

**TOWN OF SEILING, OKLAHOMA
SEILING, OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2014**

TOWN OF SEILING, OKLAHOMA
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TOWN OF SEILING, OKLAHOMA

LIST OF PRINCIPAL OFFICIALS

TOWN COUNCIL

Mickey Louthan, Mayor

Michael Nichols, Vice-Mayor

Linda Pittman

Bandon McCurley

Wanda Adair

TOWN MANAGER

Shawndra Winter

TOWN TREASURER AND CLERK

Shara Feuerborn



INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Seiling, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Seiling, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Disclaimer of Opinion

The financial statements of the Seiling Housing Authority have not been audited, and we were not engaged to audit the Seiling Housing Authority's financial statements as part of our audit of the Town's basic financial statements. Seiling Housing Authority's financial activities are included in the Town's basic financial statements as a discreetly presented component unit and represent 2.19 percent, 4.16 percent, and 6.10 percent of the assets, net position, and revenues, respectively, of the Town's government wide financial statements.

Disclaimer of Opinion

Because we have not audited the financial statements of the Seiling Housing Authority, which is a discreetly presented component unit of the Town of Seiling, we do not have sufficient audit evidence to provide an opinion for that component unit. Accordingly, we do not express an opinion on the discreetly presented component units of the Town of Seiling.

Unmodified Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Seiling, Oklahoma, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-11 and 35-36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2015, on our consideration of the Town of Seiling, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Seiling, Oklahoma's internal control over financial reporting and compliance.

FSW&B CPA's - PLLC

FSW&B CPA's - PLLC

Stillwater, Oklahoma

January 27, 2015

Our discussion and analysis of the Town of Seiling's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2014. The Town's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. This discussion focuses on the Town's primary government, and unless otherwise noted, component units reported separately from the primary government are not included. Please read it in conjunction with the Town's financial statements, which follow this section.

Financial Summary

- The Town's assets exceeded its liabilities by \$3,661,521 (net position) for the fiscal year 2014. This compared to the previous year when assets exceeded liabilities by \$3,031,755.
- Total liabilities of the Town increased from \$3,620,950 to \$3,721,665. The increase is attributable to the timing of payments made on short-term obligations, offset by debt payments during the fiscal year.
- Total net position is comprised of the following
 - Invested in capital assets, net of related debt, of \$2,056,947 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - Restricted net position of \$586,067 represent the portion related to bond reserve accounts
 - Unrestricted net position of \$1,018,507 represent the portion available to maintain the Town's continuing obligations to citizens and creditors.
- The Town's governmental funds reported total ending fund balance of \$1,029,697 this year. Governmental funds include the General Fund and the Hospital Special Revenue fund. The special revenue fund accounts for the restricted sales tax allocated to hospital operations.

Overview of the Financial Statements

This discussion and analysis introduces the Town's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

Government-wide Financial Statements

The Town's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Town's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the statement of net position. This is the Town-wide statement of financial position presenting information that includes all of the Town's assets and liabilities, with the difference 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 as a whole is improving or deteriorating. Evaluation of the overall economic health of the Town would extend to other non-financial factors such as diversification of the taxpayer base or the condition of Town infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the statement of activities, which reports how the Town's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Town's distinct activities or functions of the revenues provided by the Town's taxpayers.

Both government-wide financial statements distinctively report governmental activities of the Town that are principally supported by taxes and intergovernmental revenues, such as grants, and business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general governments, public safety, public services, and culture

and recreation. Business-type activities include gas utilities, water utilities, solid waste management, and wastewater utilities.

