's office bills and collects the property taxes and remits to the City its portion. Property taxes not paid prior to April are considered delinquent. Such delinquent tax payments have not historically been material. Delinquent tax payments are received throughout the year and are recognized as revenue in the year received, except those received within 60 days of year end, which are recognized as revenues as of June 30, 2013 in both the government-wide and fund financial statements.
- b. *Sales Taxes* - Sales taxes are collected by vendors and required to be remitted to the State of Oklahoma by the 20th of the month following collection. The tax is then paid to the City by the 10th of the next month. A two month lag exists between collection by the vendor and payment to the City by the State. Revenue received in July and August from sales made in May and June, respectively, is available for prior year expenses and is accrued in both the government-wide and fund financial statements.

City of Seminole, Oklahoma
Notes to Basic Financial Statements
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- c. *Charges for Services* - Charges for service consist primarily of charges made by the General Fund for services such as motor pool usage, printing, accounting, data processing, facilities usage and other benefits provided to the other funds of the City.
- d. *Intergovernmental Revenues/Capital Grants Earned* - Revenues from Federal and State operating grants are recognized when expenditures are made. Similarly, capital grants are considered earned when the expenditures are made. The earned portion of capital grants in Proprietary Funds is treated as a capital contribution within the statement of revenues, expenses and changes in fund net position.
- e. *Investment Earnings* - Investment earnings on pooled cash and investments are allocated on a pro-rata basis to the City's funds based on the percentage of each fund's average month-end pooled cash balance.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Reclassifications - Certain amounts in prior-year financial statements have been reclassified to conform with the current-year presentation.

NOTE 2 - DETAILED NOTES ON ALL FUNDS

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

A. CASH AND INVESTMENTS

A summary of cash and investments shown in the Statement of Net Position is as follows:

Cash and equivalents	\$ 1,471,803
Investments	<u>700,199</u>
Total	<u>\$ 2,172,002</u>

City of Seminole, Oklahoma
Notes to the Basic Financial Statements
June 30, 2013

NOTE 2 - DETAILED NOTES ON ALL FUNDS - Continued

The local government had the following deposits and investments at June 30, 2013:

	Credit rating	Fair value	Maturities in Years		
			On demand	Less than 1	1-5
Demand deposits and cash on hand	(1)	\$ 1,471,803	1,471,803	-	-
Money market mutual funds	AAA	-	-	-	-
Time deposits	(1)	700,199	-	700,199	-
Total		\$ 2,172,002	1,471,803	700,199	-

(1) Note subject to rating

Standard and Poor's (S&P) was the source for all credit ratings reported above.

Custodial Credit Risk

At June 30, 2013, the City held deposits of approximately \$6,990,545 at financial institutions. The City's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with the securities held by the City or by its agent in the City's name.

Investment Interest Credit Risk

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

Investment Credit Risk

The City has no policy that limits its investment choice other than the limitation of the state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.

City of Seminole, Oklahoma
Notes to the Basic Financial Statements
June 30, 2013

NOTE 2 - DETAILED NOTES ON ALL FUNDS - Continued

Investment Credit Risk

The City has no policy that limits its investment choice other than the limitation of the state law as follows:

- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by Federal Housing Administrator, and obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraph (a.-d.).

Concentration of Investment Credit Risk

The City places no limit on the amount it may invest in any one issuer. The City has the following of credit risk: 100% in Certificates of deposit (\$656,335).

B. RECEIVABLES AND UNCOLLECTIBLE ACCOUNTS

Receivables as of June 30, 2013, 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 <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Seminole Utilities <u>Authority</u>	Seminole Gas <u>Authority</u>	<u>Total</u>
Receivables:					
Taxes	\$ 306,206	5,042	203,659	-	514,907
Accounts	-	-	464,281	24,800	489,081
Other	117,211	-	94,218	-	211,429
Gross receivables	<u>423,417</u>	<u>5,042</u>	<u>762,158</u>	<u>24,800</u>	<u>1,215,417</u>
Less: Allowance for uncollectibles	-	-	89,570	-	89,570
Net total receivables	<u>\$ 423,417</u>	<u>5,042</u>	<u>672,588</u>	<u>24,800</u>	<u>1,125,847</u>

City of Seminole, Oklahoma
Notes to the Basic Financial Statements
June 30, 2013

NOTE 2 - DETAILED NOTES ON ALL FUNDS - Continued

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.

