

TOWN OF SALINA, OKLAHOMA

FINANCIAL STATEMENTS

JUNE 30, 2015

HOOD & ASSOCIATES CPA'S, PC

CERTIFIED PUBLIC ACCOUNTANTS

CLAREMORE, OKLAHOMA

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JUNE 30, 2015**

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HOOD & ASSOCIATES CPAs, PC

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Independent Auditor's Report

April 4, 2016

We have audited the accompanying financial statements of *Town of Salina* which comprise the Statement of Net Assets as of June 30, 2015 and the related Statement of Revenues, Expenses and Changes in Net Assets and Statement of Cash Flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the of *Town of Salina* as of June 30, 2015, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued my report dated April 4, 2016 on my consideration of the *Town of Salina* 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's* internal control over financial reporting and compliance.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the *Town of Salina's* basic financial statements. The accompanying supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hood & Associates CPAs PC

**TOWN OF SALINA, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2015**

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, 2015. 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, 2015 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 Casey McWhirt 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, 2015 by \$6,490,462 as reflected in Statement 1 and Table 1 in this discussion. This compares to \$6,610,028 at June 30, 2014. This excess is summarized as follows:

	<u>6-30-15</u>	<u>6-30-14</u>
Invested in capital assets, net of related debt	\$5,497,948	\$5,681,073
Restricted for debt service	63,741	55,653
Restricted for capital improvements	124,503	50,983
Restricted for specific purposes	245,707	279,615
Unrestricted	<u>558,563</u>	<u>542,704</u>
	<u>\$6,490,462</u>	<u>\$6,610,028</u>

- The Town's net position for governmental funds decreased \$12,251 during the current fiscal year. The main reason for the decrease was depreciation of \$117,345 which resulted in invested in capital assets, net of related debt to decrease \$35,898.
- The water line to the Mid America Industrial Park was finished at a total cost of \$3,230,305..
- The Fire Department Funds expended \$59,835 for equipment, not including a lease-purchase agreement with a balance of \$30,254 as of June 30, 2015.
- The Town's General Fund balance as reflected in the "Statement of Revenues, Expenditures, and Changes in Fund Balances" (Statement 4) increased \$56,994 compared to a \$27,657 increase in the prior year.
- All governmental funds of the Town increased \$23,086 during the current fiscal year compared to a \$1,859 increase in the prior year. (Statement 4).
- The net position of the Authority decreased \$107,315 from \$4,738,079 to \$4,630,764, a 2% decrease. The main reason for the decrease was depreciation of \$239,079, an increase of \$49,164 from the prior year due to depreciation on the new water line.

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 position -Statement of activities	-Balance sheet -Statement of revenues, expenditures, and changes in fund balances	-Statement of net position -Statement of revenues, expenses, and changes in net position -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 position* presents information on all the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

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.

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 position 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 \$6,490,462 at the close of the current fiscal year, down \$148,048 from the previous year. However, this decrease was due to a decrease in invested in capital assets of \$183,125. Restricted net position increased by \$47,700 and unrestricted decreased \$12,623.

As shown on Table 1, the largest portion of the Town's net position, \$5,497,948, 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 position is \$188,244 that is reserved to repay the debt on capital assets and to acquire capital assets compared to \$106,636 in the prior year. The remainder of restricted assets of \$245,707 are funds required to be expended for specific purposes such as streets, fire and police.

Included in current assets for Governmental Activities is \$395,628 of cash and \$100,231 on deposit with Mayes County. Such cash is up \$19,641. However, \$26,957 of the \$100,231 has to be repaid to the County due to over allocation of sales tax to Salina and other cities and towns. Such liability was also reflected at June 30, 2014.

At the end of the fiscal year ended June 30, 2015, The Town reported positive balances in all three categories of net position, both for the Town as a whole, as well as for its separate governmental and business-type activities.

TABLE 1
SUMMARY OF NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current assets	\$ 579,818	\$ 556,576	\$ 356,403	\$ 403,304	\$ 936,221	\$ 959,880
Capital and other assets	1,406,368	1,391,287	7,085,830	7,236,587	8,492,198	8,627,874
Restricted or other assets	590	--	219,779	250,093	220,369	250,093
Total assets	<u>\$1,986,776</u>	<u>\$1,947,863</u>	<u>\$7,662,012</u>	<u>\$7,889,984</u>	<u>\$9,648,788</u>	<u>\$9,837,847</u>
Current and other liabilities	73,368	47,432	208,021	302,569	281,389	350,001
Long-term and other liabilities	53,710	28,482	2,823,227	2,849,336	2,876,937	2,849,336
Total liabilities	<u>127,078</u>	<u>75,914</u>	<u>3,031,248</u>	<u>3,151,905</u>	<u>3,158,326</u>	<u>3,199,337</u>
Net position						
Invested in capital assets, net of related debt	1,352,048	1,387,946	4,145,900	4,293,127	5,497,948	5,681,073
Restricted	245,707	279,615	188,244	106,636	433,951	386,251
Unrestricted	261,943	204,388	296,620	338,316	558,563	542,704
Total net position	<u>\$1,859,698</u>	<u>\$1,871,949</u>	<u>\$4,630,764</u>	<u>\$4,738,079</u>	<u>\$6,490,462</u>	<u>\$6,610,028</u>

