

TOWN OF SALINA, OKLAHOMA

FINANCIAL STATEMENTS

JUNE 30, 2013

KIRKENDALL & SWINDELL CPA'S, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

CLAREMORE, OKLAHOMA

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JUNE 30, 2013**

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Independent Auditor's Report

Board of Trustees
Town of Salina

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Salina, Mayes County, Oklahoma as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the Town of Salina, Mayes County, Oklahoma's basic financial statements as listed in the table of contents.

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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Salina, Mayes County, Oklahoma as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of

financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I 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 inquires of management about the methods of preparing the information and comparing the information for consistency with managements responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

In accordance with Government Auditing Standards, I have also issued my report dated November 19, 2013 on my consideration of the Town of Salina, Mayes County, Oklahoma internal control over financial reporting and my tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting or on compliance and the results of that testing, and not to provide an opinion on 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 Town of Salina, Mayes County, Oklahoma 's internal control over financial reporting and compliance.


Violet F. Kirkendall CPA, PC
Certified Public Accountants

November 19, 2013

**TOWN OF SALINA, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2013**

The discussion and analysis of the Town of Salina's financial performance provides an overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2013. It should be read in conjunction with the accompanying basic financial statements. This discussion includes the Salina Public Works Authority, a component unit of the Town.

WHO WE ARE

As of June 30, 2013 the mayor, council members, clerk and treasurer, all of whom are elected, consisted of the following:

Mayor	Michael O'Rourke
Council Members	Dennis Weston Jim Hoag Morton Gann Josh Stephenson
Clerk/Treasurer	P. J. Pape

The governing board and Clerk/Treasurer for the Salina Public Works Authority are the same as the Town.

FINANCIAL HIGHLIGHTS

- The total assets of the Town for its governmental and business-type activities exceeded its liabilities as of June 30, 2013 by \$5,578,947 as reflected in Statement 1 and Table 1 in this discussion. This compares to \$4,688,231 at June 30, 2012. This excess is summarized as follows:

	<u>6-30-13</u>	<u>6-30-12</u>
Invested in capital assets, net of related debt	\$4,534,757	\$3,451,622
Restricted for debt service	37,253	92,557
Restricted for capital improvements	142,330	248,826
Restricted for specific purposes	316,785	310,416
Unrestricted	<u>547,822</u>	<u>584,810</u>
	<u>\$5,578,947</u>	<u>\$4,688,231</u>

- The Town's net assets for governmental funds increased \$25,835 during the current fiscal year, representing a 1.3% increase. This is reflected in Statement 2.
- Invested in capital assets, net of related debt for utility activities increased \$1,195,303. Such activities added \$1,779,637 of assets, of which \$1,577,395 was for a water distribution line to the Mid America Industrial Park. This was reduced by depreciation of \$291,527, increase in debt of \$420,401 and other minor adjustments. This increase was made possible by over \$1,200,000 for grants for the water distribution system.
- The Fire Department expended \$118,269 for equipment and street improvements by the Street and Alley Fund totaled \$60,218.
- The Town's General Fund balance as reflected in the "Statement of Revenues, Expenditures, and Changes in Fund Balances" (Statement 4) decreased by \$67,287, a 24.7% decrease. This is further discussed later in this report.
- All governmental funds of the Town decreased \$69,918 during the current fiscal year, which is a 10.5% decrease (Statement 4). Four funds decreased during the year. The only major concern of all of these funds is the General Fund.
- The net assets of the Authority increased \$864,881 from \$2,718,245 to \$3,583,126, a 24.1% increase compared to a \$46,690 gain in the previous year. The increase is attributed to grants totaling \$1,231,333.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

Management's Discussion and Analysis is intended to serve as an introduction to the Town's basic financial statements. In accordance with Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements - and Managements' Discussion and Analysis - for State and Local Governments," ("GASB 34"), the Town's basic financial statements include three components: government-wide financial statements; fund financial statements; and notes to the basic financial statements. The major features of these financial statements are summarized as follows:

	<u>Government-wide Statements</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Scope	Entire Town government and the Town's component units	The activities of the Town that are not proprietary, such as police, fire, library, streets, etc.	Activities of the Salina Public Works Authority consisting of water, sewer and trash services
Required financial statements	-Statement of net assets -Statement of activities	-Balance sheet -Statement of revenues, expenditures, and changes in fund balances	-Statement of net assets -Statement of revenues, expenses, and changes in net assets -Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

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

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

The *statement of activities* presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

(Unaudited)

The government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include public safety activities, streets, cemetery, library and parks activities and general government activities. The business-type activities of the Town include certain utilities.

A component unit is included in the basic financial statements and consists of a legally separate entity for which the Town is financially accountable and that has the same governing board as the Town. This blended component unit is the Salina Public Works Authority. The County Wide Fire Department Fund is also blended into the financial statements.

The government-wide financial statements can be found on Statements 1 and 2 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the Town, excluding the Salina Public Works Authority, are governmental funds.

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

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

The Town maintains 6 individual governmental funds for financial reporting purposes in addition to the Countywide Fire Department Fund. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General and Fire Sales Tax Fund, which are considered to be major funds. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non major governmental funds is provided in the non major funds supplementary section of this report.

(Unaudited)

The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund in the basic financial statements.

The governmental funds financial statements can be found on Statements 3 and 4 of this report.

Proprietary funds. Proprietary funds provide the same type of information as the government-wide financial statements but in more detail. The proprietary fund financial statements provide information for the Salina Public Works Authority. The proprietary fund financial statements can be found at Statements 5, 6, and 7 of this report.

Notes to the basic financial statements. The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 27 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town and its component units, assets exceeded liabilities by \$5,578,947 at the close of the current fiscal year, up \$996,610 from the previous year compared to a \$105,894 increase in the previous year. However, all of the increase was due to invested in capital assets. Restricted and unrestricted net assets, which can be used to pay debts, decreased by \$158,388 and \$40,305 respectively.

As shown on Table 1, the largest portion of the Town's net assets, \$4,534,757, reflects its investment in capital assets less any related outstanding debt used to acquire those assets. The Town and its component unit uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate liabilities.

Included in Restricted Net Assets is \$360,156 that is reserved to repay the debt on capital assets and to acquire capital assets compared to \$341,383 in the prior year. The remainder of restricted assets are funds required to be expended for specific purposes such as streets, fire and police.

Included in current assets for Governmental Activities is \$378,462 of cash and \$80,557 on deposit with Mayes County. Such cash is down \$80,858, of which \$68,374 is in the General Fund.

At the end of the fiscal year ended June 30, 2013, The Town reported positive balances in all three categories of net assets, both for the Town as a whole, as well as for its separate governmental and business-type activities.

(Unaudited)

**TABLE 1
SUMMARY OF NET ASSETS**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current assets	\$ 543,163	\$ 614,116	\$ 425,512	\$ 323,285	\$ 968,675	\$ 937,401
Capital assets	1,483,729	1,404,589	5,988,520	4,672,013	7,472,249	6,076,602
Restricted assets	<u> --</u>	<u> --</u>	<u>360,156</u>	<u>341,383</u>	<u>360,156</u>	<u>341,383</u>
Total assets	<u>\$2,026,892</u>	<u>\$2,018,705</u>	<u>\$6,774,188</u>	<u>\$5,336,681</u>	<u>\$8,801,080</u>	<u>\$7,355,386</u>
Current and other Liabilities	27,726	38,264	138,544	148,862	166,270	187,126
Long-term liabilities	<u>3,345</u>	<u>10,455</u>	<u>3,052,518</u>	<u>2,469,574</u>	<u>3,055,863</u>	<u>2,480,029</u>
Total liabilities	<u>31,071</u>	<u>48,719</u>	<u>3,191,062</u>	<u>2,618,436</u>	<u>3,222,133</u>	<u>2,667,155</u>
Net assets						
Invested in capital assets, net of related debt	1,473,823	1,387,070	3,060,934	2,064,552	4,534,757	3,451,622
Restricted	316,785	310,416	179,583	341,383	496,368	651,799
Unrestricted	<u>205,213</u>	<u>272,500</u>	<u>342,609</u>	<u>312,310</u>	<u>547,822</u>	<u>584,810</u>
Total net position	<u>\$1,995,821</u>	<u>\$1,969,986</u>	<u>\$3,583,126</u>	<u>\$2,718,245</u>	<u>\$5,578,947</u>	<u>\$4,688,231</u>