SUA Utility Sales Tax Revenue Bonds, Series 2006 :	
Project account	\$ 977,912
Debt service	717,423
Debt service reserve	1,046,324
SUA Utility Revenue Bonds, Series 2010 :	
Project account	532,731
Debt service	115,673
Debt service reserve	220,866
SUA Sales Tax Revenue Bonds, Series 2012 :	
Project account	263,427
Debt service	256,963
Accounts not held at trustee bank :	
Debt service	<u>2,475,033</u>
Total restricted assets	<u><u>\$ 6,606,352</u></u>

City of Seminole, Oklahoma
Notes to the Basic Financial Statements
June 30, 2013

NOTE 2 - DETAILED NOTES ON ALL FUNDS - Continued

D. CAPITAL ASSETS

Capital asset balances and activities for the year ended Jun 30, 2013, were as follows:

	Beginning	Additions	Retirements	Ending
<i>Governmental activities</i>				
Capital assets not being depreciated :				
Land	\$ 304,926	-	-	304,926
Total capital assets not being depreciated	304,926	-	-	304,926
Capital assets being depreciated :				
Buildings and improvements	2,391,627	-	-	2,391,627
Machinery and equipment	4,143,574	43,699	-	4,187,273
Vehicles	2,447,902	95,343	-	2,543,245
Infrastructure	15,932,692	179,273	-	16,111,965
Total capital assets being depreciated	24,915,795	318,315	-	25,234,110
Less accumulated depreciation for :				
Buildings and improvements	(1,815,472)	(47,259)	-	(1,862,731)
Machinery and equipment	(3,825,146)	(43,852)	-	(3,868,998)
Vehicles	(1,533,406)	(158,287)	-	(1,691,693)
Infrastructure	(11,086,422)	(498,783)	-	(11,585,205)
Total accumulated depreciation	(18,260,446)	(748,181)	-	(19,008,627)
Total capital assets being depreciated, net	6,655,349	(429,866)	-	6,225,483
Governmental activities capital assets, net	\$ 6,960,275	(429,866)	-	6,530,409
<i>Business-type activities</i>				
Capital assets not being depreciated :				
Land and construction in progress	\$ 13,889	-	-	13,889
Total capital assets not being depreciated	13,889	-	-	13,889
Capital assets being depreciated :				
Buildings and improvements	13,773,846	-	-	13,773,846
Machinery and equipment	1,946,530	89,531	-	2,036,061
Vehicles	369,637	-	-	369,637
Infrastructure	15,551,711	-	-	15,551,711
Total capital assets being depreciated	31,641,724	89,531	-	31,731,255
Less accumulated depreciation for :				
Buildings and improvements	(2,186,895)	(365,353)	-	(2,552,248)
Machinery and equipment	(1,128,214)	(98,204)	-	(1,226,418)
Vehicles	(360,103)	(3,848)	-	(363,951)
Infrastructure	(8,528,200)	(271,039)	-	(8,799,239)
Total accumulated depreciation	(12,203,412)	(738,444)	-	(12,941,856)
Total capital assets being depreciated, net	19,438,312	(648,913)	-	18,789,399
Business-type activities capital assets, net	\$ 19,452,201	(648,913)	-	18,803,288

City of Seminole, Oklahoma
Notes to the Basic Financial Statements
June 30, 2013

NOTE 2 - DETAILED NOTES ON ALL FUNDS - Continued

D. CAPITAL ASSETS - Continued

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government	\$ 7,317
Public safety	186,497
Public works	367,935
Cultural and recreation	<u>186,432</u>
Total depreciation expense - governmental activities	<u><u>748,181</u></u>

Business-type activities:

Water	220,741
Sewer	243,694
General government	33,446
Reynolds Center	<u>240,563</u>
Total depreciation expense - business-type activities	<u><u>\$ 738,444</u></u>

E. DEPOSITS SUBJECT TO REFUND

Utility customers are required to make a meter deposit, which is refunded upon the customer's termination of services, 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, 2013, cash and investments included \$111,810 available for refund of customer deposits, while the liability to customers was \$111,810.

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, 2013, \$1,974 was being held that was subject to refund.

City of Seminole, Oklahoma
Notes to the Basic Financial Statements
June 30, 2013

NOTE 2 - DETAILED NOTES ON ALL FUNDS - Continued

F. LONG-TERM LIABILITIES

Long-term liabilities of the City of Seminole as of June 30, 2013, are as summarized as follows:

Governmental Activities

\$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%	\$ 65,000
\$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%	345,000
Total general obligation bonds	410,000
Total governmental activities	\$ 410,000

City of Seminole, Oklahoma
Notes to the Basic Financial Statements
June 30, 2013

NOTE 2 - DETAILED NOTES ON ALL FUNDS - Continued

F. LONG-TERM LIABILITIES - 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. \$ 1,870,000

\$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. 10,380,000

\$3,985,000 Seminole Sales Tax Refunding Revenue Bonds, Series 2012A and 2012B. Bonds dated November 1, 2012, due in annual principle installments of \$245,000 to \$460,000 through August 1, 2022, with interest at 1.25% to 3.00%, secured by a lien against sales tax revenues. 3,985,000

