



CITY OF SEMINOLE, OKLAHOMA

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

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015**

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**INDEPENDENT AUDITOR'S
REPORT**

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INDEPENDENT AUDITOR'S REPORT

City Council
City of Seminole
Seminole, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Seminole, Oklahoma, as of and for the year ended June 30, 2015, 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, 2015, 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.

Emphasis of Matter

As described in Note 2 to the financial statements, effective July 1, 2014 the City adopted provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB 27*, and GASB Statement No. 71, *Pension Transition from Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*. The implementation of GASB Statements No. 68 and 71 resulted in the restatement of beginning net position. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Seminole's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and statistical are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information as listed in the Table of Contents are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information section is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Dillon & Associates, P.C.

Midwest City, Oklahoma
September 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF SEMINOLE, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and For the Year Ended June 30, 2015
Unaudited

Our discussion and analysis of the City of Seminole's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- The City's total net position increased by \$1,939,652 and the assets of the City exceeded its liabilities \$18,128,941 (net position). The City's net position includes an unrestricted net deficit of \$2,648,689. The primary cause of the net deficit is the recording of a prior period adjustment for pension related obligations as detailed in Note 3.
- At June 30, 2015, the City's governmental funds reported combined ending fund balances of \$1,404,853. Of this total amount, \$479,810 is available for spending at the government's discretion (unassigned fund balance).
- At the end of fiscal year 2015, unassigned fund balance for the General Fund was \$479,810, or approximately 8.4% of total General Fund expenditures.
- Sales and use taxes increased by \$53,454 or 1.0% over the prior fiscal year.

Overview of the Financial Statements

The financial statements presented herein include all of the activities of the City of Seminole (the "City") and the Seminole Utilities Authority (SUA). Included in this report are government-wide statements for each of two categories of activities - governmental and business-type, along with one discretely-presented component unit. This discussion and analysis focuses on the primary government, composed of the City of Seminole and Seminole Utilities Authority.

The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately and combined. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. These statements include all assets of the City (including infrastructure capital assets) as well as all liabilities (including all long-term debt).

The Statement of Net Position and the Statement of Activities

This discussion and analysis is intended to serve as an introduction to the City of Seminole's basic financial statements. The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way determining

whether the City's overall financial condition improved, declined or remained steady over the past year. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's Net Position and changes in Net Position from the prior year. You can think of the City's Net Position - the difference between assets and deferred outflows and liabilities and deferred inflows - as one way to measure the City's financial condition, or position. Over time, increases or decreases in Net Position are one indicator of whether the financial position of the City is improving, deteriorating or remaining steady. However, you must consider other non-financial factors, such as changes in the City's tax base, the condition of the City's roads, and the quality of services to assess the overall health of the City.

The Statement of Net Position and the Statement of Activities are divided into two types of activities:

- **Governmental activities** - Most of the City's basic services are reported here, including the police, fire, general administration, streets and parks. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.
- **Business-type activities** - The City's activities that charge a fee to customers to help cover all or most of the cost of certain services it provides. The City's water, sewer, solid waste collections utilities, golf course and airport operations are reported here.
- **Discretely-presented component units** - This account for activities of the City's reporting entity that do not meet the criteria for blending, and include the Seminole Economic Development Authority.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic service it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund financial statements to those in the Government-Wide

financial statements are explained in a reconciliation following each Governmental Fund financial statement.

Proprietary funds. When the City charges customers for the services it provides - whether to outside customers or to other units of the City - these services are generally reported in proprietary funds. Enterprise funds are one type of proprietary funds and are essentially the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

For the year ended June 30, 2015, net position for governmental activities and business-type activities increased \$1,939,652. The results indicate the City, as a whole, incurred an increase in its financial condition from the prior year.

The following is a summary comparison of changes in net position from last year for the City:

	Governmental			Business-type			Total		
	<u>Activities</u>		% Inc.	<u>Activities</u>		% Inc.	<u>Primary Government</u>		% Inc.
	<u>2015</u>	<u>2014</u>	<u>(Dec.)</u>	<u>2015</u>	<u>2014</u>	<u>(Dec.)</u>	<u>2015</u>	<u>2014</u>	<u>(Dec.)</u>
Current and other assets	\$ 1,483	1,661	-11%	9,535	9,712	-2%	11,018	11,373	-3%
Capital assets	7,655	6,414	19%	18,092	18,428	-2%	25,747	24,842	4%
Total assets	<u>9,138</u>	<u>8,075</u>	13%	<u>27,627</u>	<u>28,140</u>	-2%	<u>36,765</u>	<u>36,215</u>	2%
Deferred outflow of resources	<u>160</u>	<u>-</u>		<u>-</u>	<u>-</u>		<u>160</u>	<u>-</u>	
Long-term debt outstanding	3,106	494	529%	13,347	15,712	-15%	16,453	16,206	2%
Other liabilities	129	9	1333%	1,494	384	289%	1,623	393	313%
Total liabilities	<u>3,235</u>	<u>503</u>	543%	<u>14,841</u>	<u>16,096</u>	-8%	<u>18,076</u>	<u>16,599</u>	9%
Deferred inflow of resources	<u>686</u>	<u>-</u>		<u>-</u>	<u>-</u>		<u>686</u>	<u>-</u>	
Net assets:									
Invested in capital assets, net of debt	7,541	6,184	22%	4,691	4,232	11%	12,232	10,416	17%
Restricted	925	1,054	-12%	7,656	7,175	7%	8,581	8,229	4%
Unrestricted (deficit)	(3,088)	334	-1025%	439	637	-31%	(2,649)	971	-373%
Total net assets	<u>\$ 5,378</u>	<u>7,572</u>	-29%	<u>12,786</u>	<u>12,044</u>	6%	<u>18,164</u>	<u>19,616</u>	-7%

The largest portion of the City's net position 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. 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, \$8,581,002 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$2,648,689.

Change in Net Position

For the year ended June 30, 2015 net position of the primary government changed as follows:

Table 2
Changes in Net Position (In Thousands)

	Governmental			Business-type			Total		
	Activities		% Inc.	Activities		% Inc.	Primary Government		% Inc.
	2015	2014	(Dec.)	2015	2014	(Dec.)	2015	2014	(Dec.)
Revenues									
Charges for services	\$ 1,152	1,335	-14%	3,364	3,599	-7%	4,516	4,934	-8%
Operating grants	463	106	337%	-	-	-	463	106	337%
Capital grants	1,514	232	553%	-	-	-	1,514	232	553%
Sales and use taxes	5,764	5,710	1%	-	-	-	5,764	5,710	1%
Franchise tax (fees)	408	404	1%	-	-	-	408	404	1%
Other taxes	314	396	-21%	-	-	-	314	396	-21%
Investment income	9	8	13%	20	20	0%	29	28	4%
Other	192	127	51%	101	50	102%	293	177	66%
Total revenues	9,816	8,318	18%	3,485	3,669	-5%	13,301	11,987	11%
Expenses									
General government	2,044	2,005	2%	1,932	2,188	-12%	3,976	4,193	-5%
Public safety	2,885	2,817	2%	-	-	-	2,885	2,817	2%
Public works	1,179	1,186	-1%	-	-	-	1,179	1,186	-1%
Cultural & recreation	782	890	-12%	-	-	-	782	890	-12%
Water	-	-	-	727	773	-6%	727	773	-6%
Sewer	-	-	-	655	600	9%	655	600	9%
Sanitation	-	-	-	120	-	-	120	-	-
Reynold's activity center	-	-	-	667	656	2%	667	656	2%
Economic development	-	-	-	329	368	-11%	329	368	-11%
Total expenses	6,890	6,898	0%	4,430	4,585	-3%	11,320	11,483	-1%
Increase in net position									
before transfers	2,926	1,420	106%	(945)	(916)	3%	1,981	504	293%
Transfers	(1,687)	(1,385)	22%	1,687	1,385	22%	-	-	
Change in net position	1,239	35	3440%	742	469	58%	1,981	504	293%
Beginning net position	7,572	7,537	0%	12,044	11,575	4%	19,616	19,112	3%
Prior period adjustment	(3,583)	-	-	-	-	-	(3,583)	-	-
Contributed capital	150	-	-	-	-	-	150	-	-
Ending net position	\$ 5,378	7,572	-29%	12,786	12,044	6%	18,164	19,616	-7%

The City's governmental activities capital grants and contributions increased approximately \$1,281,184 due in large part to grants received from FAA in the amount of \$1,308,767.

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenditures, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note all taxes are classified as general revenue even if restricted for a specific purpose.