The Town's financial reporting entity includes the funds and blended organizations of the Town (primary government) and organizations for which the Town is accountable (component units). Most of these legally separate organizations operate like Town departments, serve as financing vehicles for Town services, or are governed by a Board of Trustees wholly comprised of the Town's Mayor and Council. These organizations are blended into the primary government for financial reporting purposes. The Seiling Public Works Authority is a blended organization. Other organizations operating more independently or provide services directly to the citizens through the Town remains accountable for their activities. These organizations, such as the Seiling Municipal Hospital, are reported separately from the primary government. A schedule at the close of this discussion and analysis lists the Town's component units.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town's most significant funds rather than the Town as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

Governmental funds

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is different with the fund statements reporting short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating accrual financing requirements of the governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in the fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statements are included in the basic financial statements for the General Fund and the major special revenue fund. These statements and schedules demonstrate compliance with the Town's adopted and final revised budget.

Proprietary funds

Proprietary funds are reported in the fund financial statements and generally report services for which the Town charges customers a fee. There are two kinds of proprietary funds. These are enterprise funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the Town organization such as gas utilities.

Proprietary fund statements and statements for discretely presented component units (reporting is similar to proprietary funds) provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail for major enterprise funds and individual component units.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to gain a full understanding of the government-wide and fund financial statements. The notes of the financial statements begin immediately following the basic financial statements.

Other information

Major funds and component units are reported in the basic financial statements as discussed.

Financial Analysis of the Town as a Whole

Changes in net position may be observed and used to discuss the changing financial position of the Town as a whole. The Town's net position at June 30, 2014 was \$3,659,141.

Summary of Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>\$</u> <u>Change</u>	<u>%</u> <u>Change</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>		
Current assets	\$ 1,121,662	\$ 664,622	\$ 994,725	\$ 3,186,028	\$ 2,116,387	\$ 3,850,650	\$ (1,734,263)	-45%
Non-current assets	-	-	8,330	9,520	8,330	9,520	(1,190)	-13%
Capital assets, net	883,079	877,763	4,373,010	1,914,772	5,256,089	2,792,535	2,463,554	88%
Total assets	\$ 2,004,741	\$ 1,542,385	\$ 5,376,065	\$ 5,110,320	\$ 7,380,806	\$ 6,652,705	\$ 728,101	11%
Current liabilities	\$ 91,965	\$ 88,667	\$ 448,502	\$ 280,393	\$ 540,467	\$ 369,060	\$ 171,407	46%
Non-current liabilities	-	-	3,181,198	3,251,890	3,181,198	3,251,890	(70,692)	-2%
Total liabilities	91,965	88,667	3,629,700	3,532,283	3,721,665	3,620,950	100,715	3%
Net assets								
Invested in capital assets, net of related debt	883,079	873,389	1,173,868	1,032,287	2,056,947	1,905,676	151,271	8%
Restricted	54,770	-	531,297	-	586,067	-	586,067	100%
Unrestricted	974,927	580,329	41,200	545,750	1,016,127	1,126,079	(109,952)	-10%
Total net position	\$ 1,912,776	\$ 1,453,718	\$ 1,746,365	\$ 1,578,037	\$ 3,659,141	\$ 3,031,755	\$ 627,386	21%

The Town reported positive balances in total net position for both governmental and business-type activities. Total assets noted a 11% increase due to the use of bond cash to fund capital improvements in the business-type activities. Total liabilities increased 3% over prior year due to the timing of short-term obligations of the Town. The Town's overall financial position improved during fiscal year 2014.

