

# **CITY OF SEMINOLE, OKLAHOMA**

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

**AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2014**

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**INDEPENDENT AUDITOR'S  
REPORT**

**DILLON & ASSOCIATES, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS  
1401 S. DOUGLAS BLVD., SUITE a  
MIDWEST CITY, OK 73130

ROBERT S. DILLON, CPA  
[bobdilloncpa@gmail.com](mailto:bobdilloncpa@gmail.com)

Phone: (405) 732-1800  
Fax : (405) 737-7446

**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, 2014, 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, 2014, 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.

## ***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  
December 23, 2014

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## CITY OF SEMINOLE, OKLAHOMA

### MANAGEMENT'S DISCUSSION AND ANALYSIS *For the Fiscal Year Ended June 30, 2014*

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, 2014.

#### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$19,616,145. Of this amount, \$971,448 may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's net position increased by \$503,967 from the prior year amount.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,652,214, a decrease of \$36,178 in comparison with the prior year amount. Of this total amount, \$598,235 is *unassigned fund balance* for governmental funds.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$598,235, or approximately 10.8% of total General Fund expenditures.
- During the current fiscal year, the City's total long-term obligations decreased by \$1,163,293 (6.8%).
- Sales and use taxes increased by \$488,560 or 9.3% over the prior fiscal year.

#### 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, function 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 11-13 of this report.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, 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 fourteen 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 \$19,616,145 at the close of the most recent fiscal year. The following table provides a summary of the City's net position at June 30, 2014 compared to June 30, 2013.

Table 1  
Net Position  
(In Thousands)

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 1,661	1,699	9,712	9,827	11,373	11,526
Capital assets	6,414	6,530	18,428	18,803	24,842	25,333
Total assets	<u>8,075</u>	<u>8,229</u>	<u>28,140</u>	<u>28,630</u>	<u>36,215</u>	<u>36,859</u>
Long-term debt	494	502	15,712	15,703	16,206	16,205
Other liabilities	9	190	384	1,352	393	1,542
Total liabilities	<u>503</u>	<u>692</u>	<u>16,096</u>	<u>17,055</u>	<u>16,599</u>	<u>17,747</u>
Net position:						
Invested in capital						
assets, net of debt	6,184	6,120	4,232	3,181	10,416	9,301
Restricted	1,054	1,122	7,175	7,534	8,229	8,656
Unrestricted	334	295	637	860	971	1,155
Total net position	<u>\$ 7,572</u>	<u>7,537</u>	<u>12,044</u>	<u>11,575</u>	<u>19,616</u>	<u>19,112</u>

By far the largest portion of the City's Net Position (53.0%) 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 (42.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (5.0%) may be used to meet the government's ongoing obligations to citizens and creditors.

During the current fiscal year the City's net position increased by \$503,967 during the current fiscal year. This increase represents the overall excess of revenues over expenses including depreciation of \$1,514,664.

**Governmental activities.** Governmental activities increased the City's net position by \$34,982. The key element was a non-cash charge for depreciation on capital assets of \$754,423.

**Business-type activities.** Business-type activities increased the City's net position by \$468,985. The key element was a non-cash charge for depreciation on capital assets of \$760,241.

Table 2  
Changes in Net Position (In Thousands)

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues						
Charge for services	\$ 1,335	1,123	3,599	3,390	4,934	4,513
Operating grants	106	12	-	-	106	12
Capital grants	232	692	-	-	232	692
General revenues:						
Sales and use taxes	5,710	5,222	-	-	5,710	5,222
Franchise taxes (fees)	404	395	-	-	404	395
Other taxes	396	410	-	-	396	410
Investment income	8	7	20	23	28	30
Other	127	483	50	-20	177	463
Total revenues	<u>8,318</u>	<u>8,344</u>	<u>3,669</u>	<u>3,393</u>	<u>11,987</u>	<u>11,737</u>
Expenses:						
General government	2,005	2,518	2,188	2,106	4,193	4,624
Public safety	2,817	2,558	-	-	2,817	2,558
Public works	1,186	1,664	-	-	1,186	1,664
Cultural and recreation	890	751	-	-	890	751
Water	-	-	773	793	773	793
Sewer	-	-	600	601	600	601
Reynold's activity center	-	-	656	762	656	762
Economic development	-	-	368	241	368	241
Total expenses	<u>6,898</u>	<u>7,491</u>	<u>4,585</u>	<u>4,503</u>	<u>11,483</u>	<u>11,994</u>
Increase before transfers	1,420	853	(916)	(1,110)	504	(257)
Transfers	(1,385)	(861)	1,385	861	-	-
Change in net position	<u>35</u>	<u>(8)</u>	<u>469</u>	<u>(249)</u>	<u>504</u>	<u>(257)</u>
Beginning 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>
Ending net position	<u>\$ 7,572</u>	<u>7,537</u>	<u>12,044</u>	<u>11,575</u>	<u>19,616</u>	<u>19,112</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 \$1,652,214, a decrease of \$36,178, in comparison with the prior year. Of this total amount, \$598,235 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 \$598,235. 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 10.8% and 10.8% of total General Fund expenditures, respectively.

During the current fiscal year, the fund balance of the City's General Fund increased by \$31,486.

**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 \$556,002. The total increase in net position was \$663,521.

- Operating revenues increased by \$17,856 over the prior.
- Operating expenses increased by \$4,389.

### **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 \$7,607,073 were \$291,813 more than the estimated revenues in the budget of \$7,315,260. Actual expenditures of \$5,522,577 were \$59,199 less than the \$5,581,776 approved in budget appropriations. After a net transfer out of \$2,053,010 to other funds, the City increased by \$31,486 its carry forward funds to cover the overall excess of expenditures over receipts. The amount of carryover funds budget for expenditure was \$598,235.

### **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, 2014, amounts to \$24,841,624 (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.
- Infrastructure improvements including airport runway improvements.

Table 3  
Capital Assets  
(In Thousands)

	Governmental		Business-type		Total	
	<u>Activities</u>		<u>Activities</u>		<u>Primary Government</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</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	4,333	4,187	2,192	2,036	6,525	6,223
Vehicles	2,576	2,543	463	369	3,039	2,912
Infrastructure	16,572	16,112	15,687	15,552	32,259	31,664
Less: Accum. depreciation	(19,763)	(19,008)	(13,702)	(12,942)	(33,465)	(31,950)
<b>Total capital assets, net</b>	<b>\$ 6,414</b>	<b>6,530</b>	<b>18,428</b>	<b>18,803</b>	<b>24,842</b>	<b>25,333</b>

Additional information of the City's capital assets can be found in Note 2 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 \$15,898,922. This represents debt secured solely by specified revenue sources (i.e., general obligation bonds, revenue notes and bonds) of \$15,560,000 and judgments of \$338,922.

Table 4  
Long-term Debt  
(In Thousands)

	Governmental		Business-type		Total	
	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>		<u>Primary Government</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
General obligation bonds \$	230	410	-	-	230	410
Notes payable	-	-	339	417	339	417
Revenue bonds	-	-	15,330	16,235	15,330	16,235
Other	-	-	-	-	-	-
<b>Total long-term debt</b>	<b>\$ 230</b>	<b>410</b>	<b>15,669</b>	<b>16,652</b>	<b>15,899</b>	<b>17,062</b>

The City's total debt decreased by \$1,163,293 during the current fiscal year. The key factor in this decrease were principal payments on existing debt.

Additional information on the City's long-term debt can be found in Notes 2 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 2014-2015 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 2014-2015.

- 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, 2014.
- As for the City's proprietary fund activities, we expect moderate growth in the revenues and expenses over those received in 2014.