Table 3
Net Revenue (Expense) of Governmental Activities
(In Thousands)

	Total Expenses		% Inc. (Dec.)	Net Revenue		% Inc. (Dec.)
	of Services			(Expense) of Services		
	<u>2015</u>	<u>2014</u>		<u>2015</u>	<u>2014</u>	
General government	\$ 2,058	2,005	3%	(1,940)	(891)	118%
Public safety	3,011	2,817	7%	(1,638)	(2,596)	-37%
Public works	1,179	1,186	-1%	334	(954)	-135%
Cultural & recreation	782	890	-12%	(672)	(785)	-14%
Total	\$ <u>7,030</u>	<u>6,898</u>	2%	<u>(3,916)</u>	<u>(5,226)</u>	-25%

For the year ended June 30, 2015, total expenses for governmental activities amounted to \$7,029,817 which is a 0.5% increase from the prior year.

Business-type Activities

Table 4
Net Revenue (Expense) of Business-Type Activities
(In Thousands)

	Total Expenses		% Inc. (Dec.)	Net Revenue		% Inc. (Dec.)
	of Services			(Expense) of Services		
	2015	2014		2015	2014	
General government	\$ 1,932	2,188	-12%	(1,830)	(1,448)	26%
Water	727	773	-6%	288	336	-14%
Sewer	655	600	9%	170	241	-29%
Sanitation	120	-	0%	546	88	
Reynold's activity center	667	656	2%	(266)	(233)	14%
Economic development	329	368	-11%	26	31	-16%
Total	\$ 4,430	4,585	-3%	(1,066)	(985)	8%

The City's business-type activities include utility services for water, sewer, sanitation, golf course, airport and economic development operations.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2015 fiscal year, the governmental funds reported a combined fund balance of \$1,404,853, or 15.3% decrease from the prior year. The enterprise funds reported combined net position of \$12,044,355, or 6.2% increase from 2014.

Other Fund Highlights Include:

- For the year ended June 30, 2015, the General Fund's total fund balance decreased by \$124,660, or 20.6%, due to an increase in expenses and purchases of capital assets.
- The SUA Enterprise Fund reported a net position decrease before contributions and transfers of \$653,449.

General Fund Budgetary Highlights

For the year ended June 30, 2015, the General Fund reported actual budgetary basis revenues above final estimates by \$98,325 or a 1.3% positive variance. General Fund actual expenditures were under final appropriations by \$64,869 or a 1.1% positive variance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2015, the City had \$25,746,540 invested in capital assets, net of depreciation, including land, buildings, machinery and equipment, park facilities, water, sewer and stormwater systems, roads and bridges. This represents a net increase of approximately \$904,917 over last year.

Table 5
Capital Assets

	Governmental Activities <u>2015</u>	Business-type Activities <u>2015</u>	Total <u>2015</u>
Land	\$ 305	14	319
Building and improvements	2,443	13,792	16,235
Machinery and equipment	4,463	2,426	6,889
Vehicles	2,641	463	3,104
Infrastructure	18,335	15,898	34,233
	<u>28,187</u>	<u>32,593</u>	<u>60,780</u>
Less: Accumulated depreciation	<u>20,531</u>	<u>14,502</u>	<u>35,033</u>
Net capital assets	<u>\$ 7,656</u>	<u>18,091</u>	<u>25,747</u>

	Governmental Activities <u>2014</u>	Business-type Activities <u>2014</u>	Total <u>2014</u>
Land	\$ 305	14	319
Building and improvements	2,391	13,774	16,165
Machinery and equipment	4,333	2,192	6,525
Vehicles	2,576	463	3,039
Infrastructure	16,572	15,687	32,259
	<u>26,177</u>	<u>32,130</u>	<u>58,307</u>
Less: Accumulated depreciation	<u>19,763</u>	<u>13,702</u>	<u>33,465</u>
Net capital assets	<u>\$ 6,414</u>	<u>18,428</u>	<u>24,842</u>

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

- Construction of airport runway improvements.
- Major street construction.
- Vehicle purchases.

Long-term Debt

At year-end, the City had \$14,581,531 in long-term debt outstanding, which represents approximately a \$1,317,391 decrease from the prior year.

Table 4
Outstanding Debt

	Governmental Activities <u>2015</u>	Business-type Activities <u>2015</u>	Total <u>2015</u>
General obligation bonds	\$ 115,000	-	115,000
Notes payable	-	201,531	201,531
Revenue bonds	-	14,265,000	14,265,000
Net long-term debt	<u>\$ 115,000</u>	<u>14,466,531</u>	<u>14,581,531</u>

	Governmental Activities <u>2014</u>	Business-type Activities <u>2014</u>	Total <u>2014</u>
General obligation bonds	\$ 230,000	-	230,000
Notes payable	-	338,922	338,922
Revenue bonds	-	15,330,000	15,330,000
Net long-term debt	<u>\$ 230,000</u>	<u>15,668,922</u>	<u>15,898,922</u>

ECONOMIC OUTLOOK

- The unemployment rate for the Oklahoma area which includes Seminole is currently 4.4 percent, which is a decrease of .4 percent from a year ago. This compares favorably to the state's average unemployment rate of 4.6 percent and favorably to the national average rate of 6.1 percent.
- Inflationary trends in the region compare favorably to national indices.
- The City's major source of revenue is sales tax revenue. Sales tax revenue increased 1% over the prior year total.

All of these factors were considered in preparing the City's budget for the 2016 fiscal year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	SEDC
ASSETS				
Pooled cash and cash equivalents	\$ 986,408	268	986,676	818,053
Investments	10,000	57,317	67,317	-
Restricted cash and investments	-	9,031,025	9,031,025	778,656
Receivables, net of allowance for uncollectibles				
Accounts	116,909	235,923	352,832	5,000
Due from other governments	305,771	210,651	516,422	-
Net pension asset	63,731	-	63,731	-
Capital assets:				
Land, improvements and construction in progress	304,926	13,889	318,815	1,250,546
Other capital assets, net of depreciation	7,350,574	18,078,281	25,428,855	3,166,667
Total assets	<u>9,138,319</u>	<u>27,627,354</u>	<u>36,765,673</u>	<u>6,018,922</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>160,068</u>	<u>-</u>	<u>160,068</u>	<u>-</u>
LIABILITIES				
Accounts payable and accrued expenses	8	33,769	33,777	33,148
Accrued interest payable	-	176,234	176,234	215,667
Deposits subject to refund	14,227	118,090	132,317	-
Long-term liabilities:				
Net pension liability	2,861,331	-	2,861,331	-
Due within one year	115,000	1,166,120	1,281,120	225,000
Due in more than one year	244,493	13,346,973	13,591,466	6,765,000
Total liabilities	<u>3,235,059</u>	<u>14,841,186</u>	<u>18,076,245</u>	<u>7,238,815</u>
DEFERRED INFLOW OF RESOURCES	<u>685,762</u>	<u>-</u>	<u>685,762</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	7,540,500	4,690,921	12,231,421	(2,572,787)
Restricted for:				
Debt service	120,354	5,290,181	5,410,535	778,656
Capital improvements	131,768	730,000	861,768	-
Facility maintenance	-	1,635,778	1,635,778	-
Other purposes	672,921	-	672,921	-
Unrestricted	<u>(3,087,977)</u>	<u>439,288</u>	<u>(2,648,689)</u>	<u>574,238</u>
Total Net Position	<u>\$ 5,377,566</u>	<u>12,786,168</u>	<u>18,163,734</u>	<u>(1,219,893)</u>

See accompanying notes to the basic financial statement.

City of Seminole, Oklahoma
Statement of Activities
For the Year Ended June 30, 2015

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Primary government:					
Governmental activities:					
General government	\$ 2,043,919	118,016	-	-	(1,925,903)
Public safety	2,884,761	1,034,273	353,903	-	(1,496,585)
Public works	1,179,233	-	-	1,513,511	334,278
Culture and recreation	781,732	-	108,987	-	(672,745)
Total government activities	<u>6,889,645</u>	<u>1,152,289</u>	<u>462,890</u>	<u>1,513,511</u>	<u>(3,760,955)</u>
Business-type activities:					
Administration	1,932,238	-	-	-	(1,932,238)
Water	727,166	1,015,436	-	-	288,270
Sewer	655,141	825,014	-	-	169,873
Sanitation	120,131	666,213	-	-	546,082
Other fees	-	101,953	-	-	101,953
Natural gas	328,698	354,657	-	-	25,959
Reynold's activity center	666,810	400,525	-	-	(266,285)
Total business-type activities	<u>4,430,184</u>	<u>3,363,798</u>	<u>-</u>	<u>-</u>	<u>(1,066,386)</u>
Total primary government	<u>11,319,829</u>	<u>4,516,087</u>	<u>462,890</u>	<u>1,513,511</u>	<u>(4,827,341)</u>
Component Unit:					
Seminole Economic Development Council	986,517	91,360	-	-	(895,157)
Total component units	<u>\$ 986,517</u>	<u>91,360</u>	<u>-</u>	<u>-</u>	<u>(895,157)</u>

City of Seminole, Oklahoma
Statement of Activities
For the Year Ended June 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	SEDC
Change in Net Position:				
Net (expense) revenue	\$ (3,760,955)	(1,066,386)	(4,827,341)	(895,157)
General revenues:				
Taxes:				
Sales and use	5,763,886	-	5,763,886	-
Franchise	408,458	-	408,458	-
Property	117,122	-	117,122	334,464
Other	196,540	-	196,540	-
Unrestricted investment income	9,260	20,499	29,759	3,278
Miscellaneous	184,879	101,142	286,021	8,633
Transfers - internal activity	(1,686,558)	1,686,558	-	-
Total general revenues and transfers	<u>4,993,587</u>	<u>1,808,199</u>	<u>6,801,786</u>	<u>346,375</u>
Change in Net Position	1,232,632	741,813	1,974,445	(548,782)
Net Position - beginning, as restated (Note 3)	3,994,786	12,044,355	16,039,141	(671,111)
Contributed capital - Fixed assets	150,148	-	150,148	-
Net Position - ending	<u>\$ 5,377,566</u>	<u>12,786,168</u>	<u>18,163,734</u>	<u>(1,219,893)</u>

See accompanying notes to the basic financial statement.