TABLE 2
CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues						
Program revenues						
Charges for services	\$ 104,683	\$ 106,791	\$ 689,970	\$ 701,454	\$ 794,653	\$ 808,245
Operating grants and contributions	18,489	38,278	--	--	18,489	38,278
Capital grants and Contributions	--	--	--	1,169,824	--	1,169,824
General revenues						
Sales tax	371,588	336,048	168,804	154,995	540,392	491,043
Other taxes	108,567	111,403	--	--	108,567	111,403
Other general revenues	<u>16,917</u>	<u>18,632</u>	<u>31,708</u>	<u>33,999</u>	<u>48,625</u>	<u>52,631</u>
Total revenues	<u>620,244</u>	<u>611,152</u>	<u>890,482</u>	<u>2,060,272</u>	<u>1,510,726</u>	<u>2,671,424</u>
Expenses						
Administrative and Accounting	104,503	114,059	--	--	104,503	114,059
Public safety	394,784	449,682	--	--	394,784	449,682
Street	61,641	57,320	--	--	61,641	57,320
Cultural, recreation and Library	71,567	74,109	--	--	71,567	74,109
Utilities	<u>--</u>	<u>--</u>	<u>997,797</u>	<u>891,083</u>	<u>997,797</u>	<u>891,083</u>
Total expenses	<u>632,495</u>	<u>695,170</u>	<u>997,797</u>	<u>891,083</u>	<u>1,630,292</u>	<u>1,586,253</u>
Change in net position	<u><u>\$ (12,251)</u></u>	<u><u>\$ (84,018)</u></u>	<u><u>\$ (107,315)</u></u>	<u><u>\$ 1,169,189</u></u>	<u><u>\$ (119,566)</u></u>	<u><u>\$ 1,085,171</u></u>

Governmental Activities. Governmental activities increased the Town's fund balances by \$23,086 for the current fiscal year. This increase was due to changes in the fund balances of the various funds as follows:

General Fund	\$ 56,994
Street and Alley	(22,002)
Cemetery Fund	(2,861)
Volunteer Fire Fund	(11,277)
County Fire Fund	1,094
Police Donations	<u>1,138</u>
Increase in fund balances	23,086
Decrease in capital assets	(60,340)
Decrease in long term debt	24,442
Adjustment for GASB 68	<u>561</u>
Decrease in net position	<u><u>\$(12,251)</u></u>

Business-type Activities. Business-type activities, i.e. the Salina Public Works Authority, had a decrease in net position of \$107,315 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 \$289,864, constituting 100% of the fund balance, which was \$56,994 or 24% more than the prior year's General Fund balance. This compares to a \$27,657 increase in the prior year. The increase was due to cutting expenses by \$21,975 and a sales tax increase of \$23,015 partially offset by a decrease in grants and contributions of \$18,900.

Various Fire Department Funds

The two fire department funds combined decreased their fund balances by \$16,183 due to payments on a new fire truck.

Street and Alley Fund

The Street and Alley Fund balance decreased \$22,002 during the year. The General Fund will increase its transfer to the Street and Alley Fund from \$18,000 to \$36,000 for the year ending June 30, 2016.

Although the fund has a healthy fund balance at June 30, 2015 of \$96,313, this balance will decline when extensive road work is performed.

Salina Public Works Authority

The highlights of the fiscal year ending June 30, 2015 are as follows:

- The Authority's net position decreased \$107,315 during the year. A summary of the decrease is as follows:

Invested in capital assets, net of related debt	\$(147,227)
Restricted	81,608
Unrestricted	<u>(41,696)</u>
	<u>\$(107,315)</u>

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

Expended for capital assets	\$ 88,322
Decrease in long-term debt	3,530
Depreciation	<u>(239,079)</u>
	<u>\$(147,227)</u>

The reason for the increase in depreciation is due to depreciation on the new waterline to the Mid America Industrial Park.

The increase in restricted assets is further summarized as follows:

Restricted assets	
Restricted for debt retirement	\$ 8,088
Restricted for capital improvements	<u>73,520</u>
	<u>\$ 81,608</u>

The reason for the decrease in unrestricted is due to a full year of purchasing water which amounted to \$102,269. Rate increases after June 30, 2015 have been enacted to offset this.

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 increased by \$51,674 to \$222,881.

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 increased from \$3,341 at the beginning of the year to \$54,320 at year end due to financing a fire truck and two police cars.

The Authority's long-term debt decreased \$3,530. 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 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, it is actually unknown what the annual debt requirement will be in future years as the Authority borrowed less than the approved amount. It appears that payments for the current year were made based on the approved amount. Secondly, the PWA will have to purchase water for the entire year compared to only three months in the current year. These will be somewhat offset by a reduction in operating expenses for the water plant, which will be abandoned. It will probably be necessary for water rates to be adjusted to keep the PWA financially solid.

CONTACTING THE TOWN'S FINANCE DEPARTMENT

This managements' 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.