(Unaudited)

**TABLE 2
CHANGES IN NET ASSETS**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues						
Program revenues						
Charges for services	\$ 118,843	\$ 142,310	\$ 628,019	\$ 618,125	\$ 746,862	\$ 760,435
Operating grants and contributions	30,590	26,899	--	--	30,590	26,899
Capital grants and contributions	129,576	100,921	1,231,333	127,115	1,360,909	228,036
General revenues						
Sales tax	331,198	319,341	148,998	152,934	480,196	472,275
Other taxes	107,890	112,410	--	--	107,890	112,410
Other general revenues	<u>25,377</u>	<u>6,375</u>	<u>34,255</u>	<u>11,201</u>	<u>59,632</u>	<u>17,576</u>
Total revenues	<u>743,474</u>	<u>708,256</u>	<u>2,042,605</u>	<u>909,375</u>	<u>2,786,079</u>	<u>1,617,631</u>
Expenses						
Administrative and Accounting	113,391	93,393	--	--	113,391	93,393
Public safety	458,906	407,149	--	--	458,906	407,149
Street	55,899	55,906	--	--	55,899	55,906
Cultural, recreation and Library	89,443	92,604	--	--	89,443	92,604
Utilities	--	--	1,085,261	862,685	1,085,261	862,685
Prior year adjustments	<u>--</u>	<u>--</u>	<u>92,463</u>	<u>--</u>	<u>92,463</u>	<u>--</u>
Total expenses	<u>717,639</u>	<u>649,052</u>	<u>1,177,724</u>	<u>862,685</u>	<u>1,895,363</u>	<u>1,511,737</u>
Change in net position	<u>\$ 25,835</u>	<u>\$ 59,204</u>	<u>\$ 864,881</u>	<u>\$ 46,690</u>	<u>\$ 890,716</u>	<u>\$ 105,894</u>

(Unaudited)

Governmental Activities. Governmental activities increased the Town's fund balances by \$25,835 for the current fiscal year, a 1.31% increase in the net assets of the Town's Governmental Funds. This increase was due to changes in the fund balances of the various funds as follows:

General Fund	\$(67,287)
Street and Alley	(8,276)
Cemetery Fund	(1,718)
Volunteer Fire Fund	9,654
County Fire Fund	7,553
Police Donations	<u>(844)</u>
Decrease in fund balances	(60,918)
Increase in capital assets	79,140
Decrease in long term debt	<u>7,613</u>
Increase in net assets	<u>\$ 25,835</u>

Business-type Activities. Business-type activities, i.e. the Salina Public Works Authority, had a increase in net position of \$864,881 and is discussed further later in this report.

FINANCIAL ANALYSIS OF THE TOWN'S MAJOR FUNDS

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

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

General Fund

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$205,213, constituting 100% of the fund balance, which was \$67,287 or 24.7% less than the prior year's General Fund balance. This compares to a \$3,978 increase in the prior year. The decrease was due to sales and other taxes being down \$11,373, a decrease in police fines of \$20,859, and an increase in expenditures, most notably an increase in administrative and accounting of \$20,386 and an increase in police and court of \$32,997.

(Unaudited)

Various Fire Department Funds

The two fire department funds combined increased their fund balances by \$17,207. They combined to expend \$118,269 for capital outlay, mostly for equipment.

Street and Alley Fund

The Street and Alley Fund balance decreased \$8,276 during the year as a result of spending \$60,218 for capital outlay, mainly street improvement.

Although the fund has a healthy fund balance at June 30, 2013 of \$133,271, this balance will decline when extensive road work is performed. This is primarily the reason the General Fund has been transferring \$36,000 to the Street Fund annually.

Salina Public Works Authority

The highlights of the fiscal year ending June 30, 2013 are as follows:

- The Authority's net assets increased \$864,881 during the year. A summary of the increase is as follows:

Invested in capital assets, net of related debt	\$ 996,382
Restricted	(161,800)
Unrestricted	<u>30,299</u>
	<u>\$ 864,881</u>

The increase in invested in capital assets, net of related debt is further summarized below:

Expended for capital assets	\$ 1,588,651
Increase in long-term debt	(428,014)
Depreciation	(179,681)
Prior year write off, release of debt reserves	<u>15,426</u>
	<u>\$ 996,382</u>

(Unaudited)

The decrease in restricted assets is further summarized as follows:

Restricted assets	
Restricted for debt retirement	\$(23,357)
Restricted for capital improvements	42,130
Less payable from restricted assets	<u>(180,573)</u>
	<u>\$(161,800)</u>

GENERAL FUND BUDGETARY

A budgetary comparison schedule is included in the "Required Supplementary Information" to the financial statements.

The basis of accounting for budgetary purposes for the General Fund is the cash basis, i. e., revenues are recognized when received and expenses are recognized when paid.

The budget method authorized by Oklahoma Statute adopted by the Town for its general fund places a limit on the amount that can be budgeted. The amount to be budgeted for the next fiscal year is the unreserved fund balance at the beginning of the fiscal year plus 90% of its revenues for the year just ended.

The budgetary fund balance is reconciled to the balance sheet fund balance in the Required Supplementary Information.

Generally, the Town attempts to prepare a budget that will result in a small positive increased in the fund balance. Generally, this is accomplished by only budgeting 90% of the prior year revenues and budgeting amounts, primarily in General Government, that will not be expended.

The fund balance for budget purposes decreased by \$73,757 to \$140,019.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

A summary of capital asset activity for both governmental activities and business-type activities is included in Note 3.D. to the financial statements.

Particular elements of this have already been discussed in this report.

Debt Administration

The Town's long term debt decreased from \$17,519 at the beginning of the year to \$9,906 at year end.

(Unaudited)

The Authority's long-term debt increased \$428,014. This was due to scheduled payments on existing notes, refinancing existing notes and principally borrowing to pay for the new water distribution system.

Details concerning long-term debt notes are in Note 3.F to the financial statements.

ECONOMIC FACTORS AND NEW YEAR'S BUDGET

The Town's major governmental revenue, sales tax, decreased compared to the prior year. Beginning in March, 2007, the Authority, by a vote of the people, began receiving a 1/2 cent sales tax which was previously allocated to Street and Alley. One-half cent of the 2 1/2 cents being received by the General Fund can be allocated to other funds as determined by the Board.

The 1/2 cent sales tax allocated to the Authority is to help make debt payments. Increased water and sewer rates have been approved due to debt service on new loans.

The most troubling fund for the future is the town's General Fund, which decreased \$67,287 in fund balance for the year ended June 30, 2013 for reasons previously explained. This fund must be reviewed closely monthly. If the fund balance continues to decline appropriate actions must be taken to curb expenses.

The Street and Alley Fund has a sufficient fund balance that should carry it for several years. However, new sources of revenues will have to be found to sustain it over the long run.

Expenditures will increase next fiscal year for the Public Works Authority. First, note payments will initiate on the new loan for the water distribution system. Secondly, the PWA will have to start purchasing water. These will be somewhat offset by a reduction in operating expenses for the water plant, which will be abandoned. It will be necessary for water rates to be adjusted to keep the PWA financially solid.

CONTACTING THE TOWN'S FINANCE DEPARTMENT

This management's discussion and analysis is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions or need additional financial information, please contact the Town of Salina at (918) 434-5027.