TOWN OF SEILING, OKLAHOMA
MANAGEMENT DISCUSSION & ANALYSIS
JUNE 30, 2014

Summary of Changes in Net Position

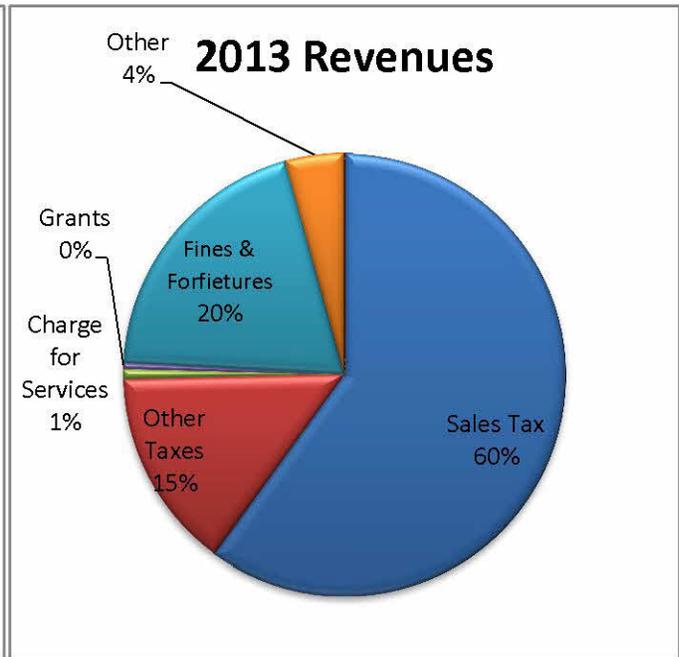
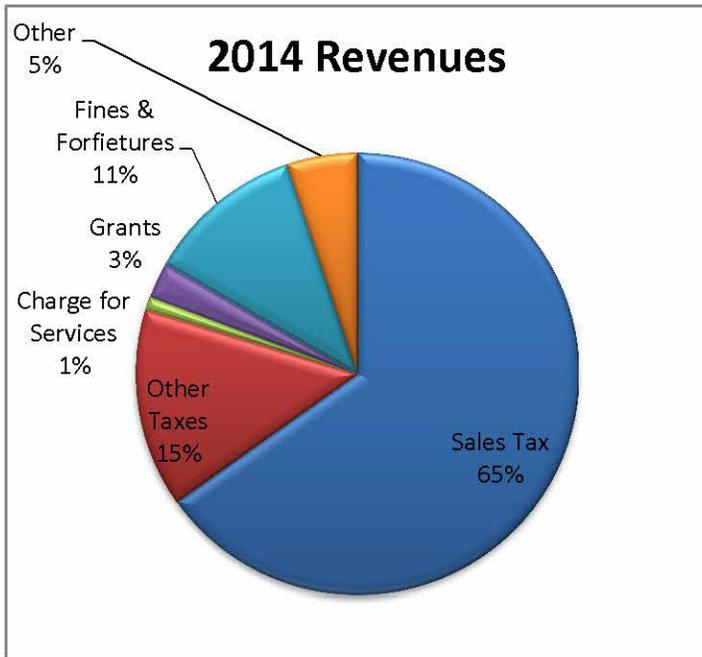
	Governmental Activities		Business-type Activities		Total		\$ Change	% Change
	2014	2013	2014	2013	2014	2013		
Revenues								
Program revenues	\$ 184,959	\$ 233,369	\$ 949,275	\$ 993,065	\$ 1,134,234	\$ 1,226,434	\$ (92,200)	-8%
Taxes and other general revenues	839,462	813,676	65,285	21,796	904,747	835,472	69,275	8%
Total revenues	1,024,421	1,047,045	1,014,560	1,014,861	2,038,981	2,061,906	(22,925)	-1%
Expenses								
General government	193,352	203,689	-	-	193,352	203,689	(10,337)	-5%
Public safety and judiciary	212,290	287,839	-	-	212,290	287,839	(75,549)	-26%
Transportation	62,471	89,801	-	-	62,471	89,801	(27,330)	-30%
Cultural, parks, and recreation	74,948	76,912	-	-	74,948	76,912	(1,964)	-3%
Public service	33,035	-	-	-	33,035	-	33,035	100%
Gas	-	-	235,973	218,040	235,973	218,040	17,933	8%
Water	-	-	356,901	328,489	356,901	328,489	28,412	9%
Sewer	-	-	92,515	90,957	92,515	90,957	1,558	2%
Sanitation	-	-	117,346	106,630	117,346	106,630	10,716	10%
Customer service	-	-	127,104	180,490	127,104	180,490	(53,386)	-30%
Total expenses	576,096	658,241	929,839	924,606	1,505,935	1,582,847	(76,912)	-5%
Excess (deficiency) before transfer	448,325	388,804	84,721	90,255	533,046	479,059	53,987	11%
Transfers	(83,607)	-	83,607	-	-	-	-	
Transfers to component units	(163,725)	(314,845)	-	-	(163,725)	(314,845)	151,120	-48%
Increase (decrease) in net assets	\$ 200,993	\$ 73,959	\$ 168,328	\$ 90,255	\$ 369,321	\$ 164,214	\$ 205,107	125%

