



CITY OF SEMINOLE, OKLAHOMA

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

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023**

CITY OF SEMINOLE, OKLAHOMA

LIST OF PRINCIPAL OFFICIALS

City Council

Jeff Griffin
Larry Church
Dana Miller
Eddie Foreman
John Cramer
Cory Crabtree
Tim Poplin
Chris Anson
Trace Conner

Mayor
Ward 1
Ward 1
Ward 2
Ward 2
Ward 3
Ward 3
Ward 4
Ward 4

Steve Saxon

City Manager

Jay Cox

Finance Director

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**INDEPENDENT AUDITOR'S
REPORT**



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Seminole, Oklahoma (“the City”), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about the City’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

INDEPENDENT AUDITOR'S REPORT - Continued

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, and the pension plan information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial

INDEPENDENT AUDITOR'S REPORT - Continued

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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, debt service coverage schedules, and state awards information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the debt service coverage schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report (under separate cover) dated June 30, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Dillon & Associates, PC

Midwest City, Oklahoma
September 26, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Management's Discussion and Analysis
City of Seminole, Oklahoma
June 30, 2023**

As management of the City of Seminole, we offer readers this narrative overview and analysis of the financial activities of the City of Seminole for the fiscal year ended June 30, 2023. We encourage readers to use this information in conjunction with the City's financial statements, which follow this section.

FINANCIAL AND ACTIVITY HIGHLIGHTS

- The City's total net position increased by \$4,700,124 and the assets of the City exceeded its liabilities \$34,493,532 (net position). Of this amount, \$3,633,552 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- On June 30, 2023, the City's governmental funds reported combined ending fund balances of \$3,490,706. Of this total amount, \$1,576,552 is available for spending at the government's discretion (unassigned fund balance).
- At the end of fiscal year 2023, unassigned fund balance for the General Fund was \$1,576,552, or approximately 21.6% of total General Fund expenditures and transfers.
- Sales and use taxes totaled \$8,009,489, an increase of \$506,638 or 6.7% 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 its component unit the Seminole Municipal Authority (SMA) using the integrated approach as prescribed by GASB Statement No. 34. Included in this report are government-wide statements for three categories of activities - governmental, business-type, and discretely-presented component units. 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 of activities separately and combined. These statements include all of the assets of the City (including infrastructure capital assets) as well as all liabilities (including all long-term debt), along with any inflows and outflows that are deferred.

REPORTING ON THE CITY AS A WHOLE

The Statement of Net Position and the Statement of Activities

One of the most frequently asked questions about the City's finances is, "Has the City's overall financial condition improved, declined, or remained steady over the past year?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. 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.

Management's Discussion and Analysis
City of Seminole, Oklahoma
June 30, 2023

These two government-wide statements report on 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 of resources and liabilities and deferred inflows of resources - as one way to measure the City's financial condition, or position. Over time, increases or decreases in the City's 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 and performance of the City.

As mentioned above, in the Statement of Net Position and the Statement of activities, we divide the City into three kinds 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 electric, water, sewer, solid waste utilities, golf course operations are reported here.
- **Discretely-presented component units** - This accounts for activities of the City's reporting entity that do not meet the criteria for blending and includes the Seminole Economic Development Council.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

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. 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. Governmental fund financial statements are prepared on the modified accrual basis. Under the modified accrual basis, revenues are recognized when they become measurable and available, and expenditures are recognized when the related fund liability is incurred, with the exception of long-term debt and other similar items which are recorded when due. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basis of 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 the Government-Wide financial statements are explained in a reconciliation following each Government Fund financial statement.

Management's Discussion and Analysis
City of Seminole, Oklahoma
June 30, 2023

Fund Financial Statements - Continued

Proprietary fund - 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. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position. In fact, the City's enterprise funds 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. The City uses enterprise funds to account for its electric, water, sewer, solid waste utilities, golf course and airport operations.

Fiduciary funds - The City can be responsible for assets that - because of a trust arrangement or fiduciary requirement - can be used only for trust beneficiaries or other parties. The City is responsible for ensuring that assets to be reported in these funds are used for their intended purpose. The City does not have any fiduciary activities in FY 2021-22 or FY 2022-23.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

NET POSITION

The City's combined net position increased from \$29,867,870 to \$34,567,994 between fiscal years 2021-22 and 2022-23. Looking at the net position of governmental and business-type activities separately, governmental activities increased \$3,846,860 primarily due to growing sales and use taxes, public safety grants, and delays in capital spending.

The net position for business-type activities increased by \$853,264 primarily due to City transfers to the Trust Authority and growing sales tax collections and a reduction in expenses.

Management's Discussion and Analysis
City of Seminole, Oklahoma
June 30, 2023

NET POSITION - Continued

A comparative, condensed presentation of net position is as follows:

Table 1
Net Position
(In Thousands)

| | Governmental | | | Business-type | | | Total | | |
|---|------------------|---------------|--------|---------------|---------------|--------|--------------------|---------------|--------|
| | Activities | | % Inc. | Activities | | % Inc. | Primary Government | | % Inc. |
| | 2023 | 2022 | (Dec.) | 2023 | 2022 | (Dec.) | 2023 | 2022 | (Dec.) |
| Current and other assets | \$ 4,852 | 3,203 | 51% | 18,521 | 9,762 | 90% | 23,373 | 12,965 | 80% |
| Capital assets | 10,249 | 8,285 | 24% | 17,030 | 16,558 | 3% | 27,279 | 24,843 | 10% |
| Total assets | <u>15,101</u> | <u>11,488</u> | 31% | <u>35,551</u> | <u>26,320</u> | 35% | <u>50,652</u> | <u>37,808</u> | 34% |
| Deferred outflow of resources | 2,903 | 1,463 | | - | 327 | | 2,903 | 1,790 | |
| Long-term debt outstanding | 4,399 | 2,293 | 92% | 12,021 | 3,518 | 242% | 16,420 | 5,811 | 183% |
| Other liabilities | 1,321 | 376 | 251% | 1,082 | 1,534 | -29% | 2,403 | 1,910 | 26% |
| Total liabilities | <u>5,720</u> | <u>2,669</u> | 114% | <u>13,103</u> | <u>5,052</u> | 159% | <u>18,823</u> | <u>7,721</u> | 144% |
| Deferred inflow of resources | 239 | 2,010 | | - | - | | 239 | 2,010 | |
| Net assets: | | | | | | | | | |
| Invested in capital assets, net of debt | 10,249 | 8,551 | 20% | 12,870 | 12,025 | 7% | 23,119 | 20,576 | 12% |
| Restricted | 1,915 | 374 | 412% | 5,827 | 5,674 | 3% | 7,742 | 6,048 | 28% |
| Unrestricted (deficit) | (119) | (653) | -82% | 3,752 | 3,896 | -4% | 3,633 | 3,243 | 12% |
| Total net assets | \$ <u>12,045</u> | <u>8,272</u> | 46% | <u>22,449</u> | <u>21,595</u> | 4% | <u>34,494</u> | <u>29,867</u> | 15% |

A significant portion of net position consists of net investment in capital assets, e.g., land, buildings, improvements, equipment (net of related debt) and, as such, is not available for future spending. The increase in net investment in capital assets is largely due to street improvements and other capital projects.

CHANGE IN NET POSITION

For the year ended June 30, 2023, the change in net position of the primary government is shown below. Note that the increase to the net position of Governmental Activities is primarily due to public safety grant funding and conservative budgeting of sales and use taxes.

The increase in governmental expenses is primarily due to changes in capital assets. The increase in business-type expense is primarily due to cost increases.

Management's Discussion and Analysis
City of Seminole, Oklahoma
June 30, 2023

CHANGE IN NET POSITION - Continued

Changes in Net Position
(In Thousands)

| | Governmental | | | Business-type | | | Total | | |
|---------------------------------|---------------|---------------|------------|---------------|---------------|-------------|--------------------|---------------|------------|
| | Activities | | % Inc. | Activities | | % Inc. | Primary Government | | % Inc. |
| | 2023 | 2022 | (Dec.) | 2023 | 2022 | (Dec.) | 2023 | 2022 | (Dec.) |
| Revenues | | | | | | | | | |
| Charges for services \$ | 1,444 | 1,357 | 6% | 4,820 | 4,787 | 1% | 6,264 | 6,144 | 2% |
| Operating grants | 975 | 798 | 22% | 56 | - | - | 1,031 | 798 | 29% |
| Capital grants | 602 | 1,934 | 0% | - | 188 | - | 602 | 2,122 | 0% |
| Sales and use taxes | 8,009 | 7,503 | 7% | - | - | - | 8,009 | 7,503 | 7% |
| Franchise tax (fees) | 543 | 370 | 47% | - | - | - | 543 | 370 | 47% |
| Other taxes | 131 | 316 | -59% | - | - | - | 131 | 316 | -59% |
| Investment income | 120 | 28 | 329% | 120 | 39 | 208% | 240 | 67 | 258% |
| Other | 2,737 | 661 | 314% | 829 | 680 | 0% | 3,566 | 1,341 | 166% |
| Total revenues | 14,561 | 12,967 | 12% | 5,825 | 5,694 | 2% | 20,386 | 18,661 | 9% |
| Expenses | | | | | | | | | |
| General government | 2,226 | 2,029 | 10% | 1,862 | 1,399 | 33% | 4,088 | 3,428 | 19% |
| Public safety | 2,860 | 2,474 | 16% | - | - | - | 2,860 | 2,474 | 16% |
| Public works | 1,114 | 745 | 50% | - | - | - | 1,114 | 745 | 50% |
| Cultural & recreation | 1,129 | 944 | 20% | - | - | - | 1,129 | 944 | 20% |
| Capital outlays | 1,575 | 886 | 78% | 324 | 507 | -36% | 1,899 | 1,393 | 36% |
| Water | - | - | - | 1,179 | 1,373 | -14% | 1,179 | 1,373 | -14% |
| Sewer | - | - | - | 750 | 872 | -14% | 750 | 872 | -14% |
| Sanitation | - | - | - | 289 | 253 | - | 289 | 253 | - |
| Reynold's activity center | - | - | - | 607 | 581 | 4% | 607 | 581 | 4% |
| Economic development | - | - | - | 1,844 | 1,847 | 0% | 1,844 | 1,847 | 0% |
| Total expenses | 8,904 | 7,078 | 26% | 6,855 | 6,832 | 0% | 15,759 | 13,910 | 13% |
| Increase in net position | | | | | | | | | |
| before transfers | 5,657 | 5,889 | -4% | (1,030) | (1,138) | -9% | 4,627 | 4,751 | -3% |
| Capital contributions | 810 | (140) | - | (810) | 140 | - | - | - | - |
| Transfers | (2,694) | (3,341) | -19% | 2,694 | 3,341 | -19% | - | - | - |
| Change in net position | 3,773 | 2,408 | 0% | 854 | 2,343 | -64% | 4,627 | 4,751 | -3% |
| Beginning net position | 8,272 | 5,864 | 41% | 21,595 | 19,252 | 12% | 29,867 | 25,116 | 19% |
| Ending net position \$ | 12,045 | 8,272 | 46% | 22,449 | 21,595 | 4% | 34,494 | 29,867 | 15% |

**Management's Discussion and Analysis
City of Seminole, Oklahoma
June 30, 2023**

CHANGE IN NET POSITION - Continued

Governmental Fund Balances

General Fund - The fund balance increase is primarily due to tax collections exceeding budget projections due to conservative budgeting of revenues.

Grant Fund - Funding for the Grant Fund comes from federal and state awards for grant programs and insurance reimbursements. Expenditures for the grant programs are restricted to the designated purpose of each grant award. The increase in fund balance is primarily due to insurance reimbursements related to the May 2022 tornado. The City has ongoing capital expenditures for the repair and replacement of the damaged properties.

Other Governmental Funds - The fund balance increase is largely due to project delays, as well as hotel tax collections exceeding budget projections.

| Governmental Funds | 2023 | 2022 | Change in Fund Balance |
|--------------------------|---------------------|------------------|------------------------------|
| General Fund | \$ 1,576,552 | 1,474,420 | 102,132 |
| Grant Fund | 1,891,265 | 302,823 | 1,588,442 |
| Other Governmental Funds | 22,889 | 4,992 | 17,897 |
| Totals | <u>\$ 3,490,706</u> | <u>1,782,235</u> | <u>1,708,471</u> |

Major Fund Budgetary Statement Highlights

General Fund - The original; FY 22-23 budget included a level receipt in tax revenues. Actual tax revenues came in above the original budget by 6.7%. The sales tax revenue and transfer budgets were revised during the year to reflect the additional sales tax revenue.

The June 30, 2023 General Fund year-end fund balance was 21% of annual revenues, net of transfers to the Seminole Municipal Authority (SMA).

GOVERNMENTAL ACTIVITIES

To aid in the understanding of the Statement of Activities on page 2 of the Basic Financial Statements, 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.

**Management's Discussion and Analysis
City of Seminole, Oklahoma
June 30, 2023**

GOVERNMENTAL ACTIVITIES - Continued

For the year ended June 30, 2023, expenses for governmental activities totaled \$8,409,576, an increase from the prior year of \$1,332,039. Governmental transfers to business-type activities totaled \$3,340,874 primarily due to a General Fund transfer of sales tax revenue pledged for debt service for debt issued by the Seminole Municipal Authority to finance City capital projects. Of the total expenses, taxpayers and other general revenues funded \$9,655,338. Grants and other contributions that directly benefited programs funded \$1,157,256, and charge for services totaled \$1,443,842.