All of these factors were considered in preparing the City's budget for the 2014-2015 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, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	SEDC
<b>ASSETS</b>				
Pooled cash and cash equivalents	\$ 1,159,154	182,272	1,341,426	1,040,985
Investments	51,726	57,187	108,913	-
Restricted cash and investments	-	8,731,315	8,731,315	1,167,131
Receivables, net of allowance for uncollectibles				
Accounts	116,904	412,886	529,790	8,920
Due from other governments	333,108	328,503	661,611	22,283
Capital assets:				
Land, improvements and construction in progress	304,926	13,889	318,815	1,253,302
Other capital assets, net of depreciation	6,108,753	18,414,056	24,522,809	3,416,667
Total assets	<u>8,074,571</u>	<u>28,140,108</u>	<u>36,214,679</u>	<u>6,909,288</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	-	-	-	-
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	6,435	69,559	75,994	30,943
Accrued interest payable	-	204,083	204,083	219,931
Deposits subject to refund	2,243	110,550	112,793	-
Long-term liabilities:				
Due within one year	230,000	1,146,443	1,376,443	202,707
Due in more than one year	264,103	14,565,118	14,829,221	7,126,818
Total liabilities	<u>502,781</u>	<u>16,095,753</u>	<u>16,598,534</u>	<u>7,580,399</u>
<b>DEFERRED INFLOW OF RESOURCES</b>	-	-	-	-
<b>NET POSITION</b>				
Net investment in capital assets	6,183,679	4,231,794	10,415,473	(2,659,556)
Restricted for:				
Debt service	131,714	4,818,905	4,950,619	1,167,131
Capital improvements	236,074	727,905	963,979	-
Facility maintenance	-	1,628,435	1,628,435	-
Other purposes	686,191	-	686,191	-
Unrestricted	334,132	637,316	971,448	821,314
Total Net Position	<u>\$ 7,571,790</u>	<u>12,044,355</u>	<u>19,616,145</u>	<u>(671,111)</u>

See accompanying notes to the basic financial statement.

**City of Seminole, Oklahoma**  
**Statement of Activities**  
**For the Year Ended June 30, 2014**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		<b>Net (Expense) Revenue</b>	
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>		<b>Capital Grants and Contributions</b>
<b>Primary government:</b>					
Governmental activities:					
General government	\$ 2,004,988	1,114,463	-	-	(890,525)
Public safety	2,817,070	220,953	-	-	(2,596,117)
Public works	1,186,184	-	-	232,327	(953,857)
Culture and recreation	891,142	-	105,552	-	(785,590)
Total government activities	<u>6,899,384</u>	<u>1,335,416</u>	<u>105,552</u>	<u>232,327</u>	<u>(5,226,089)</u>
Business-type activities:					
Administration	1,609,521	-	-	-	(1,609,521)
Water	772,125	1,108,283	-	-	336,158
Sewer	599,380	840,013	-	-	240,633
Sanitation	578,954	666,617	-	-	87,663
Other fees	-	161,817	-	-	161,817
Natural gas	368,121	399,327	-	-	31,206
Reynold's activity center	655,549	422,484	-	-	(233,065)
Total business-type activities	<u>4,583,650</u>	<u>3,598,541</u>	<u>-</u>	<u>-</u>	<u>(985,109)</u>
Total primary government	<u>11,483,034</u>	<u>4,933,957</u>	<u>105,552</u>	<u>232,327</u>	<u>(6,211,198)</u>
<b>Component Unit:</b>					
Seminole Economic Development Council	1,016,036	34,415	-	-	(981,621)
Total component units	<u>\$ 1,016,036</u>	<u>34,415</u>	<u>-</u>	<u>-</u>	<u>(981,621)</u>

City of Seminole, Oklahoma  
Statement of Activities  
For the Year Ended June 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	SEDC
<b>Change in Net Position:</b>				
<b>Net (expense) revenue</b>	\$ (5,226,089)	(985,109)	(6,211,198)	(981,621)
<b>General revenues:</b>				
Taxes:				
Sales and use	5,710,432	-	5,710,432	-
Franchise	404,258	-	404,258	-
Property	115,127	-	115,127	451,931
Other	281,149	-	281,149	-
Unrestricted investment income	7,542	19,721	27,263	2,098
Miscellaneous	127,136	49,800	176,936	47,650
Loss on disposal of capital asset	-	-	-	(1,856,514)
Transfers - internal activity	(1,384,573)	1,384,573	-	-
Total general revenues and transfers	<u>5,261,071</u>	<u>1,454,094</u>	<u>6,715,165</u>	<u>(1,354,835)</u>
<b>Change in Net Position</b>	34,982	468,985	503,967	(2,336,456)
<b>Net Position - beginning</b>	<u>7,536,808</u>	<u>11,575,370</u>	<u>19,112,178</u>	<u>1,665,345</u>
<b>Net Position - ending</b>	<u>\$ 7,571,790</u>	<u>12,044,355</u>	<u>19,616,145</u>	<u>(671,111)</u>

See accompanying notes to the basic financial statement.

**City of Seminole, Oklahoma**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2014**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 159,700	997,211	1,156,911
Cash - Police bond account	2,243	-	2,243
Investments	-	51,726	51,726
Receivables:			
Due from other governments	333,108	-	333,108
Due from Seminole Economic Development Council	30,943	-	30,943
Other receivable	80,919	5,042	85,961
<b>Total assets</b>	<b>606,913</b>	<b>1,053,979</b>	<b>1,660,892</b>
Deferred outflow of resources	-	-	-
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued liabilities	6,435	-	6,435
Police bonds outstanding	2,243	-	2,243
<b>Total liabilities (Note 2)</b>	<b>8,678</b>	-	<b>8,678</b>
Deferred inflow of resources	-	-	-
Fund balances:			
Nonspendable	-	1,053,979	1,053,979
Unassigned	598,235	-	598,235
<b>Total fund balances</b>	<b>598,235</b>	<b>1,053,979</b>	<b>1,652,214</b>
<b>Total liabilities and fund balances</b>	<b>\$ 606,913</b>	<b>1,053,979</b>	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not required in the funds.			6,413,679
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:			
General obligation bonds payable			(230,000)
Accrued compensated absences			(264,103)
<b>Net position of governmental activities</b>			<b>\$ 7,571,790</b>

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, 2014**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes	\$ 6,114,689	275,468	6,390,157
Intergovernmental	330,163	337,879	668,042
Licenses and permits	23,964	-	23,964
Charge for services	851,086	30,058	881,144
Fines and forfeitures	220,953	-	220,953
Interest	6,862	681	7,543
Miscellaneous	59,356	67,780	127,136
Total revenues	<u>7,607,073</u>	<u>711,866</u>	<u>8,318,939</u>
<b>EXPENDITURES</b>			
Current:			
General government	1,864,614	320,947	2,185,561
Public safety	2,560,284	157,593	2,717,877
Public works	631,826	543,443	1,175,269
Culture and recreation	465,853	425,984	891,837
Total expenditures	<u>5,522,577</u>	<u>1,447,967</u>	<u>6,970,544</u>
Excess (deficiency) of revenues over expenditures	<u>2,084,496</u>	<u>(736,101)</u>	<u>1,348,395</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	3,710,995	668,437	4,379,432
Transfers out	<u>(5,764,005)</u>	-	<u>(5,764,005)</u>
Total other financing sources and uses	<u>(2,053,010)</u>	<u>668,437</u>	<u>(1,384,573)</u>
Net change in fund balances	31,486	(67,664)	(36,178)
Fund balances-beginning	566,749	1,121,643	1,688,392
Fund balances-ending	<u>\$ 598,235</u>	<u>1,053,979</u>	<u>1,652,214</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, 2014**

Net change in fund balances - total governmental funds \$ (36,178)

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	637,693
Depreciation expense	(754,423)
	(116,730)