Program revenues remained consistent year over year, noting a 1% change. Sales tax noted a marginal increase when compared to prior year. Program revenues showed a decrease due to a decrease in contributions and grants received.

Operating expenses also remained consistent with prior year, noting a 5% change. The Town shifted costs between departments; however, in total, the change was insignificant.

Graphic presentations of the Summary of Changes in Net position follow to assist in the analysis of the Town's activities for fiscal year 2014 and 2013.

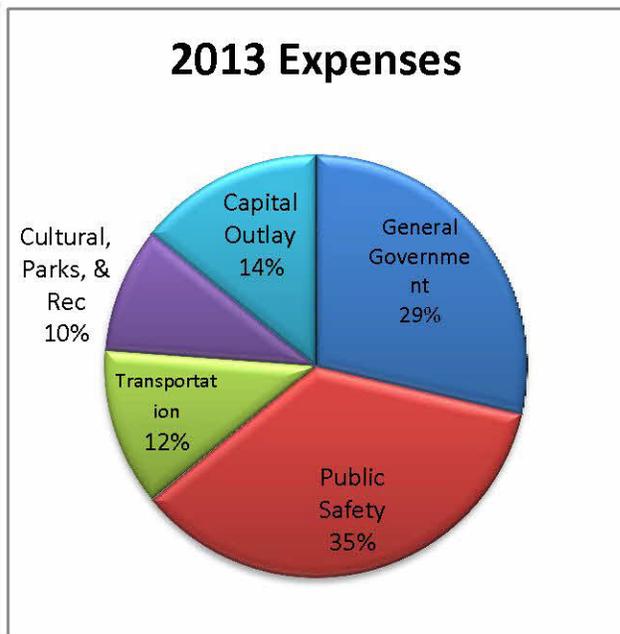
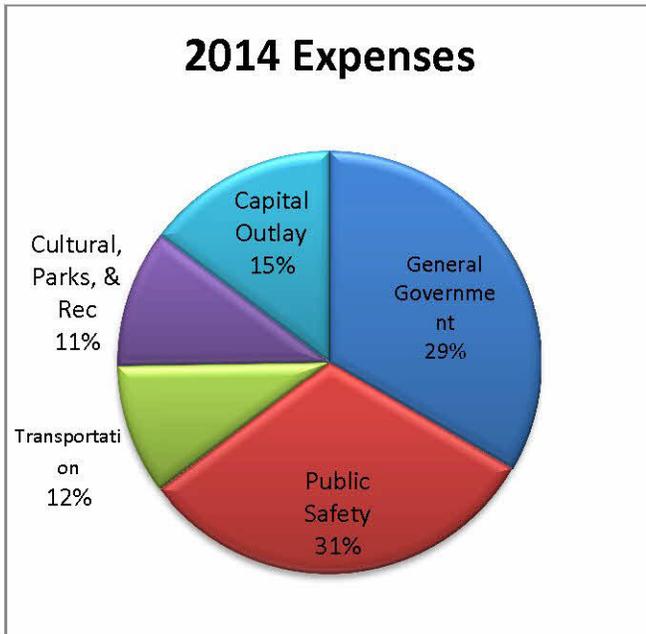
Governmental Activities



Total - \$1,020,242

Total - \$1,047,045

Overall revenues from governmental activities decreased when compared to prior year, which is a function in grant and contribution funding for the Town. In fiscal year 2014, sales tax revenues contributed 65% of the funding for the Town compared to 60% in prior year. Other taxes, which include use tax, alcohol beverage tax, and tobacco tax, remained a consistent funding source at 15% each year. Fines and forfeitures noted a 9% decrease between years due to a decrease in the size of the department.