City of Seminole, Oklahoma
 Governmental Funds
 Balance Sheet
 June 30, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 72,180	910,001	982,181
Cash - Police bond account	4,227	-	4,227
Investments	-	10,000	10,000
Receivables:			
Due from other governments	305,771	-	305,771
Due from Seminole Economic Development Council	33,148	-	33,148
Other receivable	78,719	5,042	83,761
Total assets	494,045	925,043	1,419,088
Deferred outflow of resources	-	-	-
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	8	-	8
Deposits subject to refund	10,000	-	10,000
Police bonds outstanding	4,227	-	4,227
Total liabilities (Note 2)	14,235	-	14,235
Deferred inflow of resources	-	-	-
Fund balances:			
Nonspendable	-	925,043	925,043
Unassigned	479,810	-	479,810
Total fund balances	479,810	925,043	1,404,853
Total liabilities and fund balances	\$ 494,045	925,043	
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, net of accumulated depreciation of \$20,530,841			7,655,500
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds:			
Net pension asset			63,731
Pension related deferred outflows			160,068
Certain liabilities are not due and payable in the current period from current financial resources, and therefore are not reported in the funds:			
Bonds payable			(115,000)
Net pension liability			(2,861,331)
Pension related deferred inflows			(685,762)
Accrued compensated absences			(244,493)
Net position of governmental activities			\$ 5,377,566

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, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Taxes	\$ 6,232,620	253,386	6,486,006
Intergovernmental	188,406	1,459,913	1,648,319
Licenses and permits	20,083	-	20,083
Charge for services	940,252	18,473	958,725
Fines and forfeitures	173,481	-	173,481
Interest	8,341	919	9,260
Miscellaneous	127,220	57,659	184,879
Total revenues	<u>7,690,403</u>	<u>1,790,350</u>	<u>9,480,753</u>
EXPENDITURES			
Current:			
General government	1,837,269	349,421	2,186,690
Public safety	2,637,678	69,804	2,707,482
Public works	768,727	1,660,093	2,428,820
Culture and recreation	497,532	227,267	724,799
Total expenditures	<u>5,741,206</u>	<u>2,306,585</u>	<u>8,047,791</u>
Excess (deficiency) of revenues over expenditures	<u>1,949,197</u>	<u>(516,235)</u>	<u>1,432,962</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	3,836,558	438,814	4,275,372
Transfers out	(5,910,415)	(51,515)	(5,961,930)
Total other financing sources and uses	<u>(2,073,857)</u>	<u>387,299</u>	<u>(1,686,558)</u>
Net change in fund balances	(124,660)	(128,936)	(253,596)
Fund balances-beginning	604,470	1,053,979	1,658,449
Fund balances-ending	<u>\$ 479,810</u>	<u>925,043</u>	<u>1,404,853</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, 2015

Net change in fund balances - total governmental funds	\$ (253,596)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:</p>	
Capital asset purchases capitalized	1,859,464
Depreciation expense	(767,791)
<p>In the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as an element of pension expense. The fund financial statements report pension contributions as expenditures.</p>	
	259,945
<p>Repayment of debt principal and debt issue costs is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:</p>	
Long-term debt principal payments	115,000
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:</p>	
Change in accrued compensated absences	19,610
Change in net position of governmental activities	\$ 1,232,632

City of Seminole, Oklahoma
Statement of Net Position - Proprietary Funds
June 30, 2015

	Business-type Activities - Enterprise Funds					
	Seminole Utilities <u>Authority</u>	Capital Improvements	Seminole Gas <u>Authority</u>	Seminole Community Wellness <u>Authority</u>	Seminole Medical <u>Authority</u>	Total Enterprise <u>Funds</u>
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 5,744	-	30,352	(35,828)	-	268
Investments	-	-	-	-	57,317	57,317
Restricted:						
Cash and investments	6,665,247	730,000	-	1,635,778	-	9,031,025
Receivables:						
Account, net of allowance of \$401,589	218,378	-	17,545	-	-	235,923
Due from other governments	210,651	-	-	-	-	210,651
Total current assets	<u>7,100,020</u>	<u>730,000</u>	<u>47,897</u>	<u>1,599,950</u>	<u>57,317</u>	<u>9,535,184</u>
Non-current assets:						
Capital assets:						
Land	13,889	-	-	-	-	13,889
Other capital assets, net of accumulated depreciation	11,077,988	-	-	7,000,293	-	18,078,281
Total non-current assets	<u>11,091,877</u>	<u>-</u>	<u>-</u>	<u>7,000,293</u>	<u>-</u>	<u>18,092,170</u>
Total assets	<u>18,191,897</u>	<u>730,000</u>	<u>47,897</u>	<u>8,600,243</u>	<u>57,317</u>	<u>27,627,354</u>
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	16,023	-	17,128	618	-	33,769
Accrued interest payable	176,234	-	-	-	-	176,234
Deposits subject to refund	118,090	-	-	-	-	118,090
Current portion of long-term obligations	1,166,120	-	-	-	-	1,166,120
Total current liabilities	<u>1,476,467</u>	<u>-</u>	<u>17,128</u>	<u>618</u>	<u>-</u>	<u>1,494,213</u>
Non-current liabilities:						
Revenue bonds payable, net of current portion	13,150,000	-	-	-	-	13,150,000
Notes payable, net of current portion	150,411	-	-	-	-	150,411
Accrued compensated absences	46,562	-	-	-	-	46,562
Total non-current liabilities	<u>13,346,973</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,346,973</u>
Total liabilities	<u>14,823,440</u>	<u>-</u>	<u>17,128</u>	<u>618</u>	<u>-</u>	<u>14,841,186</u>
NET POSITION						
Net investment in capital assets	(2,309,372)	-	-	7,000,293	-	4,690,921
Restricted:						
Debt service	5,290,181	-	-	-	-	5,290,181
Construction	-	730,000	-	-	-	730,000
Facility maintenance	-	-	-	1,635,778	-	1,635,778
Unrestricted	387,648	-	30,769	(36,446)	57,317	439,288
Total net position	<u>\$ 3,368,457</u>	<u>730,000</u>	<u>30,769</u>	<u>8,599,625</u>	<u>57,317</u>	<u>12,786,168</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, 2015