TOWN OF SALINA, OKLAHOMA
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash, including time deposits	\$ 395,628	\$ 293,892	\$ 689,520
Deposit with county	100,231	--	100,231
Taxes receivable	76,138	--	76,138
Other receivable (net)	--	56,625	56,625
Due from restricted assets	--	37	37
Miscellaneous receivable	<u>7,821</u>	<u>5,849</u>	<u>13,670</u>
Total current assets	<u>579,818</u>	<u>356,403</u>	<u>936,221</u>
Noncurrent assets:			
Restricted assets:			
Cash, including time deposits	--	191,010	191,010
Taxes receivable	--	28,806	28,806
Due general operations	--	(37)	(37)
Capital assets (net)	<u>1,406,368</u>	<u>7,085,830</u>	<u>8,492,198</u>
Total noncurrent assets	<u>1,406,368</u>	<u>7,305,609</u>	<u>8,711,977</u>
Total assets	<u>1,986,186</u>	<u>7,662,012</u>	<u>9,648,198</u>
Deferred outflows of resources:			
Deferred outflows related to pensions	<u>590</u>	<u>--</u>	<u>590</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	17,475	35,230	52,705
Accrued interest	--	24,553	24,553
Current portion of long-term debt	29,121	148,238	177,359
Refund sales tax	<u>26,772</u>	<u>--</u>	<u>26,772</u>
Total current liabilities	<u>73,368</u>	<u>208,021</u>	<u>281,389</u>
Noncurrent liabilities:			
Notes payable, less current portion	25,199	2,791,692	2,816,891
Net pension liability	24,763	--	24,763
Payable from restricted assets	--	--	--
Utility deposits	<u>--</u>	<u>31,535</u>	<u>31,535</u>
Total noncurrent liabilities	<u>49,962</u>	<u>2,823,227</u>	<u>2,873,189</u>
Total liabilities	<u>123,330</u>	<u>3,031,248</u>	<u>3,154,578</u>
Deferred inflows of resources:			
Deferred amounts related to pensions	<u>3,748</u>	<u>--</u>	<u>3,748</u>
NET POSITION			
Invested in capital assets, net of related debt	1,352,048	4,145,900	5,497,948
Restricted for:			
Debt service	--	63,741	63,741
Capital improvements	--	124,503	124,503
Specific purposes	245,707	--	245,707
Unrestricted	<u>261,943</u>	<u>296,620</u>	<u>558,563</u>
Total net position	<u>\$1,859,698</u>	<u>\$4,630,764</u>	<u>\$6,490,462</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, 2015**

Statement 2

	Program Revenues			
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net Revenue (Loss)</u>
Governmental activities				
General government				
Administrative and Accounting	\$ 104,503	\$ 2,183	\$ --	\$ (102,320)
Total general government	<u>104,503</u>	<u>2,183</u>	<u>--</u>	<u>(102,320)</u>
Public safety and judiciary				
Town Attorney	3,950	--	--	(3,950)
Police and Court	253,512	98,949	3,082	(151,481)
Fire	<u>137,322</u>	<u>500</u>	<u>10,184</u>	<u>(126,638)</u>
Total public safety and judiciary	<u>394,784</u>	<u>99,449</u>	<u>13,266</u>	<u>(282,069)</u>
Transportation				
Street	<u>61,641</u>	<u>--</u>	<u>--</u>	<u>(61,641)</u>
Total transportation	<u>61,641</u>	<u>--</u>	<u>--</u>	<u>(61,641)</u>
Cultural, parks and recreation				
Cemetery	22,471	2,800	2,271	(17,400)
Parks	2,976	--	--	(2,976)
Library	<u>46,120</u>	<u>251</u>	<u>2,952</u>	<u>(42,917)</u>
Total cultural, parks and recreation	<u>71,567</u>	<u>3,051</u>	<u>5,223</u>	<u>(63,293)</u>
Total governmental activities	<u>632,495</u>	<u>104,683</u>	<u>18,489</u>	<u>(509,323)</u>
Business-type activities:				
Water and sewer	885,231	568,168	--	(317,063)
Trash	<u>112,566</u>	<u>121,802</u>	<u>--</u>	<u>9,236</u>
Total business-type activities	<u>997,797</u>	<u>689,970</u>	<u>--</u>	<u>(307,827)</u>
Total	<u>\$ 1,630,292</u>	<u>\$ 794,653</u>	<u>\$ 18,489</u>	<u>\$ (817,150)</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, 2015**

CHANGES IN NET POSITION

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net (expense) revenue	\$(509,323)	\$(307,827)	\$(817,150)
General Revenues			
Taxes:			
Sales tax	371,588	168,804	540,392
Use tax	46,112	--	46,112
Alcohol beverage tax	10,635	--	10,635
Gasoline tax	2,604	--	2,604
Motor vehicle tax	10,468	--	10,468
Cigarette tax	5,364	--	5,364
Franchise taxes	33,384	--	33,384
Investment income	920	1,142	2,062
Miscellaneous	13,057	30,566	43,623
Sale of assets	<u>2,940</u>	<u>--</u>	<u>2,940</u>
Total general revenues	<u>497,072</u>	<u>200,512</u>	<u>697,584</u>
Change in net position	(12,251)	(107,315)	(119,566)
Net position - beginning as restated for governmental	<u>1,871,949</u>	<u>4,738,079</u>	<u>6,610,028</u>
Net position - ending	<u>\$ 1,859,698</u>	<u>\$ 4,630,764</u>	<u>\$ 6,490,462</u>