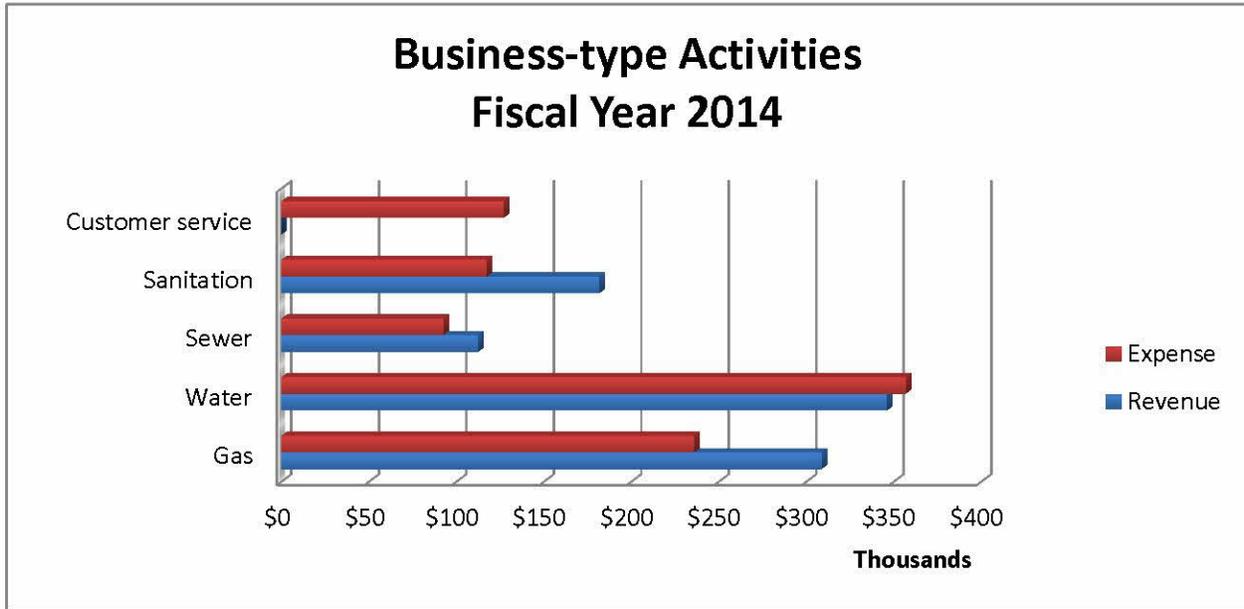


Total - \$543,852

Total - \$676,813

Governmental expenses decreased when compared to prior year due to changes in management and staffing. Allocation of expenses remained consistent between years with public safety expenses the largest cost of operations in 2014 and 2013. General government expenses were the next largest component at 29% of governmental expenses.

Business-type Activities



Business-type activities are shown comparing costs to revenues generated by related services. Sanitation, Sewer, Water, and Gas activities are intended to be self-supporting with user charges and other revenues designed to recover costs. Other activities provide services with no user charges.

Financial Analysis of the Town's Funds

Governmental funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending funds balance of \$1,029,697, of which \$659,634 is considered unassigned indicating availability for ongoing operations of the Town.

General Fund Budgetary Highlights

The original adopted General Fund budget for fiscal year 2014 was \$554,077. The budget was amended during the year, increasing \$18,731, to \$572,808.

The General Fund budget complied with financial policies approved by the Town.