Net revenue bonds payable 16,235,000

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%. 170,720

Notes payable to a local bank with varying terms and maturities 246,495

Total net revenue bonds and notes payable 16,652,215

Total business-type activities \$ 16,652,215

City of Seminole, Oklahoma
Notes to the Basic Financial Statements
June 30, 2013

NOTE 2 - DETAILED NOTES ON ALL FUNDS - Continued

F. LONG-TERM LIABILITIES - Continued

Long-term liabilities transactions for the year ended June 30, 2013, 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>
Governmental activities					
General obligation bonds:					
Series 1993	\$ 100,000	-	35,000	65,000	35,000
Series 1996	460,000	-	115,000	345,000	115,000
Total governmental activities	<u>560,000</u>	<u>-</u>	<u>150,000</u>	<u>410,000</u>	<u>150,000</u>
Business-type activities					
Revenue bonds payable:					
Series 2012	-	3,985,000	-	3,985,000	245,000
Series 2010	2,040,000	-	170,000	1,870,000	180,000
Series 2006	10,830,000	-	450,000	10,380,000	480,000
Series 2004	4,330,000	-	4,330,000	-	-
Notes payable:					
CDBG-EDIF #9174	189,689	-	18,969	170,720	18,969
Bank	26,867	-	4,897	21,970	5,100
Bank	126,873	-	23,144	103,729	23,983
Bank	40,701	-	14,144	26,557	14,884
Bank	110,477	-	16,238	94,239	17,051
Total business-type activities	<u>17,694,607</u>	<u>3,985,000</u>	<u>5,027,392</u>	<u>16,652,215</u>	<u>984,987</u>
Component unit					
Note payable - Bank	\$ -	151,900	-	151,900	7,375
Revenue bonds payable:					
Series 2009	7,545,000	-	175,000	7,370,000	185,000
Total component unit	<u>\$ 7,545,000</u>	<u>151,900</u>	<u>175,000</u>	<u>7,521,900</u>	<u>192,375</u>

City of Seminole, Oklahoma
Notes to the Basic Financial Statements
June 30, 2013

NOTE 2 - DETAILED NOTES ON ALL FUNDS - Continued

F. LONG-TERM LIABILITIES - 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, 2013 are as follows:

Year Ending June 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Component Unit</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
	2014	\$ 180,000	22,191	989,204	675,034	192,375
2015	115,000	13,685	1,147,748	646,037	202,707	534,549
2016	115,000	6,900	1,186,888	603,650	361,818	524,290
2017	-	-	1,212,797	557,760	235,000	505,432
2018	-	-	1,239,702	511,103	250,000	490,980
2019-2023	-	-	6,520,876	1,766,481	1,535,000	2,183,768
2024-2028	-	-	4,355,000	525,158	2,210,000	1,523,994
2029-2033	-	-	-	-	2,535,000	516,762
Totals	\$ <u>410,000</u>	<u>42,776</u>	<u>16,652,215</u>	<u>5,285,223</u>	<u>7,521,900</u>	<u>6,823,906</u>

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, 2013, the remaining outstanding defeased bonds were as follows:

1993 Utility System Revenue Bonds	\$ 625,000
1998 Utility System Refunding Revenue Bonds	630,000
2000 Taxable Sales Tax Revenue Bonds	3,545,000
2004 Sales Tax Revenue Bonds	4,060,000
Total outstanding defeased bonds	<u>\$ 8,860,000</u>

City of Seminole, Oklahoma
Notes to the Basic Financial Statements
June 30, 2013

NOTE 2 - DETAILED NOTES ON ALL FUNDS - Continued

F. LONG-TERM LIABILITIES - Continued

Pledge of Future Revenues

Sales Tax Pledge - The City has pledged two percent (or 2.00%) of future sales tax revenues to repay the 2006, 2010 and 2012 Revenue Bonds which are payable through 2027. Proceeds from the bonds provided financing for construction of various capital projects and defeasement of existing debt. The total principal and interest payable for the remaining life of the bonds is \$21,499,789. Pledged sales taxes received in the current year was \$2,507,329. Debt service payments on the 2006, 2010 and 2012 Revenue Bonds of \$1,258,659 for the current fiscal year were 50% of pledged sales tax.

G. 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	\$ 271,993
Business-type activities	35,531
Total accrued compensated absences	\$ 307,524

H. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund transactions:

	Transfers In		
	General Fund	Nonmajor Governmental	Seminole Utilities Authority
Transfer out:			
General fund	\$ -	295,416	2,507,330
Nonmajor governmental	-	-	-
Seminole Utilities Authority	1,097,503	498,423	-
Totals	\$ 1,097,503	793,839	2,507,330

City of Seminole, Oklahoma
Notes to the Basic Financial Statements
June 30, 2013

NOTE 3 - OTHER INFORMATION

A. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; unemployment; and natural disasters. The City purchases commercial insurance to cover these and other risks, including general auto liability, property damage, and public officials' liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The City is a member of the Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan), an organization formed for the purpose of providing workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the Plan year.

As a matter of the Plan, the City is required to pay fees set by the Plan according to an established payment schedule. The City is responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. A loss Fund has been established from the proceeds of the fees paid by the City. The City expensed these fees when paid. The State Insurance Fund provides coverage in excess of the Loss Fund so the City's Liability for claim loss is limited to the balance of that fund. However, failure of the State Insurance Fund to honor its obligations could result in losses to the Plan.

B. CONTINGENT LIABILITIES

General Litigation

The City and Utilities Authority are parties to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City "Sinking Fund" for the payment of any court assessed judgment rendered against the City.