(Unaudited)

TOWN OF SALINA, OKLAHOMA
STATEMENT OF NET ASSETS
JUNE 30, 2013

Statement 1

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash, including time deposits	\$ 378,462	\$ 365,484	\$ 743,946
Deposit with county	80,557	--	80,557
Taxes receivable	81,523	--	81,523
Other receivable (net)	--	59,465	59,465
Due from restricted assets	--	563	563
Miscellaneous receivable	<u>2,621</u>	<u>--</u>	<u>2,621</u>
Total current assets	<u>543,163</u>	<u>425,512</u>	<u>968,675</u>
Noncurrent assets:			
Restricted assets:			
Cash, including time deposits	--	332,580	332,580
Taxes receivable	--	28,139	28,139
Due general operations	--	(563)	(563)
Capital assets (net)	<u>1,483,729</u>	<u>5,988,520</u>	<u>7,472,249</u>
Total noncurrent assets	<u>1,483,729</u>	<u>6,348,676</u>	<u>7,832,405</u>
Total assets	<u>2,026,892</u>	<u>6,774,188</u>	<u>8,801,080</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	21,165	25,074	46,239
Accrued interest	--	21,853	21,853
Current portion of long-term debt	<u>6,561</u>	<u>91,617</u>	<u>98,178</u>
Total current liabilities	<u>27,726</u>	<u>138,544</u>	<u>166,270</u>
Noncurrent liabilities:			
Notes payable, less current portion	3,345	2,834,692	2,838,037
Payable from restricted assets - utility deposits	--	--	--
Utility deposits	--	31,947	31,947
Accounts payable	--	148,626	148,626
Current portion long term debt	<u>--</u>	<u>37,253</u>	<u>37,253</u>
Total noncurrent liabilities	<u>3,345</u>	<u>3,052,518</u>	<u>3,055,863</u>
Total liabilities	<u>31,071</u>	<u>3,191,062</u>	<u>3,222,133</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,473,823	3,060,934	4,534,757
Restricted for:			
Debt service	--	37,253	37,253
Capital improvements	--	142,330	142,330
Specific purposes	316,785	--	316,785
Unrestricted	<u>205,213</u>	<u>342,609</u>	<u>547,822</u>
Total net assets	<u>\$1,995,821</u>	<u>\$3,583,126</u>	<u>\$5,578,947</u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF SALINA, OKLAHOMA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013**

Statement 2

		Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Revenue (Loss)	
Governmental activities					
General government					
Administrative and Accounting	\$ 113,391	\$ 1,352	\$ 18,175	\$ --	\$(93,864)
Total general government	<u>113,391</u>	<u>1,352</u>	<u>18,175</u>	<u>--</u>	<u>(93,864)</u>
Public safety and judiciary					
Town Attorney	3,350	--	--	--	(3,350)
Police and Court	316,863	99,763	2,029	--	(215,071)
Fire	<u>138,693</u>	<u>12,951</u>	<u>5,084</u>	<u>79,576</u>	<u>(41,082)</u>
Total public safety and judiciary	<u>458,906</u>	<u>112,714</u>	<u>7,113</u>	<u>79,576</u>	<u>(259,503)</u>
Transportation					
Street	<u>55,899</u>	<u>--</u>	<u>--</u>	<u>50,000</u>	<u>(5,899)</u>
Total transportation	<u>55,899</u>	<u>--</u>	<u>--</u>	<u>50,000</u>	<u>(5,899)</u>
Cultural, parks and recreation					
Cemetery	23,160	4,260	2,472	--	(16,428)
Parks	4,273	--	--	--	(4,273)
Library	<u>62,010</u>	<u>517</u>	<u>2,830</u>	<u>--</u>	<u>(58,663)</u>
Total cultural, parks and recreation	<u>89,443</u>	<u>4,777</u>	<u>5,302</u>	<u>--</u>	<u>(79,364)</u>
Total governmental activities	<u>717,639</u>	<u>118,843</u>	<u>30,590</u>	<u>129,576</u>	<u>(438,630)</u>
Business-type activities:					
Water and sewer	984,332	507,931	--	1,231,333	754,932
Trash	<u>100,929</u>	<u>120,088</u>	<u>--</u>	<u>--</u>	<u>19,159</u>
Total business-type activities	<u>1,085,261</u>	<u>628,019</u>	<u>--</u>	<u>1,231,333</u>	<u>774,091</u>
Total	<u>\$ 1,802,900</u>	<u>\$ 746,862</u>	<u>\$ 30,590</u>	<u>\$ 1,360,909</u>	<u>\$ 335,461</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF SALINA, OKLAHOMA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

CHANGES IN NET ASSETS

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Net (expense) revenue	\$(438,630)	\$ 774,091	\$ 335,461
General Revenues			
Taxes:			
Sales tax	331,198	148,998	480,196
Use tax	47,892	--	47,892
Alcohol beverage tax	10,071	--	10,071
Gasoline tax	3,622	--	3,622
Motor vehicle tax	9,910	--	9,910
Cigarette tax	5,044	--	5,044
Franchise taxes	31,351	--	31,351
Investment income	1,344	1,735	3,079
Miscellaneous	<u>24,033</u>	<u>32,520</u>	<u>56,553</u>
Total general revenues	<u>464,465</u>	<u>183,253</u>	<u>647,718</u>
Change in net assets	25,835	957,344	983,179
Net assets - beginning	1,969,986	2,718,245	4,688,231
Write off prior year loan costs	--	(71,913)	(71,913)
Work in progress - abandoned	<u>--</u>	<u>(20,550)</u>	<u>(20,550)</u>
Net assets - ending	<u>\$ 1,995,821</u>	<u>\$ 3,583,126</u>	<u>\$ 5,578,947</u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF SALINA, OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>General Fund</u>	<u>County Fire Fund</u>	<u>Street and Alley Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Fund</u>
ASSETS					
Cash, including time deposits	\$ 159,559	\$ --	\$ 131,712	\$ 87,191	\$ 378,462
Deposit with County	--	80,557	--	--	80,557
Taxes receivable	63,510	15,766	2,247	--	81,523
Miscellaneous receivable	2,621	--	--	--	2,621
Due from other funds	--	--	--	--	--
Due from component unit	--	--	--	--	--
	<u>225,690</u>	<u>96,323</u>	<u>133,959</u>	<u>87,191</u>	<u>543,163</u>
Total assets	<u>\$ 225,690</u>	<u>\$ 96,323</u>	<u>\$ 133,959</u>	<u>\$ 87,191</u>	<u>\$ 543,163</u>
LIABILITIES					
Accounts payable and accrued expenses	\$ 20,477	\$ --	\$ 688	\$ --	\$ 21,165
Due to component unit	--	--	--	--	--
Due to other funds	--	--	--	--	--
	<u>20,477</u>	<u>--</u>	<u>688</u>	<u>--</u>	<u>21,165</u>
Total liabilities	<u>20,477</u>	<u>--</u>	<u>688</u>	<u>--</u>	<u>21,165</u>
FUND BALANCES					
Restricted	--	96,323	133,271	87,191	316,785
Unassigned	<u>205,213</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>205,213</u>
Total fund balance	<u>205,213</u>	<u>96,323</u>	<u>133,271</u>	<u>87,191</u>	<u>521,998</u>
Total liabilities and fund balances	<u>\$ 225,690</u>	<u>\$ 96,323</u>	<u>\$ 133,959</u>	<u>\$ 87,191</u>	