Capital Asset and Debt Administration

Capital Assets

Town's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of June 30, 2014 was \$883,079 and \$1,173,868, respectively. Major capital asset additions for the Town include:

- Water and sewer infrastructure improvements in process as of June 30, 2014
- New playground equipment
- Carpet at City Hall
- Fire and police radios

Primary Government Capital Assets (net of accumulated depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Land	\$ 275,105	\$ 275,105	\$ 54,608	\$ 54,608	\$ 329,713	\$ 329,713
Construction in process	-	-	2,688,398	122,919	2,688,398	122,919
Buildings	89,521	95,406	-	1,197	89,521	96,603
Machinery & equipment	238,888	211,024	131,100	157,277	369,988	368,301
Utility property & improvements	279,565	296,228	1,498,904	1,578,771	1,778,469	1,874,999
Totals	\$ 883,079	\$ 877,763	\$ 4,373,010	\$ 1,914,772	\$ 5,256,089	\$ 2,792,535

Long-Term Debt

At the end of the fiscal year, the Town had \$2,919,602 in long-term debt outstanding. The Town's changes in long-term debt by type of debt are as follows:

Primary Government Long-Term Debt

	Business-type	
	Activities	
	2013	2013
Notes payable	\$ 109,602	\$ 143,139
Revenue bonds	2,870,000	2,895,000
subtotal	2,979,602	3,038,139
less current portion	(60,000)	(58,977)
Totals	\$ 2,919,602	\$ 2,979,162

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES

Economic Environment

According to the Oklahoma Economic Report, the state's gross receipts are higher than ever before. State Treasurer, Ken Miller, stated when talking about July 2014 sales tax "collections have been higher than the same month of the prior year in 45 of the past 51 months, which indicates a steady economic expansion". Unemployment numbers from June 2014 reflect Oklahoma's relative economic strength compared to the nation as a whole, reporting 4.5% statewide compared to 6.1% nationally. The economic environment of the state sheds light on the local economy.

The Town of Seiling has noted increase in sales and other tax revenues when compared to prior year. Utility billing has remained strong due to an increasing customer base. Continued improvement in the City's economic position is cautiously projected.

The projected budget for fiscal year 2014 projects sales and use tax at 90% of current collections and Utility revenues are expected to increase due to the proposed rate increase for fiscal year 2014 which called for a 1.5% increase in all utility services based upon the consumer price index. The rate increase will allow the Town to cover the rising cost of providing services to its citizens as well as fund needed capital additions for the operation of the Town.

The Town will absorb a 4% cost increase in health and benefits for employees; no new benefits were added. The budget includes a 3% cost of living adjustment for full time employees and the addition of a full-time position in the Parks department.

The Town has identified over \$150,000 in capital projects expected to be funded during fiscal year 2015, including continued work on the Gore gas line, handheld meter readers, a mobile video recorder and other equipment for the Police department.

The Town will further focus on priorities established by the elected officials, specifically maintaining a cash reserve and consideration of future capital improvements.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. Financial statements separately issues for the Seiling Municipal Hospital may be obtained at the Clerk's office. If you have questions about this report or need additional financial information, contact the Town Clerk's Office at PO Box 1043, Seiling, Oklahoma, 73663 or phone at (580) 922-4460.