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	180,000
	7,890
	187,890

Change in net position of governmental activities. \$ 34,982

**City of Seminole, Oklahoma**  
**Statement of Net Position - Proprietary Funds**  
**June 30, 2014**

	Business-type Activities - Enterprise Funds					Total Enterprise Funds
	Seminole Utilities Authority	Capital Improvements	Seminole Gas Authority	Seminole Community Wellness Authority	Seminole Medical Authority	
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 146,787	-	48,023	(12,538)	-	182,272
Investments	-	-	-	-	57,187	57,187
Restricted:						
Cash and investments	6,374,975	727,905	-	1,628,435	-	8,731,315
Reveivables:						
Account, net of allowance of \$89,570	374,711	-	38,175	-	-	412,886
Due from other governments	328,503	-	-	-	-	328,503
Total current assets	<u>7,224,976</u>	<u>727,905</u>	<u>86,198</u>	<u>1,615,897</u>	<u>57,187</u>	<u>9,712,163</u>
Non-current assets:						
Capital assets:						
Land	13,889	-	-	-	-	13,889
Other capital assets, net of accumulated depreciation	11,207,703	-	-	7,206,353	-	18,414,056
Total non-current assets	<u>11,221,592</u>	<u>-</u>	<u>-</u>	<u>7,206,353</u>	<u>-</u>	<u>18,427,945</u>
Total assets	<u><u>18,446,568</u></u>	<u><u>727,905</u></u>	<u><u>86,198</u></u>	<u><u>8,822,250</u></u>	<u><u>57,187</u></u>	<u><u>28,140,108</u></u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and accrued liabilities	20,026	-	45,851	3,682	-	69,559
Accrued interest payable	204,083	-	-	-	-	204,083
Deposits subject to refund	110,550	-	-	-	-	110,550
Current portion of long-term obligations	1,146,443	-	-	-	-	1,146,443
Total current liabilities	<u>1,481,102</u>	<u>-</u>	<u>45,851</u>	<u>3,682</u>	<u>-</u>	<u>1,530,635</u>
Non-current liabilities:						
Revenue bonds payable, net of current portion	14,265,000	-	-	-	-	14,265,000
Notes payable, net of current portion	257,479	-	-	-	-	257,479
Accrued compensated absences	42,639	-	-	-	-	42,639
Total non-current liabilities	<u>14,565,118</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,565,118</u>
Total liabilities	<u>16,046,220</u>	<u>-</u>	<u>45,851</u>	<u>3,682</u>	<u>-</u>	<u>16,095,753</u>
<b>NET POSITION</b>						
Net investment in capital assets	(2,974,559)	-	-	7,206,353	-	4,231,794
Restricted:						
Debt service	4,818,905	-	-	-	-	4,818,905
Construction	-	727,905	-	-	-	727,905
Facility maintenance	-	-	-	1,628,435	-	1,628,435
Unrestricted	556,002	-	40,347	(16,220)	57,187	637,316
Total net position	<u>\$ 2,400,348</u>	<u>727,905</u>	<u>40,347</u>	<u>8,818,568</u>	<u>57,187</u>	<u>12,044,355</u>

See accompanying notes to the basic financial statement.

**City of Seminole, Oklahoma**  
**Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds**  
**For the Year Ended June 30, 2014**

	Business-type Activities - Enterprise Funds					Total Enterprise Funds
	Seminole Utilities Authority	Capital Improvements	Seminole Gas Authority	Seminole Community Wellness Authority	Seminole Medical Authority	
<b>REVENUES</b>						
Charges for services						
Water	\$ 1,108,283	-	-	-	-	1,108,283
Wastewater	840,013	-	-	-	-	840,013
Sanitation	666,617	-	-	-	-	666,617
Other	161,817	-	399,327	-	-	561,144
Reynold's Center	-	-	-	422,484	-	422,484
Total operating revenues	<u>2,776,730</u>	<u>-</u>	<u>399,327</u>	<u>422,484</u>	<u>-</u>	<u>3,598,541</u>
<b>OPERATING EXPENSES</b>						
General and administration	791,634	-	34,415	-	-	826,049
Water	446,494	77,601	-	-	-	524,095
Sewer	363,180	268	-	-	-	363,448
Natural gas	-	-	333,706	-	-	333,706
Reynold's Center	-	-	-	414,986	-	414,986
Depreciation and amortization	519,678	-	-	240,563	-	760,241
Total operating expenses	<u>2,120,986</u>	<u>77,869</u>	<u>368,121</u>	<u>655,549</u>	<u>-</u>	<u>3,222,525</u>
Operating income (loss)	<u>655,744</u>	<u>(77,869)</u>	<u>31,206</u>	<u>(233,065)</u>	<u>-</u>	<u>376,016</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Miscellaneous revenues	49,800	-	-	-	-	49,800
Interest income	10,091	2,307	-	7,312	11	19,721
Capital project expenditures	(685,547)	-	-	-	-	(685,547)
Interest expense and fiscal charges	(675,578)	-	-	-	-	(675,578)
Total nonoperating revenues (expenses)	<u>(1,301,234)</u>	<u>2,307</u>	<u>-</u>	<u>7,312</u>	<u>11</u>	<u>(1,291,604)</u>
<b>OPERATING TRANSFERS</b>						
Transfers in	2,708,495	80,000	-	-	-	2,788,495
Transfers out	(1,087,650)	(316,272)	-	-	-	(1,403,922)
Total operating transfers	<u>1,620,845</u>	<u>(236,272)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,384,573</u>
Change in net position	<u>975,355</u>	<u>(311,834)</u>	<u>31,206</u>	<u>(225,753)</u>	<u>11</u>	<u>468,985</u>
Net position - beginning	1,424,993	1,039,739	9,141	9,044,321	57,176	11,575,370
Net position - ending	<u>\$ 2,400,348</u>	<u>727,905</u>	<u>40,347</u>	<u>8,818,568</u>	<u>57,187</u>	<u>12,044,355</u>

See accompanying notes to the basic financial statement.

**City of Seminole, Oklahoma**  
**Statement of Cash Flows - Proprietary Funds**  
**For the Year Ended June 30, 2014**

	Business-type Activities - Enterprise Funds					Total Enterprise Funds
	Seminole Utilities Authority	Capital Improvements	Seminole Gas Authority	Seminole Community Wellness Authority	Seminole Medical Authority	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers	\$ 2,775,132	-	385,952	422,484	-	3,583,568
Payments to suppliers and employees	(1,575,739)	(77,869)	(350,816)	(411,305)	-	(2,415,729)
Receipt (disbursement) of meter deposits	(1,260)	-	-	-	-	(1,260)
Net cash provided (used) by operating activities	<u>1,198,133</u>	<u>(77,869)</u>	<u>35,136</u>	<u>11,179</u>	<u>-</u>	<u>1,166,579</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Change in interfund receivables/payables	-	-	-	-	-	-
Operating transfers in (out)	<u>1,620,845</u>	<u>(236,272)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,384,573</u>
Net cash provided (used) by noncapital financing activities	<u>1,620,845</u>	<u>(236,272)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,384,573</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Proceeds from issuance of long-term debt	-	-	-	-	-	-
Principal paid on long-term debt	(983,273)	-	-	-	-	(983,273)
Interest expense and fiscal charges	(675,578)	-	-	-	-	(675,578)
Capital expenditures for governmental activities	(685,547)	-	-	-	-	(685,547)
(Acquisition) disposition of capital assets	<u>(384,897)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(384,897)</u>
Net cash provided (used) by capital and related financing activities	<u>(2,729,295)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,729,295)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Decrease (increase) in investments	43,864	79,844	-	-	(11)	123,697
Interest received	<u>10,091</u>	<u>2,307</u>	<u>-</u>	<u>7,312</u>	<u>11</u>	<u>19,721</u>
Net cash provided (used) by investing activities	<u>53,955</u>	<u>82,151</u>	<u>-</u>	<u>7,312</u>	<u>-</u>	<u>143,418</u>
Net increase (decrease) in cash and cash equivalents	143,638	(231,990)	35,136	18,491	-	(34,725)
Cash and cash equivalents, beginning of the year	6,378,124	450,580	12,887	1,597,406	-	8,438,997
Cash and cash equivalents, end of the year	<u>\$ 6,521,762</u>	<u>218,590</u>	<u>48,023</u>	<u>1,615,897</u>	<u>-</u>	<u>8,404,272</u>
Reconciliation to Statement of Net Position:						
Cash and cash equivalents	146,787	2,695	48,023	(12,538)	-	184,967
Restricted cash and cash equivalents	6,374,975	215,895	-	1,628,435	-	8,219,305
Total cash and cash equivalents, end of year	<u>\$ 6,521,762</u>	<u>218,590</u>	<u>48,023</u>	<u>1,615,897</u>	<u>-</u>	<u>8,404,272</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>						
Operating income (loss)	655,744	(77,869)	31,206	(233,065)	-	376,016
Adjustments to reconcile operating income to net cash provided by operating activities:						
Cash flows reported in other categories:						
Depreciation and amortization expense	519,678	-	-	240,563	-	760,241
Miscellaneous revenues	49,800	-	-	-	-	49,800
Change in assets and liabilities:						
(Increase) decrease in receivables	(27,089)	-	(13,376)	-	-	(40,465)
Increase (decrease) in accounts payable and accrued expenses	<u>(2,311)</u>	<u>-</u>	<u>17,306</u>	<u>3,681</u>	<u>-</u>	<u>18,676</u>
Total adjustments	<u>542,389</u>	<u>-</u>	<u>3,930</u>	<u>240,563</u>	<u>-</u>	<u>769,576</u>
Net cash provided by (used in) operating activities	<u>\$ 1,198,133</u>	<u>(77,869)</u>	<u>35,136</u>	<u>7,498</u>	<u>-</u>	<u>1,145,592</u>