Amounts reported for governmental activities in the Statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$1,007,311	1,483,729
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet	(9,906)
Net assets of governmental activities	<u>\$ 1,925,821</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF SALINA, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	<u>General Fund</u>	<u>County Fire Fund</u>	<u>Street and Alley Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Fund</u>
REVENUES					
Sales tax	\$ 248,329	\$ 82,869	\$ --	\$ --	\$ 331,198
Other taxes	63,006	--	13,532	--	76,538
Fines and forfeits	99,763	--	--	--	99,763
Licenses and permits	1,352	--	--	--	1,352
Franchise taxes	31,352	--	--	--	31,352
Interest	684	--	488	172	1,344
Grants and contributions	21,005	--	50,000	89,161	160,166
Miscellaneous	2,366	--	--	23,530	25,896
Insurance recovery	<u>15,865</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>15,865</u>
Total revenues	<u>\$ 483,722</u>	<u>\$ 82,869</u>	<u>\$ 64,020</u>	<u>\$ 112,863</u>	<u>\$ 743,474</u>
EXPENDITURES					
Current					
General government					
Administrative and accounting	<u>104,446</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>104,446</u>
Total general government	<u>104,446</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>104,446</u>
Public safety and judiciary					
Town attorney	3,350	--	--	--	3,350
Police and court	299,274	--	--	884	300,158
Fire	<u>1,620</u>	<u>31,080</u>	<u>--</u>	<u>30,443</u>	<u>63,143</u>
Total public safety and judiciary	<u>304,244</u>	<u>31,080</u>	<u>--</u>	<u>31,327</u>	<u>366,651</u>
Transportation					
Street	<u>--</u>	<u>--</u>	<u>48,078</u>	<u>--</u>	<u>48,078</u>
Total transportation	<u>--</u>	<u>--</u>	<u>48,078</u>	<u>--</u>	<u>48,078</u>
Park	<u>2,886</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>2,886</u>
Cemetery	<u>13,423</u>	<u>--</u>	<u>--</u>	<u>8,611</u>	<u>22,034</u>
Library	<u>56,623</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>56,623</u>
Debt Service					
Principal	7,613	--	--	--	7,613
Interest and other charges	<u>741</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>741</u>
Total	<u>8,354</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>8,354</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF SALINA, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	<u>General Fund</u>	<u>County Fire Fund</u>	<u>Street and Alley Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Fund</u>
Capital outlay	<u>14,833</u>	<u>44,236</u>	<u>60,218</u>	<u>76,033</u>	<u>195,320</u>
Total expenditures	<u>504,809</u>	<u>75,316</u>	<u>108,296</u>	<u>115,971</u>	<u>804,392</u>
Excess (deficiency) of revenues over expenditures	<u>(21,087)</u>	<u>7,553</u>	<u>(44,276)</u>	<u>(3,108)</u>	<u>(60,918)</u>
Other financing sources (uses)					
Transfers in	-	-	36,000	10,200	46,200
Transfers out	<u>(46,200)</u>	-	-	-	<u>(46,200)</u>
Total other financing sources (uses)	<u>(46,200)</u>	-	<u>36,000</u>	<u>10,200</u>	<u>-</u>
Net change in fund balances	<u>(67,287)</u>	<u>7,553</u>	<u>(8,276)</u>	<u>7,092</u>	<u>(60,918)</u>
Fund balances - beginning	<u>272,500</u>	<u>88,770</u>	<u>141,547</u>	<u>80,099</u>	<u>582,916</u>
Fund balances - ending	<u>\$ 205,213</u>	<u>\$ 96,323</u>	<u>\$ 133,271</u>	<u>\$ 87,191</u>	<u>\$ 521,998</u>

Reconciliation of the change in fund balances - total government funds to the change in net assets of governmental activities

Net change in fund balances - total governmental funds \$(60,918)

Amounts reported for governmental activities in the Statement of Activities are different because

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets and expenses, the book value of items deleted as a cost:

Capital asset purchase capitalized	190,986
Depreciation expense	<u>(111,846)</u>
	<u>79,140</u>

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:

Principal paid	<u>7,613</u>
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Change in net assets of governmental activities	<u>\$ 25,835</u>
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The notes to the financial statements are an integral part of this statement.

TOWN OF SALINA, OKLAHOMA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
SALINA PUBLIC WORKS AUTHORITY
JUNE 30, 2013

ASSETS

Current assets

Cash and cash equivalents	\$ 365,484
Accounts receivable	59,465
Due from restricted assets	<u>563</u>
Total current assets	<u>425,512</u>

Noncurrent assets:

Restricted assets	
Cash and cash equivalents	332,580
Due general operations	(563)
Taxes receivable	28,139
Capital assets (net)	<u>5,988,520</u>
Total noncurrent assets	<u>6,348,676</u>

Total assets \$6,774,188

LIABILITIES

Current liabilities

Accounts payable and accrued expenses	25,074
Current portion of long-term debt	91,617
Accrued interest	<u>21,853</u>
Total current liabilities	<u>138,544</u>

Noncurrent liabilities

Payable from restricted assets	
Utility deposits	31,947
Accounts payable	148,626
Current portion of long term debt	37,253

Long-term debt

Notes payable, less current portion 2,834,692

Total noncurrent liabilities 3,052,518

Total liabilities 3,191,062

NET ASSETS

Investment in capital assets, net of related debt	3,060,934
Restricted for debt retirement	37,253
Restricted for capital improvements	142,330
Retained earnings - unreserved	<u>342,609</u>
Total net assets	<u>\$3,583,126</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF SALINA, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
SALINA PUBLIC WORKS AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Water</u>	<u>Sewer</u>	<u>Trash</u>	<u>Total</u>
Operating revenues				
Utility charges	<u>\$ 365,032</u>	<u>\$ 142,899</u>	<u>\$ 120,088</u>	<u>\$ 628,019</u>
Operating expenses				
Salaries and benefits	105,979	70,653	--	176,632
Repairs	14,114	8,357	--	22,471
Utilities	33,769	16,929	--	50,698
Chemicals, testing and permits	44,811	7,673	--	52,484
Vehicle expense	7,783	5,189	--	12,972
Insurance	17,905	11,936	--	29,841
Miscellaneous	834	--	--	834
Trash service	--	--	100,929	100,929
Depreciation	<u>70,970</u>	<u>105,316</u>	<u>--</u>	<u>176,286</u>
Totals	<u>296,165</u>	<u>226,053</u>	<u>100,929</u>	<u>623,147</u>
Operating profit (loss)	<u>\$ 68,867</u>	<u>\$ (83,154)</u>	<u>\$ 19,159</u>	<u>\$ 4,872</u>
General Administrative				
Salaries and benefits				53,455
Legal and accounting				11,800
Utilities				10,944
Insurance				1,500
Supplies and postage				7,267
Bad debts				8,676
Miscellaneous				9,506
Depreciation				<u>3,394</u>
Total general and administrative				<u>106,542</u>
Net operating income (loss)				<u>(101,670)</u>
Nonoperating revenues (expenses)				
Grants				1,231,333
Interest income				1,735
Sale tax				148,998
Miscellaneous				32,520
Interest expenses				(91,547)
Loan costs				<u>(264,025)</u>
Total				<u>1,059,014</u>
Net Income				957,344
Net assets - beginning of year				2,718,245
Write off prior year loan costs per GASB 65				(71,913)
Work in progress - Abandoned				<u>(20,550)</u>
Net assets - end of year				<u>\$ 3,583,126</u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF SALINA, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
SALINA PUBLIC WORKS AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2013**

Cash flows from operating activities:	
Receipts from customers	\$ 661,443
Payments to suppliers	(339,327)
Payments to employees and benefits	<u>(223,915)</u>
Net cash provided (used) by operating activities	<u>98,201</u>
Cash flows from noncapital financing activities:	
Sales tax	<u>146,793</u>
Cash flows from capital and related financing activities:	
Issuance - long-term debt	1,972,041
Purchases of capital assets	(1,440,025)
Principal paid on long-term debt	(1,544,027)
Interest paid	(84,020)
Capital grants	1,231,333
Loan costs	<u>(264,025)</u>
Net cash provided (used) by capital and related financing activities	<u>(128,723)</u>
Cash flows from investing activities	
Interest	<u>1,735</u>
Net cash provided (used) by investing activities	<u>1,735</u>
Net increase (decrease) in cash and cash equivalents	118,006
Balances - beginning of the year	<u>580,058</u>
Balances - end of the year	<u>\$ 698,064</u>
Cash, including time deposits	365,484
Restricted cash, including time deposits	<u>332,580</u>
Total cash and cash equivalents, end of year	<u>\$ 698,064</u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF SALINA, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
SALINA PUBLIC WORKS AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2013**

Reconciliation of operating income (loss) to net
cash provided (used) by operating activities

Operating income (loss)	(101,670)
Miscellaneous income	32,520
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Cash flows in other categories:	
Depreciation expense	179,680
Change in assets and liabilities:	
Increase in receivables	(13,826)
Decrease in miscellaneous receivable	13,038
Increase (decrease) in accounts payable and accrued expenses	(13,233)
Increase in customer meter deposits payable	<u>1,692</u>
	<u>\$ 98,201</u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF SALINA, OKLAHOMA
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TOWN OF SALINA, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Salina operates under an elected Town Board of Trustees form of government. The Town's major operations include public safety (police and fire), provision and maintenance of streets and drainage, and general administrative services. In addition, the Town exercises sufficient control over another governmental agency that provides water and sewer services that is included as part of the Town's reporting entity.