	Business-type Activities - Enterprise Funds					
	Seminole Utilities Authority	Capital Improvements	Seminole Gas Authority	Seminole Community Wellness Authority	Seminole Medical Authority	Total Enterprise Funds
REVENUES						
Charges for services						
Water	\$ 1,015,436	-	-	-	-	1,015,436
Sewer	825,014	-	-	-	-	825,014
Sanitation	666,213	-	-	-	-	666,213
Other	101,953	-	354,657	-	-	456,610
Reynold's Center	-	-	-	400,525	-	400,525
Total operating revenues	<u>2,608,616</u>	<u>-</u>	<u>354,657</u>	<u>400,525</u>	<u>-</u>	<u>3,363,798</u>
OPERATING EXPENSES						
General and administration	875,552	-	35,537	-	-	911,089
Water	476,438	5,449	-	-	-	481,887
Sewer	367,340	19,551	-	-	-	386,891
Sanitation	111,340	-	-	-	-	111,340
Natural gas	-	-	328,698	-	-	328,698
Reynold's Center	-	-	-	425,958	-	425,958
Depreciation and amortization	558,960	-	-	240,852	-	799,812
Total operating expenses	<u>2,389,630</u>	<u>25,000</u>	<u>364,235</u>	<u>666,810</u>	<u>-</u>	<u>3,445,675</u>
Operating income (loss)	<u>218,986</u>	<u>(25,000)</u>	<u>(9,578)</u>	<u>(266,285)</u>	<u>-</u>	<u>(81,877)</u>
NONOPERATING REVENUES (EXPENSES)						
Miscellaneous revenues	101,142	-	-	-	-	101,142
Interest income	10,932	2,095	-	7,342	130	20,499
Capital project expenditures	(358,207)	-	-	-	-	(358,207)
Interest expense and fiscal charges	(626,302)	-	-	-	-	(626,302)
Total nonoperating revenues (expenses)	<u>(872,435)</u>	<u>2,095</u>	<u>-</u>	<u>7,342</u>	<u>130</u>	<u>(862,868)</u>
OPERATING TRANSFERS						
Transfers in	2,761,558	25,000	-	40,000	-	2,826,558
Transfers out	(1,140,000)	-	-	-	-	(1,140,000)
Total operating transfers	<u>1,621,558</u>	<u>25,000</u>	<u>-</u>	<u>40,000</u>	<u>-</u>	<u>1,686,558</u>
Change in net position	<u>968,109</u>	<u>2,095</u>	<u>(9,578)</u>	<u>(218,943)</u>	<u>130</u>	<u>741,813</u>
Net position - beginning	2,400,348	727,905	40,347	8,818,568	57,187	12,044,355
Net position - ending	<u>\$ 3,368,457</u>	<u>730,000</u>	<u>30,769</u>	<u>8,599,625</u>	<u>57,317</u>	<u>12,786,168</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, 2015

	Business-type Activities - Enterprise Funds					Total Enterprise Funds
	Seminole Utilities Authority	Capital Improvements	Seminole Gas Authority	Seminole Community Wellness Authority	Seminole Medical Authority	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 2,773,887	-	354,657	400,525	-	3,529,069
Payments to suppliers and employees	(1,649,672)	(25,000)	(372,328)	(429,021)	-	(2,476,021)
Receipt (disbursement) of meter deposits	7,540	-	-	-	-	7,540
Net cash provided (used) by operating activities	<u>1,131,755</u>	<u>(25,000)</u>	<u>(17,671)</u>	<u>(28,496)</u>	<u>-</u>	<u>1,060,588</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Change in interfund receivables/payables	-	-	-	-	-	-
Operating transfers in (out)	1,621,558	25,000	-	40,000	-	1,686,558
Net cash provided (used) by noncapital financing activities	<u>1,621,558</u>	<u>25,000</u>	<u>-</u>	<u>40,000</u>	<u>-</u>	<u>1,686,558</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from issuance of long-term debt	-	-	-	-	-	-
Principal paid on long-term debt	(1,202,391)	-	-	-	-	(1,202,391)
Interest expense and fiscal charges	(626,302)	-	-	-	-	(626,302)
Capital expenditures for governmental activities	(358,207)	-	-	-	-	(358,207)
(Acquisition) disposition of capital assets	(428,116)	-	-	(34,793)	-	(462,909)
Net cash provided (used) by capital and related financing activities	<u>(2,615,016)</u>	<u>-</u>	<u>-</u>	<u>(34,793)</u>	<u>-</u>	<u>(2,649,809)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Decrease (increase) in investments	-	-	-	-	(130)	(130)
Interest received	10,932	2,095	-	7,342	130	20,499
Net cash provided (used) by investing activities	<u>10,932</u>	<u>2,095</u>	<u>-</u>	<u>7,342</u>	<u>-</u>	<u>20,369</u>
Net increase (decrease) in cash and cash equivalents	149,229	2,095	(17,671)	(15,947)	-	117,706
Cash and cash equivalents, beginning of the year	6,521,762	727,905	48,023	1,615,897	-	8,913,587
Cash and cash equivalents, end of the year	<u>\$ 6,670,991</u>	<u>730,000</u>	<u>30,352</u>	<u>1,599,950</u>	<u>-</u>	<u>9,031,293</u>
Reconciliation to Statement of Net Position:						
Cash and cash equivalents	5,744	-	30,352	(35,828)	-	268
Restricted cash and cash equivalents	6,665,247	730,000	-	1,635,778	-	9,031,025
Total cash and cash equivalents, end of year	<u>\$ 6,670,991</u>	<u>730,000</u>	<u>30,352</u>	<u>1,599,950</u>	<u>-</u>	<u>9,031,293</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:						
Operating income (loss)	218,986	(25,000)	(9,578)	(266,285)	-	(81,877)
Adjustments to reconcile operating income to net cash provided by operating activities:						
Cash flows reported in other categories:						
Depreciation and amortization expense	558,960	-	-	240,852	-	799,812
Miscellaneous revenues	101,142	-	-	-	-	101,142
Change in assets and liabilities:						
(Increase) decrease in receivables	276,979	-	20,630	-	-	297,609
Increase (decrease) in accounts payable and accrued expenses	(31,852)	-	(28,723)	(3,063)	-	(63,638)
Total adjustments	<u>905,229</u>	<u>-</u>	<u>(8,093)</u>	<u>237,789</u>	<u>-</u>	<u>1,134,925</u>
Net cash provided by (used in) operating activities	<u>\$ 1,124,215</u>	<u>(25,000)</u>	<u>(17,671)</u>	<u>(28,496)</u>	<u>-</u>	<u>1,053,048</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, 2015

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, 2015

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, 2015

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, 2015

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, 2015, 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, 2015

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, 2015

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, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- l. *Pensions* - For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflow of resources related to pensions and pension expense, information about the fiduciary net position of the City's multiemployer pension plans and additions to/deductions from the multiemployer pension plans have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

 - 2. *Restricted net position* - Consists of net position with constraints placed on the use either by external groups, such as grantors or laws and regulations of other governments, or law through constitutional provisions or enabling legislation. The most significant restriction as of June 30, 2015 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.

City of Seminole, Oklahoma
Notes to Basic Financial Statements
As of and For the Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- a) *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.
- b) *Unassigned* - Includes the residual balance of the General Fund that has not been assigned to other funds and that has not be restricted, committed, or assigned to specific purposes with the General Fund.

Revenues, Expenditures and Expenses

- a. *Property Tax Revenue* - Property taxes attach an enforceable lien on property as of January 1. Taxes are levied annually on November 1 and are due one-half by December 31 and one-half by March 31. The Tax Assessor's office bills and collects the property taxes and remits to the City its portion. Property taxes not paid prior to April are considered delinquent. Such delinquent tax payments have not historically been material. Delinquent tax payments are received throughout the year and are recognized as revenue in the year received, except those received within 60 days of year end, which are recognized as revenues as of June 30, 2015 in both the government-wide and fund financial statements.
- b. *Sales Taxes* - Sales taxes are collected by vendors and required to be remitted to the State of Oklahoma by the 20th of the month following collection. The tax is then paid to the City by the 10th of the next month. A two month lag exists between collection by the vendor and payment to the City by the State. Revenue received in July and August from sales made in May and June, respectively, is available for prior year expenses and is accrued in both the government-wide and fund financial statements.
- 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.

City of Seminole, Oklahoma
Notes to the Basic Financial Statements
As of and For the Year Ended June 30, 2015

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

New Accounting Pronouncements - Effective July 1, 2014, the City implemented GASB 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. A prior period adjustment of \$3,583,239 was made to unrestricted net position to account for these items.

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	\$ 986,676
Investments	<u>67,317</u>
Total	\$ <u>1,053,993</u>

City of Seminole, Oklahoma
Notes to the Basic Financial Statements
As of and For the Year Ended June 30, 2015

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

The local government had the following deposits and investments at June 30, 2015:

	Credit rating	Fair value	Maturities in Years		
			On demand	Less than 1	1-5
Demand deposits and cash on hand	(1)	\$ 986,676	986,676	-	-
Money market mutual funds	AAA	-	-	-	-
Time deposits	(1)	67,317	-	67,317	-
Total		\$ 1,053,993	986,676	67,317	-

(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, 2015, the City held deposits of approximately \$7,315,341 at financial institutions. The City's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with the securities held by the City or by its agent in the City's name.

Investment Interest Credit Risk

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

Investment Credit Risk

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

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

City of Seminole, Oklahoma
Notes to the Basic Financial Statements
As of and For the Year Ended June 30, 2015

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

- 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 (\$67,317).

Receivables and Uncollectible Accounts

Receivables as of June 30, 2015, 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	\$ 111,867	-	619,967	17,545	749,379
Due from other governments	305,771	5,042	210,651	-	521,464
Gross receivables	<u>417,638</u>	<u>5,042</u>	<u>830,618</u>	<u>17,545</u>	<u>1,270,843</u>
Less: Allowance for uncollectibles	-	-	401,589	-	401,589
Net total receivables	<u>\$ 417,638</u>	<u>5,042</u>	<u>429,029</u>	<u>17,545</u>	<u>869,254</u>

Restricted Assets

The Seminole Utilities Authority has issued Utility System and Sales Tax Revenue Bonds with require restricted cash and investments for unexpended construction funds and debt service funds for repayment of the principal and interest when due. In addition, restricted assets include funds held on utility customer deposits and fund restricted for facility maintenance at the Reynolds Wellness Center.