For the year ended June 30, 2023, the City governmental activities revenues were funded as follows:

GOVERNMENTAL ACTIVITIES SOURCES AND USES

| Governmental Activity | Charges for Services, Capital and Operating Grants | Total Expense of Services | Net Revenue (Expense) of Services |
|-----------------------|--|------------------------------|---|
| General government | \$ 221,592 | 2,226,111 | (2,004,519) |
| Public safety | 1,666,282 | 2,859,969 | (1,193,687) |
| Public works | 645,406 | 1,113,589 | (468,183) |
| Cultural & recreation | 67,818 | 1,129,602 | (1,061,784) |
| Capital outlays | 419,766 | 1,574,533 | (1,154,767) |
| Totals | \$ 3,020,864 | 8,903,804 | (5,882,940) |

**Management's Discussion and Analysis
City of Seminole, Oklahoma
June 30, 2023**

BUSINESS-TYPE ACTIVITIES

Net Revenue (Expense) of Business-Type Activities for the year ended June 30, 2023 was as follows:

BUSINESS-TYPE ACTIVITIES SOURCES AND USES

| Business-type Activity | Charges for Services, Capital and Operating Grants | Total Expense of Services | Net Revenue (Expense) of Services |
|---------------------------|--|------------------------------|---|
| Administration | \$ 123,842 | 1,861,577 | (1,737,735) |
| Water | 1,768,223 | 1,178,937 | 589,286 |
| Sewer | 1,244,077 | 749,836 | 494,241 |
| Sanitation | 1,020,277 | 289,429 | 730,848 |
| Natural gas | 384,628 | 366,311 | 18,317 |
| Reynold's activity center | 334,703 | 607,199 | (272,496) |
| Capital outlays | - | 323,583 | (323,583) |
| Interest & ficsal charges | - | 1,016,456 | (1,016,456) |
| Totals | <u>\$ 4,875,750</u> | <u>6,393,328</u> | <u>(1,517,578)</u> |

**Management's Discussion and Analysis
City of Seminole, Oklahoma
June 30, 2023**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2023, the City had \$27,278,949 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 \$2,170,484 over last year.

**Capital Assets
(In Thousands)**

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------------|----------------------------|----------|-----------------------------|----------|----------|----------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Construction in progress | \$ 1,650 | 1,181 | 824 | 264 | 2,474 | 1,445 |
| Land | 305 | 305 | 14 | 14 | 319 | 319 |
| Buildings | 3,742 | 2,981 | 14,311 | 14,268 | 18,053 | 17,249 |
| Machinery and equipment | 6,170 | 5,846 | 3,268 | 3,241 | 9,438 | 9,087 |
| Vehicles | 3,902 | 3,416 | 595 | 595 | 4,497 | 4,011 |
| Infrastructure | 21,220 | 20,399 | 19,400 | 18,697 | 40,620 | 39,096 |
| Less: Accumulated depreciation | (26,740) | (25,843) | (21,382) | (20,521) | (48,122) | (46,364) |
| Totals | \$ 10,249 | 8,285 | 17,030 | 16,558 | 27,279 | 24,843 |

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

- Recreational facilities and park construction.
- Costs associated with the construction of airport T-Hangers and taxiway.
- Costs associated with the construction of water and sewer projects.
- Vehicle purchases for various departments.
- Building renovations and major repairs.

**Management's Discussion and Analysis
City of Seminole, Oklahoma
June 30, 2023**

Long-term Debt

At year-end, the City had \$12,963,655 in long-term debt outstanding, excluding accrued compensated absences, due to depositors and net pension liability, which represents an \$8,154,433 increase from the prior year. The Seminole Utilities Authority issued Revenue Bonds - Series A and B in the amount of \$12,140,000 for the construction of major public works projects.

**Outstanding Debt
(In Thousands)**

| | Governmental Activities | | Business-Type Activities | | Total | |
|---------------|----------------------------|------|-----------------------------|-------|--------|-------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Revenue bonds | \$ - | - | 12,140 | - | 12,140 | - |
| Revenue notes | - | - | - | 4,542 | - | 4,542 |
| Nonbank debt | - | - | - | 4 | - | 4 |
| Bank notes | - | - | 824 | 254 | 824 | 254 |
| Totals | \$ - | - | 12,964 | 4,800 | 12,964 | 4,800 |

ECONOMIC OUTLOOK

- The unemployment rate for the Oklahoma City metropolitan area which includes Seminole is currently 2.8 percent, which is a decrease of 1.6 percent from a year ago. This compares favorably to the state's average unemployment rate of 2.7 percent and favorably to the national average rate of 3.5 percent.
- Inflationary trends in the region compare favorably to national indices.
- The City's major source of revenue is sales and use tax revenue. Sales and use tax revenue increased 6.7% over the prior year total.

All of these factors were considered in preparing the City's budget for the 2023-2024 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, 2023

| | Primary Government | | | Component Unit |
|---|------------------------------------|-------------------------------------|-------------------|-----------------------|
| | Governmental Activities | Business-type Activities | Total | SEDC |
| ASSETS | | | | |
| Pooled cash and cash equivalents | \$ 3,319,120 | 2,787,949 | 6,107,069 | 1,139,013 |
| Investments | 10,000 | - | 10,000 | - |
| Restricted cash and investments | - | 14,766,469 | 14,766,469 | 70,307 |
| Receivables, net of allowance for uncollectible - | | | | |
| Accounts | 107,795 | 309,738 | 417,533 | - |
| Due from other governments | 1,893,501 | - | 1,893,501 | - |
| Due from component unit | 42,320 | - | 42,320 | (42,320) |
| Internal balances | (657,519) | 657,519 | - | - |
| Investment | - | - | - | 1,019,265 |
| Net pension asset | 136,269 | - | 136,269 | - |
| Capital assets: | | | | |
| Construction in progress | 1,650,220 | 823,655 | 2,473,875 | - |
| Land and land improvements | 304,926 | 13,889 | 318,815 | 1,559,907 |
| Other capital assets, net of depreciation | 8,294,207 | 16,192,052 | 24,486,259 | 1,306,168 |
| Total assets | <u>15,100,839</u> | <u>35,551,271</u> | <u>50,652,110</u> | <u>5,052,340</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred amounts related to pensions | 2,902,934 | - | 2,902,934 | - |
| Deferred amounts related to refunding | - | - | - | 420,563 |
| Total deferred outflow of resources | <u>2,902,934</u> | <u>-</u> | <u>2,902,934</u> | <u>420,563</u> |
| LIABILITIES | | | | |
| Accounts payable and accrued expenses | 502,444 | 61,539 | 563,983 | 2,261 |
| Accrued interest payable | - | 30,150 | 30,150 | 21,842 |
| Due to bondholders | 400 | - | 400 | - |
| Deposits subject to refund | 10,000 | - | 10,000 | - |
| Unearned revenue - Grants | 711,667 | - | 711,667 | - |
| Current portion of long-term debt | 97,026 | 989,493 | 1,086,519 | 460,000 |
| Long-term liabilities: | | | | |
| Long-term debt and other liabilities | 291,074 | 12,021,349 | 12,312,423 | 4,622,324 |
| Net pension liability | 4,107,725 | - | 4,107,725 | - |
| Total liabilities | <u>5,720,336</u> | <u>13,102,531</u> | <u>18,822,867</u> | <u>5,106,427</u> |
| DEFERRED INFLOW OF RESOURCES | | | | |
| Deferred amounts related to pensions | 238,645 | - | 238,645 | - |
| Total deferred inflow of resources | <u>238,645</u> | <u>-</u> | <u>238,645</u> | <u>-</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 10,249,353 | 12,869,709 | 23,119,062 | (2,863,926) |
| Restricted for: | | | | |
| Debt service | - | 3,849,335 | 3,849,335 | 70,307 |
| Capital improvements | 2,611 | 244,473 | 247,084 | - |
| Facility maintenance | - | 1,732,956 | 1,732,956 | - |
| Other purposes | 1,911,543 | - | 1,911,543 | - |
| Unrestricted | (118,715) | 3,752,267 | 3,633,552 | 3,160,095 |
| Total Net Position | <u>\$ 12,044,792</u> | <u>22,448,740</u> | <u>34,493,532</u> | <u>366,476</u> |

See accompanying notes to the basic financial statement.

City of Seminole, Oklahoma
Statement of Activities
For the Year Ended June 30, 2023

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue | |
|---------------------------------------|---------------------|---------------------------------|---|--------------------------------------|---|
| | | Charges for Services | Operating Grants and Contributions | | Capital Grants and Contributions |
| Primary government: | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 2,226,111 | 128,131 | 93,461 | - | (2,004,519) |
| Public safety | 2,859,969 | 1,213,835 | 452,447 | - | (1,193,687) |
| Public works | 1,113,589 | 43,589 | - | 601,817 | (468,183) |
| Culture and recreation | 1,129,602 | 58,287 | 9,531 | - | (1,061,784) |
| Capital outlay | 1,574,533 | - | 419,766 | - | (1,154,767) |
| Total government activities | <u>8,903,804</u> | <u>1,443,842</u> | <u>975,205</u> | <u>601,817</u> | <u>(5,882,940)</u> |
| Business-type activities: | | | | | |
| Administration | 1,861,577 | - | - | - | (1,861,577) |
| Water | 1,178,937 | 1,712,272 | 55,951 | - | 589,286 |
| Sewer | 749,836 | 1,244,077 | - | - | 494,241 |
| Sanitation | 289,429 | 1,020,277 | - | - | 730,848 |
| Other fees | - | 123,842 | - | - | 123,842 |
| Natural gas | 366,311 | 384,628 | - | - | 18,317 |
| Reynold's activity center | 607,199 | 334,703 | - | - | (272,496) |
| Capital outlays | 323,583 | - | - | - | (323,583) |
| Interest and fiscal charges | 1,016,456 | - | - | - | (1,016,456) |
| Total business-type activities | <u>6,393,328</u> | <u>4,819,799</u> | <u>55,951</u> | <u>-</u> | <u>(1,517,578)</u> |
| Total primary government | <u>15,297,132</u> | <u>6,263,641</u> | <u>1,031,156</u> | <u>601,817</u> | <u>(7,400,518)</u> |
| COMPONENT UNIT | | | | | |
| Seminole Economic Development Council | 1,016,248 | 406,646 | - | - | (609,602) |
| Total component units | <u>\$ 1,016,248</u> | <u>406,646</u> | <u>-</u> | <u>-</u> | <u>(609,602)</u> |

City of Seminole, Oklahoma
Statement of Activities
For the Year Ended June 30, 2023

| | Primary Government | | | Component Unit |
|---|----------------------------|-----------------------------|-------------|----------------|
| | Governmental Activities | Business-type Activities | Total | SEDC |
| Change in Net Position: | | | | |
| Net (expense) revenue | \$ (5,882,940) | (1,517,578) | (7,400,518) | (609,602) |
| General revenues: | | | | |
| Taxes: | | | | |
| Sales and use | 8,009,489 | - | 8,009,489 | - |
| Franchise | 543,434 | - | 543,434 | - |
| Other | 131,396 | - | 131,396 | - |
| Unrestricted investment income | 119,309 | 119,650 | 238,959 | 4,012 |
| Miscellaneous | 303,066 | 828,892 | 1,131,958 | 19,832 |
| Insurance reimbursements | 2,432,648 | - | 2,432,648 | 806,062 |
| Operating subsidy - SEDC | - | (461,704) | (461,704) | 440,000 |
| Capital contributions | 809,799 | (809,799) | - | - |
| Transfers - internal activity | (2,693,803) | 2,693,803 | - | - |
| Total general revenues and transfers | 9,655,338 | 2,370,842 | 12,026,180 | 1,269,906 |
| Change in net position | 3,772,398 | 853,264 | 4,625,662 | 660,304 |
| Net Position - beginning | 8,272,394 | 21,595,476 | 29,867,870 | (293,828) |
| Net Position - ending | \$ 12,044,792 | 22,448,740 | 34,493,532 | 366,476 |

See accompanying notes to the basic financial statement.