See accompanying notes to the basic financial statement.

**NOTES TO BASIC  
FINANCIAL STATEMENTS**

**City of Seminole, Oklahoma**  
**Notes to the Basic Financial Statements**  
***As of and For the Year Ended June 30, 2014***

**NOTE 1 - ORGANIZATION**

The City of Seminole, Oklahoma (the City) is a municipal corporation organized as a City on December 26, 1924. The City is governed by an elected mayor and six-member council. The City operates under a Council-Manager Charter form of government under Title 11 of the *Oklahoma Statutes*. The City provides the following services to its citizens: public safety (police and fire), streets and highways, sanitation, social services, culture and recreation, public improvements, utilities, planning and zoning, and general administrative services.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Reporting Entity** - The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations. Each blended unit has a June 30 fiscal year end.

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" as amended by Statement 61, and includes all component units for which the City is financially accountable. Each component unit is a Public Trust established pursuant to Title 60 of the Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through the issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. In accordance with state law, all debt obligations incurred by public trusts require 2/3 approval by the City Council. In addition, the City has leased certain existing assets at the creation for the Authority to the Trustees on a long-term basis. The City, as beneficiary of the Public Trust, receives title to any residual assets when a Public Trust is dissolved.

**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.

**City of Seminole, Oklahoma**  
**Notes to Basic Financial Statements**  
***As of and For the Year Ended June 30, 2014***

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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

Separate financial statements have not been prepared for the blended component units.

**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.

Separate financial statements may be obtained by contacting the Trust's management.

**Basis of Presentation and Accounting:**

**Government-Wide and Fund Financial Statements** - The statements of net position and activities are reported on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses (including depreciation and amortization) are recorded when the liability is incurred or economic asset used.

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

- Public Safety - Police and Fire - fines and forfeitures, fire run charges, 911 revenue, operating and capital grants
- Streets - commercial vehicle and gasoline excise tax shared by the State, operating and capital grants
- Culture and Recreation - user fees, library fees and operating grants
- Cemetery - cemetery revenues
- General Government - licenses and permits, rentals, operating and capital grants

All governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

***Governmental Funds:***

**Major Funds:**

**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.

City of Seminole, Oklahoma  
Notes to Basic Financial Statements  
*As of and For the Year Ended June 30, 2014*

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Aggregated Non-Major Funds (reported as Other Governmental Funds):**

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

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.

The governmental funds are reported on the modified accrual basis of accounting. On the modified accrual basis of accounting revenues are reported when earned and measurable and available to pay current financial obligations, while expenditures are recorded when incurred and normally payable from current financial resources. The City defines revenue available as collected within 60 days of the period end.

The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statement is the result of the use of the economic resources measurement focus and accrual basis of accounting at the government-wide level.

The General Fund is considered a major fund and therefore displayed in a separate column. All other governmental funds are considered non-major funds and are aggregated under the column Other Governmental Funds.

City of Seminole, Oklahoma  
Notes to Basic Financial Statements  
*As of and For the Year Ended June 30, 2014*

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*Proprietary Funds:*

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.

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

**Assets, Deferred Outflows, Liabilities, Deferred Inflows 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 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.

- c. *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, 2014, 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

City of Seminole, Oklahoma  
Notes to Basic Financial Statements  
*As of and For the Year Ended June 30, 2014*

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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.

- d. *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.

- e. *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."
- f. *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.
- g. *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.

City of Seminole, Oklahoma  
Notes to Basic Financial Statements  
As of and For the Year Ended June 30, 2014

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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

- h. *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.
- i. *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.

- j. *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.
- k. *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.

City of Seminole, Oklahoma  
Notes to Basic Financial Statements  
As of and For the Year Ended June 30, 2014

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

- l. *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, 2014 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.

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.

**City of Seminole, Oklahoma**  
**Notes to Basic Financial Statements**  
***As of and For the Year Ended June 30, 2014***

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**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, 2014 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 20<sup>th</sup> of the month following collection. The tax is then paid to the City by the 10<sup>th</sup> 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.
- 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.

**New Accounting Pronouncements** - There were no new accounting pronouncements applicable to the City's financial reporting for the year ended June 30, 2014.

**City of Seminole, Oklahoma**  
**Notes to the Basic Financial Statements**  
*As of and For the Year Ended June 30, 2014*

**NOTE 3 - DETAILED NOTES CONCERNING THE 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.

**Cash and Investments**

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

Cash and equivalents	\$ 1,341,426
Investments	<u>108,913</u>
Total	<u>\$ 1,450,339</u>

The local government had the following deposits and investments at June 30, 2014:

	Credit rating	Fair value	Maturities in Years		
			On demand	Less than 1	1-5
Demand deposits and cash on hand	(1)	\$ 1,341,426	1,341,426	-	-
Money market mutual funds	AAA	-	-	-	-
Time deposits	(1)	<u>108,913</u>	-	<u>108,913</u>	-
Total		<u>\$ 1,450,339</u>	<u>1,341,426</u>	<u>108,913</u>	-

(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, 2014, the City held deposits of approximately \$7,842,937 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.

**City of Seminole, Oklahoma**  
**Notes to the Basic Financial Statements**  
*As of and For the Year Ended June 30, 2014*

**NOTE 3 - DETAILED NOTES CONCERNING THE 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:

- 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.
- 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 (\$108,913).

**Receivables and Uncollectible Accounts**

Receivables as of June 30, 2014, 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:					
Accounts	\$ 80,919	-	464,281	38,175	583,375
Due from other governments	364,051	5,042	328,503	-	697,596
Gross receivables	<u>444,970</u>	<u>5,042</u>	<u>792,784</u>	<u>38,175</u>	<u>1,280,971</u>
Less: Allowance for uncollectibles	-	-	89,570	-	89,570
Net total receivables	<u>\$ 444,970</u>	<u>5,042</u>	<u>703,214</u>	<u>38,175</u>	<u>1,191,401</u>

City of Seminole, Oklahoma  
Notes to the Basic Financial Statements  
As of and For the Year Ended June 30, 2014

**NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued**

**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	\$ 977,932
Debt service	590,373
Debt service reserve	1,007,275
SUA Utility Revenue Bonds, Series 2010 :	
Project account	-
Debt service	120,669
Debt service reserve	220,871
SUA Sales Tax Revenue Bonds, Series 2012 :	
Project account	263,505
Debt service	296,677
Accounts not held at trustee bank :	
Debt service	5,254,013
Total restricted assets	\$ <u>8,731,315</u>

**City of Seminole, Oklahoma**  
**Notes to the Basic Financial Statements**  
*As of and For the Year Ended June 30, 2014*

**NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued**

**Capital Assets**

Capital asset balances and activities for the year ended Jun 30, 2014, were as follows:

Land	\$ 304,926	-	-	304,926
Total capital assets not being depreciated	<u>304,926</u>	<u>-</u>	<u>-</u>	<u>304,926</u>
Capital assets being depreciated :				
Buildings and improvements	2,391,627	-	-	2,391,627
Machinery and equipment	4,187,273	145,803	-	4,333,076
Vehicles	2,543,245	31,430	-	2,574,675
Infrastructure	16,111,965	460,460	-	16,572,425
Total capital assets being depreciated	<u>25,234,110</u>	<u>637,693</u>	<u>-</u>	<u>25,871,803</u>
Less accumulated depreciation for :				
Buildings and improvements	(1,862,731)	(47,051)	-	(1,909,782)
Machinery and equipment	(3,868,998)	(59,960)	-	(3,928,958)
Vehicles	(1,691,693)	(150,387)	-	(1,842,080)
Infrastructure	(11,585,205)	(497,025)	-	(12,082,230)
Total accumulated depreciation	<u>(19,008,627)</u>	<u>(754,423)</u>	<u>-</u>	<u>(19,763,050)</u>
Total capital assets being depreciated, net	<u>6,225,483</u>	<u>(116,730)</u>	<u>-</u>	<u>6,108,753</u>
Governmental activities capital assets, net	<u>\$ 6,530,409</u>	<u>(116,730)</u>	<u>-</u>	<u>6,413,679</u>
 <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	<u>13,889</u>	<u>-</u>	<u>-</u>	<u>13,889</u>
Capital assets being depreciated :				
Buildings and improvements	13,773,846	-	-	13,773,846
Machinery and equipment	2,036,061	156,070	-	2,192,131
Vehicles	369,637	93,327	-	462,964
Infrastructure	15,551,711	135,500	-	15,687,211
Total capital assets being depreciated	<u>31,731,255</u>	<u>384,897</u>	<u>-</u>	<u>32,116,152</u>
Less accumulated depreciation for :				
Buildings and improvements	(2,552,248)	(365,353)	-	(2,917,601)
Machinery and equipment	(1,226,418)	(112,639)	-	(1,339,057)
Vehicles	(363,951)	(10,081)	-	(374,032)
Infrastructure	(8,799,239)	(272,168)	-	(9,071,407)
Total accumulated depreciation	<u>(12,941,856)</u>	<u>(760,241)</u>	<u>-</u>	<u>(13,702,097)</u>
Total capital assets being depreciated, net	<u>18,789,399</u>	<u>(375,344)</u>	<u>-</u>	<u>18,414,055</u>
Business-type activities capital assets, net	<u>\$ 18,803,288</u>	<u>(375,344)</u>	<u>-</u>	<u>18,427,944</u>

City of Seminole, Oklahoma  
Notes to the Basic Financial Statements  
*As of and For the Year Ended June 30, 2014*

**NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued**

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government	\$ 7,317
Public safety	186,834
Public works	371,151
Cultural and recreation	189,121
Total depreciation expense - governmental activities	754,423

Business-type activities:

Water	235,932
Sewer	248,030
General government	35,716
Reynolds Center	240,563
Total depreciation expense - business-type activities	\$ 760,241

**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, 2014, cash and investments included \$110,550 available for refund of customer deposits, while the liability to customers was \$110,550.

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, 2014, \$2,243 was being held that was subject to refund.

**City of Seminole, Oklahoma**  
**Notes to the Basic Financial Statements**  
*As of and For the Year Ended June 30, 2014*

**NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued**

**Long-term Liabilities**

Long-term liabilities of the City of Seminole as of June 30, 2014, are as summarized as follows:

**Governmental activities:**

General obligation bonds:

\$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%	\$ 230,000
Total general obligation bonds	<u>230,000</u>
Total governmental activities	<u><u>\$ 230,000</u></u>

**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.	1,690,000
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\$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.	9,900,000
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\$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.	<u>3,740,000</u>
Net revenue bonds payable	<u><u>15,330,000</u></u>

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%.	151,751
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Notes payable to a local bank with varying terms and maturities	<u>187,171</u>
Total notes payable	<u>338,922</u>
Total business-type activities	<u><u>\$ 15,668,922</u></u>

**City of Seminole, Oklahoma**  
**Notes to the Basic Financial Statements**  
*As of and For the Year Ended June 30, 2014*

**NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued**

Long-term liabilities transactions for the year ended June 30, 2014, and changes therein were as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>	Amounts Due Within <u>One Year</u>
<b>Governmental activities</b>					
General obligation bonds:					
Series 1993	\$ 65,000	-	65,000	-	-
Series 1996	345,000	-	115,000	230,000	115,000
Total governmental activities	<u>410,000</u>	<u>-</u>	<u>180,000</u>	<u>230,000</u>	<u>115,000</u>
<b>Business-type activities</b>					
Revenue bonds payable:					
Series 2012	3,985,000	-	245,000	3,740,000	375,000
Series 2010	1,870,000	-	180,000	1,690,000	190,000
Series 2006	10,380,000	-	480,000	9,900,000	500,000
Notes payable:					
CDBG-EDIF #9174	170,720	-	18,969	151,751	18,969
Bank	21,970	-	4,986	16,984	5,357
Bank	103,729	-	23,494	80,235	28,843
Bank	26,557	-	16,188	10,369	10,369
Bank	94,239	-	14,656	79,583	17,905
Total business-type activities	<u>16,652,215</u>	<u>-</u>	<u>983,293</u>	<u>15,668,922</u>	<u>1,146,443</u>
<b>Component unit</b>					
Note payable - Bank	\$ 151,900	-	7,375	144,525	7,707
Revenue bonds payable:					
Series 2009	7,370,000	-	185,000	7,185,000	195,000
Total component unit	<u>\$ 7,521,900</u>	<u>-</u>	<u>192,375</u>	<u>7,329,525</u>	<u>202,707</u>

City of Seminole, Oklahoma  
Notes to the Basic Financial Statements  
As of and For the Year Ended June 30, 2014

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - 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, 2014 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>
	2015	\$ 115,000	13,685	1,146,443	646,037	202,707
2016	115,000	6,900	1,186,888	603,650	361,818	524,290
2017	-	-	1,217,616	557,760	235,000	505,432
2018	-	-	1,242,099	511,103	250,000	490,980
2019	-	-	1,258,969	463,233	270,000	475,605
2020-2024	-	-	6,041,907	1,502,724	1,640,000	2,074,425
2025-2029	-	-	3,575,000	325,683	2,400,000	1,355,950
2030-2034	-	-	-	-	1,970,000	318,544
Totals	\$ <u>230,000</u>	<u>20,585</u>	<u>15,668,922</u>	<u>4,610,190</u>	<u>7,329,525</u>	<u>6,279,775</u>

**Applicability of Federal Arbitrage Regulations** - Debt issuances of the City and Authorities issued after the Tax Reform Act of 1986 are subject to the federal arbitrage regulations. The arbitrage rebate regulations require that all earnings from investment of gross proceeds of a debt issue in excess of the amount that could have been earned had the yield on the investment been equal to the yield on the bonds be remitted to the federal government. These carry strict penalties for noncompliance including taxability of interest retroactive to the date of the issue. The City's management believes the City is in compliance with these rules and regulations.

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, 2014, the remaining outstanding defeased bonds were as follows:

2000 Taxable Sales Tax Revenue Bonds	\$ 3,295,000
2004 Sales Tax Revenue Bonds	3,295,000
Total outstanding defeased bonds	<u>\$ 6,590,000</u>

City of Seminole, Oklahoma  
Notes to the Basic Financial Statements  
As of and For the Year Ended June 30, 2014

**NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - 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 \$19,927,411. Pledged sales taxes received in the current year was \$2,708,495. Debt service payments on the 2006, 2010 and 2012 Revenue Bonds of \$1,585,154 for the current fiscal year were 58.5% of pledged sales tax.