City of Seminole, Oklahoma
Notes to the Basic Financial Statements
As of and For the Year Ended June 30, 2015

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

SUA Utility Sales Tax Revenue Bonds, Series 2006 :	
Project account	\$ 977,942
Debt service	600,998
Debt service reserve	1,007,285
SUA Utility Revenue Bonds, Series 2010 :	
Project account	-
Debt service	119,334
Debt service reserve	220,873
SUA Sales Tax Revenue Bonds, Series 2012 :	
Project account	263,574
Debt service	389,947
Accounts not held at trustee bank :	
Debt service	2,951,745
Meter deposit funds	133,549
Capital improvement funds	730,000
Reynolds Center - Facility maintenance	1,635,778
Total restricted assets	\$ <u><u>9,031,025</u></u>

City of Seminole, Oklahoma
Notes to the Basic Financial Statements
As of and For the Year Ended June 30, 2015

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Capital Assets

Capital asset balances and activities for the year ended Jun 30, 2015, were as follows:

	Beginning	Additions	Retirements	Ending
Governmental activities				
Capital assets not being depreciated :				
Land	\$ 304,926	-	-	304,926
Total capital assets not being depreciated	304,926	-	-	304,926
Capital assets being depreciated :				
Buildings and improvements	2,391,627	50,931	-	2,442,558
Machinery and equipment	4,333,076	129,618	-	4,462,694
Vehicles	2,574,675	66,786	-	2,641,461
Infrastructure	16,572,425	1,762,277	-	18,334,702
Total capital assets being depreciated	25,871,803	2,009,612	-	27,881,415
Less accumulated depreciation for :				
Buildings and improvements	(1,909,782)	(38,188)	-	(1,947,970)
Machinery and equipment	(3,928,958)	(65,083)	-	(3,994,041)
Vehicles	(1,842,080)	(153,503)	-	(1,995,583)
Infrastructure	(12,082,230)	(511,017)	-	(12,593,247)
Total accumulated depreciation	(19,763,050)	(767,791)	-	(20,530,841)
Total capital assets being depreciated, net	6,108,753	1,241,821	-	7,350,574
Governmental activities capital assets, net	\$ 6,413,679	1,241,821	-	7,655,500
Business-type activities				
Capital assets not being depreciated :				
Land and construction in progress	\$ 13,889	-	-	13,889
Total capital assets not being depreciated	13,889	-	-	13,889
Capital assets being depreciated :				
Buildings and improvements	13,773,846	17,900	-	13,791,746
Machinery and equipment	2,192,131	233,957	-	2,426,088
Vehicles	462,964	-	-	462,964
Infrastructure	15,687,211	211,052	-	15,898,263
Total capital assets being depreciated	32,116,152	462,909	-	32,579,061
Less accumulated depreciation for :				
Buildings and improvements	(2,917,601)	(365,502)	-	(3,283,103)
Machinery and equipment	(1,339,057)	(132,546)	-	(1,471,603)
Vehicles	(374,032)	(12,176)	-	(386,208)
Infrastructure	(9,071,407)	(289,589)	-	(9,360,996)
Total accumulated depreciation	(13,702,097)	(799,813)	-	(14,501,910)
Total capital assets being depreciated, net	18,414,055	(336,904)	-	18,077,151
Business-type activities capital assets, net	\$ 18,427,944	(336,904)	-	18,091,040

City of Seminole, Oklahoma
Notes to the Basic Financial Statements
As of and For the Year Ended June 30, 2015

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 5,410
Public safety	187,942
Public works	378,649
Cultural and recreation	195,790
Total depreciation expense - governmental activities	<u>767,791</u>
Business-type activities:	
Water	245,279
Sewer	268,250
Sanitation	8,791
General government	36,640
Reynolds Center	240,853
Total depreciation expense - business-type activities	<u>\$ 799,813</u>

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, 2015, cash and investments included \$133,549 available for refund of customer deposits, while the liability to customers was \$118,090.

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, 2015, \$4,227 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, 2015

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Long-term Liabilities

Long-term liabilities of the City of Seminole as of June 30, 2015, 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%	\$ 115,000
Total general obligation bonds	<u>115,000</u>
Total governmental activities	<u><u>\$ 115,000</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.	1,500,000
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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.	9,400,000
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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>3,365,000</u>
Net revenue bonds payable	<u>14,265,000</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%.	132,782
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Notes payable to a local bank with varying terms and maturities	<u>68,749</u>
Total notes payable	<u>201,531</u>
Total business-type activities	<u><u>\$ 14,466,531</u></u>

City of Seminole, Oklahoma
Notes to the Basic Financial Statements
As of and For the Year Ended June 30, 2015

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Long-term liabilities transactions for the year ended June 30, 2015, and changes therein were as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>	Amounts Due Within <u>One Year</u>
Governmental activities					
General obligation bonds:					
Series 1996	\$ 230,000	-	115,000	115,000	115,000
Total governmental activities	<u>230,000</u>	<u>-</u>	<u>115,000</u>	<u>115,000</u>	<u>115,000</u>
Business-type activities					
Revenue bonds payable:					
Series 2012	3,740,000		375,000	3,365,000	385,000
Series 2010	1,690,000	-	190,000	1,500,000	195,000
Series 2006	9,900,000	-	500,000	9,400,000	535,000
Notes payable:					
CDBG-EDIF #9174	151,751	-	18,969	132,782	18,969
Bank	16,984	-	4,976	12,008	5,621
Bank	80,235	-	23,494	56,741	26,530
Bank	10,369	-	10,369	-	-
Bank	79,583	-	79,583	-	-
Total business-type activities	<u>15,668,922</u>	<u>-</u>	<u>1,202,391</u>	<u>14,466,531</u>	<u>1,166,120</u>
Component unit					
Note payable - Bank	\$ 144,525	-	144,525	-	-
Revenue bonds payable:					
Series 2009	<u>7,185,000</u>	<u>-</u>	<u>195,000</u>	<u>6,990,000</u>	<u>225,000</u>
Total component unit	<u>\$ 7,329,525</u>	<u>-</u>	<u>339,525</u>	<u>6,990,000</u>	<u>225,000</u>

City of Seminole, Oklahoma
Notes to the Basic Financial Statements
As of and For the Year Ended June 30, 2015

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, 2015 are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities		Component Unit	
	Principal	Interest	Principal	Interest	Principal	Interest
	2016	\$ 115,000	6,900	1,166,120	602,645	225,000
2017	-	-	1,205,566	555,733	235,000	505,432
2018	-	-	1,218,969	510,064	250,000	490,980
2019	-	-	1,258,969	463,232	270,000	475,605
2020	-	-	1,308,969	412,339	285,000	459,000
2021-2025	-	-	5,547,938	1,249,995	1,760,000	1,953,563
2026-2030	-	-	2,760,000	166,072	2,600,000	1,172,950
2031-2035	-	-	-	-	1,365,000	163,406
Totals	\$ <u>115,000</u>	<u>6,900</u>	<u>14,466,531</u>	<u>3,960,080</u>	<u>6,990,000</u>	<u>5,738,744</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, 2015, the remaining outstanding defeased bonds were as follows:

2000 Taxable Sales Tax Revenue Bonds	\$ 3,015,000
2004 Sales Tax Revenue Bonds	3,475,000
Total outstanding defeased bonds	<u>\$ 6,490,000</u>

City of Seminole, Oklahoma
Notes to the Basic Financial Statements
As of and For the Year Ended June 30, 2015

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 \$2,761,558. Debt service payments on the 2006, 2010 and 2012 Revenue Bonds of \$1,710,899 for the current fiscal year were 62.0% 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	\$ 244,493
Business-type activities	46,562
Total accrued compensated absences	\$ 291,055

Interfund Receivables, Payables and Transfers

Interfund transactions:

	Transfers In		
	General Fund	Nonmajor Governmental	Seminole Utilities Authority
Transfer out:			
General fund	\$ -	387,299	2,761,558
Nonmajor governmental	-	-	-
Seminole Utilities Authority	1,075,000	-	-
Totals	\$ 1,075,000	387,299	2,761,558

City of Seminole, Oklahoma
Notes to the Basic Financial Statements
As of and For the Year Ended June 30, 2015

Prior Period Adjustments

Beginning fund balance/net position were restated as of June 30, 2015 as follows:

	Government-Wide
	Governmental
	Activities
Beginning fund/balance/net position, as previously reported	\$ 7,578,025
Implementation of GASB Statements No. 68 & 71	(3,583,239)
Beginning fund/balance/net position, as restated	\$ 3,994,786

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

City of Seminole, Oklahoma
Notes to the Basic Financial Statements
As of and For the Year Ended June 30, 2015

NOTE 4 - OTHER INFORMATION - Continued

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.