City of Seminole, Oklahoma
Governmental Funds
Balance Sheet
June 30, 2023

| | General Fund | Grant Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|------------------|--------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 687,491 | 2,602,932 | 28,297 | 3,318,720 |
| Cash - Police bond account | 400 | - | - | 400 |
| Investments | - | - | 10,000 | 10,000 |
| Receivables, net | 103,076 | - | 4,719 | 107,795 |
| Due from other funds | 20,127 | - | - | 20,127 |
| Due from other governments | 1,473,735 | 419,766 | - | 1,893,501 |
| Due from component unit | 42,320 | - | - | 42,320 |
| Total assets | 2,327,149 | 3,022,698 | 43,016 | 5,392,863 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable and accrued liabilities | 82,678 | 419,766 | - | 502,444 |
| Due to other funds | 657,519 | - | 20,127 | 677,646 |
| Deposits subject to refund | 10,000 | - | - | 10,000 |
| Police bonds outstanding | 400 | - | - | 400 |
| Unearned revenue - ARPA grant | - | 711,667 | - | 711,667 |
| Total liabilities (Note 2) | 750,597 | 1,131,433 | 20,127 | 1,902,157 |
| Fund balances: | | | | |
| Restricted | - | 1,891,265 | 22,889 | 1,914,154 |
| Unassigned | 1,576,552 | - | - | 1,576,552 |
| Total fund balances | 1,576,552 | 1,891,265 | 22,889 | 3,490,706 |
| Total liabilities and fund balances | \$ 2,327,149 | 3,022,698 | 43,016 | |

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 \$26,740,324 | 10,249,353 |
| Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds: | |
| Net pension asset | 136,269 |
| Pension related deferred outflows | 2,977,396 |
| Certain liabilities are not due and payable in the current period from current financial resources, and therefore are not reported in the funds: | |
| Net pension liability | (4,107,725) |
| Pension related deferred inflows | (238,645) |
| Accrued compensated absences | (388,100) |
| Net position of governmental activities | \$ 12,119,254 |

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, 2023

| | General Fund | Grant Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|------------------|--------------------------------|--------------------------------|
| REVENUES | | | | |
| Taxes | \$ 8,552,922 | - | 131,397 | 8,684,319 |
| Intergovernmental | 93,461 | 894,287 | 199,791 | 1,187,539 |
| Licenses and permits | 76,792 | - | - | 76,792 |
| Charge for services | 1,007,176 | - | 46,774 | 1,053,950 |
| Fines and forfeitures | 221,268 | 91,832 | - | 313,100 |
| Interest | 119,294 | - | 15 | 119,309 |
| Insurance reimbursements | - | 2,432,648 | - | 2,432,648 |
| Miscellaneous | 210,497 | 74,877 | 17,692 | 303,066 |
| Total revenues | <u>10,281,410</u> | <u>3,493,644</u> | <u>395,669</u> | <u>14,170,723</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 2,085,526 | 13,849 | 1,400 | 2,100,775 |
| Public safety | 3,289,439 | 50,365 | 1,404 | 3,341,208 |
| Public works | 1,101,202 | 202,933 | 463,317 | 1,767,452 |
| Culture and recreation | 824,168 | 63,522 | 96,791 | 984,481 |
| Capital outlay | - | 1,574,533 | - | 1,574,533 |
| Total expenditures | <u>7,300,335</u> | <u>1,905,202</u> | <u>562,912</u> | <u>9,768,449</u> |
| Excess (deficiency) of revenues over expenditures | <u>2,981,075</u> | <u>1,588,442</u> | <u>(167,243)</u> | <u>4,402,274</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 750,000 | - | 185,140 | 935,140 |
| Transfers out | (3,628,943) | - | - | (3,628,943) |
| Total other financing sources and uses | <u>(2,878,943)</u> | <u>-</u> | <u>185,140</u> | <u>(2,693,803)</u> |
| Net change in fund balances | 102,132 | 1,588,442 | 17,897 | 1,708,471 |
| Fund balances-beginning | 1,474,420 | 302,823 | 4,992 | 1,782,235 |
| Fund balances-ending | <u>\$ 1,576,552</u> | <u>1,891,265</u> | <u>22,889</u> | <u>3,490,706</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, 2023

| | |
|--|---------------------|
| Net change in fund balances - total governmental funds | \$ 1,708,471 |
| <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 | 2,596,034 |
| Depreciation expense | (897,486) |
| <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> | |
| | 642,324 |
| <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 | <u>(202,483)</u> |
| Change in net position of governmental activities | <u>\$ 3,846,860</u> |

City of Seminole, Oklahoma
Statement of Net Position - Proprietary Funds
June 30, 2023

| | Business-type Activities - Enterprise Funds | | | | | |
|---|---|------------------------------------|-------------------------|------------------------------|--|------------------------------|
| | Seminole Municipal Authority | Seminole Utilities Authority | Capital Improvements | Seminole Gas Authority | Seminole Community Wellness Authority | Total Enterprise Funds |
| ASSETS | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ 3,049,938 | - | - | 33,857 | (295,846) | 2,787,949 |
| Receivables: | | | | | | |
| Account, net of allowance of \$697,353 | 284,429 | - | - | 25,309 | - | 309,738 |
| Due from other funds | 657,519 | - | - | - | - | 657,519 |
| Total current assets | <u>3,991,886</u> | <u>-</u> | <u>-</u> | <u>59,166</u> | <u>(295,846)</u> | <u>3,755,206</u> |
| Non-current assets: | | | | | | |
| Restricted cash and investments | 3,984,462 | 8,804,578 | 244,473 | - | 1,732,956 | 14,766,469 |
| Capital assets: | | | | | | |
| Land and construction in progress | 837,544 | - | - | - | - | 837,544 |
| Other capital assets, net of accumulated depreciation | 10,953,301 | - | - | - | 5,238,751 | 16,192,052 |
| Total non-current assets | <u>15,775,307</u> | <u>8,804,578</u> | <u>244,473</u> | <u>-</u> | <u>6,971,707</u> | <u>31,796,065</u> |
| Total assets | <u><u>19,767,193</u></u> | <u><u>8,804,578</u></u> | <u><u>244,473</u></u> | <u><u>59,166</u></u> | <u><u>6,675,861</u></u> | <u><u>35,551,271</u></u> |
| LIABILITIES | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable and accrued liabilities | 40,623 | - | - | 20,916 | - | 61,539 |
| Accrued interest payable | - | 30,150 | - | - | - | 30,150 |
| Current portion of long-term obligations | 849,493 | 140,000 | - | - | - | 989,493 |
| Total current liabilities | <u>890,116</u> | <u>170,150</u> | <u>-</u> | <u>20,916</u> | <u>-</u> | <u>1,081,182</u> |
| Non-current liabilities: | | | | | | |
| Deposits subject to refund | 119,073 | - | - | - | - | 119,073 |
| Revenue notes payable, net of current portion | - | 11,824,763 | - | - | - | 11,824,763 |
| Accrued compensated absences | 77,513 | - | - | - | - | 77,513 |
| Total non-current liabilities | <u>196,586</u> | <u>11,824,763</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>12,021,349</u> |
| Total liabilities | <u>1,086,702</u> | <u>11,994,913</u> | <u>-</u> | <u>20,916</u> | <u>-</u> | <u>13,102,531</u> |
| NET POSITION | | | | | | |
| Net investment in capital assets | 10,791,952 | (3,160,995) | - | - | 5,238,751 | 12,869,708 |
| Restricted: | | | | | | |
| Debt service | 3,848,526 | 809 | - | - | - | 3,849,335 |
| Construction | - | - | 244,473 | - | - | 244,473 |
| Facility maintenance | - | - | - | - | 1,732,956 | 1,732,956 |
| Unrestricted | <u>4,040,013</u> | <u>(30,149)</u> | <u>-</u> | <u>38,250</u> | <u>(295,846)</u> | <u>3,752,268</u> |
| Total net position | <u><u>\$ 18,680,491</u></u> | <u><u>(3,190,335)</u></u> | <u><u>244,473</u></u> | <u><u>38,250</u></u> | <u><u>6,675,861</u></u> | <u><u>22,448,740</u></u> |

See accompanying notes to the basic financial statement.

City of Seminole, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds
For the Year Ended June 30, 2023

| | Business-type Activities - Enterprise Funds | | | | | Total Enterprise Funds |
|---|---|------------------------------------|-------------------------|------------------------------|--|------------------------------|
| | Seminole Municipal Authority | Seminole Utilities Authority | Capital Improvements | Seminole Gas Authority | Seminole Community Wellness Authority | |
| REVENUES | | | | | | |
| Charges for services | | | | | | |
| Water | \$ 1,712,272 | - | - | - | - | 1,712,272 |
| Sewer | 1,244,077 | - | - | - | - | 1,244,077 |
| Sanitation | 1,020,277 | - | - | - | - | 1,020,277 |
| Other | 123,842 | - | - | 384,628 | - | 508,470 |
| Reynold's Center | - | - | - | - | 334,703 | 334,703 |
| Total operating revenues | <u>4,100,468</u> | <u>-</u> | <u>-</u> | <u>384,628</u> | <u>334,703</u> | <u>4,819,799</u> |
| OPERATING EXPENSES | | | | | | |
| General and administration | 1,793,543 | - | - | - | - | 1,793,543 |
| Water | 870,523 | - | - | - | - | 870,523 |
| Sewer | 467,056 | - | - | - | - | 467,056 |
| Sanitation | 275,831 | - | - | - | - | 275,831 |
| Natural gas | - | - | - | 366,311 | - | 366,311 |
| Reynold's Center | - | - | - | - | 419,058 | 419,058 |
| Depreciation and amortization | 672,826 | - | - | - | 188,141 | 860,967 |
| Total operating expenses | <u>4,079,779</u> | <u>-</u> | <u>-</u> | <u>366,311</u> | <u>607,199</u> | <u>5,053,289</u> |
| Operating income (loss) | <u>20,689</u> | <u>-</u> | <u>-</u> | <u>18,317</u> | <u>(272,496)</u> | <u>(233,490)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | | | |
| Miscellaneous revenues | 828,892 | - | - | - | - | 828,892 |
| Interest income | 82,036 | - | 9,481 | - | 28,133 | 119,650 |
| Grant income | 27,971 | - | 27,980 | - | - | 55,951 |
| Contribution - SEDC | (440,000) | - | - | (21,704) | - | (461,704) |
| Capital project expenditures | (323,583) | - | - | - | - | (323,583) |
| Debt issuance expense | - | (315,406) | - | - | - | (315,406) |
| Interest expense and fiscal charges | (659,929) | (41,121) | - | - | - | (701,050) |
| Total nonoperating revenues (expenses) | <u>(484,613)</u> | <u>(356,527)</u> | <u>37,461</u> | <u>(21,704)</u> | <u>28,133</u> | <u>(797,250)</u> |
| OPERATING TRANSFERS | | | | | | |
| Transfers in | 3,609,913 | - | 1,709,950 | - | - | 5,319,863 |
| Transfers out | (2,626,060) | - | - | - | - | (2,626,060) |
| Transfers - Internal balance | 2,833,808 | (2,833,808) | - | - | - | - |
| Capital contributions | - | - | (809,799) | - | - | (809,799) |
| Capital contributions - Internal | 1,075,467 | - | (1,075,467) | - | - | - |
| Total operating transfers and capital contributions | <u>4,893,128</u> | <u>(2,833,808)</u> | <u>(175,316)</u> | <u>-</u> | <u>-</u> | <u>1,884,004</u> |
| Change in net position | <u>4,429,204</u> | <u>(3,190,335)</u> | <u>(137,855)</u> | <u>(3,387)</u> | <u>(244,363)</u> | <u>853,264</u> |
| Net position - beginning | 14,251,287 | - | 382,328 | 41,637 | 6,920,224 | 21,595,476 |
| Net position - ending | <u>\$ 18,680,491</u> | <u>(3,190,335)</u> | <u>244,473</u> | <u>38,250</u> | <u>6,675,861</u> | <u>22,448,740</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, 2023

| | Business-type Activities - Enterprise Funds | | | | | Total Enterprise Funds |
|---|---|------------------------------------|-------------------------|------------------------------|--|------------------------------|
| | Seminole Municipal Authority | Seminole Utilities Authority | Capital Improvements | Seminole Gas Authority | Seminole Community Wellness Authority | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Receipts from customers | \$ 4,662,293 | - | 27,980 | 393,727 | 359,892 | 5,443,892 |
| Payments to suppliers and employees | (3,154,110) | - | - | (366,311) | (419,058) | (3,939,479) |
| Net cash provided (used) by operating activities | <u>1,508,183</u> | <u>-</u> | <u>27,980</u> | <u>27,416</u> | <u>(59,166)</u> | <u>1,504,413</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | |
| Capital contribution - Proprietary | 1,075,467 | - | (1,075,467) | - | - | - |
| Capital contribution - Governmental | - | - | (809,799) | - | - | (809,799) |
| Operating transfers in (out) | 3,817,661 | (2,833,808) | 1,709,950 | - | - | 2,693,803 |
| Net cash provided (used) by noncapital financing activities | <u>4,893,128</u> | <u>(2,833,808)</u> | <u>(175,316)</u> | <u>-</u> | <u>-</u> | <u>1,884,004</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | |
| Proceeds from long-term debt borrowings | 823,655 | 11,964,763 | - | - | - | 12,788,418 |
| Principal paid on long-term debt | (4,545,501) | - | - | - | - | (4,545,501) |
| Interest expense and fiscal charges | (690,079) | (326,377) | - | - | - | (1,016,456) |
| Project expenditures | (557,154) | - | - | - | - | (557,154) |
| (Acquisition) disposition of capital assets | (1,332,902) | - | - | - | - | (1,332,902) |
| Net cash provided (used) by capital and related financing activities | <u>(6,301,981)</u> | <u>11,638,386</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>5,336,405</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Decrease (increase) in investments | - | - | - | - | - | - |
| Interest received | 82,036 | - | 9,481 | - | 28,133 | 119,650 |
| Net cash provided (used) by investing activities | <u>82,036</u> | <u>-</u> | <u>9,481</u> | <u>-</u> | <u>28,133</u> | <u>119,650</u> |
| Net increase (decrease) in cash and cash equivalents | 181,366 | 8,804,578 | (137,855) | 27,416 | (31,033) | 8,844,472 |
| Cash and cash equivalents, beginning of the year | 6,853,034 | - | 382,328 | 6,441 | 1,468,143 | 8,709,946 |
| Cash and cash equivalents, end of the year | <u>\$ 7,034,400</u> | <u>8,804,578</u> | <u>244,473</u> | <u>33,857</u> | <u>1,437,110</u> | <u>17,554,418</u> |
| Reconciliation to Statement of Net Position: | | | | | | |
| Cash and cash equivalents | 3,049,938 | - | - | 33,857 | (295,846) | 2,787,949 |
| Restricted cash and cash equivalents | 3,984,462 | 8,804,578 | 244,473 | - | 1,732,956 | 14,766,469 |
| Total cash and cash equivalents, end of year | <u>\$ 7,034,400</u> | <u>8,804,578</u> | <u>244,473</u> | <u>33,857</u> | <u>1,437,110</u> | <u>17,554,418</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | | | | | |
| Operating income (loss) | 20,689 | - | - | 18,317 | (272,496) | (233,490) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | | | |
| Cash flows reported in other categories: | | | | | | |
| Depreciation and amortization expense | 672,826 | - | - | - | 188,141 | 860,967 |
| Amortization of deferred charge on refunding | 326,878 | - | - | - | - | 326,878 |
| Miscellaneous revenue | 828,892 | - | - | - | - | 828,892 |
| Grant revenue | 27,971 | - | 27,980 | - | - | 55,951 |
| Operating subsidy - SEDC | (440,000) | - | - | (21,704) | - | (461,704) |
| Change in assets and liabilities: | | | | | | |
| (Increase) decrease in receivables | (74,875) | - | - | 48,168 | 25,189 | (1,518) |
| (Increase) decrease in tax receivable | 86,596 | - | - | - | - | 86,596 |
| Increase (decrease) in accounts payable and accrued expense | 47,563 | 30,150 | - | (17,365) | - | 60,348 |
| Net increase (decrease) in customer deposits | 11,643 | - | - | - | - | 11,643 |
| Total adjustments | <u>1,487,494</u> | <u>30,150</u> | <u>27,980</u> | <u>9,099</u> | <u>213,330</u> | <u>1,768,053</u> |
| Net cash provided by (used in) operating activities | <u>\$ 1,508,183</u> | <u>30,150</u> | <u>27,980</u> | <u>27,416</u> | <u>(59,166)</u> | <u>1,534,563</u> |

See accompanying notes to the basic financial statement.