The Town complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Town the option of electing to apply FASB pronouncements issued after November 30, 1989. The Town has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. The Town complies with the reporting requirements of GASB Statement Nos. 33 and 34 for the year ended June 30 and all other applicable GASB Statements.

1.A. FINANCIAL REPORTING ENTITY

The Town's financial reporting entity comprises the following:

Primary Government:	Town of Salina
Blended Component Units:	Salina Public Works Authority County Wide Fire Department Fund

In determining the financial reporting entity, The Town complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity," and includes all component units of which the Town appointed a voting majority of the units' board; the Town is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Unit

A blended component unit is a separate legal entity that meets the component unit criteria described above and whose governing body is the same or substantially the same as the Town Council or the component unit provides services entirely to the Town. The component unit's funds are blended into those of the Town's by appropriate activity type to compose the primary government presentation.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the Town has no discretely presented component units.

Blended Component Unit

Component Unit	Brief Description/Inclusion Criteria	Reporting
Salina Public Works Authority	The Authority, which has the same Board Members as the Town, provides water, sewer and trash services to citizens of the Town. The Authority is dependent on the Town, as a major source of revenues is sales tax. The Town is the beneficiary of the Authority.	Proprietary
County Fire Fund	A countywide sales tax is assessed for the purpose of providing revenues to the various fire departments of Mayes County. The sales tax receipts are equally divided among the fire departments and administered by the County which maintains a fund for each fire department, including that of the Town of Salina. Purchases against the funds can only be initiated by each fire department, sometimes requiring its governing board approval.	Governmental

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental category. The Salina Public Works Authority is the only proprietary type activity of the reporting entity and is considered a major fund. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the Town and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounting for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are either legally or council restricted to expenditures for certain purposes.

Capital Project Funds

The Capital Project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items. The Town has no capital project funds.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principle on the general long-term debt of the Town other than debt service payments made by other funds. The Town has no debt service funds.

Proprietary Fund

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The Salina Public Works Authority is the only enterprise fund.

Major and Non major Funds

The funds are further classified as major or non major as follows:

Fund	Brief Description
Major:	
General	See above for description
Proprietary Fund: Salina Public Works Authority	Accounts for activities of providing water, sewer, and trash services to the public.
Special Revenue Funds: Street and Alley	Accounts for revenues and expenditures of maintaining, improving and extending streets and alleys.
County Fire Fund	Provides for the acquisition of assets and the operations of the fire department. Funded by a countywide sales tax.

Fund	Brief Description
Non major:	
Special Revenue Funds:	
Cemetery Fund	Accounts for revenues and expenditures of maintaining the cemetery.
Volunteer Fire Fund the expending of such funds.	Accounts for revenues raised by the volunteer firefighters and
Police donations	Accounts for donations and grants to the police department.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and businesslike activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

The Town implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of June 30, 2005.

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and businesslike activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Specifically taxes received in July and August after the year end are accrued when such taxes pertain to the period being reported.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, asset acquisitions and repayment of debt are expensed and depreciation is not reflected.

Proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Budget Basis of Accounting

Formal budgetary accounting is employed as a management control for the governmental funds of the Town. Annual operating budgets are adopted only for the general fund. The basis of accounting for budgetary purposes for all funds is the modified cash basis, i.e., revenues are recognized when received and expenditures are recognized when incurred. Prior to this year, expenditures were recognized when paid. The Salina Public Works Authority also adopts a budget and revenues are recognized when earned and billed and expenditures are recognized when incurred.

The budget method authorized by Oklahoma Statute adopted by the Town for its general fund places a limit on the amount that can be budgeted. The amount to be budgeted for the next fiscal year is the unreserved fund balance at the end of the fiscal year plus 90% of its revenues for the year just ended. All unencumbered budget appropriations, except project budgets, lapse at the end of each fiscal year.

1.D. ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposit of the Town. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit.

Additional cash and investment disclosures are presented in Notes 2.B. and 3.A.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received.

The Salina Public Works Authority is the only fund that has receivables that are essentially subject to bad debts. An allowance for uncollectible accounts has been established, as is more fully explained in Note 3.C. Such receivables consist of utility charges to customers.

Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

The capitalization policy of the Town is to capitalize assets which are expected to last past the end of the current year with a cost of \$500 or more. The policy of the Authority was to capitalize all such assets, regardless of cost, until June 30, 2002. Beginning July 1, 2002, the policy is to capitalize those assets with a cost of \$500 or more.

Government-wide statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

The governmental funds' infrastructure assets have not been capitalized for past years, which, in accordance with GASB 34, is not required. However, the Town has started capitalizing current additions to infrastructure beginning with the current year.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

	<u>Government</u>	<u>Proprietary</u>
Buildings	20 - 40 years	10 - 40 years
Machinery and Equipment	5 - 25 years	5 - 10 years
Utility System	--	5 - 50 years
Infrastructure	25 - 40 years	

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to charter and third party required reserves and utility meter deposits.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consist primarily of notes and leases payable, and customer meter deposits.

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

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The restricted net assets are funds set aside for the payment of long-term debt as required by bond indentures, funds held for utility deposits, and funds restricted for capital improvements. All are reflected in the Salina Public Works Authority.

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

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

1.E. REVENUES, EXPENDITURES, AND EXPENSES

Sales Tax

A 4 cent sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission. The Tax Commission receives the sales tax approximately one month after collection by vendors. Although the sales tax rate has been and continues to be four cents, a change in the allocation of one cent was approved by a vote of the people during the year. Prior to the change, the allocation of the one cent was voted on by the people every two years. The allocation of the entire four cents is now permanent. The follow reflects the allocation of the sales tax before and after the vote:

	<u>Sales Tax Receipts</u>	
	<u>Through</u> <u>February, 2007</u>	<u>Beginning</u> <u>March, 2007</u>
General Fund	2.5 cents	2.5 cents
Street and Alley	.5 cents	--
Public Works Authority	<u>1.0 cents</u>	<u>1.5 cents</u>
	<u>4.0 cents</u>	<u>4.0 cents</u>

The original one cent to the Authority is for the construction of water and sewer treatment and distribution systems and/or the retirement of current debt related to such improvements. The ½ cent to the Authority is to fund the mandatory improvements to the wastewater plant and system and to service the debt to the Federal Home Administration, Rural Development necessitated by such improvements.

Use Tax

The Town levies a 4 cent use tax on personal property purchased outside the city limits but stored, used, or consumed within the city. The use tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission, which is one month after the tax is received from the vendors. The use taxes are allocated entirely to the General Fund.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities:

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character	Current (further classified by function)
	Debt Service
	Capital Outlay

Proprietary Fund - By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

Operating/non-operating Revenues - Proprietary Funds

Operating revenues for the Authority consist only of revenues derived from the providing of utility and services to its customers. Nonoperating revenues consist of all other revenues and consist of sales tax revenues and interest earned.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the Town and its component units are subject to various federal, state, and local laws and contractual regulations. An analysis of the Town of Salina's compliance with significant laws and regulations and demonstration of its stewardship over Town resources follows.

2.A. FUND ACCOUNTING REQUIREMENTS

The Town complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the Town include the following:

Fund	Required By
Street and Drainage	State Law
Cemetery Fund	State Law
Public Works Authority	Trust Indenture

2.B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

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

2.C. REVENUE RESTRICTIONS

The Town has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Sales Tax	See Note 1.E.
Gasoline Excise & Commercial Vehicle Tax	Street and Alley Purposes
Water, Sewer, and Trash Revenue	Debt Service & Utility Operations

For the year ended June 30, 2013, the Town complied, in all material respects, with these revenue restrictions.