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 and the Seminole Economic Development Council have 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, 2015.

City of Seminole, Oklahoma
Notes to the Basic Financial Statements
As of and For the Year Ended June 30, 2015

NOTE 4 - OTHER INFORMATION - Continued

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, 2015, the City did not have deficits in any funds.

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 participates in three employee pension systems as follows:

<u>Names of Plan/System</u>	<u>Type of Plan</u>
Oklahoma Police Pension and Retirement Fund	Cost Sharing Multiple Employer - Defined Benefit Plan
Oklahoma Firefighters Pension and Retirement Fund	Cost Sharing Multiple Employer - Defined Benefit Plan
City of Seminole, Oklahoma Employee Retirement Plan	Single Employer - Defined Contribution Money Purchase Plan

Oklahoma Police Pension and Retirement System (OPPRS)

Plan Description - The City of Seminole, as the employer, participates in the Police Pension & Retirement - a cost-sharing multi-employer defined benefit pension plan administered by the Oklahoma Police Pension & Retirement System (OPPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the OPPRS. OPPRS issues a publicly available financial report that can be obtained at www.ok.gov/pprs.

Benefits Provided - OPPRS provides retirement, disability, and death benefits to members of the Plan.

The normal retirement date under the Plan is the date upon which the participant completes 20 years of credited service, regardless of age. Participants become vested upon completing 10 years of credited service as a contributing participant of the Plan. No vesting occurs prior to completing 10 years of credited service. Participant's contributions are refundable, without interest, upon termination prior to normal retirement. Participants who have

City of Seminole, Oklahoma
Notes to the Basic Financial Statements
As of and For the Year Ended June 30, 2015

NOTE 4 - OTHER INFORMATION - Continued

accumulated contributions refunded. If the vested benefit is elected, the participant is entitled to a monthly retirement benefit commencing on the date the participant reaches 50 years of age or the date the participant would have had 20 years of credited service had employment had continued uninterrupted, whichever is later.

Monthly retirement benefits are calculated based on two and a half percent (2.5%) of final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered.

Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participant's final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of credited service, participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service. This disability benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective July 1, 1998, once a disability benefit is granted to a participant, that participant is no longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.

Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is entitled to a pension benefit. Effective July 1, 1999, a \$5,000 death benefit is also paid, in addition to any survivor's pension benefits under the Plan, to the participant's beneficiary or estate for active or retired members.

Contributions - The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute eight percent (8%) of their annual pay. Participating cities are required to contribute thirteen percent (13%) of the employees' annual pay. Contributions to the pension plan from the City were \$68,841. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$60,670; these on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities/Asset, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City reported an asset of \$63,731 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2014. The City's proportion of the net pension asset was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2014. Based upon this information, the City's proportion was 0.19%.

City of Seminole, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2015

NOTE 4. OTHER INFORMATION - Continued

For the year ended June 30, 2015, the City recognized pension expense of \$23,360. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 28,632
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	224,003
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	32,572	-
Total	\$ 32,572	\$ 252,635

\$32,572 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
	2016	\$ 61,923
	2017	61,923
	2018	61,923
	2019	61,923
	2020	4,943
	\$	252,635

City of Seminole, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2015

NOTE 4. OTHER INFORMATION - Continued

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	4.5% to 17.0% averages, including inflation
Investment rate of return:	7.5% net of pension plan investment expense

Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for healthy lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	25%	2.83%
Domestic equity	45%	6.47%
International equity	10%	6.98%
Real estate	5%	5.50%
Private equity	10%	5.96%
Commodities	5%	3.08%

City of Seminole, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2015

NOTE 4. OTHER INFORMATION - Continued

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State Statutes. Projected cash flows also assume the State of Oklahoma will continue contributing fourteen percent (14%) of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents the net position liability (asset) of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower - (6.5%) or one percentage point higher - (8.5%) than the current rate:

	1% Decrease 6.5%	Current Discount Rate (7.5%)	1% Increase 8.5%
Employers' net pension liability(asset) \$	379,187	\$ (63,731)	\$ (437,012)

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the OPPRS; which can be located at www.ok.gov/pprs.

Payables to the Pension Plan - There are no payables to the pension plan for the year ended June 30, 2015.

Oklahoma Firefighters' Pension and Retirement System (OFPRS)

Plan Description - The City of Seminole, as the employer, participates in the Firefighters Pension & Retirement - a cost-sharing multi-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension & Retirement System (OFPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the OFPRS. OFPRS issues a publicly available financial report that can be obtained at www.ok.gov/fprs.

City of Seminole, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2015

NOTE 4. OTHER INFORMATION - Continued

Benefits Provided - OFPRS provides retirement, disability, and death benefits to members of the Plan.

Benefits for members hired prior to November 1, 2013 are determined as 2.5% of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month. Benefits vest with 10 years or more of service.

Benefits for members hired after November 1, 2013 are determined as 2.5% of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 22 years of service, whichever is later. Benefits vest with 11 years or more of service.

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in-the-line-of-duty benefit is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per year of service, with a maximum of 30 years of service. For disabilities not in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation, based on the most recent 60 month salary as opposed to 30 months. For volunteer firefighters, the not in-the-line-of-duty disability is also limited to only those with less than 20 years of services, or \$7.53 per year of service, with a maximum of 30 years.

A \$5,000 lump sum, death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit.

Contributions - The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute nine percent (9%) of their annual pay. Participating cities are required to contribute fourteen percent (14%) of the employees' annual pay. Contributions to the pension plan from the City were \$103,994. The State of Oklahoma also made on-behalf contributions to OFPRS in the amount of \$267,412; these on-behalf payments did not meet the criteria of a special funding situation.

City of Seminole, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2015

NOTE 4. OTHER INFORMATION - Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City reported a liability of \$2,861,331 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2014. Based upon this information, the City's proportion was 0.28%.

For the year ended June 30, 2015, the City recognized pension expense of \$256,985. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 68,175	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	433,127
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	59,321	-
	<hr/>	<hr/>
Total	\$ <u>127,496</u>	\$ <u>433,127</u>

\$59,321 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

City of Seminole, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2015

NOTE 4. OTHER INFORMATION - Continued

Year ended June 30:

	2016 \$	(95,544)
	2017	(95,544)
	2018	(95,544)
	2019	(95,544)
	2020	12,689
	Thereafter	4,535
	\$	(364,952)

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	3.5% to 9.0% averages, including inflation
Investment rate of return:	7.5% net of pension plan investment expense

Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for healthy lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	20%	5.48%
Domestic equity	37%	9.61%
International equity	20%	9.24%
Real estate	10%	7.76%
Other assets	13%	6.88%

City of Seminole, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2015

NOTE 4. OTHER INFORMATION - Continued

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State Statutes. Projected cash flows also assume the State of Oklahoma will continue contributing thirty-six percent (36%) of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net position liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower - (6.5%) or one percentage point higher - (8.5%) than the current rate:

	1% Decrease ▼ (6.5%)	Current Discount Rate (7.5%)	1% Increase ▼ (8.5%)
	\$	\$	\$
Employers' net pension liability	3,736,268	2,861,331	2,127,771

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the OFPRS; which can be located at www.ok.gov/fprs.

Payables to the Pension Plan - There are no payables to the pension plan for the year ended June 30, 2015.

City of Seminole, Oklahoma
Notes to the Basic Financial Statements
As of and For the Year Ended June 30, 2015

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, 2015, for employees and employer were \$28,203 and \$141,017, respectively. For the year ended June 30, 2015, the City's covered payroll was \$1,360,018. 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, 2015 and 2014, the City's net assessed valuation of taxable real and personal property aggregated \$31,789,679 and \$29,938,249 while the property taxes levied per \$1,000 of net assessed valuation were \$0.05 and \$3.78, respectively.

City of Seminole, Oklahoma
Notes to the Basic Financial Statements
As of and For the Year Ended June 30, 2015

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, 2015, 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 2015, 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, 2015 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, 2015

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. 72, *Fair Value Measurement and Application* was issued in February 2015 to enhance transparency and comparability of fair value measurements and disclosures in financial statement of state and local governments. The Standard establishes principles related to the measurement of fair value and the accounting for and financial reporting of assets and liabilities measured at fair value. The provisions of this Statement are effective for reporting periods beginning after June 15, 2015. The City has not yet evaluated the effects that GASB NO. 72 will have on its financial statements.