**NOTES TO BASIC
FINANCIAL STATEMENTS**

Notes to Basic Financial Statements
City of Seminole, Oklahoma
June 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the City of Seminole, Oklahoma (the “City”) conforms to accounting principles generally accepted in the United States of America for state and local governments. Generally accepted accounting principles for municipalities are defined as those principles promulgated by the Governmental Accounting Standards Board (“GASB”). The following represent the more significant accounting and reporting policies and practices of the City.

Financial Reporting Entity - The City is an incorporated municipality located in central Oklahoma. The City operates under a council-manager form of government with a charter that provides for three branches of government:

- Legislative - the governing body includes an elected nine-member City Council and Mayor
- Executive - the City Manager is the Chief Executive Officer and appointed by the City Council
- Judicial - the Municipal Judge is a practicing attorney appointed by the City Council

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, and GASB Statement 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, and includes all component units for which the City is financially accountable.

The accompanying financial statements present the government and its component units, entities 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 and therefore data from these units are combined with the data of the City. Each blended component unit has a June 30 year end.

Blended Component Units - The Seminole Municipal Authority (SMA) was created on August 16, 2021 pursuant to a Trust Indenture, for the benefit of the City of Seminole. SMA was established to promote, develop, construct and operate projects related to utility and public works, agriculture, commercial and industrial, hospitals, ambulance services and other health facilities, energy projects, transportation, and recreational, sports, cultural, tourism, entertainment and media projects. Council members serve as Trustees and the City Manager is General Manager. The Authority is reported as an enterprise fund.

The Seminole Utilities Authority (SUA) was created on April 30, 1985 pursuant to a Trust Indenture, for the benefit of the City of Seminole. SUA was established to furnish the City of Seminole with services and facilities for the conservation and implementation of the public welfare and for the protection and promotion of public health and for other purposes proper for the City itself to furnish. Council members serve as Trustees and the City Manager is General Manager. The Authority is reported as an enterprise fund.

The Seminole Gas Authority was created to finance and operate the sale and transmission of natural gas to industrial customers.

The Seminole Recreation Authority is reported as a special revenue fund type.

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

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

Notes to Basic Financial Statements
City of Seminole, Oklahoma
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Discretely presented component unit. The Seminole Economic Development Council (SEDC) was created 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.

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.

Basis of presentation and accounting:

The City follows Governmental Accounting Standards Board ("GASB") statements in the preparation of its financial statements. The presentation includes financial statements that communicate the City's financial condition and changes therein at two distinct levels:

- The City as a Whole (a government-wide presentation)
- The City's Funds (a presentation of the City's major and aggregate non-major funds)

Government-wide and fund financial statements - The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities.

Governmental activities - Most of the City's basic services are reported here, including police, fire, general administration, streets, parks and recreation. Sales taxes, franchise fees, fines, and state and federal grants finance most of the activities.

Business-type activities - Services where the City charges a fee to customers to help cover all or most of the cost of the services it provides. The City's water, sewer and sanitation systems are reported here. Additionally, operation of the golf course and municipal airport are reported as business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Notes to Basic Financial Statements
City of Seminole, Oklahoma
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Financial Statements -

Governmental Funds - Most of the City's basic services are reported in governmental funds, which focus on how much money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds report their activities on the modified accrual basis of accounting and current financial resources measurement focus that is different from other funds. For example, these funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period except for reimbursement type grants that are recorded as revenues when the related expenditures are recognized. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, judgments, and pension liabilities are recorded only when payment is due.

Sales and use taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditure driven grants are recognized as revenues when qualifying expenditures have been incurred and all eligibility requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the City.

The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps one determine (through a review of changes in fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The following are the City's major governmental funds:

- General Fund - accounts for general operations of the City including public safety, parks, public facilities, street maintenance and internal service support.
- Grants Fund - accounts for the administration of federal and state grant awards.

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

- Street & Alley Fund
- Library Fund
- Tourism Fund
- Urban Renewal Authority
- Capital Improvement Fund
- Airport Fund
- Cemetery Perpetual Care Fund

Notes to Basic Financial Statements
City of Seminole, Oklahoma
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Proprietary Funds - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds include enterprise funds and internal service funds. Enterprise funds are used to account for business-like activities provided to the general public. Internal service funds are used to account for business-like activities provided to other funds or departments of the City. Proprietary funds are reported on the accrual basis of accounting and economic resources measurement focus. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as reductions to the liability.

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

The following are the City's proprietary funds:

- Seminole Municipal Authority (SMA) - accounts for the revenues from operations of water, sanitary sewer, and solid waste.
- Seminole Utilities Authority (SUA) - accounts for the revenues and expenditures related the projects authorized ny its Trust Indenture.
- Seminole Gas Authority - accounts for the revenues from operations of the natural gas provided to certain commercial enterprises.
- Seminole Community Wellness Authority - accounts for the operations of the Reynolds Community Center.

Accounting Policies -

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Equity

- a. *Cash and Cash Equivalentents* - The City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalentents.
- b. *Pooled Cash and Investments* - The City 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 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.

Notes to Basic Financial Statements
City of Seminole, Oklahoma
June 30, 2023

The 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- c. *Investments* - Investments are stated at fair value. Fair value is the amount at which a financial instrument can be exchanged in a current transaction between willing parties. The City considers the quoted market price on June 30, 2023, to be the fair value of its investments.

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

- 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

Notes to Basic Financial Statements
City of Seminole, Oklahoma
June 30, 2023

are recorded in the proprietary funds, are recorded at estimated fair value at the date of donation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

- h. *Inventory* - The City records parts and fuel inventory as expenses within the General Fund. Parts inventory is recorded using actual cost.
- i. *Long-term Debt* - Accounting treatment of long-term debt varies depending upon the source of repayment and the measurement focus applied, and whether the debt is reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental activities, business-type activities and proprietary funds are reported as liabilities as incurred. The long-term debt presently is primarily comprised of revenue bonds payable, net pension liability, and accrued compensated absences. This long-term debt is reported not of unamortized discounts and premiums.

Long-term debt of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures.

- j. *Claims and Judgments Payable* - Under state law, judgments against the City can be paid over three years or can be paid immediately. A liability would be 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 are paid from current financial resources. On June 30, 2023 the City did not have any judgments outstanding.
- k. *Compensated Absences* - Under the terms of 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' service as contained in the City's personnel manual.
- 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)

Notes to Basic Financial Statements
City of Seminole, Oklahoma
June 30, 2023

are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.
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 positions 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 and based on the nature of any limitations requiring the use of resources for specific purposes.

- a) *Nonspendable* - Includes fund balance amounts that cannot be spent either because they are 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. The City Council is the highest level of decision-making authority that can, by adoption of an Ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by ordinance remains in place until a similar action by the City Council is taken (the adoption of another ordinance) to remove or revise the limitation.
- d) *Assigned* - Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City Council may assign fund balance as it does when appropriating fund balance to cover the gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Notes to Basic Financial Statements
City of Seminole, Oklahoma
June 30, 2023

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

When both restricted and unrestricted sources (the total of committed, assigned, and unassigned fund balance) are available for use, generally it is the City's policy to use restricted resources first. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Cost Sharing Defined Benefit Pension Plans

The City participates in two cost-sharing multiple-employer defined benefit pension plans, the Oklahoma Firefighters Pension & Retirement System (OFPRS) and the Oklahoma Municipal Retirement Fund (OkMRF), (the Plans). For purposes of measuring the net pension asset, liability, deferred outflows of resources and deferred inflows of resources related to the pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. 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.

Deferred Outflows/inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City has deferred outflows related to pensions, with one being the amount of contributions made to pension plans after the measurement date, and the other the difference in investment experience between actual earnings and projected earnings on pension plan investments and the difference in assumption changes. Deferred outflows related to contributions made after the measurement date will be recognized as a reduction of pension liability in the following year. The remaining amounts will be amortized to pension expense over future periods. See Note 4 for additional information.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has a deferred inflow related to pensions. This consists of the difference between expected and actual experience related to pension plans as well as the difference in assumption changes. These amounts are amortized over future periods to pension expense.

Revenues, Expenditures and Expenses

- a. *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.

Notes to Basic Financial Statements
City of Seminole, Oklahoma
June 30, 2023

- b. *Charges for Services* - Charges for service consist primarily of charges made by one fund for services such as insurance and other benefits provided to the other funds of the City.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- c. *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.
- d. *Investment Earnings* - Investment earnings on pooled cash and investments are allocated on a pro-rata basis to the City's funds based on the percentage of each fund's average month-end pooled cash balance.

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Compliance

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.
- b. Public hearings are conducted to obtain citizen comments. At least one public hearing is 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.
- e. The legal level of control at which expenditures may not legally exceed appropriations is the department level within a fund.

All fund decreases of appropriation and supplemental appropriations require City Council approval. The City Manager may transfer appropriations between departments within a fund without City Council approval. Supplemental appropriations must also be filed with the Office of the State Auditor and Inspector.

Notes to Basic Financial Statements
City of Seminole, Oklahoma
June 30, 2023

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

Budgetary Compliance - Continued

In accordance with Title 60 of the Oklahoma State Statutes, the Seminole Municipal Authority is 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 level of control; and, therefore, no budget and actual financial presentation for the SMA funds is included in this report.

Deposits and Investment Laws and Regulations

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City may not recover its deposits. The City's policy to minimize its exposure to custodial credit risk for deposit is that all deposits shall either be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by securities held by the cognizant Federal Reserve Bank or invested in United States government obligations, and direct debt obligations of municipalities, counties, and school districts in the State of Oklahoma, in the City's name. On June 30, 2023, the City's bank balances of approximately \$14,425,500 were fully insured or collateralized with securities.

Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City minimizes its exposure to interest rate risk by limiting the duration of certificates of deposits or other fixed-income securities.

Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The City minimizes its exposure to investment credit risk by adopting investment policies that comply with the Oklahoma State statutes. As a result, investments are limited to the following:

- 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 of Oklahoma is pledged.
- Certificates of deposit or savings accounts that are either insured or secured with acceptable pledged collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district.
- Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- Money market funds and repurchase agreements which consist of the authorized investments of the United States government agency obligations with restrictions as specified in state law.

**Notes to Basic Financial Statements
City of Seminole, Oklahoma
June 30, 2023**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

Public trusts created under O.S. Title 60 are not subject to the above-mentioned investment limitations and are primarily governed by restrictions in their trust or bond indentures.

The City has no formal policy limiting investments based on credit rating but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations and agencies as of the end of year end. Unless there is information to the contrary, obligations of the United States government or obligations explicitly guaranteed by the United States government are not considered to have credit risk and do not require disclosure of credit quality.

Custodial credit risk for investments is the risk that in the event of a bank failure, the City may not recover the value of its investments. The City's policy to minimize its exposure to custodial credit risk for investments is that all investments shall either be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by securities held by the cognizant Federal Reserve Bank or invested in United States government obligations, and direct debt obligations of municipalities, counties, and school districts in the State of Oklahoma, in the City's name. On June 30, 2023, the City's investments are certificates of deposit in local banks. On June 30, 2023, the certificates of deposits were fully insured or collateralized.

Debt Restrictions and Covenants

General Obligation Debt

Article 10, Sections 26 and 27 of the Oklahoma Constitution limits the amount of certain outstanding general obligation bonded debt of the municipality for non-utility or non-street purposes to no more than 10% of the net assessed valuation. As of June 30, 2023, the City did not have any general obligation debt outstanding.

Other Long-term Debt

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

Revenue Note Debt

The debt indentures relating to the revenue note issues of the Seminole Utilities Authority contain a number of restrictions or covenants that are financially related. These include covenants such as a required flow of funds through special accounts, debt service coverage requirements and required reserve account balances.