2.D. DEBT RESTRICTIONS AND COVENANTS

General Obligation Debt

Article 10, Sections 26 and 27, for the Oklahoma Constitution limits the amount of outstanding general obligation bonded debt of the municipality for nonutility or nonstreet purposes to no more than 10 percent of net assessed valuation. For the year ended June 30, 2013, the Town complied with this provision.

Other Long-term Debt

Except as noted in the preceding paragraph, as required by the Oklahoma State Constitution, the Town (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. For the year ended June 30, 2013, the Town incurred no such indebtedness.

2.E. FUND EQUITY RESTRICTIONS

Deficit Prohibition

Title 11, Section 17-211, of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. The Town of Salina complied with this statute in all material respects for the year ended June 30, 2013.

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

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

3.A. CASH AND INVESTMENTS

Deposits

The Town's policies regarding deposits of cash are discussed in Note 1.E. The table presented below is designed to disclose the level of custody credit risk assumed by the Town based upon how its deposits were insured or secured with collateral at June 30, 2013. The categories of credit risk are defined as follows:

Category 1 - Insured by FDIC or collateralized with securities held by the Town (or public trust) or by its agent in its name

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name

Category 3 - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Town's name; or collateralized with no written or approved collateral agreement

Type of Deposits	Total Bank Balance	Category 1	Credit Risk 2	Total Category 3	Carrying Value
Demand deposits and time deposits	<u>\$1,076,526</u>	<u>\$537,253</u>	<u>\$539,273</u>	<u>\$ --</u>	<u>\$1,076,526</u>
Total Deposits					
Reconciliation to Government-wide Statement of Net Assets:					
Unrestricted cash, including time deposits					\$ 743,946
Restricted cash, including time deposits					<u>332,580</u>
					<u>\$1,076,526</u>

3.B. RESTRICTED NET ASSETS

The following is a summary of the restricted assets, which consists of cash and short-term funds:

Reserved from retained earnings					
Capital Improvement Funds					
Sales Tax Facilities Improvement					
Cash					\$ 262,817
Taxes receivable					<u>28,139</u>
					<u>290,956</u>
Reserved for utility deposits					
Cash					32,510
Less: Due general operations					<u>(563)</u>
Total utility deposits					<u>31,947</u>
Debt service fund					<u>37,253</u>
Total restricted assets					<u>\$ 360,156</u>
Restricted for debt retirement					69,200
Restricted for capital improvements					<u>290,956</u>
					<u>\$ 360,156</u>

The source and purpose of restricted assets is as follows:

- a. The Sales Tax Facilities Improvement was created by the voters in 1980 allocating a one cent sales tax to provide revenues for the payment of costs of construction of water and sewer treatment and distribution systems, with any not necessary to same, at the discretion of the Board of Trustees, to be placed in the General Fund of the Township. Legal Counsel for the Authority has opined that these funds could be used to retire the current debt outstanding. The sales tax is currently being used to fund the retirement of debt.
- b. The Debt Service Fund is funded by the Authority on a monthly basis to accumulate the necessary funds to make semiannual payments of principal and interest on the note. Monthly funding is set by the trustee.
- c. Reserve for utility deposits - This represents deposits for utilities by customers and is not refunded until the customer no longer is receiving utilities from the Authority. As of June 30, 2013 this fund had an excess of \$563 over the utility deposits outstanding. This is the result of interest earned.

3.C. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities consist of utilities receivable and are reported at their gross value less an allowance for doubtful accounts of \$1,000. All accounts have utility deposits with the Authority which can be applied to any unpaid balances. Management feels that such deposits will cover most accounts that might become uncollectible.

3.D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance at July 1, 2012	Additions	Transfers	Disposals	Balance at June 30, 2013
Governmental activities:					
Land	\$ 68,800	\$ --	\$ --	\$ --	\$ 68,800
Buildings	923,236	--	--	--	923,236
Machinery & equipment	1,188,217	133,692	--	(21,412)	1,300,497
Infrastructure	<u>141,213</u>	<u>57,294</u>	<u>--</u>	<u>--</u>	<u>198,507</u>
Totals at historical cost	<u>2,321,466</u>	<u>190,986</u>	<u>--</u>	<u>(21,412)</u>	<u>2,491,040</u>
Less accumulated depreciation					
Buildings	(234,612)	(24,606)	--	--	(259,218)
Machinery & equipment	(653,457)	(80,900)	--	21,412	(712,945)
Infrastructure	<u>(28,808)</u>	<u>(6,340)</u>	<u>--</u>	<u>--</u>	<u>(35,148)</u>
Total accumulated depreciation	<u>(916,877)</u>	<u>(111,846)</u>	<u>--</u>	<u>21,412</u>	<u>(1,007,311)</u>
Governmental activities capital assets, net	<u>\$ 1,404,589</u>	<u>\$ 79,140</u>	<u>--</u>	<u>\$ --</u>	<u>\$ 1,483,729</u>
Business-type activities:					
Land	11,625	--	--	--	11,625
Buildings	187,664	--	--	--	187,664
Machinery & equipment	257,018	11,256	--	--	268,274
Utility property	5,962,696	--	--	--	5,962,696
Work in progress	<u>149,553</u>	<u>1,577,395</u>	<u>--</u>	<u>(20,550)</u>	<u>1,706,398</u>
Totals at historical cost	<u>6,568,556</u>	<u>1,588,651</u>	<u>--</u>	<u>(20,550)</u>	<u>8,136,657</u>
Less accumulated depreciation:					
Buildings	(54,554)	(4,554)	--	--	(59,108)
Machinery & equipment	(177,009)	(15,894)	--	--	(192,903)
Utility property	<u>(1,736,893)</u>	<u>(159,233)</u>	<u>--</u>	<u>--</u>	<u>(1,896,126)</u>
Total accumulated depreciation	<u>(1,968,456)</u>	<u>(179,681)</u>	<u>--</u>	<u>--</u>	<u>(2,148,137)</u>
Business-type capital assets, net	<u>\$ 4,600,100</u>	<u>\$ 1,408,970</u>	<u>\$ --</u>	<u>\$(20,550)</u>	<u>\$ 5,988,520</u>

* Depreciation expense was charged to governmental activities as follows:

General government:	
Administrative and accounting	\$ 8,945
Total general government	<u>8,945</u>
Public safety and judiciary:	
Police	11,630
Fire	<u>75,550</u>
Total public safety and judiciary	<u>87,180</u>
Streets	<u>7,821</u>
Cultural, parks and recreation:	
Cemetery	1,126
Parks	1,387
Library	<u>5,387</u>
Total cultural, parks and recreation	<u>7,900</u>
Total depreciation expense	<u>\$111,846</u>

The capitalization of infrastructure is reported on a prospective basis.

3.E. ACCOUNTS PAYABLE

Payables in all funds are composed of payables to vendors only. Accrued expenses consist mainly of accrued payroll and benefits and additionally for the Salina Public Works Authority, accrued interest.

3.F. LONG-TERM DEBT

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Governmental Activities

The following is a summary of the Town's (excluding Proprietary Funds) long-term debt transactions for the year ended June 30, 2013:

Debt outstanding, July 1, 2012	\$ 17,519
Additions	--
Retirements	<u>(7,613)</u>
Debt outstanding, June 30, 2013	<u>\$ 9,906</u>

Notes payable at June 30, 2013 for the Town of Salina consists of the following, both of which are paid by the General Fund :

	<u>Total</u>	<u>Due Within One Year</u>
Lease/purchase option on patrol car payable in monthly installments of \$575,60 including 5% interest in the original amount of \$24,960.31	<u>9,906</u>	<u>6,561</u>
Total	\$ 9,906	\$ <u>6,561</u>
Less: Current portion	<u>6,561</u>	
Long-term portion	<u>\$ 3,345</u>	

Long-term debt maturities, including interest, until retired are as follows:

	<u>Principal</u>	<u>Interest</u>
Year ended June 30, 2014	6,561	346
Year ended June 30, 2015	3,345	49

Business-Type Activities

The following is a summary of the Salina Public Works Authority's long-term debt transactions for the year ended June 30, 2013.