**Compensated Absences**

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	\$ 264,103
Business-type activities	42,639
Total accrued compensated absences	\$ 306,742

**Interfund Receivables, Payables and Transfers**

Interfund transactions:

	Transfers In		
General Fund	Nonmajor Governmental	Seminole Utilities Authority	
Transfer out:			
General fund	\$ -	347,016	2,708,495
Nonmajor governmental	-	-	-
Seminole Utilities Authority	3,710,995	321,421	-
Totals	\$ 3,710,995	668,437	2,708,495

**City of Seminole, Oklahoma**  
**Notes to the Basic Financial Statements**  
***As of and For the Year Ended June 30, 2014***

**NOTE 4 - OTHER INFORMATION**

**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.

**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**  
***As of and For the Year Ended June 30, 2014***

**NOTE 4 - OTHER INFORMATION - 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.

***Replenishment Agreement***

The Seminole Economic Development Council Series 2009 Bonds are secured by a pledge of incremental property tax pledged to the Council by the City of Seminole and also funds and accounts held by the Trustee under the Bond Indenture. One of the funds is the Sinking Fund Reserve Fund capitalized at a required level of \$738,151 from the proceeds of the Series 2009 Bonds which shall be utilized to make principal and interest payments due on the Series 2009 Bonds when the aforesaid property tax received by the City is insufficient to make principal and interest payments on the Series 2009 Bonds when the same become due. The Seminole Utilities Authority, a separate public trust having the City as its Beneficiary has entered into a Replenishment Agreement with Seminole Economic Development Council to replenish the Sinking Fund Reserve Fund to its required level by equal monthly payments over a one (1) year period in the event and in every instance that the Fund should fall below the required level for any reason and also has agreed to maintain its leasehold interest in the water and sanitary sewer systems in substantially its present form until all of the Series 2009 Bonds shall be paid. The obligation of The Seminole Utilities Authority is limited under the said Replenishment Agreement to the amount of money equal to the proceeds of a one percent City sales tax.

Sigma Processing Meats, Inc. petitioned the Seminole County Board of Equalization on June 25, 2013 and was granted a revaluation of their property in TIF District #1. The revaluation would decrease the property taxes received by Seminole Economic Development Council and could cause the replenishment agreement described in the previous paragraph to become effective. The Council has joined a lawsuit filed by parties affected by the revaluation. Management and their attorney are unable to establish the potential of any future financial impact to Seminole Economic Development Council and Seminole Utilities Authority at June 30, 2014.

***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, 2014, the City did not have deficits in any funds.

City of Seminole, Oklahoma  
Notes to the Basic Financial Statements  
As of and For the Year Ended June 30, 2014

**NOTE 4 - OTHER INFORMATION - Continued**

Oklahoma Statutes also require the City Council each year to make an ad valorem tax levy for the sinking fund (Debt Service Fund) which shall, with cash and investments in the fund, be sufficient to pay all the bonded indebtedness, interest and one-third of all outstanding judgments coming due in the following year.

**Employee Retirement Systems and Pension Plans**

The City of Seminole participates in the Oklahoma State Police Pension and Retirement System and the Oklahoma State Firefighters' Pension and Retirement System, both of which are cost sharing multiple-employer defined benefit 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 System (OPPRS)***

Plan Description - The OPPRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The ability to establish and amend benefit provisions is delegated to the administrators of OPPRS. The OPPRS issues a publicly available financial report that includes financial statements and required supplementary information for the police employees of the City. That report may be obtained by writing to the Oklahoma State Police Pension and Retirement System, 1001 N.W. 63<sup>rd</sup> Street, Suite 305, Oklahoma City, Oklahoma 73116-7335, or by calling (405) 840-3555.

Funding Policy - Plan members are required to contribute 8.0% of their annual covered salary, and the City of Seminole contributes 13.0% of annual covered payroll. The contribution requirements of the plan members and the City are established and may be amended by the state legislature. Contributions to the OPPRS for the year ended June 30, 2014, for employees and employer were \$40,698 and \$66,135, respectively, on covered payroll of \$508,728. The state made on-behalf payments for the police pension system of \$61,047 (or 12% of covered payroll). These on-behalf payments were recognized as both revenue and expenditures in the current year.

The required employer contributions and actual employer contributions made to OPPRS for the current and past two years are as follows:

Fiscal Year	Required Contribution	Amount Contributed
2014	\$ 66,135	66,135
2013	64,980	64,980
2012	60,085	60,085

City of Seminole, Oklahoma  
Notes to the Basic Financial Statements  
As of and For the Year Ended June 30, 2014

**NOTE 4 - OTHER INFORMATION - Continued**

***Oklahoma Firefighters' Pension and Retirement System (OFPRS)***

Plan Description - The OFPRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The ability to establish and amend benefit provisions is delegated to the administrators of OFPRS. The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information for the police employees of the City. That report may be obtained by writing to the Oklahoma State Firefighters' Pension and Retirement System, 4545 North Lincoln Boulevard, Suite 265, Oklahoma City, Oklahoma 73105-3414, or by calling (405) 525-7813.

Funding Policy - Plan members are required to contribute 8.0% of their annual covered salary, and the City of Seminole contributes 13.0% of annual covered payroll through October, 2013. Effective November 1, 2013 the required contribution rates for the employee and employer are 9.0% and 14.0%, respectively. The contribution requirements of the plan members and the City are established and may be amended by the state legislature. Contributions to the OFPRS for the year ended June 30, 2014, for employees and employer were \$63,198 and \$99,700, respectively, on covered payroll of \$730,040. The state made on-behalf payments for the fire pension system of \$219,012 (or 30% of covered payroll). These on-behalf payments were recognized as both revenue and expenditures in the current year.

The required employer contributions and actual employer contributions made to OPPRS for the current and past two years are as follows:

Fiscal Year	Required Contribution	Amount Contributed
2014	\$ 99,700	99,700
2013	84,094	84,094
2012	78,932	78,932

**City of Seminole, Oklahoma**  
**Notes to the Basic Financial Statements**  
*As of and For the Year Ended June 30, 2014*

**NOTE 4 - OTHER INFORMATION - 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, 2014, for employees and employer were \$25,212 and \$126,060, respectively. For the year ended June 30, 2014, the City's covered payroll was \$1,260,587. Covered payroll refers to all compensation paid by the City of Seminole to active employees covered by the Plan on which contributions are based.

**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, 2014 and 2013, the City's net assessed valuation of taxable real and personal property aggregated \$29,938,249 and \$27,342,699 while the property taxes levied per \$1,000 of net assessed valuation were \$3.78 and \$6.33, respectively.

City of Seminole, Oklahoma  
Notes to the Basic Financial Statements  
*As of and For the Year Ended June 30, 2014*

**NOTE 4 - OTHER INFORMATION - Continued**

**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, 2014, 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 2014, 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, 2014 since no one is participating at this time.

**City of Seminole, Oklahoma**  
**Notes to the Basic Financial Statements**  
***As of and For the Year Ended June 30, 2014***

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.

*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.

#### **New Accounting Pronouncements**

The GASB has issued several new accounting pronouncements, which will be effective in subsequent years. A description of the new accounting pronouncements, the fiscal year effective, and the City's consideration of the impact of these pronouncements are described below:

Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*. GASB No. 68 establishes standards of measuring and recognizing liabilities, deferred outflow of resources, deferred inflow of resources, and pension expense. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification. GASB No. 68 was issued in June, 2013, and the City has not yet determined the impact that implementation of GASB No. 68 will have on its net position. The Statement is effective for fiscal years ended June 30, 2015.

Statement No. 69, *Government Combinations and Disposals of Government Operations* - GASB No. 69 was issued in January 2013, and establishes accounting and financial reporting standards related to governmental combinations and disposals of government operations. Government combinations can include a variety of transactions, including mergers, acquisitions, and transfer of operations. A disposal of a government's operations results in a removal of specific activities of a government. The requirement of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis.

City of Seminole, Oklahoma  
Notes to the Basic Financial Statements  
*As of and For the Year Ended June 30, 2014*

**NOTE 4 - OTHER INFORMATION**

Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* - GASB No. 70 required a government that extends a Nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The government is required to report the guaranteed obligation until it is legally released as an obligor, and when it is legally released, it should recognize revenue as a result of this release. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Early application is encouraged. Except for certain disclosure requirements which may be applied prospectively, the provisions of this Statement are required to be applied retroactively. The City has not yet evaluated the effects that GASB NO. 70 will have on its financial statements.

Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date - An Amendment of GASB No. 68* - amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with provisions of Statement No. 68. The City has not yet evaluated the effects that GASB NO. 71 will have on its financial statements.

**Subsequent Events**

Management has evaluated subsequent events through December 23, 2014, which is the date the financial statements were available to be issued.

On September 14, 2014 Seminole Economic Development Council joined a lawsuit filed by parties affected by Sigma Processing Meats, Inc.'s property revaluation. The lawsuit is in the early stage of discovery.

**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, 2014

	Budget		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 5,795,102	5,728,027	6,114,689	386,662
Intergovernmental	228,611	281,634	330,163	48,529
Licenses and permits	24,674	24,674	23,964	(710)
Charge for services	798,982	798,982	851,086	52,104
Fines and forfeitures	284,770	284,770	220,953	(63,817)
Interest	-	-	6,862	6,862
Miscellaneous	126,314	197,173	59,356	(137,817)
Total revenues	<u>7,258,453</u>	<u>7,315,260</u>	<u>7,607,073</u>	<u>291,813</u>
<b>EXPENDITURES</b>				
General government:				
General government	1,410,749	1,410,750	1,411,600	(850)
City council	1,500	1,500	298	1,202
City manager	134,324	128,324	128,074	250
City clerk	194,760	194,410	180,595	13,815
City attorney	41,981	42,331	42,297	34
Municipal court	103,639	103,640	101,750	1,890
Public safety:				
Police	1,103,715	1,154,715	1,154,079	636
Fire and ambulance	1,420,330	1,375,330	1,384,299	(8,969)
Emergency management	23,954	23,954	21,906	2,048
Public works:				
Streets	279,234	284,434	284,426	8
Fleet maintenance	58,635	58,636	58,129	507
Community services	217,103	211,503	203,773	7,730
Cemetery	61,835	62,937	62,846	91
Airport	24,399	24,399	22,652	1,747
Culture and recreation:				
Senior citizens bus	29,760	29,760	19,011	10,749
Parks	177,282	172,082	160,946	11,136
Golf course	72,185	71,085	68,274	2,811
Sportsman lake	59,248	64,848	64,759	89
Library	149,728	149,728	135,671	14,057
Senior citizens crafts	17,410	17,410	17,192	218
Total expenditures	<u>5,581,771</u>	<u>5,581,776</u>	<u>5,522,577</u>	<u>59,199</u>
Excess (deficiency) of revenues over (under) expenditures	1,676,682	1,733,484	2,084,496	351,012
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	<u>(1,515,935)</u>	<u>(1,685,935)</u>	<u>(2,053,010)</u>	<u>(367,075)</u>
Net change in fund balances	160,747	47,549	31,486	(16,063)
Fund balances - beginning	463,325	463,325	566,749	103,424
Fund balances - ending	<u>\$ 624,072</u>	<u>510,874</u>	<u>598,235</u>	<u>87,361</u>

See accompanying notes to the basic financial statement.

**City of Seminole, Oklahoma**  
**Notes to Required Supplemental Information**  
**On Budgetary Accounting and Control**  
*For the Year Ended June 30, 2014*

**BUDGETARY ACCOUNTING AND CONTROL**

**Budget Law**

The City prepares its annual operating budget under the provisions of the Oklahoma Municipal Budget Act of 1979 (the "Budget Act"). In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at regular Council meetings to obtain taxpayer comments. Public hearings are held no later than 15 days prior to the beginning of the budget year.
- c. Subsequent to the public hearings but no later than seven days prior to July 1, the budget is legally enacted through the passage of a resolution by the City Council.
- d. Subsequent to City Council enactment, the adopted budget is filed with the office of the State Auditor and Inspector.

All funds with revenues and/or expenditures/expenses as defined by State law are required to have annual budgets under this section of state law, except funds of public trusts or authorities. The legal level of control at which expenditures may not legally exceed appropriations is the department level within a fund. The following departments exceeded appropriations:

General Fund -	
General government	\$ 850
Fire and ambulance	8,969

All supplemental appropriations require the approval of the City Council. All transfers of appropriation between funds also require the approval of the City Council. The City prepared and adopted a legal annual budget for all governmental funds.

In accordance with Title 60 of the Oklahoma State Statutes, the Seminole Utilities Authority and the Seminole Economic Development Council are required to prepare an annual budget and submit a copy to the City as beneficiary. However, there are no further requirements such as form of budget, approval of budget or definition of a legal spending limit.

**Budgetary Accounting**

The annual operating budgets of the General Fund are prepared and presented on a modified accrual basis of accounting.

**City of Seminole, Oklahoma**  
**Notes to Required Supplemental Information**  
**On Budgetary Accounting and Control**  
*For the Year Ended June 30, 2014*

The City utilizes encumbrance accounting under which purchase orders, contracts, and other commitments for expenditure of funds are recorded in order to reserve a portion of the applicable appropriation. The City considers most all appropriations to lapse at year-end; any open purchase orders to be honored in the subsequent budget year are reappropriated in the next year's budget. As a result, encumbrances are not treated as the equivalent of expenditures in the budget and actual financial statements.

**OTHER SUPPLEMENTARY  
INFORMATION**

**City of Seminole, Oklahoma**  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
**June 30, 2014**

	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
<b>ASSETS</b>														
Cash and cash equivalents	\$ 49,134	1,446	17,647	16,323	7,028	6,507	8,121	358,676	30,331	131,714	52,249	183,825	134,210	997,211
Investments	-	10,000	-	-	-	41,726	-	-	-	-	-	-	-	51,726
Receivables, net	5,042	-	-	-	-	-	-	-	-	-	-	-	-	5,042
<b>TOTAL</b>	<b>54,176</b>	<b>11,446</b>	<b>17,647</b>	<b>16,323</b>	<b>7,028</b>	<b>48,233</b>	<b>8,121</b>	<b>358,676</b>	<b>30,331</b>	<b>131,714</b>	<b>52,249</b>	<b>183,825</b>	<b>134,210</b>	<b>1,053,979</b>
<b>LIABILITIES AND FUND BALANCES</b>														
Liabilities:														
Accounts payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balances:														
Reserved for:														
Restricted	54,176	11,446	17,647	16,323	7,028	48,233	8,121	358,676	30,331	131,714	52,249	183,825	134,210	1,053,979
Assigned	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Fund Balances</b>	<b>54,176</b>	<b>11,446</b>	<b>17,647</b>	<b>16,323</b>	<b>7,028</b>	<b>48,233</b>	<b>8,121</b>	<b>358,676</b>	<b>30,331</b>	<b>131,714</b>	<b>52,249</b>	<b>183,825</b>	<b>134,210</b>	<b>1,053,979</b>
<b>TOTAL</b>	<b>\$ 54,176</b>	<b>11,446</b>	<b>17,647</b>	<b>16,323</b>	<b>7,028</b>	<b>48,233</b>	<b>8,121</b>	<b>358,676</b>	<b>30,331</b>	<b>131,714</b>	<b>52,249</b>	<b>183,825</b>	<b>134,210</b>	<b>1,053,979</b>

See accompanying notes to the basic financial statement.