**Notes to Basic Financial Statements
City of Seminole, Oklahoma
June 30, 2023**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

The following schedule presents a brief summary of the most significant requirements and the Authority's level of compliance, thereon, as of June 30, 2023:

| <u>Requirement</u> | <u>Level of Compliance</u> |
|---|---|
| <i>Seminole Utilities Authority</i> | |
| a. Flow of Funds | |
| 1. 2023 Sales Tax Revenue Bonds | Authority maintained all required accounts and made the required payments into such accounts. |
| - Revenue Account | |
| - Construction Fund | |
| - Note Fund | |
| b. Revenue Note Coverage | |
| Net operating revenue plus transferred Sales tax must equal 1.25 times annual debt service on the 2023 Revenue Bonds. | Net revenue available amounted to \$2,706,518. The annual debt service was \$899,678. Actual coverage was 3.01 times. |

Fund Equity/Net Position Restrictions

Restricted Net Position

Restricted net position at the government-wide financial statements is required to restrict funds in accordance with various laws and regulations, specifically those laws and regulations dealing with debt service and the use of restricted revenues. See Note 3 for details of restricted net position.

**Notes to Basic Financial Statements
City of Seminole, Oklahoma
June 30, 2023**

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS

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

Deposits and Investment Risks

The City of Seminole, including its blended component units, held the following deposits and investments on June 30, 2023:

| <u>Type</u> | <u>Maturities</u> | <u>Credit Rating</u> | <u>Carrying Value</u> |
|---|-------------------|--------------------------|-----------------------------|
| Deposits: | | | |
| Demand deposits | | | \$ 6,107,069 |
| Cash on hand | | | 300 |
| Time deposits | | | 10,000 |
| | | | <u>6,117,369</u> |
| Investments: | | | |
| Trustee money market account | | AAAm | 14,766,469 |
| | | | <u>14,766,469</u> |
| Total deposits and investments | | | \$ <u>20,883,838</u> |
| Reconciliation to Statement of Net Position: | | | |
| Cash and cash equivalents | | | \$ 6,107,369 |
| Investments | | | 10,000 |
| Restricted cash and investments | | | 14,766,469 |
| | | | <u>\$ <u>20,883,838</u></u> |

Notes to Basic Financial Statements
City of Seminole, Oklahoma
June 30, 2023

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Restricted Assets

The amounts reported as restricted assets on the Statement of Net Position are comprised of cash and investments held by the trustee bank on behalf of the public trusts (Authorities) related to its required revenue bond accounts as described in Note 2 and amounts due to depositors related to utility deposits.

The restricted assets as of June 30, 2023 were as follows:

| | Governmental Activities | Business-type Activities |
|---|---|---|
| | Current Cash and cash Equivalents | Current Cash and cash Equivalents |
| 2023 Sales Tax Revenue Note - Construction | \$ - | 8,520,114 |
| 2021 Sales Tax Revenue Note - Construction | - | 283,654 |
| 2021 Sales Tax Revenue Note - Debt Service | - | 809 |
| Accounts not held at trustee bank - Debt service | - | 3,848,526 |
| Accounts restricted - Capital improvement | - | 244,473 |
| Account restricted - Reynold's Center Maintenance | - | 1,732,956 |
| Utility Deposits | - | 135,937 |
| | - | 14,766,469 |
| Total restricted assets | \$ - | 14,766,469 |

Receivables and Uncollectible Accounts

Accounts receivable of governmental and business-type activities consist of sales tax, franchise tax and fees, grants funds due, customer utilities services provided, both billed and unbilled, all reported net of allowance for uncollectible amounts are as follows:

| | Governmental Activities | Business-type Activities |
|--|----------------------------|-----------------------------|
| Sales taxes | \$ 1,315,039 | - |
| Use taxes | 142,175 | - |
| Franchise taxes | 103,076 | - |
| Grants | 419,776 | - |
| Other | 21,230 | - |
| Utilities | - | 1,007,091 |
| Less: Allowance for uncollectible accounts | - | (697,353) |
| Accounts receivable, net of allowance | \$ 2,001,296 | 309,738 |

**Notes to Basic Financial Statements
City of Seminole, Oklahoma
June 30, 2023**

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Capital Assets

Capital asset balances and activities for the year ended June 30, 2023, were as follows:

| | <u>Beginning</u> | <u>Additions</u> | <u>Transfers</u> | <u>Retirements</u> | <u>Ending</u> |
|---|---------------------|------------------|------------------|--------------------|-------------------|
| Governmental activities | | | | | |
| Capital assets not being depreciated : | | | | | |
| Land | \$ 304,926 | - | - | - | 304,926 |
| Construction in progress | 1,445,837 | 204,383 | - | - | 1,650,220 |
| Total capital assets not being depreciated | <u>1,750,763</u> | <u>204,383</u> | <u>-</u> | <u>-</u> | <u>1,955,146</u> |
| Capital assets being depreciated : | | | | | |
| Buildings and improvements | 2,981,465 | 760,327 | - | - | 3,741,792 |
| Machinery and equipment | 5,846,180 | 323,893 | - | - | 6,170,073 |
| Vehicles | 3,416,464 | 485,976 | - | - | 3,902,440 |
| Infrastructure | 20,398,771 | 821,455 | - | - | 21,220,226 |
| Total capital assets being depreciated | <u>32,642,880</u> | <u>2,391,651</u> | <u>-</u> | <u>-</u> | <u>35,034,531</u> |
| Less : Accumulated depreciation | | | | | |
| Buildings and improvements | 2,218,161 | 51,935 | - | - | 2,270,096 |
| Machinery and equipment | 4,944,493 | 225,261 | - | - | 5,169,754 |
| Vehicles | 3,016,862 | 162,338 | - | - | 3,179,200 |
| Infrastructure | 15,663,322 | 457,952 | - | - | 16,121,274 |
| Total capital assets being depreciated | <u>25,842,838</u> | <u>897,486</u> | <u>-</u> | <u>-</u> | <u>26,740,324</u> |
| Total capital assets being depreciated | <u>6,800,042</u> | <u>1,494,165</u> | <u>-</u> | <u>-</u> | <u>8,294,207</u> |
| Governmental activities capital assets, net | <u>\$ 8,550,805</u> | <u>1,698,548</u> | <u>-</u> | <u>-</u> | <u>10,249,353</u> |

Depreciation expense for governmental activities is charged to functions as follows:

Governmental activities:

| | |
|--|-------------------|
| General government | \$ 5,385 |
| Public safety | 235,648 |
| Streets | 210,852 |
| Public works administration | 232,838 |
| Cultural and recreation | 212,763 |
| Total depreciation expense - governmental activities | <u>\$ 897,486</u> |

**Notes to Basic Financial Statements
City of Seminole, Oklahoma
June 30, 2023**

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Capital asset activity for business-type activities for the year ended June 30, 2023 was as follows:

| | <u>Beginning</u> | <u>Additions</u> | <u>Transfers</u> | <u>Retirements</u> | <u>Ending</u> |
|---|----------------------|------------------|------------------|--------------------|-------------------|
| <i>Business-type activities</i> | | | | | |
| Capital assets not being depreciated : | | | | | |
| Land | \$ 13,889 | - | - | - | 13,889 |
| Construction in progress | 263,721 | 559,934 | - | - | 823,655 |
| Total capital assets not being depreciated | <u>277,610</u> | <u>559,934</u> | <u>-</u> | <u>-</u> | <u>837,544</u> |
| Capital assets being depreciated : | | | | | |
| Buildings and improvements | 14,267,871 | 43,237 | - | - | 14,311,108 |
| Machinery and equipment | 3,241,256 | 26,781 | - | - | 3,268,037 |
| Vehicles | 595,335 | - | - | - | 595,335 |
| Infrastructure | 18,696,720 | 702,951 | - | - | 19,399,671 |
| Total capital assets being depreciated | <u>36,801,182</u> | <u>772,969</u> | <u>-</u> | <u>-</u> | <u>37,574,151</u> |
| Less : Accumulated depreciation | | | | | |
| Buildings and improvements | 5,765,427 | 317,472 | - | - | 6,082,899 |
| Machinery and equipment | 2,623,660 | 135,657 | - | - | 2,759,317 |
| Vehicles | 515,240 | 32,940 | - | - | 548,180 |
| Infrastructure | 11,616,805 | 374,898 | - | - | 11,991,703 |
| Total capital assets being depreciated | <u>20,521,132</u> | <u>860,967</u> | <u>-</u> | <u>-</u> | <u>21,382,099</u> |
| Total capital assets being depreciated | <u>16,280,050</u> | <u>(87,998)</u> | <u>-</u> | <u>-</u> | <u>16,192,052</u> |
| Governmental activities capital assets, net | <u>\$ 16,557,660</u> | <u>471,936</u> | <u>-</u> | <u>-</u> | <u>17,029,596</u> |

Depreciation expense for business-type activities is charged to functions as follows:

Business-type activities:

| | |
|---|-------------------|
| Water | \$ 308,414 |
| Sewer | 282,780 |
| Sanitation | 13,598 |
| General government | 68,034 |
| Reynold's Wellness Center | 188,141 |
| Total depreciation expense - business-type activities | <u>\$ 860,967</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, 2023, cash and investments included \$135,937 available for refund of customer deposits, while the liability to customers was \$119,073.

**Notes to Basic Financial Statements
City of Seminole, Oklahoma
June 30, 2023**

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

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, 2023, \$400 was being held that was subject to refund.

Long-term Debt

The reporting entity’s long-term debt is segregated by the amounts involving governmental activities and business activities.

Business-type Activities Long-term Debt:

On June 30, 2023, the long-term debt payable from enterprise fund resources consisted of the following:

Revenue Note Payable

| | |
|--|-----------------------------|
| \$8,850,000 Seminole Utilities Authority Tax-Exempt Sales Tax Revenue Bonds, Series 2023A dated May 24, 2023, due in annual installments of \$85,000 to \$535,000 through November 1, 2052, with interest from 4.75% to 5.00%, secured by a lien against sales tax revenues. | \$ 8,850,000 |
| \$3,290,000 Seminole Utilities Authority Taxable Sales Tax Revenue Bonds, Series 2023B dated May 24, 2023, due in annual installments of \$55,000 to \$305,000 through November 1, 2039, with interest from 5.45% to 6.00%, secured by a lien against sales tax revenues. | \$ <u>3,290,000</u> |
| Total Revenue Note Payable | \$ <u>12,140,000</u> |
| Current portion | \$ 140,000 |
| Non-current portion | <u>12,000,000</u> |
| | \$ <u><u>12,140,000</u></u> |

**Notes to Basic Financial Statements
City of Seminole, Oklahoma
June 30, 2023**

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Notes Payable

Notes outstanding consist of debt issued by the Seminole Municipal Authority. The notes are not the indebtedness of the State of Oklahoma or the City but are obligations payable solely from the resources of the Seminole Municipal Authority.

On July 18, 2021 the Authority entered into a line of credit with a local bank in the amount of \$1,759,190 as interim financing for the construction of a new wastewater treatment plant. The loan has an interest rate of 3.25%.

| | |
|---------------------|------------------------------|
| | \$ <u>823,655</u> |
| Total Notes Payable | \$ <u><u>823,655</u></u> |
| Current portion | \$ 823,655 |
| Non-current portion | <u> -</u> |
| Total Notes Payable | \$ <u><u>823,655</u></u> |

Accrued Compensated Absences

Accrued compensated absences reported in the business-type activities are comprised of accrued vacation leave, sick leave and compensatory time.

| | |
|------------------------------------|--------------------------|
| Governmental activities | \$ 313,638 |
| Business-type activities | <u>103,351</u> |
| Total Accrued Compensated Absences | \$ <u><u>416,989</u></u> |

Due to Depositors

Outstanding deposits for utility services, refundable only upon termination of services, amounted to the following:

| | |
|-------------------------|--------------------------|
| Current portion | \$ - |
| Non-current portion | <u>119,073</u> |
| Total Due to Depositors | \$ <u><u>119,073</u></u> |

**Notes to Basic Financial Statements
City of Seminole, Oklahoma
June 30, 2023**

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Component Unit Debt

Revenue bonds outstanding consist of debt issued by the Seminole Economic Development Council. The bonds are not the indebtedness of the State of Oklahoma or the City but are obligations payable solely from the resources of the Seminole Economic Development Council.

| | |
|--|--------------|
| \$7,810,000 Taxable Special Obligation Tax Increment Refunding Revenue Bonds, Series 2016 dated December 1, 2016, due in annual principal installments starting May 1, 2017 through May 1, 2032 of \$285,000 to \$750,000 with interest at 4.25% to 7.875% secured by a pledge of certain ad valorem tax revenues and a sinking fund replenishment agreement with the Seminole Utilities Authority - see Note 4. | \$ 5,130,000 |
| Total Revenue Notes | \$ 5,130,000 |
| Current portion | \$ 460,000 |
| Non-current portion | 4,670,000 |
| Total Revenue Notes | \$ 5,130,000 |

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2023:

| | Beginning <u>Balance</u> | Increases | Decreases | Ending <u>Balance</u> | Amounts Due Within <u>One Year</u> |
|---------------------------------|-----------------------------|------------|-----------|--------------------------|--|
| Governmental activities | | | | | |
| Accrued compensated absences | \$ 185,617 | 128,021 | - | 313,638 | 78,410 |
| Total Governmental Activities | \$ 185,617 | 128,021 | - | 313,638 | 78,410 |
| Business-type activities | | | | | |
| Revenue Bonds - Series 2023A | \$ - | 8,850,000 | - | 8,850,000 | 85,000 |
| Revenue Bonds - Series 2023B | - | 3,290,000 | - | 3,290,000 | 55,000 |
| Revenue Note - Series 2021 | 4,542,000 | - | 4,542,000 | - | - |
| Capital lease | 3,501 | - | 3,501 | - | - |
| Line of Credit - Bank | 263,721 | 559,934 | - | 823,655 | 823,655 |
| Deposits subject to refund | 107,430 | 11,643 | - | 119,073 | - |
| Accrued compensated absences | 45,578 | 57,773 | - | 103,351 | 25,838 |
| Total Business-type Activities | \$ 4,962,230 | 12,769,350 | 4,545,501 | 13,186,079 | 989,493 |