Debt outstanding July 1, 2012	\$ 2,535,548
Additions	1,972,041
Retirements	<u>(1,544,027)</u>
Debt outstanding June 30, 2013	<u>\$ 2,963,562</u>

The current and long term payments on long-term debt is as follows:

	<u>Total</u>	<u>Due Within One Year</u>
Sales tax revenue note dated September 1, 2008 in the original amount of \$1,260,000, payable in varying amounts of principal and 3.99% interest over 17 years and is secured by a mortgage on all property owned whether real, personal or mixed, which constitutes or is used in connection with the water and sanitary sewer systems and facilities of the Authority and of the Town of Salina	\$ 950,000	\$ 65,000
Note payable to Lakeside Bank in monthly installments of \$1,289.69 including 5.5% interest, secured by a Case back hoe	42,534	13,461
Note payable in the original amount of \$1,480,000, payable in semiannual payments of \$25,792.43 beginning September 13, 2013 and \$38,543.11 thereafter, including 2.36% for interest and administrative fees, secured by sewer and water systems and a pledge of certain sales tax revenues	1,480,000	36,281
Note payable in the original amount of \$11,256 payable in monthly installments of \$337.72, including 5% interest, secured by vehicle	10,243	3,623
Note payable at 2.76% interest for thirty years. This is a construction note. The total amount and beginning payment is dependent on the date and amount of final construction costs.	<u>480,785</u>	<u>10,505</u>
Total	\$2,963,562	<u>\$ 128,870</u>
Less: Current portion	<u>128,870</u>	
	<u>\$2,834,692</u>	

Long-term debt maturities, including interest, until retired are as follows:

	<u>Principal</u>	<u>Interest</u>
Year ended June 30, 2014	128,870	80,976
Year ended June 30, 2015	141,616	83,387
Year ended June 30, 2016	142,489	78,372
Year ended June 30, 2017	131,274	73,614
Year ended June 30, 2018	137,668	71,127
Five year period ending June 30, 2023	750,423	273,610
Five year period ending June 30, 2028	500,833	159,456
Five year period ending June 30, 2033	396,647	107,655
Five year period ending June 30, 2038	448,390	55,905
Five year period ending June 30, 2043	185,352	10,607

3.G EMPLOYEE RETIREMENT SYSTEM

Oklahoma Firefighters' Pension and Retirement System

1) Plan Description

All volunteer firemen of the Town of Salina, Oklahoma are covered by the Oklahoma Firefighters' Pension and Retirement System, which is a cost-sharing multiple-employer PERS.

All volunteer firemen, except those under 18 years of age or an employee who was hired after reaching age 45 unless he or she has prior service and will have completed twenty years of service by age 65, are eligible and must participate in the State PERS. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. A member may retire after accumulating 20 years of service with the Town or another entity covered by the State PERS. Benefits vest after 10 years of service. Employees who retire with 20 or more years of service are entitled to pension payments beginning at age 50 equal to \$5.33 per month times their number of years of service up to a maximum of 30 years.

Pension provisions include deferred allowances whereby a volunteer firefighter may terminate with the Town after accumulating 10 years of service but not before reaching the age of 50. The volunteer firefighter is entitled to all pension benefits upon reaching the age of 50 or by the time he or she would have completed 20 years of service, whichever is later.

Pension provisions include death and disability benefits, whereby the disabled volunteer firefighter or surviving spouse is entitled to receive the same as a normal retirement with 20 years of service.

Both the Town's current-year covered payroll and its total current-year payroll for all employees amount to \$.00, as contributions and benefits for volunteer firemen are not based on payroll.

2) Contributions Required and Made

Volunteer firefighters of the Town do not make contributions to the pension plan. The Town makes annual contributions of \$60 to the pension plan for each active volunteer firefighter, which amounted to \$780.00 for the year ended June 30, 2013.

The Town made all required contributions to the plan for the year, and no contributions are required from the firefighters. Total contributions are allocated between the municipality and the state. The contribution amounts for municipalities are set by state statutes. Therefore, the remainder of required contributions must be made by the state.

Funding Status and Progress

The amount of the total pension benefit obligation is based on a standardized measurement established by GASB-5 that, with some exceptions, must be used by a PERS. The standardized measurement is the actuarial present value of credited projected benefits. This pension valuation method reflects the present value of estimated pension benefits which will be paid in future years as a result of employee services performed to date, and is adjusted for the effects of projected salary increases. A standardized measure of the pension benefit obligation was adopted by the GASB to enable readers of PERS financial statements to (a) assess the PERS funding status on a going-concern basis, (b) assess progress made in accumulating sufficient assets to pay benefits when due, and (c) make comparisons among other PERS and among other employers.

Total unfunded pension benefit obligation of the State PERS as of July 1, 2013 was as follows:

Total pension benefit obligations (actuarial accrued liability)	\$3,081,900,000
Net assets available for pension benefits, at actuarial value	<u>1,811,700,000</u>
Unfunded actuarial benefit obligation	<u>\$1,270,200,000</u>

The measurement of the total pension benefit obligation is based on actuarial valuation as of July 1, 2013. Net assets available to pay pension benefits were valued as of the same date.

The Town's 2013 required contribution to the State PERS represents approximately .01% of the total current-year actuarially determined contribution requirements for all employers covered by the pension plan.

Ten-year historical trend information is presented in the State PERS Comprehensive Annual Financial Report. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due.

Salina 457 (b) Deferred Compensation Plan

The Town of Salina and the Salina Public Works Authority jointly started a 457 (b) deferred compensation plan in the previous year. Under the terms of the plan, the employers will match up to 3% of each employee's contributions to the plan.

During the year ended June 30, 2013, the employers paid in \$1,377.36 and the employees paid in \$1,377.36.

3.H. DUE TO/FROM OPERATING TRANSFERS

As of June 30, 2013, there were no interfund receivables and payables.

The operating transfers consisted of the General Fund transferring \$10,200 to the Volunteer Fire Department, which was budgeted and \$36,000 to Street and Alley due to its increased expenditures in the current year.

3.I. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The Town purchases commercial insurance to cover these risks, including general and 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.

3.J. CONDUIT DEBT OBLIGATION

During the fiscal year 2006/07, the Town of Salina approved a resolution relating to the incurring of indebtedness by the Trustees of the Salina Educational Facilities Authority to be accomplished by the issuance of lease revenue bonds not to exceed \$2,100,000 to provide funds to Independent School District No. 16, Mayes County, Oklahoma required to construct, furnish, and equip a new elementary school; established a reserve fund, capitalize interest and pay cost of issuance and all matters related thereto, including but not limited to the waiver of competitive bidding thereof. The debt is secured by the property financed. The Town functions as a conduit for the indebtedness and is not obligated in any manner for repayment.

3.K. LOAN COSTS

The PWA adopted GASB 65, thus writing off prior year loan costs of \$71,913 in the current year. Additionally, current loan costs of \$264,025 were expensed.

SUBSEQUENT EVENTS

The Salina PWA is in the process of constructing a water line to the Mid America Industrial Park. The work in progress is a result of this.