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

**TOWN OF SALINA, OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<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	\$ 241,534	\$ --	\$ 92,772	\$ 61,322	\$ 395,628
Deposit with County	--	100,231	--	--	100,231
Taxes receivable	59,162	14,773	2,203	--	76,138
Miscellaneous receivable	7,821	--	--	--	7,821
Due from other funds	<u>--</u>	<u>--</u>	<u>3,000</u>	<u>--</u>	<u>3,000</u>
Total assets	<u>\$ 308,517</u>	<u>\$ 115,004</u>	<u>\$ 97,975</u>	<u>\$ 61,322</u>	<u>\$ 582,818</u>
LIABILITIES					
Accounts payable and accrued expenses	\$ 15,653	\$ --	\$ 1,662	\$ 160	\$ 17,475
Refund sales tax	--	26,772	--	--	26,772
Due other funds	<u>3,000</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>3,000</u>
Total liabilities	<u>18,653</u>	<u>26,772</u>	<u>1,662</u>	<u>160</u>	<u>47,247</u>
FUND BALANCES					
Restricted	--	88,232	96,313	61,162	245,707
Unassigned	<u>289,864</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>289,864</u>
Total fund balance	<u>289,864</u>	<u>88,232</u>	<u>96,313</u>	<u>61,162</u>	<u>535,571</u>
Total liabilities and fund balances	<u>\$ 308,517</u>	<u>\$ 115,004</u>	<u>\$ 97,975</u>	<u>\$ 61,322</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$1,154,766 1,406,368

Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.

Capital lease obligation (54,320)

Net pension liability (24,763)

Pension related deferred inflows (3,748)

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds

Pension related deferred outflows 590

Net position of governmental funds \$ 1,859,698

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, 2015

	<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	\$ 281,340	\$ 90,248	\$ --	\$ --	\$ 371,588
Other taxes	62,111	--	13,072	--	75,183
Fines and forfeits	98,949	--	--	--	98,949
Licenses and permits	2,183	--	--	--	2,183
Franchise taxes	33,384	--	--	--	33,384
Interest	551	--	265	104	920
Grants and contributions	3,639	--	--	14,850	18,489
Sale of assets	4,850	--	--	3,000	7,850
Miscellaneous	<u>3,831</u>	<u>--</u>	<u>--</u>	<u>12,777</u>	<u>16,608</u>
Total revenues	<u>\$ 490,838</u>	<u>\$ 90,248</u>	<u>\$ 13,337</u>	<u>\$ 30,731</u>	<u>\$ 625,154</u>
EXPENDITURES					
Current					
General government					
Administrative and accounting	<u>95,557</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>95,557</u>
Total general government	<u>95,557</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>95,557</u>
Public safety and judiciary					
Town attorney	3,950	--	--	--	3,950
Police and court	240,344	--	--	1,258	241,602
Fire	<u>3,269</u>	<u>22,941</u>	<u>--</u>	<u>27,548</u>	<u>53,758</u>
Total public safety and judiciary	<u>247,563</u>	<u>22,941</u>	<u>--</u>	<u>28,806</u>	<u>299,310</u>
Transportation					
Street	<u>--</u>	<u>--</u>	<u>53,339</u>	<u>--</u>	<u>53,339</u>
Total transportation	<u>--</u>	<u>--</u>	<u>53,339</u>	<u>--</u>	<u>53,339</u>
Park	<u>2,896</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>2,896</u>
Cemetery	<u>13,310</u>	<u>--</u>	<u>--</u>	<u>8,035</u>	<u>21,345</u>
Library	<u>42,007</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>42,007</u>
Debt Service					
Principal	5,976	18,466	--	--	24,442
Interest and other charges	<u>455</u>	<u>802</u>	<u>--</u>	<u>--</u>	<u>1,257</u>
Total	<u>6,431</u>	<u>19,268</u>	<u>--</u>	<u>--</u>	<u>25,699</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, 2015

	<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>2,080</u>	<u>46,945</u>	<u>--</u>	<u>12,890</u>	<u>61,915</u>
Total expenditures	<u>409,844</u>	<u>89,154</u>	<u>53,339</u>	<u>49,731</u>	<u>602,068</u>
Excess (deficiency) of revenues over expenditures	<u>80,994</u>	<u>1,094</u>	<u>(40,002)</u>	<u>(19,000)</u>	<u>23,086</u>
Other financing sources (uses)					
Transfers in	<u>--</u>	<u>--</u>	<u>18,000</u>	<u>6,000</u>	<u>24,000</u>
Transfers out	<u>(24,000)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(24,000)</u>
Total other financing sources (uses)	<u>(24,000)</u>	<u>--</u>	<u>18,000</u>	<u>6,000</u>	<u>--</u>
Net change in fund balances	<u>56,994</u>	<u>1,094</u>	<u>(22,002)</u>	<u>(13,000)</u>	<u>23,086</u>
Fund balances - beginning	<u>232,870</u>	<u>87,138</u>	<u>118,315</u>	<u>74,162</u>	<u>512,485</u>
Fund balances - ending	<u>\$ 289,864</u>	<u>\$ 88,232</u>	<u>\$ 96,313</u>	<u>\$ 61,162</u>	<u>\$ 535,571</u>

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

Net change in fund balances - total governmental funds \$ 23,086

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

In the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as an element of pension expense. The Fund Financial Statements report pension contributions as expenditures 561

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	61,915
Depreciation expense	(117,345)
Book value of disposed assets	(4,910)
	<u>(60,340)</u>

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

Principal paid	<u>24,442</u>
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Change in net position of governmental activities \$(12,251)

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

**TOWN OF SALINA, OKLAHOMA
STATEMENT OF NET POSITION
PROPRIETARY FUND
SALINA PUBLIC WORKS AUTHORITY
JUNE 30, 2015**

ASSETS

Current assets

Cash and cash equivalents	\$ 293,892
Accounts receivable	56,625
Due from restricted assets	37
Due from OMAG	<u>5,849</u>