Subsequent Events

Management has evaluated subsequent events through September 30, 2015, which is the date the financial statements were available to be issued.

On July 1, 2015 the Seminole Utilities Authority issued Sales Tax Refunding Revenue Bonds in the aggregate amount of \$9,130,000. The proceeds were used to defease the Seminole Utilities Authority's Series 2006 Sales Tax Revenue Bonds discussed in Note 3 with the balance used to pay issuance costs and establish a capital project fund in the amount of \$399,421.

**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, 2015

	Budget		Actual	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Taxes	\$ 6,249,177	6,193,220	6,232,620	39,400
Intergovernmental	158,992	213,709	188,406	(25,303)
Licenses and permits	18,367	18,367	20,083	1,716
Charge for services	814,666	814,666	940,252	125,586
Fines and forfeitures	220,483	221,723	173,481	(48,242)
Interest	6,048	6,048	8,341	2,293
Miscellaneous	124,345	124,345	127,220	2,875
Total revenues	<u>7,592,078</u>	<u>7,592,078</u>	<u>7,690,403</u>	<u>98,325</u>
EXPENDITURES				
General government:				
General government	1,465,178	1,402,957	1,355,544	47,413
City council	1,500	1,500	405	1,095
City manager	133,274	133,275	128,276	4,999
City clerk	219,694	204,874	204,874	-
City attorney	42,696	43,026	43,026	-
Municipal court	105,523	105,193	105,144	49
Public safety:				
Police	1,112,290	1,066,568	1,066,568	-
Fire and ambulance	1,423,219	1,551,308	1,551,308	-
Emergency management	23,954	23,954	19,802	4,152
Public works:				
Streets	330,611	319,010	319,010	-
Fleet maintenance	57,833	58,548	58,548	-
Community services	273,880	299,901	299,901	-
Cemetery	66,473	67,040	67,040	-
Airport	24,399	24,399	24,228	171
Culture and recreation:				
Senior citizens bus	27,269	14,217	14,217	-
Parks	184,897	180,001	175,104	4,897
Golf course	72,256	72,256	70,163	2,093
Sportsman lake	65,770	68,178	68,178	-
Library	157,607	151,934	151,934	-
Senior citizens crafts	17,750	17,936	17,936	-
Total expenditures	<u>5,806,073</u>	<u>5,806,075</u>	<u>5,741,206</u>	<u>64,869</u>
Excess (deficiency) of revenues over (under) expenditures	1,786,005	1,786,003	1,949,197	163,194
OTHER FINANCING SOURCES (USES)				
Transfers	<u>(1,894,244)</u>	<u>(1,894,245)</u>	<u>(2,073,857)</u>	<u>(179,612)</u>
Net change in fund balances	(108,239)	(108,242)	(124,660)	(16,418)
Fund balances - beginning	339,533	339,533	604,470	264,937
Fund balances - ending	<u>\$ 231,294</u>	<u>231,291</u>	<u>479,810</u>	<u>248,519</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, 2015

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.

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.

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.

**City of Seminole, Oklahoma
Schedule of Employer's Share of Net Pension Liability
Oklahoma Police Pension and Retirement System
Last 10 Fiscal Years***

	2014
1. Employer's proportion of the net pension liability (asset)	0.189300%
2. Employer's proportionate share of the net pension liability (asset)	\$ (63,731)
3. Employer's covered-employee payroll	\$ 529,546
4. Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-12.04%
5. Plan fiduciary net position as a percentage of the total pension liability	101.53%

* Complete data for this schedule is not available prior to 2014.

Data is reported is measured as of July 1, 2014.

**City of Seminole, Oklahoma
Schedule of Employer Contributions
Oklahoma Police Pension and Retirement System
Last 10 Fiscal Years***

	2014
Statutorily required contribution	\$ 68,841
Contributions in relation to the statutorily required contribution	\$ (68,841)
Contribution deficiency (excess)	\$ -
City's covered-employee payroll	\$ 508,728
Contributions as a percentage of covered-employee payroll	13.53%

* Complete data for this schedule is not available prior to 2014.

Data is reported is measured as of July 1, 2014.

City of Seminole, Oklahoma
Schedule of Employer's Share of Net Pension Liability
Oklahoma Firefighters' Pension and Retirement System
Last 10 Fiscal Years*

	<u>2014</u>
1. Employer's proportion of the net pension liability (asset)	0.278200%
2. Employer's proportionate share of the net pension liability (asset)	\$ 2,861,331
3. Employer's covered-employee payroll	\$ 730,040
4. Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	391.94%
5. Plan fiduciary net position as a percentage of the total pension liability	68.12%

* Complete data for this schedule is not available prior to 2014.

Data is reported is measured as of July 1, 2014.

City of Seminole, Oklahoma
Schedule of Employer Contributions
Oklahoma Firefighters' Pension and Retirement System
Last 10 Fiscal Years*

	<u>2014</u>
Statutorily required contribution	\$ 103,994
Contributions in relation to the statutorily required contribution	\$ (103,994)
Contribution deficiency (excess)	\$ -
City's covered-employee payroll	\$ 730,040
Contributions as a percentage of covered-employee payroll	14.24%

* Complete data for this schedule is not available prior to 2014.

Data is reported is measured as of July 1, 2014.

**OTHER SUPPLEMENTARY
INFORMATION**

City of Seminole, Oklahoma
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2015

	Special Revenue									Debt Service	Capital Projects		Permanent	Total
	Street & Alley	Library Funds	Vacation Liability	Tourism	Park Funds	Animal Control	Airport Trust	Urban Renewal Authority	Seminole Recreation Authority	Sinking Fund	Capital Improvements	Grant Fund	Cemetery Perpetual Care	Nonmajor Governmental Funds
ASSETS														
Cash and cash equivalents	\$ 50,634	972	17,647	7,395	7,066	51,024	20,848	339,265	30,347	120,354	878	130,890	132,681	910,001
Investments	-	10,000	-	-	-	-	-	-	-	-	-	-	-	10,000
Receivables, net	5,042	-	-	-	-	-	-	-	-	-	-	-	-	5,042
TOTAL	55,676	10,972	17,647	7,395	7,066	51,024	20,848	339,265	30,347	120,354	878	130,890	132,681	925,043
LIABILITIES AND FUND BALANCES														
Liabilities:														
Accounts payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fund balances:														
Reserved for:														
Restricted	55,676	10,972	17,647	7,395	7,066	51,024	20,848	339,265	30,347	120,354	878	130,890	132,681	925,043
Assigned	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Fund Balances	55,676	10,972	17,647	7,395	7,066	51,024	20,848	339,265	30,347	120,354	878	130,890	132,681	925,043
TOTAL	\$ 55,676	10,972	17,647	7,395	7,066	51,024	20,848	339,265	30,347	120,354	878	130,890	132,681	925,043

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, 2015

	Special Revenue								Debt Service	Capital Projects		Permanent Cemetery	Total Nonmajor Governmental	
	Street & Alley	Library Funds	Vacation Liability	Tourism	Park Funds	Animal Control	Airport Trust	Urban Renewal Authority	Seminole Recreation Authority	Sinking Fund	Capital Improvements	Grant Fund	Perpetual Care	Funds
REVENUES														
Taxes	\$ 70,873	-	-	65,391	-	-	-	-	-	117,122	-	-	-	253,386
Intergovernmental	-	7,478	-	-	-	-	1,385,364	-	-	-	-	67,071	-	1,459,913
Charge for services	-	-	-	-	5,701	4,270	4,915	-	-	-	-	-	3,587	18,473
Interest	-	30	-	-	-	377	-	-	16	496	-	-	-	919
Miscellaneous	-	-	-	-	-	-	7,572	19,124	-	-	-	30,963	-	57,659
Total revenues	<u>70,873</u>	<u>7,508</u>	<u>-</u>	<u>65,391</u>	<u>5,701</u>	<u>4,647</u>	<u>1,397,851</u>	<u>19,124</u>	<u>16</u>	<u>117,618</u>	<u>-</u>	<u>98,034</u>	<u>3,587</u>	<u>1,790,350</u>
EXPENDITURES														
Current:														
General government	-	-	-	-	-	-	-	-	-	128,978	71,143	149,300	-	349,421
Public safety	-	-	-	-	-	1,856	-	-	-	-	55,275	12,673	-	69,804
Public works	69,373	-	-	-	-	-	1,385,124	153,834	-	-	51,762	-	-	1,660,093
Cultural and recreational	-	7,982	-	74,319	5,663	-	-	-	-	-	93,676	40,511	5,116	227,267
Total expenditures	<u>69,373</u>	<u>7,982</u>	<u>-</u>	<u>74,319</u>	<u>5,663</u>	<u>1,856</u>	<u>1,385,124</u>	<u>153,834</u>	<u>-</u>	<u>128,978</u>	<u>271,856</u>	<u>202,484</u>	<u>5,116</u>	<u>2,306,585</u>
Excess (deficiency) of revenues over expenditures	<u>1,500</u>	<u>(474)</u>	<u>-</u>	<u>(8,928)</u>	<u>38</u>	<u>2,791</u>	<u>12,727</u>	<u>(134,710)</u>	<u>16</u>	<u>(11,360)</u>	<u>(271,856)</u>	<u>(104,450)</u>	<u>(1,529)</u>	<u>(516,235)</u>
OTHER FINANCING SOURCES (USES)														
Transfers in	-	-	-	-	-	-	-	115,299	-	-	272,000	51,515	-	438,814
Transfers out	-	-	-	-	-	-	-	-	-	-	(51,515)	-	-	(51,515)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115,299</u>	<u>-</u>	<u>-</u>	<u>220,485</u>	<u>51,515</u>	<u>-</u>	<u>387,299</u>
Net change in fund balances	<u>1,500</u>	<u>(474)</u>	<u>-</u>	<u>(8,928)</u>	<u>38</u>	<u>2,791</u>	<u>12,727</u>	<u>(19,411)</u>	<u>16</u>	<u>(11,360)</u>	<u>(51,371)</u>	<u>(52,935)</u>	<u>(1,529)</u>	<u>(128,936)</u>
Fund balances-beginning	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
Fund balances-ending	<u>\$ 55,676</u>	<u>10,972</u>	<u>17,647</u>	<u>7,395</u>	<u>7,066</u>	<u>51,024</u>	<u>20,848</u>	<u>339,265</u>	<u>30,347</u>	<u>120,354</u>	<u>878</u>	<u>130,890</u>	<u>132,681</u>	<u>925,043</u>