While the outcome of the above noted proceedings cannot be predicted, due to the self-insurance reserves maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance reserves would not have a material adverse effect on the financial condition of the City.

City of Seminole, Oklahoma
Notes to the Basic Financial Statements
June 30, 2013

NOTE 3 - OTHER INFORMATION - Continued

B. CONTINGENT LIABILITIES - Continued

Grant Program Involvement

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

C. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government entity, the City and its component units are subject to various federal, state and local laws and contractual regulations. 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, 2013, the City did not have deficits in any funds.

D. EMPLOYEE RETIREMENT SYSTEMS AND 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 plans administered by the State of Oklahoma. Additionally, for other City employees not covered by the other plans, the City maintains the City of Seminole Deferred Compensation Plan, an eligible deferred compensation plan within the meaning of Section 457(b) of the Internal Revenue Code.

Oklahoma Police Pension and Retirement Plan

All City police department employees hired before age 45 are covered by a statewide cost sharing multi-employer defined benefit plan adopted under Oklahoma Statutes. This plan is operated and administered by the Oklahoma Police Pension and Retirement System (OPPRS). Under this plan, police department personnel contribute 8.0% of base salary and the City contributes an additional 13.0%. The OPPRS issue publicly available financial reports that include financial statements and required supplemental information for the fund. These reports may be obtained by writing to the Oklahoma Police Pension and Retirement System, 101 NW 63rd Street, Suite 305, Oklahoma City, OK 73116-7335, or by calling 1-800-347-6552.

City of Seminole, Oklahoma
Notes to the Basic Financial Statements
June 30, 2013

NOTE 3 - OTHER INFORMATION - Continued

D. EMPLOYEE RETIREMENT SYSTEMS AND PLANS - Continued

Oklahoma Police Pension and Retirement Plan - Continued

The required contributions from the City for the OPPRS plan are as follows:

Fiscal Year	Required Contribution	Amount Contributed
2013	\$ 64,980	64,980
2012	60,085	60,085
2011	56,510	56,510

Oklahoma Firefighters' Pension and Retirement Plan

All City fire department employees hired before age 45 are covered by a statewide cost sharing multi-employer defined benefit plan adopted under Oklahoma Statutes. This plan is operated and administered by the Oklahoma Firefighters' Pension and Retirement System (OFPRS). Under this plan, fire department personnel contribute 8.0% of base salary and the City contributes an additional 13.0%. The OFPRS issue publicly available financial reports that include financial statements and required supplemental information for the fund. These reports may be obtained by writing to the Oklahoma Firefighters Pension and Retirement System, 4545 north Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414, or by calling 1-800-525-7461.

The required contributions from the City for the OFPRS plan are as follows:

Fiscal Year	Required Contribution	Amount Contributed
2013	\$ 84,094	84,094
2012	78,932	78,932
2011	86,994	86,994

City of Seminole, Oklahoma
Notes to the Basic Financial Statements
June 30, 2013

NOTE 3 - OTHER INFORMATION - Continued

D. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS - Continued

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

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:

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

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, 2013, for employees and employer were \$25,291 and \$126,452, respectively. For the year ended June 30, 2012, the City's covered payroll was \$1,264,517. Covered payroll refers to all compensation paid by the City of Seminole to active employees covered by the Plan on which contributions are based.

E. PROPERTY TAXES

Property taxes levied by the City are billed and collected by the county treasurer's office and remitted to the City in the month following collection. Property taxes are levied annually in October and are due in equal installments on December 31 and March 31. Property taxes unpaid for the fiscal year are attached by an enforceable lien on the property in the following October. The City recognizes the tax in the year it is collected, which is not considered to be materially different from the year earned. For years ended June 30, 2013 and 2011, the City's net assessed valuation of taxable real and personal property aggregated \$27,342,669 and \$27,165,325 while the property taxes levied per \$1,000 of net assessed valuation were \$6.33 and \$6.32, respectively.

City of Seminole, Oklahoma
Notes to the Basic Financial Statements
June 30, 2013

NOTE 3 - OTHER INFORMATION - Continued

F. OTHER POST-EMPLOYMENT BENEFITS

City provides post-retirement benefit options for health care, prescription drug, dental and vision benefits for retired employees and their dependents that elect to make required contributions. The benefits are provided in accordance with State Law, police and firefighters' union contracts and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The relationship for these benefits is not formalized in a contract or plan document, only a few sentences in the administrative policy. These benefits are considered for accounting purposes to be provided in accordance with a single employer substantive plan. A substantive plan is one in which the plan terms are understood by the City and plan members. This understanding is based on communications between the employers and plan member and the historical pattern of practice with regard to the sharing of benefit costs.

Substantially all of the government's employees may become eligible for those post-retirement benefits if they reach normal retirement age while working for the City. The plan is only provided for employees between the ages of 62 and 65. As of June 30, 2013, approximately no retired employees are receiving benefits under this plan.