Reconciliation to Statement of Position

| | |
|---|---------------|
| Plus: Unamortized bond premium (discount) | (175,237) |
| | \$ 13,010,842 |

**Notes to Basic Financial Statements
City of Seminole, Oklahoma
June 30, 2023**

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

| Component unit | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> | <u>Amounts Due Within One Year</u> |
|-------------------------------|------------------------------|------------------|------------------|---------------------------|--|
| Revenue bonds - Series 2016 | \$ 5,570,000 | - | 440,000 | 5,130,000 | 460,000 |
| Total Governmental Activities | \$ 5,570,000 | - | 440,000 | 5,130,000 | 460,000 |

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt, with interest rates applicable on June 30, 2023, excluding accrued compensated absences, due to depositors, estimated claims liability, net pension liability are as follows:

| Year Ending June 30, | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Component Unit</u> | |
|-------------------------|--------------------------------|-----------------|-------------------------------------|-----------------|-----------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2024 | \$ - | - | 963,655 | 571,495 | 460,000 | 262,100 |
| 2025 | - | - | 275,000 | 612,968 | 480,000 | 240,250 |
| 2026 | - | - | 290,000 | 598,159 | 505,000 | 217,450 |
| 2027 | - | - | 305,000 | 582,493 | 530,000 | 193,463 |
| 2028 | - | - | 325,000 | 565,835 | 555,000 | 165,637 |
| 2029-2033 | - | - | 1,895,000 | 2,543,088 | 2,600,000 | 355,163 |
| 2024-2038 | - | - | 2,440,000 | 1,965,038 | - | - |
| 2039-2043 | - | - | 2,125,000 | 1,305,744 | - | - |
| 2044-2048 | - | - | 1,905,000 | 858,450 | - | - |
| 2049-2053 | - | - | 2,440,000 | 316,250 | - | - |
| Totals | \$ - | - | 12,963,655 | 9,919,520 | 5,130,000 | 1,434,063 |

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 bond 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.

Notes to Basic Financial Statements
City of Seminole, Oklahoma
June 30, 2023

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Debt Defeasement

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, 2023, the remaining outstanding defeased bonds were as follows:

| | |
|----------------------------------|---------------------|
| 2006 Sales Tax Revenue Bonds | 4,355,000 |
| 2015 Sales Tax Revenue Bonds | <u>3,635,000</u> |
| Total outstanding defeased bonds | <u>\$ 7,990,000</u> |

Pledge of Future Revenues

Sales Tax Pledge - The City has pledged on and one-half percent (or 1.50%) of future sales tax revenues to repay the 2023 Sales Tax Revenue Bonds which are payable through 2052. 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 \$22,059,518. Pledged sales tax received in the current year was \$2,726,154. Debt service payments on the 2023 Sales Tax Revenue Bonds of \$899,678 for the current fiscal year were 33.00% of pledged sales tax.

**Notes to Basic Financial Statements
City of Seminole, Oklahoma
June 30, 2023**

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Interfund Receivables, Payables, and Transfers

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

Transfers:

| <u>Transfer From</u> | <u>Transfer To</u> | <u>Amount</u> | <u>Purpose of Transfer</u> |
|------------------------------|------------------------------|------------------|----------------------------|
| General Fund | Seminole Municipal Authority | 3,609,914 | Sales tax transfer |
| General Fund | Airport Trust | 19,028 | Operating subsidy |
| Seminole Municipal Authority | General Fund | 750,000 | Operating subsidy |
| Seminole Municipal Authority | Airport Trust | 18,633 | Operating subsidy |
| Seminole Municipal Authority | Urban Renewal Fund | 147,478 | Operating subsidy |
| Seminole Municipal Authority | SMA Capital Impr Fund | 1,709,950 | Operating subsidy |
| | | <u>6,255,003</u> | |

Reconciliation to Fund Financial Statements:

| | <u>Transfer In</u> | <u>Transfer Out</u> | <u>Net Transfers</u> |
|--------------------|--------------------|---------------------|----------------------|
| Governmental Funds | 935,140 | (3,628,943) | (2,693,803) |
| Proprietary Funds | 5,319,863 | (2,626,060) | 2,693,803 |
| | <u>6,255,003</u> | <u>(6,255,003)</u> | <u>-</u> |

Reconciliation to Statement of Activities:

| | |
|---------------|----------|
| Net Transfers | <u>-</u> |
|---------------|----------|

Balances:

| <u>Payable Fund</u> | <u>Receivable Fund</u> | <u>Amount</u> | <u>Nature of Interfund Balance</u> |
|---------------------|------------------------------|----------------|------------------------------------|
| General Fund | Seminole Utilities Authority | 657,519 | Sales tax transfer receivable |
| Street & Alley Fund | General Fund | 20,127 | Interfund receivable |
| | | <u>677,646</u> | |

Reconciliation to Fund Financial Statements:

| | <u>Due To</u> | <u>Due From</u> | <u>Net Interfund Balance</u> |
|--------------------|----------------|------------------|------------------------------|
| Governmental Funds | 677,646 | (20,127) | 657,519 |
| Proprietary Funds | - | (657,519) | (657,519) |
| | <u>677,646</u> | <u>(677,646)</u> | <u>-</u> |

**Notes to Basic Financial Statements
City of Seminole, Oklahoma
June 30, 2023**

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Fund Balances and Net Position

Fund Balances

The following table shows the fund balance classifications as shown on the Governmental Funds Balance Sheet:

| | General Fund | Grant Fund | Other Governmental Funds | Total |
|----------------------------|------------------|------------------|--------------------------------|------------------|
| Fund Balances: | | | | |
| Nonspendable: | | | | |
| Streets | - | - | 16,757 | 16,757 |
| Library | - | - | 10,953 | 10,953 |
| Tourism | - | - | 8,086 | 8,086 |
| Airport | - | - | (49,594) | (49,594) |
| Urban renewal | - | - | (7,536) | (7,536) |
| Capital improvements | - | - | 2,611 | 2,611 |
| Grant activities | - | 1,891,265 | - | 1,891,265 |
| Cemetery | - | - | 41,612 | 41,612 |
| Subtotal Nonspendable | - | 1,891,265 | 22,889 | 1,914,154 |
| Unassigned (deficit): | 1,576,552 | - | - | 1,576,552 |
| TOTAL FUND BALANCES | 1,576,552 | 1,891,265 | 22,889 | 3,490,706 |

Sales Tax

Sales tax revenue represents a 4 cents tax on each dollar of taxable sales of which is recorded as follows:

- 2 cents are recorded in the General Fund for general operational purposes.
- 1/2 cent is recorded in the General Fund and then transferred to the Seminole Municipal Authority for capital expenditures and for the payment of debt service in connection with obligations issued to finance specified capital expenditures.
- 1 cent is recorded in the General Fund and then transferred to the Seminole Municipal Authority for capital expenditures and for the payment of debt service in connection with obligations issued to finance specified capital expenditures. The sales tax is set to expire on October 1, 2026.
- 1/2 cent is recorded in the General Fund and then transferred to the Seminole Municipal Authority for capital expenditures and for the payment of debt service in connection with obligations issued to finance specified capital expenditures. The sales tax is set to expire on October 1, 2030.

Notes to Basic Financial Statements
City of Seminole, Oklahoma
June 30, 2023

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.

NOTE 4 - OTHER INFORMATION - Continued

COMMITMENTS AND CONTINGENCIES

Commitments

Construction in Progress

The following construction contracts were outstanding on June 30, 2023:

| | Total Construction <u>In Progress</u> | Total Project | Remaining <u>To Complete</u> |
|--|---|-------------------|---------------------------------|
| <i>Governmental Activities</i> | | | |
| Airport North Hanger and Taxiway Apron | \$ 689,569 | 695,100 | 5,531 |
| Airport Runway Lights | 263,001 | 427,813 | 164,812 |
| Airport T-Hangers | 697,650 | 1,632,344 | 934,694 |
| <i>Business-type Activities</i> | | | |
| Water Treatment Plant | <u>823,655</u> | <u>19,357,120</u> | <u>18,533,465</u> |
| | <u>\$ 2,473,875</u> | <u>22,112,377</u> | <u>19,638,502</u> |

Notes to Basic Financial Statements
City of Seminole, Oklahoma
June 30, 2023

NOTE 4 - OTHER INFORMATION - Continued

Contingent Liabilities

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

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

Federal Grants - In the normal course of operations, the City receives grant funds from various federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Management does not believe any liability for reimbursement which may arise as the result of these audits will be material.

Replenishment Agreement - The Seminole Economic Development Council Series 2016 Bonds are secured by a pledge of incremental property tax pledged to the Council by the City of Seminole and 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 \$65,000 from the proceeds of the Series 2016 Bonds which shall be utilized to make principal and interest payments due on the Series 2016 Bonds when the aforesaid property tax received by the City is insufficient to make principal and interest payments on the Series 2016 Bonds when the same become due. The Seminole Municipal 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 2016 Bonds shall be paid. The obligation of The Seminole Municipal Authority is limited under the said Replenishment Agreement to the amount of money equal to the proceeds of a one percent City sales tax. During the year ended June 30, 2023, Seminole Municipal Authority transferred \$419,999 to the Seminole Economic Development Council under this Agreement.

**Notes to Basic Financial Statements
City of Seminole, Oklahoma
June 30, 2023**

NOTE 4 - OTHER INFORMATION - Continued

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 Municipal Retirement Fund (OkMRF) | City Manager Retirement Plan - Defined Contribution Plan |

Summary of Defined Benefit Plan Balances

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|-------------------------------------|------------------------------------|-------------------------------------|
| Net Pension Liability (Asset) | | |
| Police Pension System | \$ (136,269) | - |
| Firefighter's Pension System | 4,107,725 | - |
| Total Net Pension Liability | <u>\$ 3,971,456</u> | <u>-</u> |
| Deferred Outflows of Resources | | |
| Police Pension System | \$ 1,483,755 | - |
| Firefighter's Pension System | 1,419,179 | - |
| Total Deferred Outflow of Resources | <u>\$ 2,902,934</u> | <u>-</u> |
| Deferred Inflows of Resources | | |
| Police Pension System | \$ 16,595 | - |
| Firefighter's Pension System | 222,050 | - |
| Total Deferred Inflow of Resources | <u>\$ 238,645</u> | <u>-</u> |

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 (PPRS). 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/opprs.

Notes to Basic Financial Statements
City of Seminole, Oklahoma
June 30, 2023

NOTE 4 - OTHER INFORMATION - Continued

Oklahoma Police Pension and Retirement System (OPPRS) - Continued

Benefits Provided - The Plan provides defined retirement benefits based on members' final average compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon death of eligible members. The Plan's benefits are established and amended by State statute. Retirement provisions are as follows:

- 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. Participants' contributions are refundable, without interest, upon termination prior to normal retirement. Participants who have completed 10 years of credited service may elect a vested benefit in lieu of having their 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 continued uninterrupted, whichever is later.
- Monthly retirement benefits are calculated at 2.5% of the 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 participants' 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.

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 \$79,127. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$67,712. These on-behalf payments did not meet the criteria of a special funding situation.

**Notes to Basic Financial Statements
City of Seminole, Oklahoma
June 30, 2023**

NOTE 4. OTHER INFORMATION - Continued

Oklahoma Police Pension and Retirement System (OPPRS) - Continued

Net Pension Liabilities/Asset, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - On June 30, 2023, the City reported an asset of \$136,269 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2022. 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, 2022. Based upon this information, the City's proportion was 0.001699%.

For the year ended June 30, 2023, the City recognized pension expense of \$32,567. On June 30, 2023, 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 | \$ 81,671 | \$ - |
| Changes of assumptions | 4,743 | - |
| Net difference between projected and actual earnings on pension plan investments | 1,310,026 | - |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 753 | 15,992 |
| City contributions during measurement period | 1,274 | 603 |
| City contributions subsequent to the measurement date | 85,288 | - |
| Total | \$ 1,483,755 | \$ 16,595 |

**Notes to Basic Financial Statements
City of Seminole, Oklahoma
June 30, 2023**

NOTE 4. OTHER INFORMATION - Continued

Oklahoma Police Pension and Retirement System (OPPRS) - Continued

\$85,288 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, 2023. 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:

| | | |
|------|----|------------------|
| 2023 | \$ | 445,325 |
| 2024 | | 408,865 |
| 2025 | | 359,840 |
| 2026 | | 160,986 |
| 2027 | | 6,856 |
| | \$ | <u>1,381,872</u> |

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of July 1, 2022, using the following actuarial assumptions, applied to all prior periods included in the measurement:

| | |
|----------------------------|---|
| Inflation: | 2.75% |
| Salary increases: | 3.5% to 12.0% averages, including inflation |
| Investment rate of return: | 7.5% net of pension plan investment expense |
| Mortality rates: | Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA. Active employees (post retirement) and nondisabled pensioners: RP-2000 Blue Collar Healthy Combined table with fully generational improvement using Scale AA. Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward 4 years with fully generational improvement using Scale AA. |

The actuarial assumptions used in the July 1, 2022; valuation was based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2017.