Total current assets 356,403

Noncurrent assets:

Restricted assets	
Cash and cash equivalents	191,010
Due general operations	(37)
Taxes receivable	28,806
Capital assets (net)	<u>7,085,830</u>

Total noncurrent assets 7,305,609

Total assets \$7,662,012

LIABILITIES

Current liabilities

Accounts payable and accrued expenses	35,230
Current portion of long-term debt	148,238
Accrued interest	<u>24,553</u>

Total current liabilities 208,021

Noncurrent liabilities

Payable from restricted assets	
Utility deposits	31,535

Long-term debt

Notes payable, less current portion	<u>2,791,692</u>
-------------------------------------	------------------

Total noncurrent liabilities 2,823,227

Total liabilities 3,031,248

NET POSITION

Investment in capital assets, net of related debt	4,145,900
Restricted for debt retirement	63,741
Restricted for capital improvements	124,503
Retained earnings - unreserved	<u>296,620</u>

Total net position \$4,630,764

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 POSITION
PROPRIETARY FUND
SALINA PUBLIC WORKS AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Water</u>	<u>Sewer</u>	<u>Trash</u>	<u>Total</u>
Operating revenues				
Utility charges	\$ <u>425,758</u>	\$ <u>142,410</u>	\$ <u>121,802</u>	\$ <u>689,970</u>
Operating expenses				
Water purchased	102,270	--	--	102,270
Salaries and benefits	118,425	78,950	--	197,375
Repairs	16,406	26,573	--	42,979
Utilities	27,987	17,752	--	45,739
Chemicals, testing and permits	12,714	18,871	--	31,585
Vehicle expense	6,885	4,590	--	11,475
Insurance	14,308	9,539	--	23,847
Trash service	--	--	112,566	112,566
Depreciation	<u>136,549</u>	<u>98,703</u>	<u>--</u>	<u>235,252</u>
Totals	<u>435,544</u>	<u>254,978</u>	<u>112,566</u>	<u>803,088</u>
Operating profit (loss)	\$ <u>(9,786)</u>	\$ <u>(112,568)</u>	\$ <u>9,236</u>	\$ <u>(113,118)</u>
General Administrative				
Salaries and benefits				57,643
Legal and accounting				11,300
Utilities				13,918
Insurance				1,500
Supplies and postage				10,483
Bad debts				6,786
Miscellaneous				5,464
Depreciation				3,827
Trust services				<u>12,036</u>
Total general and administrative				<u>122,957</u>
Net operating income (loss)				<u>(236,075)</u>
Nonoperating revenues (expenses)				
Interest income				1,142
Sale tax				168,804
Miscellaneous				30,566
Interest expenses				<u>(71,752)</u>
Total				<u>128,760</u>
Net Income				(107,315)
Net position - beginning of year				<u>4,738,079</u>
Net position - end of year				<u>\$ 4,630,764</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, 2015**

Cash flows from operating activities:	
Receipts from customers	\$ 714,468
Payments to suppliers	(435,583)
Payments to employees and benefits	<u>(254,859)</u>
Net cash provided (used) by operating activities	<u>24,026</u>
Cash flows from noncapital financing activities:	
Sales tax	<u>169,567</u>
Cash flows from capital and related financing activities:	
Issuance - long-term debt	187,245
Purchases of capital assets	(199,758)
Principal paid on long-term debt	(190,775)
Interest paid	<u>(72,551)</u>
Net cash provided (used) by capital and related financing activities	<u>(275,839)</u>
Cash flows from investing activities	
Interest	<u>1,142</u>
Net cash provided (used) by investing activities	<u>1,142</u>
Net increase (decrease) in cash and cash equivalents	(81,104)
Balances - beginning of the year	<u>566,006</u>
Balances - end of the year	<u>\$ 484,902</u>
Cash, including time deposits	293,892
Restricted cash, including time deposits	<u>191,010</u>
Total cash and cash equivalents, end of year	<u>\$ 484,902</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, 2015**

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

Operating income (loss)	(236,075)
Miscellaneous income	30,566
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Cash flows in other categories:	
Depreciation expense	239,079
Change in assets and liabilities:	
Increase in receivables	(4,652)
Increase (decrease) in accounts payable and accrued expenses	(4,412)
Decrease in customer meter deposits payable	<u>(480)</u>
	<u>\$ 24,026</u>

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

**TOWN OF SALINA, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
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TOWN OF SALINA, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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 position 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	Accounts for revenues raised by the volunteer firefighters and the expending of such funds.
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 position 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 position (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 position.

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 position 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 position, "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. Beginning July 1, 2014, the policy is to capitalize those assets with a cost of \$1,000 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 started capitalizing current additions to infrastructure as required.

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 position. 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 position 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 position - Consists of net position 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 position 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 position - All other net position 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, 2015, 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, 2015, 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, 2015, 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, 2015.