Funding Policy. The contribution requirement of the City is an implicit subsidy. The implicit subsidy is not a direct payment from the employer on behalf of the member but rather stems from retiree contribution levels that are less than the claims cost at retiree ages. Since claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums, these retired members pay a premium based on a pool of members that, on average, are younger and healthier. There is an implicit subsidy from the employee group since the premiums paid by the retirees are lower than they would have been if the retirees were insured separately. The subsidies are valued using the difference between the age-based claims costs and the premium paid by the retiree. The amount required to fund the implicit rate is based on projected pay-as-you-go financing requirements. For fiscal year 2013, the City contributed 0% to the plan for previously retired employees (0 retirees) and 0% of premiums on newly retired employees (0 retirees).

Annual OPEB Cost and Net OPEB Obligation. The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. GASB 45 requires entities with over 200 employees to have the actuarial valuation performed biennially. The City is not required to perform the actuarial valuation of the OPEB cost and related OPEB obligation for the year ended June 30, 2013 since no one is participating at this time.

Actuarial valuations of an ongoing plan involve estimates of the value of reporting amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

City of Seminole, Oklahoma
Notes to the Basic Financial Statements
June 30, 2013

NOTE 3 - OTHER INFORMATION - Continued

F. OTHER POST-EMPLOYMENT BENEFITS - Continued

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

G. 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	\$ 2,507,329
System-wide Gross Revenues - Water & Sewer	1,999,711
System-wide Operating Expense - Exclusive of capital improvements, debt service and depreciation	
Water and Sewer	(787,929)
Net revenues available for debt service	<u>\$ 3,719,111</u>
 Annual amount to be paid into Sinking Fund	 <u>\$ 1,728,677</u>
 Coverage	 <u>2.15</u>
 Coverage requirement	 <u>1.25</u>

NOTE 4 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 20, 2013, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

**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, 2013

	Budget		Actual	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Taxes	\$ 5,595,899	5,544,042	5,616,883	72,841
Intergovernmental	57,869	51,857	121,253	69,396
Licenses and permits	25,524	25,524	25,147	(377)
Charge for services	786,772	786,772	813,343	26,571
Fines and forfeitures	218,618	225,470	262,294	36,824
Interest	-	-	6,068	6,068
Miscellaneous	174,012	450,029	348,551	(101,478)
Total revenues	<u>6,858,694</u>	<u>7,083,694</u>	<u>7,193,539</u>	<u>109,845</u>
EXPENDITURES				
General government:				
General government	1,448,000	1,448,000	1,428,080	19,920
City council	1,500	893	893	-
City manager	134,182	130,890	130,890	-
City clerk	195,536	176,519	176,519	-
City attorney	40,739	41,537	41,537	-
Municipal court	99,587	100,002	100,002	-
Public safety:				
Police	1,038,181	1,075,620	1,075,620	-
Fire and ambulance	1,415,339	1,344,589	1,344,589	-
Emergency management	25,000	16,292	16,292	-
Public works:				
Streets	274,799	292,489	292,489	-
Fleet maintenance	60,167	62,283	62,283	-
Community services	195,293	189,469	189,469	-
Cemetery	59,752	61,610	61,610	-
Airport	24,999	22,014	22,014	-
Culture and recreation:				
Senior citizens bus	29,313	30,955	21,671	9,284
Parks	159,304	162,806	162,806	-
Golf course	77,927	67,504	67,504	-
Sportsman lake	55,761	59,471	59,471	-
Library	138,370	129,479	129,479	-
Senior citizens crafts	17,290	17,466	17,466	-
Total expenditures	<u>5,491,039</u>	<u>5,429,888</u>	<u>5,400,684</u>	<u>29,204</u>
Excess (deficiency) of revenues over (under) expenditures	1,367,655	1,653,806	1,792,855	139,049
OTHER FINANCING SOURCES (USES)				
Transfers	<u>(1,369,433)</u>	<u>(1,704,433)</u>	<u>(1,655,242)</u>	<u>49,191</u>
Net change in fund balances	(1,778)	(50,627)	137,613	188,240
Fund balances - beginning	333,937	333,937	429,136	95,199
Fund balances - ending	<u>\$ 332,159</u>	<u>283,310</u>	<u>566,749</u>	<u>283,439</u>

See accompanying notes to the basic financial statement.

City of Seminole, Oklahoma
Notes to Required Supplemental Information
For the Year Ended June 30, 2013

BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for all governmental funds. The enterprise fund adopts budgets on the non-GAAP basis wherein service fees, bond and note proceeds are recognized as revenue, principal payments on debt and capital expenditures are recognized as expenses, and depreciation expense is not budgeted. Annual appropriated budgets are not adopted for agency funds. Budgetary data for enterprise funds, internal service, and permanent funds are not presented in these financial statements.

Prior to July 1, the City Manager (not an elected official) submits a proposed operating budget for the fiscal year commencing July 1, to the Council Members (elected officials). Public hearings are held at regular or special meetings to obtain taxpayer input. Prior to July 1, the budget is legally enacted through passage of a budget resolution. The operating budget, for all budgeted funds, includes proposed expenditures and the means of financing. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services, maintenance and operations, capital outlay, transfers and debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. A more detailed budget is used for operating purposes. All budget revisions at the legal level are subject to final approval by the City Council. Within these control levels, management may transfer appropriations without council approval. Revisions to the budget were made during the year in accordance with the provisions of the Oklahoma Statutes. All annual appropriations lapse at year-end.