**Notes to Basic Financial Statements
City of Seminole, Oklahoma
June 30, 2023**

NOTE 4. OTHER INFORMATION - Continued

Oklahoma Police Pension and Retirement System (OPPRS) - Continued

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, 2022, are summarized in the following table:

| Asset Class | Long-Term Expected Real Rate of Return |
|----------------------|---|
| Fixed income | 3.34% |
| Domestic equity | 4.69% |
| International equity | 8.34% |
| Real estate | 7.64% |
| Private equity | 9.66% |
| Commodities | 0.00% |

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 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) \$ | \$ 394,812 | \$ (136,269) | \$ (585,163) |

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 OPRRS; which can be located at www.ok.gov/OPPRS.

Notes to Basic Financial Statements
City of Seminole, Oklahoma
June 30, 2023

NOTE 4. OTHER INFORMATION - Continued

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 (FPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the FPRS. FPRS issues a publicly available financial report that can be obtained at www.ok.gov/fprs.

Benefits Provided - In general, the Plan provides defined retirement benefits based on members' final average compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon death of eligible members. The Plan's benefits are established and amended by Oklahoma statute. Retirement provisions are as follows:

Normal Retirement:

Hired Prior to November 1, 2013

Normal retirement is attained upon completing 20 years of service. The normal retirement benefit is equal to 50% of the member's final average compensation. Final average compensation is defined as the monthly average of the highest 30 consecutive months of the last 60 months of participating service. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month.

Hired After November 1, 2013

- Normal retirement is attained upon completing 22 years of service. The normal retirement benefit is equal to 55% of the member's final average compensation. Final average compensation is defined as the monthly average of the highest 30 consecutive months of the last 60 months of participating service. Also, participants must be age 50 to begin receiving benefits. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month.

Notes to Basic Financial Statements
City of Seminole, Oklahoma
June 30, 2023

NOTE 4. OTHER INFORMATION - Continued

Oklahoma Firefighters' Pension and Retirement System (OFPRS) - Continued

- 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 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 service and is \$7.53 per year of service. For volunteer firefighters, the in-the-line-of-duty pension is \$150.60 with less than 20 years of service or \$7.53 per year of service, with a maximum of 30 years.
- 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 service, 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 9% of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$145,557. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$321,781. These on-behalf payments did not meet the criteria of a special funding situation.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - On June 30, 2023, the City reported a liability of \$4,107,725 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. 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, 2022. Based upon this information, the City's proportion was 0.314110%.

**Notes to Basic Financial Statements
City of Seminole, Oklahoma
June 30, 2023**

NOTE 4. OTHER INFORMATION - Continued

Oklahoma Firefighters' Pension and Retirement System (OFPRS) - Continued

For the year ended June 30, 2023, the City recognized pension expense of \$70,970. On June 30, 2023, 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 | \$ 527,321 | \$ 20,737 |
| Changes of assumptions | - | 26,190 |
| Net difference between projected and actual earnings on pension plan investments | 477,362 | - |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 262,433 | 175,038 |
| City contributions during measurement date | 1,489 | 85 |
| City contributions subsequent to the measurement date | 150,574 | - |
| Total | \$ 1,419,179 | \$ 222,050 |

\$150,574 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, 2023. 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: | | | | |
| | 2024 | \$ | 309,285 | |
| | 2025 | | 254,034 | |
| | 2026 | | 62,131 | |
| | 2027 | | 421,105 | |
| | | \$ | <u>1,046,555</u> | |

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of July 1, 2022, using the following actuarial assumptions, applied to all prior periods included in the measurement:

| | |
|----------------------------|---|
| Inflation: | 2.75% |
| Salary increases: | 2.75% to 10.50% averages, including inflation |
| Investment rate of return: | 7.5% net of pension plan investment expense |

**Notes to Basic Financial Statements
City of Seminole, Oklahoma
June 30, 2023**

NOTE 4. OTHER INFORMATION - Continued

Oklahoma Firefighters' Pension and Retirement System (OFPRS) - Continued

Mortality rates were based on the MP-2018 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, 2022; valuation was based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2018.

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, 2022, are summarized in the following table:

| Asset Class | Long-Term Expected Real Rate of Return |
|----------------------|---|
| Fixed income | 4.38% |
| Domestic equity | 7.41% |
| International equity | 9.82% |
| Real estate | 7.70% |
| Other assets | 5.67% |

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 an allocation of the insurance premium, as established by Oklahoma statute. Prior to July 1, 2020, the Plan was allocated 36% of the Statewide insurance premium tax. The State of Oklahoma has passed legislation that changes the allocation percentage as follows:

- 25.2% effective September 1, 2020
- 27.0% effective July 1, 2023
- 39.6% effective July 1, 2023
- 36.0% effective July 1, 2027

The Plan will also receive \$81,250 each year from July 1, 2020 to July 1, 2027. Based on these assumptions, the 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 the Plan's investments was applied to all period of projected benefit payments to determine the total pension liability.

**Notes to Basic Financial Statements
City of Seminole, Oklahoma
June 30, 2023**

NOTE 4. OTHER INFORMATION - Continued

Oklahoma Firefighters' Pension and Retirement System (OFPRS) - Continued

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 | \$ 5,293,120 | \$ 4,107,725 | \$ 3,116,199 |

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 FPRS; which can be located at www.ok.gov/fprs.

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, 2023, for employees and employer were \$44,031 and \$308,214, respectively. For the year ended June 30, 2023, the City's covered payroll was \$2,125,679. Covered payroll refers to all compensation paid by the City of Seminole to active employees covered by the Plan on which contributions are based.

Notes to Basic Financial Statements
City of Seminole, Oklahoma
June 30, 2023

NOTE 4 - OTHER INFORMATION - Continued

OMRF City Manager Defined Contribution Plan (CMO) -

The City has also provided a defined contribution plan and trust known as the City of Seminole City Manager Retirement Plan and Trust (CMO Plan). The plan is administered by JP Morgan Chase Bank of Oklahoma City, Oklahoma. According to state law, the authority for establishing or amending the plan's provisions and contribution requirements rests with the city council. This plan is available only to management. The employee does not contribute to the plan and the employer makes variable contributions to the fund. For the current year, the employer's contribution was \$7,386.

Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

**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, 2023

| | Budget | | | Actual | Variance with Final Budget Over (Under) |
|--|-------------------|-----------------|------------------|-------------------|--|
| | Original | Revisions | Final | | |
| REVENUES | | | | | |
| Taxes | \$ 7,872,038 | (132,096) | 7,739,942 | 8,396,280 | 656,338 |
| Intergovernmental | 60,425 | 72,672 | 133,097 | 93,461 | (39,636) |
| Licenses and permits | 49,919 | - | 49,919 | 76,792 | 26,873 |
| Charge for services | 1,303,417 | (259,074) | 1,044,343 | 1,007,176 | (37,167) |
| Fines and forfeitures | 226,794 | 37,705 | 264,499 | 221,268 | (43,231) |
| Interest | 21,576 | - | 21,576 | 119,294 | 97,718 |
| Miscellaneous | - | 293,282 | 293,282 | 210,497 | (82,785) |
| Total revenues | <u>9,534,169</u> | <u>12,489</u> | <u>9,546,658</u> | <u>10,124,768</u> | <u>578,110</u> |
| EXPENDITURES | | | | | |
| General government: | | | | | |
| General government | 1,309,120 | (23,657) | 1,285,463 | 1,285,463 | - |
| City council | 1,500 | - | 1,500 | 1,500 | - |
| City manager | 183,703 | 1,083 | 184,786 | 184,786 | - |
| City clerk | 271,342 | 7,970 | 279,312 | 279,312 | - |
| City attorney | 59,967 | 8,845 | 68,812 | 68,812 | - |
| Code enforcement | 151,721 | 2,951 | 154,672 | 154,672 | - |
| Municipal court | 116,172 | 2,000 | 118,172 | 118,172 | - |
| Public safety: | | | | | |
| Police | 1,266,605 | 51,336 | 1,317,941 | 1,317,941 | - |
| Fire and ambulance | 1,833,433 | 54,390 | 1,887,823 | 1,887,823 | - |
| Emergency management | 43,833 | - | 43,833 | 43,833 | - |
| Public works: | | | | | |
| Streets | 420,699 | 110,194 | 530,893 | 530,893 | - |
| Community services | 295,451 | 104,195 | 399,646 | 399,646 | - |
| Cemetery | 112,148 | 5,542 | 117,690 | 117,690 | - |
| Airport | 41,000 | - | 41,000 | 41,000 | - |
| Culture and recreation: | | | | | |
| Senior citizens bus | 14,956 | - | 14,956 | 14,956 | - |
| Parks | 332,754 | 7,235 | 339,989 | 339,989 | - |
| Golf course | 128,414 | - | 128,414 | 128,414 | - |
| Sportsman lake | 94,838 | 2,015 | 96,853 | 96,853 | - |
| Library | 229,825 | 5,579 | 235,404 | 235,404 | - |
| Total expenditures | <u>6,907,481</u> | <u>339,678</u> | <u>7,247,159</u> | <u>7,247,159</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | 2,626,688 | (327,189) | 2,299,499 | 2,877,609 | 578,110 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers | (2,450,560) | 251,588 | (2,198,972) | (2,804,069) | (605,097) |
| Net change in fund balances | 176,128 | (75,601) | 100,527 | 73,540 | (26,987) |
| Fund balances - beginning | 171,881 | - | 171,881 | 1,474,420 | 1,302,539 |
| Fund balances - ending | <u>\$ 348,009</u> | <u>(75,601)</u> | <u>272,408</u> | <u>1,547,960</u> | <u>1,275,552</u> |

**Budgetary Comparison Schedule
City of Seminole
For the Year Ended June 30, 2023**

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.
- b. Public hearings are conducted to obtain taxpayer comments. At least one public hearing must be held no later than 15 days prior to July 1.
- 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. By July 1, the adopted budget is filed with the office of the State Auditor and Inspector.

Per State law, the legal level of control at which expenditures may not legally exceed appropriations is the department level within a fund. All transfers of appropriations between departments and supplemental appropriations require City Council approval. The City Manager may transfer appropriations between object categories within a department without City Council approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector. No departments exceeded appropriations.

Budgetary Accounting

The annual operating budgets 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. Encumbrances outstanding at year-end are not considered expenditures for budgetary purposes since the City intends to honor the commitments and provide for supplemental appropriations in the following budget year. All appropriations lapse at year-end.

**Budgetary Comparison Schedule
City of Seminole
For the Year Ended June 30, 2023**

Budget Reconciliations - Items required to adjust actual revenues, expenditures, and fund balances reported on the budgetary basis to those reported within the fund financial statements as of and for the year ended June 30, 2023, are as follows:

| | | <u>General Fund</u> |
|--|----|---------------------------|
| Fund balances - budgetary basis, June 30, 2023 | \$ | 1,547,960 |
| Current year revenue and transfer accruals | | 919,292 |
| Prior year revenue and transfer accruals | | (837,524) |
| Current year expenditure accruals | | <u>(53,176)</u> |
| Fund balances - fund financial statements, June 30, 2023 | \$ | <u><u>1,576,552</u></u> |
| | | |
| Revenues - budgetary basis, June 30, 2023 | \$ | 10,124,768 |
| Current year revenue accruals | | 1,576,811 |
| Prior year revenue accruals | | <u>(1,420,169)</u> |
| Revenues - fund financial statements, June 30, 2023 | \$ | <u><u>10,281,410</u></u> |
| | | |
| Expenditures - budgetary basis, June 30, 2023 | \$ | 7,247,159 |
| Current year expenditure accruals | | 53,176 |
| Prior year expenditure accruals | | <u>-</u> |
| Expenditures - fund financial statements, June 30, 2023 | \$ | <u><u>7,300,335</u></u> |
| | | |
| Transfers - budgetary basis, June 30, 2023 | \$ | (2,804,069) |
| Current year transfer accruals | | (657,519) |
| Prior year transfer accruals | | <u>582,645</u> |
| Transfers - fund financial statements, June 30, 2023 | \$ | <u><u>(2,878,943)</u></u> |

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

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| 1. Employer's proportion of the net pension liability (asset) | 0.189300% | 0.185500% | 0.162800% | 0.147300% | 0.147907% | 0.143815% | 0.158328% | 0.158156% | 0.169900% |
| 2. Employer's proportionate share of the net pension liability (asset) | \$ (63,731) | 7,562 | 249,344 | 11,330 | (70,456) | (9,181) | 181,832 | (758,700) | (136,269) |
| 3. Employer's covered-employee payroll | \$ 529,546 | 524,200 | 480,162 | 439,246 | 453,469 | 467,669 | 530,269 | 547,300 | 608,669 |
| 4. Employer's proportionate share of the net pension liability (asset) as a percentage of it's covered-employee payroll | -12.04% | 1.44% | 51.93% | 2.58% | -15.54% | -1.96% | 34.29% | -138.63% | -22.39% |
| 5. Plan fiduciary net position as a percentage of the total pension liability | 101.53% | 99.82% | 93.50% | 99.68% | 101.89% | 100.24% | 95.80% | 117.07% | 102.74% |

* Complete data for this schedule is not available prior to 2014
Data reported is measured as of July 1, 2022

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

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|-------------|----------|----------|----------|----------|----------|----------|----------|----------|
| Statutorily required contribution | \$ 68,841 | 68,146 | 62,421 | 57,102 | 58,951 | 60,797 | 68,935 | 71,149 | 79,127 |
| Contributions in relation to the statutorily required contribution | \$ (68,841) | (68,146) | (62,421) | (57,102) | (58,951) | (60,797) | (68,935) | (71,149) | (79,127) |
| Contribution deficiency (excess) | \$ - | - | - | - | - | - | - | - | - |
| City's covered-employee payroll | \$ 529,546 | 524,200 | 480,162 | 439,246 | 453,469 | 467,669 | 530,269 | 547,300 | 608,669 |
| Contributions as a percentage of covered-employee payroll | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% |