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, 2015. 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 <u>Balance</u>	Category <u>1</u>	Credit Risk <u>2</u>	Category <u>3</u>	Total Carrying Value
Demand deposits and time deposits	<u>\$ 907,551</u>	<u>\$ 563,741</u>	<u>\$ 343,810</u>	<u>\$ --</u>	<u>\$ 880,530</u>
Total Deposits					
Reconciliation to Government-wide Statement of Net position:					
Unrestricted cash, including time deposits					\$ 689,520
Restricted cash, including time deposits					<u>191,010</u>
					<u>\$ 880,530</u>

3.B. RESTRICTED NET POSITION

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	\$ 95,697	
Taxes receivable	<u>28,806</u>	
		<u>124,503</u>
Reserved for utility deposits		
Cash, less payables	31,572	
Less: Due general operations	<u>(37)</u>	
Total utility deposits		<u>31,535</u>
Debt service funds		<u>63,741</u>
Total restricted assets		<u>\$ 219,779</u>
Restricted for debt retirement	95,276	
Restricted for capital improvements	<u>124,503</u>	
		<u>\$ 219,779</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, 2015 this fund had an excess of \$37 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, 2015, was as follows:

	Balance at July 1, 2014	Additions	Transfers	Disposals	Balance at June 30, 2015
Governmental activities:					
Land	\$ 68,800	\$ --	\$ --	\$ --	\$ 68,800
Buildings	929,906	--	--	--	929,906
Machinery & equipment	1,264,284	137,336	--	(37,699)	1,363,921
Infrastructure	<u>198,507</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>198,507</u>
Totals at historical cost	<u>2,461,497</u>	<u>137,336</u>	<u>--</u>	<u>(37,699)</u>	<u>2,561,134</u>
Less accumulated depreciation					
Buildings	(284,115)	(24,939)	--	--	(309,054)
Machinery & equipment	(744,019)	(85,478)	--	32,789	(796,708)
Infrastructure	<u>(42,076)</u>	<u>(6,928)</u>	<u>--</u>	<u>--</u>	<u>(49,004)</u>
Total accumulated depreciation	<u>(1,070,210)</u>	<u>(117,345)</u>	<u>--</u>	<u>32,789</u>	<u>(1,154,766)</u>
Governmental activities capital assets, net	<u>\$ 1,391,287</u>	<u>\$ 19,991</u>	<u>\$ --</u>	<u>\$ (4,910)</u>	<u>\$ 1,406,368</u>
Business-type activities:					
Land	11,625	--	--	--	11,625
Buildings	187,664	--	--	--	187,664
Machinery & equipment	242,893	2,527	--	--	245,420
Utility property	<u>9,052,361</u>	<u>85,795</u>	<u>--</u>	<u>--</u>	<u>9,138,156</u>
Totals at historical cost	<u>9,494,543</u>	<u>88,322</u>	<u>--</u>	<u>--</u>	<u>9,582,865</u>
Less accumulated depreciation:					
Buildings	(63,662)	(4,554)	--	--	(68,216)
Machinery & equipment	(180,065)	(10,109)	--	--	(190,174)
Utility property	<u>(2,014,229)</u>	<u>(224,416)</u>	<u>--</u>	<u>--</u>	<u>(2,238,645)</u>
Total accumulated depreciation	<u>(2,257,956)</u>	<u>(239,079)</u>	<u>--</u>	<u>--</u>	<u>(2,497,035)</u>
Business-type capital assets, net	<u>\$ 7,236,587</u>	<u>\$ (150,757)</u>	<u>\$ --</u>	<u>\$ (--)</u>	<u>\$ 7,085,830</u>

* Depreciation expense was charged to governmental activities as follows:

General government:	
Administrative and accounting	<u>\$ 8,946</u>
Total general government	<u>8,946</u>
Public safety and judiciary:	
Police	11,455
Fire	<u>83,323</u>
Total public safety and judiciary	<u>94,778</u>
Streets	<u>8,302</u>
Cultural, parks and recreation:	
Cemetery	1,126
Parks	80
Library	<u>4,113</u>
Total cultural, parks and recreation	<u>5,319</u>
Total depreciation expense	<u>\$117,345</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, 2015:

Debt outstanding, July 1, 2014	\$ 3,341
Additions	75,421
Retirements	<u>(24,442)</u>
Debt outstanding, June 30, 2015	<u>\$ 54,320</u>

Notes payable at June 30, 2015 for the Town of Salina consists of the following:

	<u>Total</u>	<u>Due Within One Year</u>
Lease/purchase option on patrol car payable in monthly installments of \$585.24 including 2.5% interest in the original amount of \$26,701.00	\$24,066	\$ 6,498
Lease/purchase option on fire truck payable in monthly installments of \$1,926.86, including 2.5% interest in the original amount of \$48,720	<u>30,254</u>	<u>22,623</u>
Total	\$ 54,320	<u>\$ 29,121</u>
Less: Current portion	<u>29,121</u>	
Long-term portion	<u>\$ 25,199</u>	

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

	<u>Principal</u>	<u>Interest</u>
Year ended June 30, 2016	29,121	1,023
Year ended June 30, 2017	14,291	403
Year ended June 30, 2018	6,828	195
Year ended June 30, 2019	4,080	33

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, 2015.