The City uses encumbrance accounting. Encumbrances are recorded when purchase orders are issued but generally are not considered expenditures until liabilities for payments are incurred. At year-end, open purchase orders are reviewed and payments are made on those where receipt of goods and services is eminent. The remaining purchase orders (and encumbrances) are cancelled and reissued during the following year. There are no outstanding encumbrances at year-end.

**OTHER SUPPLEMENTARY
INFORMATION**

City of Seminole, Oklahoma
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2013

	Special Revenue									Debt Service	Capital Projects		Permanent	Total
	Street & Alley	Library Funds	Vacation Liability	Tourism	Park User Fees	Animal Control	Airport Trust	Urban Renewal Authority	Seminole Recreation Authority	Sinking Fund	Capital Improvements	Grant Fund	Cemetery Perpetual Care	Nonmajor Governmental Funds
ASSETS														
Cash and cash equivalents	\$ 107,251	3,074	17,647	14,671	11,744	44,790	25,675	183,797	30,316	218,535	96,711	207,961	144,429	1,106,601
Investments	-	10,000	-	-	-	-	-	-	-	-	-	-	-	10,000
Receivables, net	5,042	-	-	-	-	-	-	-	-	-	-	-	-	5,042
TOTAL	112,293	13,074	17,647	14,671	11,744	44,790	25,675	183,797	30,316	218,535	96,711	207,961	144,429	1,121,643
LIABILITIES AND FUND BALANCES														
Liabilities:														
Accounts payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fund balances:														
Reserved for:														
Debt service	-	-	-	-	-	-	-	-	-	218,535	-	-	-	218,535
Capital improvements	-	-	-	-	-	-	-	-	-	-	96,711	207,961	-	304,672
Unreserved:														
Designated	112,293	13,074	17,647	14,671	11,744	44,790	25,675	183,797	30,316	-	-	-	144,429	598,436
Total Fund Balances	112,293	13,074	17,647	14,671	11,744	44,790	25,675	183,797	30,316	218,535	96,711	207,961	144,429	1,121,643
TOTAL	\$ 112,293	13,074	17,647	14,671	11,744	44,790	25,675	183,797	30,316	218,535	96,711	207,961	144,429	1,121,643

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, 2013

	Special Revenue								Debt Service	Capital Projects		Permanent	Total	
	Street & Alley	Library Funds	Vacation Liability	Tourism	Park User Fees	Animal Control	Airport Trust	Urban Renewal Authority	Seminole Recreation Authority	Sinking Fund	Capital Improvements	Grant Fund	Cemetery Perpetual Care	Nonmajor Governmental Funds
REVENUES														
Taxes	\$ 61,775	-	-	79,894	-	-	-	-	-	140,132	-	7,410	-	289,211
Intergovernmental	-	11,815	-	-	-	-	253,822	-	-	-	-	438,456	-	704,093
Charge for services	-	-	-	-	12,577	5,610	-	-	-	-	-	-	3,967	22,154
Interest	-	-	-	-	-	187	-	-	26	940	-	-	-	1,153
Miscellaneous	-	-	-	-	-	-	65,325	1,376	-	-	1,500	64,468	2,000	134,669
Total revenues	<u>61,775</u>	<u>11,815</u>	<u>-</u>	<u>79,894</u>	<u>12,577</u>	<u>5,797</u>	<u>319,147</u>	<u>1,376</u>	<u>26</u>	<u>141,072</u>	<u>1,500</u>	<u>510,334</u>	<u>5,967</u>	<u>1,151,280</u>
EXPENDITURES														
Current:														
General government	-	-	-	-	-	-	-	-	-	181,940	8,531	506,564	-	697,035
Public safety	-	-	-	-	-	3,436	-	-	-	-	116,649	4,444	-	124,529
Public works	72,401	-	-	-	-	-	310,639	37,995	-	-	426,325	-	-	847,360
Cultural and recreational	-	12,608	-	73,739	7,471	-	-	-	-	-	29,238	-	5,436	128,492
Total expenditures	<u>72,401</u>	<u>12,608</u>	<u>-</u>	<u>73,739</u>	<u>7,471</u>	<u>3,436</u>	<u>310,639</u>	<u>37,995</u>	<u>-</u>	<u>181,940</u>	<u>580,743</u>	<u>511,008</u>	<u>5,436</u>	<u>1,797,416</u>
Excess (deficiency) of revenues over expenditures	<u>(10,626)</u>	<u>(793)</u>	<u>-</u>	<u>6,155</u>	<u>5,106</u>	<u>2,361</u>	<u>8,508</u>	<u>(36,619)</u>	<u>26</u>	<u>(40,868)</u>	<u>(579,243)</u>	<u>(674)</u>	<u>531</u>	<u>(646,136)</u>
OTHER FINANCING SOURCES (USES)														
Transfers in	-	-	-	-	-	-	-	220,416	-	-	573,423	-	-	793,839
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>220,416</u>	<u>-</u>	<u>-</u>	<u>573,423</u>	<u>-</u>	<u>-</u>	<u>793,839</u>
Net change in fund balances	<u>(10,626)</u>	<u>(793)</u>	<u>-</u>	<u>6,155</u>	<u>5,106</u>	<u>2,361</u>	<u>8,508</u>	<u>183,797</u>	<u>26</u>	<u>(40,868)</u>	<u>(5,820)</u>	<u>(674)</u>	<u>531</u>	<u>147,703</u>
Fund balances-beginning	122,919	13,867	17,647	8,516	6,638	42,429	17,167	-	30,290	259,403	102,531	208,635	143,898	973,940
Fund balances-ending	<u>\$ 112,293</u>	<u>13,074</u>	<u>17,647</u>	<u>14,671</u>	<u>11,744</u>	<u>44,790</u>	<u>25,675</u>	<u>183,797</u>	<u>30,316</u>	<u>218,535</u>	<u>96,711</u>	<u>207,961</u>	<u>144,429</u>	<u>1,121,643</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, 2013