* Complete data for this schedule is not available prior to 2014
Data reported is measured as of July 1, 2022

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

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|--------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| 1. Employer's proportion of the net pension liability (asset) | 0.278200% | 0.302100% | 0.302100% | 0.299459% | 0.276247% | 0.311992% | 0.297884% | 0.327039% | 0.314110% |
| 2. Employer's proportionate share of the net pension liability (asset) | \$ 2,861,331 | 3,206,367 | 3,775,098 | 3,766,361 | 3,109,549 | 3,296,708 | 3,669,673 | 2,153,770 | 4,107,723 |
| 3. Employer's covered-employee payroll | \$ 742,814 | 825,371 | 864,300 | 851,171 | 821,607 | 964,807 | 956,186 | 1,062,407 | 1,039,693 |
| 4. Employer's proportionate share of the net pension liability (asset) as a percentage of it's covered-employee payroll | 385.20% | 388.48% | 436.78% | 442.49% | 378.47% | 341.70% | 383.78% | 202.73% | 395.09% |
| 5. Plan fiduciary net position as a percentage of the total pension liability | 68.12% | 68.27% | 64.87% | 66.61% | 70.73% | 72.85% | 69.98% | 84.24% | 69.49% |

* Complete data for this schedule is not available prior to 2014
Data reported is measured as of July 1, 2022

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

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|--------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Statutorily required contribution | \$ 103,994 | 115,552 | 121,002 | 119,164 | 115,025 | 135,073 | 133,866 | 148,737 | 145,557 |
| Contributions in relation to the statutorily required contribution | \$ (103,994) | (115,552) | (121,002) | (119,164) | (115,025) | (135,073) | (133,866) | (148,737) | (145,557) |
| Contribution deficiency (excess) | \$ - | - | - | - | - | - | - | - | - |
| City's covered-employee payroll | \$ 742,814 | 825,371 | 864,300 | 851,171 | 821,607 | 964,807 | 956,186 | 1,062,407 | 1,039,693 |
| Contributions as a percentage of covered-employee payroll | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% |

* Complete data for this schedule is not available prior to 2014
Data reported is measured as of July 1, 2022

**OTHER
SUPPLEMENTARY
INFORMATION**

City of Seminole, Oklahoma
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2023

| | Special Revenue | | | | | Capital Projects | Permanent | Total Nonmajor Governmental Funds |
|--------------------------------------|-------------------|------------------|---------|-------------------------------|------------------|-------------------------|-------------------------------|--|
| | Street & Alley | Library Funds | Tourism | Urban Renewal Authority | Airport Trust | Capital Improvements | Cemetery Perpetual Care | |
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ 32,165 | 953 | 8,086 | (7,536) | (49,594) | 2,611 | 41,612 | 28,297 |
| Investments | - | 10,000 | - | - | - | - | - | 10,000 |
| Due from other funds | - | - | - | - | - | - | - | - |
| Receivables, net | 4,719 | - | - | - | - | - | - | 4,719 |
| | | | | | | | | |
| TOTAL | 36,884 | 10,953 | 8,086 | (7,536) | (49,594) | 2,611 | 41,612 | 43,016 |
| LIABILITIES AND FUND BALANCES | | | | | | | | |
| Liabilities: | | | | | | | | |
| Due to General Fund | 20,127 | - | - | - | - | - | - | 20,127 |
| | | | | | | | | |
| Total liabilities | 20,127 | - | - | - | - | - | - | 20,127 |
| Fund balances: | | | | | | | | |
| Restricted | 16,757 | 10,953 | 8,086 | (7,536) | (49,594) | 2,611 | 41,612 | 22,889 |
| Assigned | - | - | - | - | - | - | - | - |
| | | | | | | | | |
| Total fund balances | 16,757 | 10,953 | 8,086 | (7,536) | (49,594) | 2,611 | 41,612 | 22,889 |
| TOTAL | \$ 36,884 | 10,953 | 8,086 | (7,536) | (49,594) | 2,611 | 41,612 | 43,016 |

City of Seminole, Oklahoma
Combining Statement of Revenues, Expenses and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2023

| | Special Revenue | | | | | Capital Projects | Permanent Cemetery | Total Nonmajor Governmental |
|--|-------------------|------------------|----------------|-------------------------------|------------------|-------------------------|-----------------------|-----------------------------------|
| | Street & Alley | Library Funds | Tourism | Urban Renewal Authority | Airport Trust | Capital Improvements | Perpetual Care | Funds |
| | | | | | | | | |
| REVENUES | | | | | | | | |
| Taxes | \$ 63,477 | - | 67,920 | - | - | - | - | 131,397 |
| Intergovernmental | - | 9,531 | - | - | 190,260 | - | - | 199,791 |
| Charge for services | - | - | - | - | 43,589 | - | 3,185 | 46,774 |
| Interest | - | 15 | - | - | - | - | - | 15 |
| Miscellaneous | - | 13,692 | - | - | 4,000 | - | - | 17,692 |
| Total revenues | <u>63,477</u> | <u>23,238</u> | <u>67,920</u> | <u>-</u> | <u>237,849</u> | <u>-</u> | <u>3,185</u> | <u>395,669</u> |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| General government | - | - | - | 1,400 | - | - | - | 1,400 |
| Public safety | - | - | - | - | - | 1,404 | - | 1,404 |
| Public works | 58,724 | - | - | 104,254 | 300,339 | - | - | 463,317 |
| Cultural and recreation | - | 26,622 | 70,169 | - | - | - | - | 96,791 |
| Capital outlay | - | - | - | - | - | - | - | - |
| Total expenditures | <u>58,724</u> | <u>26,622</u> | <u>70,169</u> | <u>105,654</u> | <u>300,339</u> | <u>1,404</u> | <u>-</u> | <u>562,912</u> |
| Excess (deficiency) of revenues over expenditures | <u>4,753</u> | <u>(3,384)</u> | <u>(2,249)</u> | <u>(105,654)</u> | <u>(62,490)</u> | <u>(1,404)</u> | <u>3,185</u> | <u>(167,243)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Transfers in | - | - | - | 147,478 | 37,662 | - | - | 185,140 |
| Transfers out | - | - | - | - | - | - | - | - |
| Total other financing sources and uses | <u>-</u> | <u>-</u> | <u>-</u> | <u>147,478</u> | <u>37,662</u> | <u>-</u> | <u>-</u> | <u>185,140</u> |
| Net change in fund balances | 4,753 | (3,384) | (2,249) | 41,824 | (24,828) | (1,404) | 3,185 | 17,897 |
| Fund balances-beginning | <u>12,004</u> | <u>14,337</u> | <u>10,335</u> | <u>(49,360)</u> | <u>(24,766)</u> | <u>4,015</u> | <u>38,427</u> | <u>4,992</u> |
| Fund balances-ending | <u>\$ 16,757</u> | <u>10,953</u> | <u>8,086</u> | <u>(7,536)</u> | <u>(49,594)</u> | <u>2,611</u> | <u>41,612</u> | <u>22,889</u> |

City of Seminole, Oklahoma
Debt Service Coverage Schedule
For the Year Ended June 30, 2023

Gross Revenue Available For Debt Service:

Pledged sales tax (1.5 cents) \$ 2,706,518

Net Revenues Available for Debt Service 2,706,518

Debt Service Requirements:

Revenue bonds - Series 2023 899,678

Maximum annual debt service \$ 899,678

Coverage 3.01

Coverage requirement 1.25

City of Seminole, Oklahoma
 Schedule of Expenditures of State Awards
 For the Year Ended June 30, 2023

| STATE GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE | PASS - THROUGH GRANTOR NUMBER | STATE EXPENDITURES |
|---|-------------------------------------|-------------------------|
| STATE ASSISTANCE | | |
| <u>State of Oklahoma</u> | | |
| Passed through the Oklahoma Dept. of Agriculture, Food and Forestry Services : | | |
| Rural Fire Grant | FY 2023 | \$ <u>10,053</u> |
| Total State of Oklahoma | | \$ <u>10,053</u> |
| Total State Awards | | \$ <u><u>10,053</u></u> |

CITY OF SEMINOLE, OKLAHOMA

**SINGLE AUDIT REPORTS
AND SUPPLEMENTARY SCHEDULES**

JUNE 30, 2023

THE CITY OF SEMINOLE, OKLAHOMA

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DILLON & ASSOCIATES, PC
Certified Public Accountants

1401 S. Douglas Blvd., Suite A
Midwest City, OK 73130
Phone: 405-732-1800

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Seminole, Oklahoma ("the City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 26, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

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*, CONTINUED

Purpose of This Report

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

Dillon & Associates, PC

Midwest City, Oklahoma
September 26, 2023



DILLON & ASSOCIATES, PC
Certified Public Accountants

1401 S. Douglas Blvd., Suite A
Midwest City, OK 73130
Phone: 405-732-1800

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Seminole, Oklahoma's (the City's) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City's major federal programs for the year ended June 30, 2023. City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, 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, 2023.

Basis for Opinion on Each Major Federal Program

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City's federal programs.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY UNIFORM GUIDANCE, CONTINUED

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 a 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 in internal control over compliance, yet important enough to merit attention by those charged with governance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY UNIFORM GUIDANCE, CONTINUED

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the 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, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 30, 2023, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions 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 the Uniform Guidance and is not a required part of the basic 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Dillon & Associates, PC

Midwest City, Oklahoma
September 26, 2023

City of Seminole, Oklahoma
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

| FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM/ CLUSTER TITLE | FEDERAL ASSISTANCE LISTING NUMBER | PASS - THROUGH GRANTOR NUMBER | FEDERAL EXPENDITURES |
|--|--|-------------------------------------|-------------------------|
| <u>U.S. Department of Housing and Urban Development</u> | | | |
| <i>Passed through the Oklahoma Department of Commerce:</i> | | | |
| <i>Community Development Block Grant - Entitlement Grant Cluster:</i> | | | |
| CDBG Entitlement Grant | 14.228 | 18466 CDBG CR 20 | \$ <u>444,728</u> |
| Total U.S. Department of Housing and Urban Development | | | <u>444,728</u> |
| | | | |
| <u>U.S. Department of Justice</u> | | | |
| <i>Direct Assistance:</i> | | | |
| Public Safety Partnership and Community Grant | | | |
| Policing Grant | 16.710 | 15JCOPS-21-GG-03448-UHPX | 88,711 |
| <i>Passed through the Oklahoma District Attorneys Council:</i> | | | |
| Edward Byrne Memorial Justice Assistance Grant | 16.738 | JAG-LLE-2022-SEMINOLE | <u>8,720</u> |
| Total U.S. Department of Justice | | | <u>97,431</u> |
| | | | |
| <u>U.S. Department of Transportation</u> | | | |
| <i>Direct Assistance:</i> | | | |
| Federal Aviation Administration: | | | |
| Airport Improvement Program - CARES | 20.106 | 3-40-0087-23-2022 | <u>190,260</u> |
| Total Federal Aviation Administration | | | <u>190,260</u> |
| | | | |
| <u>U.S. Department of Treasury</u> | | | |
| <i>Passed through the Oklahoma Office of Management and Enterprise Services:</i> | | | |
| <i>Direct Assistance:</i> | | | |
| COVID-19 Coronavirus State and Local Fiscal Recovery Funds | 21.027 | N/A | <u>202,525</u> |
| Total U.S. Department of Treasury | | | <u>202,525</u> |
| | | | |
| <u>U.S. Department of Homeland Security</u> | | | |
| <i>Passed through Oklahoma Department of Civil Emergency Management:</i> | | | |
| Emergency Management Assistance | 97.042 | EMT- 2022-EP-00006 | 5,000 |
| Emergency Management Assistance | 97.042 | ARPA- 2021-PW-64302-0010 | <u>5,000</u> |
| Total U.S. Department of Homeland Security | | | <u>10,000</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 944,944</u> |

See Independent Auditor's Report on Compliance for each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.

See accompanying notes to schedule of expenditures of federal awards.

**CITY OF SEMINOLE, OKLAHOMA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the City of Seminole for the year ended June 30, 2023 and is presented in accordance with the basis for determining federal awards expended as defined by the Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in or used in the presentation of the basis financial statements. Because the Schedule presents only a select portion of the operations of the City of Seminole, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Seminole.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles of the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - INDIRECT COST RATE

The City of Seminole does not have an indirect cost rate and has elected not to use the 10% de minimis cost rate allowed under the Uniform Guidance during the year ended June 30, 2023.

See Independent Auditor's Report on Compliance for each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.

**CITY OF SEMINOLE, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements were in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

- * Material weakness(es) identified? ___ yes X no
- * Significant deficiency(ies) identified that are not considered to be material weakness(es)? ___ yes X none reported

Noncompliance material to financial statements noted? ___ yes X

Federal Awards

Internal control over major programs:

- * Material weakness(es) identified? ___ yes X no
- * Significant deficiency(ies) identified that are not considered to be material weakness(es)? ___ yes X none reported

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ___ yes X no

Identification of major programs:

| | Assistance Listing Number |
|------------------------|---------------------------------|
| CDBG Entitlement Grant | 14.228 |

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes ___ no

**CITY OF SEMINOLE, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

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

None

Section III - Findings Required to be Reported in Accordance with Uniform Guidance:

None

Summary Schedule of Prior Audit Findings:

Not applicable as there are no prior year findings.

Corrective Action Plan:

Not applicable as there are no current year findings.