**City of Seminole, Oklahoma**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets - Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2014**

	Special Revenue							Debt Service	Capital Projects		Permanent Cemetery	Total Nonmajor Governmental Funds		
	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	Perpetual Care	Total Nonmajor Governmental Funds
<b>REVENUES</b>														
Taxes	\$ 71,401	-	-	88,940	-	-	-	-	-	115,127	-	-	-	275,468
Intergovernmental	-	13,926	-	-	-	-	232,327	-	-	-	-	91,626	-	337,879
Charge for services	-	-	-	-	7,324	4,578	15,560	-	-	-	-	-	2,596	30,058
Interest	-	28	-	-	-	-	-	-	15	638	-	-	-	681
Miscellaneous	-	-	-	-	-	-	18,020	400	-	-	-	49,360	-	67,780
Total revenues	<u>71,401</u>	<u>13,954</u>	<u>-</u>	<u>88,940</u>	<u>7,324</u>	<u>4,578</u>	<u>265,907</u>	<u>400</u>	<u>15</u>	<u>115,765</u>	<u>-</u>	<u>140,986</u>	<u>2,596</u>	<u>711,866</u>
<b>EXPENDITURES</b>														
Current:														
General government	-	-	-	-	-	-	-	-	-	202,586	18,577	99,784	-	320,947
Public safety	-	-	-	-	-	1,135	-	-	-	-	138,199	18,259	-	157,593
Public works	129,518	-	-	-	-	-	283,461	47,537	-	-	30,699	52,228	-	543,443
Cultural and recreational	-	15,582	-	87,288	12,040	-	-	-	-	-	298,259	-	12,815	425,984
Total expenditures	<u>129,518</u>	<u>15,582</u>	<u>-</u>	<u>87,288</u>	<u>12,040</u>	<u>1,135</u>	<u>283,461</u>	<u>47,537</u>	<u>-</u>	<u>202,586</u>	<u>485,734</u>	<u>170,271</u>	<u>12,815</u>	<u>1,447,967</u>
Excess (deficiency) of revenues over expenditures	<u>(58,117)</u>	<u>(1,628)</u>	<u>-</u>	<u>1,652</u>	<u>(4,716)</u>	<u>3,443</u>	<u>(17,554)</u>	<u>(47,137)</u>	<u>15</u>	<u>(86,821)</u>	<u>(485,734)</u>	<u>(29,285)</u>	<u>(10,219)</u>	<u>(736,101)</u>
<b>OTHER FINANCING SOURCES (USES)</b>														
Transfers in	-	-	-	-	-	-	-	222,016	-	-	441,272	5,149	-	668,437
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>222,016</u>	<u>-</u>	<u>-</u>	<u>441,272</u>	<u>5,149</u>	<u>-</u>	<u>668,437</u>
Net change in fund balances	<u>(58,117)</u>	<u>(1,628)</u>	<u>-</u>	<u>1,652</u>	<u>(4,716)</u>	<u>3,443</u>	<u>(17,554)</u>	<u>174,879</u>	<u>15</u>	<u>(86,821)</u>	<u>(44,462)</u>	<u>(24,136)</u>	<u>(10,219)</u>	<u>(67,664)</u>
Fund balances-beginning	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
Fund balances-ending	<u>\$ 54,176</u>	<u>11,446</u>	<u>17,647</u>	<u>16,323</u>	<u>7,028</u>	<u>48,233</u>	<u>8,121</u>	<u>358,676</u>	<u>30,331</u>	<u>131,714</u>	<u>52,249</u>	<u>183,825</u>	<u>134,210</u>	<u>1,053,979</u>

See accompanying notes to the basic financial statement.

**City of Seminole, Oklahoma**  
**Debt Service Coverage Schedule**  
*For the Year Ended June 30, 2014*

Gross Revenue Available For Debt Service:

Pledged sales tax	\$ 2,708,495	
System-wide gross revenues - Water and wastewater	2,110,113	<u>          </u>
 Total Gross Revenues Available		 <u>4,818,608</u>
 System-wide operating expense - Exclusive of capital improvement and debt service		 <u>1,601,308</u>
 Net Revenues Available for Debt Service	 \$ 3,217,300	 <u><u>          </u></u>

Debt Service Requirements:

Revenue bonds - Series 2012	474,614	
Revenue bonds - Series 2010	260,390	
Revenue bonds - Series 2006	993,673	<u>          </u>
 Maximum annual debt service	 \$ 1,728,677	 <u><u>          </u></u>
 Coverage		 <u><u>1.86</u></u>
 Coverage requirement		 <u><u>1.25</u></u>

**DILLON & ASSOCIATES, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS  
1401 S. DOUGLAS BLVD., SUITE A  
MIDWEST CITY, OK 73130

ROBERT S. DILLON, CPA  
[bobdilloncpa@gmail.com](mailto:bobdilloncpa@gmail.com)

Phone: (405) 732-1800  
Fax : (405) 737-7446

**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, 2014, 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 December 23, 2014.

**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 2014-01 and 2014-02.

## **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 2014-03.

## **City of Seminole's Response to Findings**

The City of Seminole's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City of Seminole's responses were 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  
December 23, 2014

**City of Seminole, Oklahoma**  
**Schedule of Expenditures of Federal Awards**  
*For the Year Ended June 30, 2014*

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	\$ 138,751
Construct Stub Taxiway, Apron and Access Road	20.106	3-40-0087-014-2013	<u>99,530</u>
Total U.S. Department of Transportation			<u>238,281</u>
<u>Federal Emergency Management Agency</u>			
Passed through the Oklahoma Department of Emergency Management:			
Emergency Management Performance Grant	97.042	EMPG 13	5,000
Emergency Management Performance Grant	97.042	EMPG 14	<u>7,500</u>
Total Federal Emergency Management Agency			<u>12,500</u>
<u>U.S. Department of Justice</u>			
Passed through the Oklahoma District Attorneys Council:			
Justice Assistance Grant	16.738	JAG-LLE-2012-34	7,241
Justice Assistance Grant	16.738	JAG-LLE-2013-98	<u>9,981</u>
Total U.S. Department of Justice			<u>17,222</u>
Total Federal Assistance			<u><u>268,003</u></u>

**Footnotes to Schedule of Expenditures of Federal Awards:**

1. The Schedule of Expenditures of Federal Awards is prepared on an accrual basis of accounting. The expenditures are recorded when the liability is incurred regardless of when the award proceeds are received.

City of Seminole, Oklahoma  
 Schedule of Expenditures of State Awards  
 For the Year Ended June 30, 2014

STATE GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	GRANTOR NUMBER	PROGRAM OR AWARD AMOUNT	STATE EXPENDITURES
<u>STATE PROGRAMS:</u>			
<u>State of Oklahoma</u>			
Oklahoma Department of Libraries			
State Aid Grant		\$ 13,926	13,926
Oklahoma Department of Agriculture, Food, and Forestry			
State Aid Grant		11,018	11,018
Passed through the Central Oklahoma Economic Development District (COEDD) :			
CENA Grant	13-030	900	895
CENA Grant	13-031	5,000	5,000
Total State of Oklahoma		30,844	30,839
Total State Awards		\$ 30,844	30,839

City of Seminole, Oklahoma

Schedule of Grant Revenues and Expenditures  
Budget, Actual and Reconciliation of Audit Grant  
June 30, 2014

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	438,456		438,456	52,228
Matching funds	492,903	233,431	69,193	302,624	69,193
Total Revenue	985,806	671,887	69,193	741,080	121,421
<u>EXPENDITURES</u>					
Building, gravel lot, fencing	492,903	438,456		438,456	52,228
Machinery - Blue Wave Match	469,259	233,431	69,193	302,624	69,193
Parking lot - Blue Wave Match	23,644	-	-	-	-
Total Expenditures	985,806	671,887	69,193	741,080	121,421
Revenues Over (Under) Expenditures	\$ -	-	-	-	-

**CITY OF SEMINOLE, OKLAHOMA  
SCHEDULE OF REPORTABLE FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2014**

**Finding 2014-01 - Internal Control - Material Adjusting Journal Entries (Repeat Finding)**

*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, 2014, 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, 2014**

*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 2014-02 - Internal Control - Reconciliation of Utility Accounts Receivable  
(Repeat Finding)**

*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.

**Finding 2014-03 - Compliance - Timely Filing of Monthly Grant Expenditure Report  
(Repeat Finding)**

*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 10<sup>th</sup> of the month following the expenditure of funds.

*Condition* - The City did not file a timely report for expenditures for fiscal year 2013-2014. Matching expenditures required by the grant were not reported on the required reports.

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

**CITY OF SEMINOLE, OKLAHOMA  
SCHEDULE OF REPORTABLE FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2014**

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

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