See accompanying notes to the basic financial statement.

City of Seminole, Oklahoma
Debt Service Coverage Schedule
For the Year Ended June 30, 2015

Gross Revenue Available For Debt Service:

Pledged sales tax	\$ 2,761,558	
System-wide gross revenues - Water and sewer	1,840,450	<u> </u>
 Total Gross Revenues Available	 4,602,008	 <u> </u>
 System-wide operating expense - Water and sewer exclusive of capital improvements, debt service and depreciation	 1,779,867	 <u> </u>
 Net Revenues Available for Debt Service	 \$ 2,822,141	 <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>
 Coverage	 1.63	 <u> </u>
 Coverage requirement	 1.25	 <u> </u>

City of Seminole, Oklahoma
 Schedule of Expenditures of State Awards
 For the Year Ended June 30, 2015

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 Aeronautic Commission			
Airport Runway Construction		\$ 86,500	74,831
Oklahoma Department of Libraries			
State Aid Grant		7,478	7,478
Oklahoma Department of Agriculture, Food, and Forestry			
State Aid Grant		10,821	10,821
Oklahoma Tobacco Settlement Endowment Trust			
Healthy Communities Incentive Grant		45,000	45,000
Passed through the Central Oklahoma Economic Development District (COEDD) :			
CENA Grant	13-031	500	500
CENA Grant	13-032	5,000	5,000
Total State of Oklahoma		155,299	143,630
Total State Awards		\$ 155,299	143,630

City of Seminole, Oklahoma

Schedule of Grant Revenues and Expenditures
Budget, Actual and Reconciliation of Audit Grant
June 30, 2015

15564 CDBG 13

	Program Budget	Cumulative Expenditures to Date Per Expenditure Report	Adjustments	Per Audit	Current Year Activity Per Audit
<u>REVENUE</u>					
Grant Proceeds	\$ 150,000	129,913		129,913	129,913
Matching funds	161,700	149,261		149,261	149,261
Total Revenue	311,700	279,174	-	279,174	279,174
<u>EXPENDITURES</u>					
Street resurfacing	283,700	270,089		270,089	270,089
Testing	8,000	-		-	-
Engineering/survey	20,000	9,085		9,085	9,085
Total Expenditures	311,700	279,174	-	279,174	279,174
Revenues Over (Under) Expenditures	\$ -	-	-	-	-

City of Seminole, Oklahoma

Schedule of Grant Revenues and Expenditures
 Budget, Actual and Reconciliation of Audit Grant
 June 30, 2015

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	-
Matching funds	492,903	302,624	64,759	367,383	64,759
Total Revenue	985,806	741,080	64,759	805,839	64,759
<u>EXPENDITURES</u>					
Building, gravel lot, fencing	492,903	438,456		438,456	-
Machinery - Blue Wave Match	469,259	302,624	64,759	367,383	64,759
Parking lot - Blue Wave Match	23,644	-	-	-	-
Total Expenditures	985,806	741,080	64,759	805,839	64,759
Revenues Over (Under) Expenditures	\$ -	-	-	-	-

CITY OF SEMINOLE, OKLAHOMA

SINGLE AUDIT REPORTS

YEAR ENDED JUNE 30, 2015

THE CITY OF SEMINOLE, OKLAHOMA

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

The Honorable Mayor and 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, 2015, and the related notes to the financial statements, which collectively comprise the City of Seminole's basic financial statements and have issued our report thereon dated September 30, 2015.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 an instance 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 2015-01.

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 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 on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dillon & Associates, P.C.

Midwest City, Oklahoma
September 30, 2015

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Seminole, Oklahoma (the City), compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated September 30, 2015, which

contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Dillon & Associates, P.C.

Midwest City, Oklahoma
September 30, 2015

City of Seminole, Oklahoma
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

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	3-40-0087-015-2014	\$ 1,298,726
Construct Stub Taxiway, Apron and Access Road	20.106	3-40-0087-014-2013	10,041
Total U.S. Department of Transportation			1,308,767
<u>Federal Emergency Management Agency</u>			
Passed through the Oklahoma Department of Emergency Management:			
Emergency Management Performance Grant	97.042	EMPG 14	7,500
Emergency Management Performance Grant	97.042	EMPG 15	7,500
Total Federal Emergency Management Agency			15,000
<u>U.S. Department of Housing and Urban Development</u>			
Passed through the Oklahoma Department of Commerce:			
Community Development Block Grant Grant	14.228	15564 CDBG 13	129,913
Total U.S. Department of Housing and Urban Development			129,913
Total Federal Assistance			1,453,680

CITY OF SEMINOLE, OKLAHOMA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the activity of all federal award programs of the City of Seminole, Oklahoma (the "City"), for the year ended June 30, 2015. The City's reporting entity is described in Note 1 in the City's Annual Financial Report. Federal financial awards received directly from federal agencies as well as federal financial awards, if any, passed through other government agencies are included on the Schedule. Required matching contributions, program income, private grants and other nonfederal grants and awards are not included in the Schedule. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue from federal awards is recognized when the City has done everything necessary to establish its right to the revenue. In governmental funds, revenue from federal grants is recognized when they become both measurable and available. For proprietary funds, revenue from federal grants is recognized when they are earned. Expenditures of federal awards are recognized in the accounting period in which the liability is incurred.

**CITY OF SEMINOLE, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

Section I - Summary of Auditor's Results

1. The opinions expressed in the independent auditor's report were: *Unmodified*
2. The independent auditor's report on internal control over financial reporting disclosed:
- * Significant deficiency(ies)? yes none reported
 - * Material weakness(es)? yes
3. Noncompliance material to financial statements noted? yes no
4. The independent auditor's report on internal control over compliance with requirements that could have a direct and material effect on major federal awards programs disclosed:
- * Significant deficiency(ies)? yes none reported
 - * Material weakness(es)? yes
5. The opinion expressed in the independent auditor's report on compliance with requirements that could have a direct and material effect on major federal awards programs were: *Unmodified*
6. The audit disclosed findings required to be reported by OMB Circular A-133? yes no
7. The City's major programs were:
- | <u>Cluster/Program</u> | <u>CFDA
Number</u> |
|---------------------------------|------------------------|
| FAA Airport Improvement Program | 20.106 |
- Dollar threshold used to distinguish between type A and type B programs: \$300,000
- Auditee qualified as low-risk auditee? yes no

**CITY OF SEMINOLE, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

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

None to report for the June 30, 2015 period.

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

**Finding 2015-01 - 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 #15041 CDBG ED 11 requires the City to submit expenditure reports by the 10th of the month following the expenditure of funds.

Condition - The City did not file a timely report for expenditures for fiscal year 2014-2015. Matching expenditures required by the grant were not reported on the required reports.

In addition, the grant's expiration date was April 30, 2015 and City did not file a timely extension with the Oklahoma Department of Commerce.

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

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

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

**CITY OF SEMINOLE, OKLAHOMA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2014**

**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 10th 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.

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.

Status - The City filed to follow up and file the required monthly expenditure reports with the Oklahoma Department of Commerce on grant #15041 CDBG ED 11.