15041 CDBG ED 11

	Program Budget	Cumulative Expenditures to Date Per Expenditure Report	Adjustments	Per Audit	Current Year Activity Per Audit
<u>REVENUE</u>					
Grant Proceeds	\$ 492,903	332,606	105,850	438,456	438,456
Matching funds	492,903	233,431	-	233,431	233,431
Total Revenue	<u>985,806</u>	<u>566,037</u>	<u>105,850</u>	<u>671,887</u>	<u>671,887</u>
<u>EXPENDITURES</u>					
Building, gravel lot, fencing	492,903	332,606	105,850	438,456	438,456
Machinery - Blue Wave Match	469,259	233,431	-	233,431	233,431
Parking lot - Blue Wave Match	23,644	-	-	-	-
Total Expenditures	<u>985,806</u>	<u>566,037</u>	<u>105,850</u>	<u>671,887</u>	<u>671,887</u>
Revenues Over (Under) Expenditures	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Adjustments

The City of Seminole expended \$105,850 related to grant in May, 2013. The expenditures were not reported the funding agency until July, 2013.

CITY OF SEMINOLE, OKLAHOMA
SINGLE AUDIT REPORTS
AND SUPPLEMENTARY SCHEDULES
JUNE 30, 2013

TABLE OF CONTENTS

	<u>PAGE</u>
REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
REPORTS REQUIRED BY OMB CIRCULAR A-133	
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	3-5
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8-11
Summary Schedule of Prior Audit Findings	12

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INDEPENDENT AUDITOR'S REPORT
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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Seminole, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Seminole's basic financial statements and have issued our report thereon dated September 20, 2013.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control 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 over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of reportable findings and responses that we consider to be significant deficiencies, referred to as Findings 2013-01 and 2013-02.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Seminole's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and responses as item 2013-03.

City of Seminole's Response to Findings

The City of Seminole's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City of Seminole's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Dillon & Associates, P.C.

Midwest City, Oklahoma
September 20, 2013

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INDEPENDENT AUDITOR'S REPORT
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

Report on Compliance for Each Major Federal Program

We have audited the City of Seminole, Oklahoma (the City), compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 program occurred. An audit includes examining, on a test basis, evidence about the City'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 on compliance for each major federal program. However, our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures that appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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'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. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the City of Seminole as of and for the year ended June 30, 2013, and have issued our report thereon dated September 20, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 is the responsibility of management and was derived from and relates directly to

the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

Dillon & Associates, P.C.

Midwest City, Oklahoma
September 20, 2013

City of Seminole, Oklahoma
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS - THROUGH GRANTOR NUMBER	FEDERAL EXPENDITURES
<u>U.S. Department of Transportation</u>			
Passed through the Federal Aviation Administration: Construct Stub Taxiway, Apron and Access Road	20.106	3-40-0087-013-2012	\$ 219,538
<u>U.S. Department of Housing and Urban Development</u>			
Passed through the Oklahoma Dept. of Commerce: Community Development Block Grant	14.228	15041 CDBG ED 11	438,456
Total Federal Assistance			657,994
<u>State of Oklahoma</u>			
Passed through the Central Oklahoma Econ. Development District (COEDD) : Community Expansion of Nutritional Assistance		2012-13 CENA 034	728
Passed through the Oklahoma Tobacco Settlement Endowment Trust (TSET): Community Expansion of Nutritional Assistance			5,000
Oklahoma Department of Agriculture Rural Fire Program			5,000
Oklahoma Department of Libraries State Aid Grant			11,815
Total Federal and State Assistance			\$ 680,537

**CITY OF SEMINOLE, OKLAHOMA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013**

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Seminole, Oklahoma under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Because the schedule presents only a selected portion of the operations of the City of Seminole, Oklahoma, it is not intended to and does not present the financial position, change in net assets or cash flows of the City of Seminole, Oklahoma.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in *OMB Circular A-87, Cost Principles for States, Local and Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**CITY OF SEMINOLE, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *Unqualified*