Debt outstanding July 1, 2014	\$ 2,943,460
Additions	187,245
Retirements	<u>(190,775)</u>
Debt outstanding June 30, 2015	<u>\$ 2,939,930</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	\$ 815,000	\$ 70,000
Note payable to Lakeside Bank in monthly installments of \$1,289.69 including 5.5% interest, secured by a Case back hoe	16,160	15,160
Note payable in the original amount of \$1,480,000, payable in semiannual payments of \$25,792.43 beginning September 13, 2015 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	1,400,927	43,732
Note payable in the original amount of \$11,256 payable in monthly installments of \$337.72, including 5% interest, secured by vehicle	2,944	2,944
Note payable in semiannual payments of \$18,034.33, including 2.76% interest until September 15, 2043	<u>704,899</u>	<u>16,402</u>
Total	\$2,939,930	<u>\$ 148,238</u>
Less: Current portion	<u>148,238</u>	
	<u>\$2,791,692</u>	

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

	<u>Principal</u>	<u>Interest</u>
Year ended June 30, 2016	148,238	117,633
Year ended June 30, 2017	137,793	109,431
Year ended June 30, 2018	143,349	105,675
Year ended June 30, 2019	144,946	93,695
Year ended June 30, 2020	151,455	85,801
Five year period ending June 30, 2025	783,825	293,763
Five year period ending June 30, 2030	406,436	159,336
Five year period ending June 30, 2035	460,404	105,366
Five year period ending June 30, 2040	444,029	44,654
Four year period ending June 30, 2044	119,455	6,787

3.G EMPLOYEE RETIREMENT SYSTEM

Oklahoma Firefighters' Pension and Retirement System

Plan description - The Town of Salina, as the employer, participates in the Firefighters Pension and Retirement, a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension and Retirement System (FPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the FPRS. FPRS issues a publicly available financial report that can be obtained at the Plan's administrative web site.

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

Benefits for members hired after November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 22 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month. Benefits vest with 11 years or more of service.

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

based on the most recent 60 month salary as opposed to 30 months. For volunteer firefighters, the not-in-the-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-the-line-of-duty pension is \$150.60 with less than 20 years of service or \$7.53 per year of service with a maximum of 30 years.

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

Contributions - The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% of their annual pay. Participating towns are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the Town were \$1,200.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the Town reported a net pension liability of \$24,763 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The Town's proportion of the net pension asset was based on the Town's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2014. Based upon this information, the Town's proportion was .00240.

For the year ended December 31, 2014, the Town recognized pension expense of \$639. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 590	\$ --
Changes of assumptions	--	--
Net difference between projected and actual earnings on pension plan investments	--	3,748
Changes in proportion and differences between Town contributions and proportionate share of contributions	--	--
Town contributions subsequent to the measurement date	<u>1,200</u>	<u>--</u>
Total	<u>\$ 1,790</u>	<u>\$ 3,748</u>

\$1,200 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30		
	2016	\$(789)
	2017	(789)
	2018	(790)
	2019	<u>(790)</u>
		<u><u>\$(3,158)</u></u>

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

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

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

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

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

	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed income	20%	5.48%
Domestic equity	37%	9.61%
International equity	20%	9.24%
Real estate	10%	7.76%
Other assets	13%	6.88%

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate -The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% Decrease <u>(6.5%)</u>	Current Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
Employer's net pension liability (asset)	\$32,227	\$24,763	\$18,353

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the FPRS, which can be located on the Plan Administrative web site.

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 prior years. 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, 2015, the employers paid in \$1,547.04 and the employees paid in \$1,547.04.

3.H. DUE TO/FROM OPERATING TRANSFERS

As of June 30, 2015, the General Fund owed the Street and Alley Fund \$3,000 of budgeted transfers.

The operating transfers consisted of the General Fund transferring \$6,000 to the Volunteer Fire Department and \$18,000 to Street and Alley.

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. PRIOR YEAR ADJUSTMENT

Beginning fund balances/net position were restated as of June 30, 2014

	<u>Governmental Activities</u>
Beginning fund balance/net position, as previously stated	\$ 1,900,431
Implementation of GASB Statements 68 and 71	<u>(28,482)</u>
Beginning fund balance/net position, restated	<u>\$ 1,871,949</u>

3.L. SUBSEQUENT EVENTS

It is anticipated that additional abandonment losses will be experienced in future years. The amounts are not known and will only affect capital assets.

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:

- Fire
Schedule of the Town's proportionate share of the net pension liability (asset)
- Budgetary Comparison Schedules - General Fund

TOWN OF SALINA, OKLAHOMA

**Schedules of Required Supplementary Information
Schedule of the Town of Salina, Oklahoma
Proportionate Share of the Net Pension Liability
Oklahoma Firefighter's Pension and Retirement System
Last 10 Fiscal Years ***

	June 30, <u>2015</u>
Town's proportion of the net pension liability	0.0024%
Town's proportionate share of the net pension liability	\$ 24,763
Town's covered employee payroll (all volunteers)	N/A
Town's proportionate share of the net pension liability as a percentage of its covered employee payroll	N/A
Plan fiduciary net position as a percentage of the total pension liability	68.12%

* The amounts present for each fiscal year were determined as of June 30, 2014.

Notes to Schedule:

Only the current fiscal year is presented because 10 year data is not yet available.