The financing for the project, which will cost \$3,120,000, is financed by Federal grants and loans. Accordingly, the final note balance which is \$480,785 at June 30, 2013 will be substantially higher. The final amount is undetermined as the Town feels it has other grants which will reduce such note.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB, but are considered a part of the basic financial statements. Such information includes:

- **Budgetary Comparison Schedules - General Fund**

TOWN OF SALINA, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2013
(UNAUDITED)

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Beginning budgetary fund balance	\$ 213,776	\$ 213,776	\$ 213,776	\$ --
Resources (inflows)				
Taxes				
Franchise taxes	30,121	30,121	31,351	1,230
Use tax	52,222	52,222	40,302	(11,920)
Sales tax	<u>236,247</u>	<u>236,247</u>	<u>244,655</u>	<u>8,408</u>
Total taxes	<u>318,590</u>	<u>318,590</u>	<u>316,308</u>	<u>(2,282)</u>
Intergovernmental				
Alcoholic beverage tax	8,672	8,672	9,978	1,306
Cigarette tax	<u>5,715</u>	<u>5,715</u>	<u>5,186</u>	<u>(529)</u>
Total intergovernmental	<u>14,387</u>	<u>14,387</u>	<u>15,164</u>	<u>777</u>
Fines and forfeitures				
Police fines	<u>119,927</u>	<u>119,927</u>	<u>99,773</u>	<u>(20,154)</u>
Total fines and forfeitures	<u>119,927</u>	<u>119,927</u>	<u>99,773</u>	<u>(20,154)</u>
Licenses and permits				
Various permits	<u>1,536</u>	<u>1,536</u>	<u>1,352</u>	<u>(184)</u>
Total licenses and permits	<u>1,536</u>	<u>1,536</u>	<u>1,352</u>	<u>(184)</u>
Investment income	<u>925</u>	<u>925</u>	<u>684</u>	<u>(241)</u>
Miscellaneous				
Miscellaneous	6,442	6,442	2,376	(4,066)
Donations and grants	<u>3,203</u>	<u>3,203</u>	<u>21,005</u>	<u>17,802</u>
Total miscellaneous	<u>9,645</u>	<u>9,645</u>	<u>23,381</u>	<u>13,736</u>
Amounts available for appropriation	<u>678,786</u>	<u>678,786</u>	<u>670,438</u>	<u>(8,348)</u>
Charges to appropriations (outflows)				
Personal services	384,553	384,553	314,387	70,166
Maintenance and operation	240,070	240,070	208,549	31,521
Capital outlay	<u>54,163</u>	<u>54,163</u>	<u>7,483</u>	<u>46,680</u>
Total	<u>678,786</u>	<u>678,786</u>	<u>530,419</u>	<u>148,367</u>
Ending Budgetary Fund Balances	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 140,019</u>	<u>\$ 140,019</u>
Adjustments to reconcile to balance sheet				
Increase in beginning fund balance			58,724	
Increase (decrease) in taxes receivable, including franchise			11,216	
Decrease in other assets and liabilities			<u>(4,746)</u>	
Fund Balance			<u>\$ 205,213</u>	

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedules include:

- Combining Statements - Nonmajor governmental funds

**TOWN OF SALINA, OKLAHOMA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>Cemetery Fund</u>	<u>Volunteer Fire Fund</u>	<u>Police Donations Fund</u>	<u>Total</u>
ASSETS				
Cash, including time deposits	\$ 44,989	\$ 39,843	\$ 2,359	\$ 87,191
Due from other funds	<u> --</u>	<u> --</u>	<u> --</u>	<u> --</u>
	<u>\$ 44,989</u>	<u>\$ 39,843</u>	<u>\$ 2,359</u>	<u>\$ 87,191</u>
LIABILITIES				
Accounts payable	--	--	--	--
Due Kansas PWA	<u> --</u>	<u> --</u>	<u> --</u>	<u> --</u>
Total liabilities	<u> --</u>	<u> --</u>	<u> --</u>	<u> --</u>
FUND BALANCES				
Restricted	<u>44,989</u>	<u>39,843</u>	<u>2,359</u>	<u>87,191</u>
Total fund balances	<u>44,989</u>	<u>39,843</u>	<u>2,359</u>	<u>87,191</u>
Total liabilities and fund balances	<u>\$ 44,989</u>	<u>\$ 39,843</u>	<u>\$ 2,359</u>	<u>\$ 87,191</u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF SALINA, OKLAHOMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2013**

	<u>Cemetery Fund</u>	<u>Volunteer Fire Fund</u>	<u>Police Donations Fund</u>	<u>Total</u>
Revenues				
Grants and contributions	\$ 2,472	\$ 84,660	\$ 2,029	\$ 89,161
Interest	161	--	11	172
Miscellaneous	<u>4,260</u>	<u>19,270</u>	<u>--</u>	<u>23,530</u>
Total revenues	<u>6,893</u>	<u>103,930</u>	<u>2,040</u>	<u>112,863</u>
Expenditures				
Police	--	--	884	884
Cemetery	8,611	--	--	8,611
Fire	--	30,443	--	30,443
Capital outlay	<u>--</u>	<u>74,033</u>	<u>2,000</u>	<u>76,033</u>
Total expenditures	<u>8,611</u>	<u>104,476</u>	<u>2,884</u>	<u>115,971</u>
Excess (deficiency) of revenues over expenditures	<u>(1,718)</u>	<u>(546)</u>	<u>(844)</u>	<u>(3,108)</u>
Other Financing Sources (Uses)				
Transfers in (out)	<u>--</u>	<u>10,200</u>	<u>--</u>	<u>10,200</u>
Net Change in Fund balances	(1,718)	9,654	(844)	7,092
Fund balances - Beginning of Year	<u>46,707</u>	<u>30,189</u>	<u>3,203</u>	<u>80,099</u>
Fund Balances - End of Year	<u>\$ 44,989</u>	<u>\$ 39,843</u>	<u>\$ 2,359</u>	<u>\$ 87,191</u>

The notes to the financial statements are an integral part of this statement.

Town of Salina
 Mayes County, Oklahoma
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2013

Federal Agency Name/ Pass Thru Agency	Federal Program Name	CFDA Number	Total Expenditures from Direct Awards
Oklahoma Water Resources Board	Safe Drinking Water State Revolving Fund	66.468	<u>\$ 1,211,806.33</u>

Violet F. Kirkendall CPA, PC
Certified Public Accountant
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Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Town of Salina

I 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 business-type activities of Town of Salina, Mayes County, Oklahoma as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise which comprise Town of Salina, Mayes County, Oklahoma basic financial statements, and have issued my report thereon dated November 19, 2013.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town of Salina, Mayes County, Oklahoma internal control over financial reporting in order to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but, not for the purpose of expressing an opinion on the effectiveness of the Town of Salina, Mayes County, Oklahoma internal control.

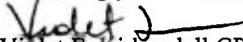
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination 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 the internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance

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

The purpose of this report is solely to describe the scope of my 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.


Violet F. Kirkendall CPA, PC
Certified Public Accountant

November 19, 2013

*Violet F. Kirkendall CPA, PC
Certified Public Accountant
405 W. Claremore St.
Claremore, OK 74017*

Independent Auditor's Report on Compliance for Each Major Federal Program, Internal Control Over Compliance and Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Town of Salina

Report on Compliance for Each Major Federal Program

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

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

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

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Town of Salina's compliance.

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

Report on Internal Control Over Compliance

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

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

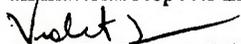
deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

I have audited the financial statements of Town of Salina as of and for the year ended June 30, 2013, and have issued my report thereon dated November 19, 2013, which contained an unmodified opinion on those financial statements. My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.


Violet F. Kirkendall CPA, PC

November 19, 2013

TOWN OF SALINA
MAYES COUNTY, OKLAHOMA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Summary of Schedule of Prior Audit Findings:

NONE NOTED

SECTION 1 – SUMMARY OF AUDIT RESULTS:

Financial Statements

Type of auditors' report issued

Unqualified

- Material weakness(es) identified

___ yes x no

- Significant deficiencies identified

___ yes x no

Noncompliance material to financial statements noted?

___ yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified

___ yes x no

- Significant deficiency(ies) identified

___ yes x no

Type of auditors' report issued on compliance for major programs

Unqualified

Any audit findings disclosed that are required to be reported in accordance

With Section 510(a) of OMB Circular A-133

___ yes x no

Identification of major programs:

Name of Federal Program or Cluster

CFDA Number

Oklahoma Water Resources Board

Safe Drinking Water State Revolving Fund

66.468

Dollar Threshold used to distinguish between Type A and Type B programs:

\$500,000

Auditee qualifies as a low risk auditee?

___ yes x no

SECTION 2 – FINANCIAL STATEMENT FINDINGS

NONE NOTED

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS *Information on the*

NONE NOTED