Internal control over financial reporting:

* Material weakness(es) identified? yes no

* Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

* Material weakness(es) identified? yes no

* Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes 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? yes no

Identification of major programs:

<u>Program</u>	<u>CFDA Number</u>
Dept of HUD - Community Development Block Grant	14.228

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

CITY OF SEMINOLE, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Section II - Findings Required to be Reported in Accordance with *Government Auditing Standards*:

Finding 2013-01 - Internal Control - Material Adjusting Journal Entries

Criteria - The government's management is responsible for internal controls over accounting and financial reporting. This responsibility includes the design and implementation of controls over the fair and complete presentation of the government's annual financial statements in accordance with generally accepted accounting principles (GAAP) from trial balances derived from the government's accounting records. For trial balances to be both complete and accurate, the government must have effective internal controls over recording, processing, summarizing, and adjusting accounting data. As evidence of effective internal controls over accounting and financial reporting, there should generally be few, if any, material adjustments to the trial balance required that are detected and corrected solely as a result of the financial statement audit. In other words, government management should not rely on the external auditor to detect and correct material misstatements in the books and records as part of its internal controls, but rather should have its own procedures designed and in place that are independent of the external auditor to provide reasonable, although not absolute, assurance that material misstatements will be detected and corrected in its trial balance prior to audit.

Condition - The government's trial balance for the year ended June 30, 2013, required a number of material adjusting journal entries in order for the financial statements to be prepared in accordance with GAAP. These necessary adjusting entries, identified solely as a result of the financial statement audit, included such adjustments as the following: yearend revenue accruals, depreciation expense, and transactions related to debt service.

Cause - Although the government's accounting and financial reporting staff possess the necessary knowledge and expertise to provide reasonable assurance that the trial balances used for preparing the governmental GAAP financial statements are complete and accurate prior to audit, because of work load and other time constraints sufficient efforts were not expended to correct these misstatements prior to the auditor's arrival to perform fieldwork. As a result, management had to rely on the external auditors to identify and correct a number of material misstatements in the trial balance. However, management was able to review, understand and accept the adjusting entries proposed by the external auditor in order to take responsibility for them and the financial statements.

Effect or Potential Effect - As a result of this condition, without reliance on its external auditors, the government did not comply with its internal controls over completeness and accuracy of the trial balances that are used in the preparation of financial statements in accordance with GAAP. This condition can result in undetected and uncorrected material misstatements in the financial statements that are not detected by management and may also not be detected by the financial statement audit. In addition, if management continues to rely on the external auditor. To detect and correct material misstatements, this condition could place the auditor in a questionable position regarding auditor independence since management is responsible for the completeness and accuracy of the financial statements.

**CITY OF SEMINOLE, OKLAHOMA
SCHEDULE OF REPORTABLE FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2013**

Recommendation - The accounting and financial reporting staff should spend sufficient time in evaluating the completeness and accuracy of trial balances that will be used to prepare the government's annual financial statements. If accounting staff doesn't have sufficient time because of workload constraints the government might consider outsourcing certain activities to other individuals or a qualified accounting firm other than the external auditor.

Management's Response - The City concurs with the recommendation, and will strive to prepare and post material adjusting journal entries to the financial statements.

Finding 2013-02 - Internal Control - Reconciliation of Utility Accounts Receivable

Criteria - The City should have adequate controls in place to prepare a timely reconciliation of utility billings, collections, adjustments and ending account receivable balances to the general ledger.

Condition - Internal controls should be in place that provides reasonable assurance that reconciliations are being produced on a monthly basis.

Cause - The City failed to produce month end aged customer accounts receivable reports and reconcile the utility billing, collections and adjustments to the monthly receivable reports. Because of work load and other time constraints sufficient efforts, the accounting staff did not prepare the necessary reconciliations.

Effect or Potential Effect - Without controls in place to insure the proper reconciliations errors or irregularities may occur and go undetected and uncorrected.

Recommendation - We recommend that the City perform proper reconciliations of the utility accounts receivable aging reports with the general ledger control account balances on a monthly basis.

Management's Response - The City concurs with the recommendation and has adjusted their controls to insure timely and accurate reconciliations.

Section III - Finding Required to be Reported in Accordance with OMB Circular A-133:

Finding 2013-03 - Compliance - Timely Filing of Monthly Grant Expenditure Reports

Criteria - The grant award from the Oklahoma Department of Commerce related to the Community Development Block Grant requires the City to submit expenditure reports by the 10th of the month following the expenditure of funds.

Condition - The City did not file a timely report for expenditures occurring in May, 2013.

Cause - Because of work load and other time constraints the report was not filed on time.

Recommendation - We recommend that the City review their procedures to insure the grant reports are filed in the prescribed time requirements.

CITY OF SEMINOLE, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Management's Response - The City concurs with the recommendation and has adjusted their controls to insure timely and accurate reporting.

**CITY OF SEMINOLE, OKLAHOMA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2013**

No matters are reportable.