**TOWN OF SALINA, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Beginning budgetary fund balance	<u>\$ 171,207</u>	<u>\$ 171,207</u>	<u>\$ 171,207</u>	<u>\$ --</u>
Resources (inflows)				
Taxes				
Franchise taxes	30,155	30,155	33,512	3,357
Use tax	46,446	46,446	47,310	864
Sales tax	<u>230,346</u>	<u>230,346</u>	<u>282,613</u>	<u>52,267</u>
Total taxes	<u>306,947</u>	<u>306,947</u>	<u>363,435</u>	<u>56,488</u>
Intergovernmental				
Alcoholic beverage tax	9,341	9,341	10,703	1,362
Cigarette tax	<u>4,377</u>	<u>4,377</u>	<u>5,265</u>	<u>888</u>
Total intergovernmental	<u>13,718</u>	<u>13,718</u>	<u>15,968</u>	<u>2,250</u>
Fines and forfeitures				
Police fines	<u>89,952</u>	<u>89,952</u>	<u>99,049</u>	<u>9,097</u>
Total fines and forfeitures	<u>89,952</u>	<u>89,952</u>	<u>99,049</u>	<u>9,097</u>
Licenses and permits				
Various permits	<u>1,415</u>	<u>1,415</u>	<u>2,183</u>	<u>768</u>
Total licenses and permits	<u>1,415</u>	<u>1,415</u>	<u>2,183</u>	<u>768</u>
Investment income	<u>420</u>	<u>420</u>	<u>551</u>	<u>131</u>
Miscellaneous				
Miscellaneous	2,217	2,217	8,681	6,464
Sale of assets	<u>3,928</u>	<u>3,928</u>	<u>3,639</u>	<u>(289)</u>
Total miscellaneous	<u>6,145</u>	<u>6,145</u>	<u>12,320</u>	<u>6,175</u>
Amounts available for appropriation	<u>589,804</u>	<u>589,804</u>	<u>664,713</u>	<u>74,909</u>
Charges to appropriations (outflows)				
Personal services	345,723	345,723	306,001	39,722
Maintenance and operation	191,850	191,850	124,784	67,066
Capital outlay	<u>52,231</u>	<u>52,231</u>	<u>11,047</u>	<u>41,184</u>
Total	<u>589,804</u>	<u>589,804</u>	<u>441,832</u>	<u>147,972</u>
Ending Budgetary Fund Balances	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 222,881</u>	<u>\$ 222,881</u>
Adjustments to reconcile to balance sheet				
Taxes receivable			59,162	
Miscellaneous receivable			<u>7,821</u>	
Fund Balance			<u>\$ 289,864</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, 2015**

	<u>Cemetery Fund</u>	<u>Volunteer Fire Fund</u>	<u>Police Donations Fund</u>	<u>Total</u>
ASSETS				
Cash, including time deposits	\$ 40,388	\$ 19,109	\$ 1,825	\$ 61,322
Due from other funds	<u> --</u>	<u> --</u>	<u> --</u>	<u> --</u>
	<u>\$ 40,388</u>	<u>\$ 19,109</u>	<u>\$ 1,825</u>	<u>\$ 61,322</u>
LIABILITIES				
Accounts payable	160	--	--	160
Due Kansas PWA	<u> --</u>	<u> --</u>	<u> --</u>	<u> --</u>
Total liabilities	<u>160</u>	<u> --</u>	<u> --</u>	<u>160</u>
FUND BALANCES				
Restricted	<u>40,228</u>	<u>19,109</u>	<u>1,825</u>	<u>61,162</u>
Total fund balances	<u>40,228</u>	<u>19,109</u>	<u>1,825</u>	<u>61,162</u>
Total liabilities and fund balances	<u>\$ 40,388</u>	<u>\$ 19,109</u>	<u>\$ 1,825</u>	<u>\$ 61,322</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, 2015**

	<u>Cemetery Fund</u>	<u>Volunteer Fire Fund</u>	<u>Police Donations Fund</u>	<u>Total</u>
Revenues				
Grants and contributions	\$ 2,271	\$ 10,184	\$ 2,395	\$ 14,850
Interest	103	--	1	104
Sale of assets	--	3,000	--	3,000
Miscellaneous	<u>2,800</u>	<u>9,977</u>	<u>--</u>	<u>12,777</u>
Total revenues	<u>5,174</u>	<u>23,161</u>	<u>2,396</u>	<u>30,731</u>
Expenditures				
Police	--	--	1,258	1,258
Cemetery	8,035	--	--	8,035
Fire	--	27,548	--	27,548
Capital outlay	<u>--</u>	<u>12,890</u>	<u>--</u>	<u>12,890</u>
Total expenditures	<u>8,035</u>	<u>40,438</u>	<u>1,258</u>	<u>49,731</u>
Excess (deficiency) of revenues over expenditures	<u>(2,861)</u>	<u>(17,277)</u>	<u>1,138</u>	<u>(19,000)</u>
Other Financing Sources (Uses)				
Transfers in (out)	<u>--</u>	<u>6,000</u>	<u>--</u>	<u>6,000</u>
Net Change in Fund balances	<u>(2,861)</u>	<u>(11,277)</u>	<u>1,138</u>	<u>(13,000)</u>
Fund balances - Beginning of Year	<u>43,089</u>	<u>30,386</u>	<u>687</u>	<u>74,162</u>
Fund Balances - End of Year	<u>\$ 40,228</u>	<u>\$ 19,109</u>	<u>\$ 1,825</u>	<u>\$ 61,162</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, 2015**

<u>Federal Agency Name/ Pass Through Agency</u>	<u>Federal Program Name</u>	<u>CFDA Number</u>
Oklahoma Water Resources Board	Safe Drinking Water State Revolving Fund	66.468

HOOD & ASSOCIATES CPAs, PC

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Tulsa, OK 74114
Phone (918) 747-7000*

Report on Internal Control Over Financial Reporting Compliance and on Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

April 4, 2016

We have audited the financial statements of *Town of Salina* as of and for the year ended June 30, 2015, and have issued our report thereon dated April 4, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the *Town of Salina* internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and to not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the *Town of Salina* financial statements are free of material misstatement, we 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, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the governing body, management and other audit agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Hood & Associates CPAs PC