Town of Seiling, Oklahoma
Statement of Net Position
June 30, 2014

ASSETS	Governmental Activities	Business-type Activities	Total	Component Unit
Current Assets:				
Cash and cash equivalents	\$ 357,656	\$ 291,733	\$ 649,389	\$ 15,861
Investments, including time deposits	241,587	65,228	306,815	18,117
Accounts receivable (net)	134,650	64,411	199,061	-
Inventory	-	-	-	2,361
Prepaid Insurance	-	-	-	554
Total current assets	733,893	421,372	1,155,265	36,893
Restricted assets:				
Cash and cash equivalents	380,438	531,297	911,735	2,912
Investments, including time deposits	7,331	42,056	49,387	-
Total restricted assets	387,769	573,353	961,122	2,912
Noncurrent Assets:				
Unamortized bond issue costs	-	8,330	8,330	-
Land and construction in progress	275,105	2,743,006	3,018,111	6,604
Other capital assets (net of accumulated depreciation)	607,974	1,630,004	2,237,978	115,008
Total noncurrent assets	883,079	4,381,340	5,264,419	121,612
Total assets	\$ 2,004,741	\$ 5,376,065	\$ 7,380,806	\$ 161,417
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 54,849	\$ 293,568	\$ 348,417	\$ 2,925
Salary and benefits payable	20,934	15,584	36,518	2,562
Sales tax payable	968	456	1,424	-
Due to other funds	15,214	(15,214)	-	-
Other current liabilities	-	-	-	2,073
Notes payable, current	-	35,000	35,000	-
Bonds payable, current	-	25,000	25,000	-
Total current liabilities	91,965	354,394	446,359	7,560
Liabilities payable from restricted assets:				
Accrued interest payable	-	32,533	32,533	-
Customer deposits payable	-	61,575	61,575	1,745
Total liabilities payable from restricted assets	-	94,108	94,108	1,745
Noncurrent liabilities:				
Unamortized bond premium	-	261,596	261,596	-
Notes payable, non-current	-	74,602	74,602	-
Bonds payable, non-current	-	2,845,000	2,845,000	-
Total noncurrent liabilities	-	3,181,198	3,181,198	-
Total liabilities	91,965	3,629,700	3,721,665	9,305
NET POSITION				
Invested in capital assets, net of related debt	883,079	(1,569,138)	(686,059)	121,613
Restricted	54,770	531,297	586,067	8,706
Unrestricted	974,927	2,784,206	3,759,133	21,793
Total net position	\$ 1,912,776	\$ 1,746,365	\$ 3,659,141	\$ 152,112

Town of Seiling, Oklahoma
Statement of Activities
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government:					
General government	\$ 125,843	\$ 962	\$ -	\$ 5,794	\$ (119,087)
Clerk	67,509	-	-	-	(67,509)
Total general government	<u>193,352</u>	<u>962</u>	<u>-</u>	<u>5,794</u>	<u>(186,596)</u>
Public safety and judiciary:					
Police	146,260	117,768	924	-	(27,568)
Fire	62,825	-	4,474	-	(58,351)
Animal control	3,205	-	-	-	(3,205)
Total public safety and judiciary	<u>212,290</u>	<u>117,768</u>	<u>5,398</u>	<u>-</u>	<u>(89,124)</u>
Transportation:					
Street	61,126	-	8,103	-	(53,023)
Airport	1,345	-	-	-	(1,345)
Total transportation	<u>62,471</u>	<u>-</u>	<u>8,103</u>	<u>-</u>	<u>(54,368)</u>
Cultural, parks and recreation:					
Library	6,576	117	-	-	(6,459)
Park	21,100	-	-	14,370	(6,730)
Community building	7,733	2,950	-	-	(4,783)
Swimming Pool	39,539	9,896	-	-	(29,643)
Total cultural, parks and recreation	<u>74,948</u>	<u>12,963</u>	<u>-</u>	<u>14,370</u>	<u>(47,615)</u>
Public Service:					
Hospital	26,000	-	3,317	-	(22,683)
Tourism	7,035	-	16,284	-	9,249
Total public service	<u>33,035</u>	<u>-</u>	<u>19,601</u>	<u>-</u>	<u>(13,434)</u>
Total governmental activities	<u>\$ 576,096</u>	<u>\$ 131,693</u>	<u>\$ 33,102</u>	<u>\$ 20,164</u>	<u>\$ (391,137)</u>
Business-type activities:					
Utility services:					
Gas	\$ 235,973	\$ 308,776	\$ -	\$ -	\$ 72,803
Water	356,901	346,205	-	-	(10,696)
Sewer	92,515	112,468	-	-	19,953
Sanitation	117,346	181,826	-	-	64,480
Customer service	127,104	-	-	-	(127,104)
Total business-type activities	<u>929,839</u>	<u>949,275</u>	<u>-</u>	<u>-</u>	<u>19,436</u>
Total primary government	<u>\$ 1,505,935</u>	<u>\$ 1,080,968</u>	<u>\$ 33,102</u>	<u>\$ 20,164</u>	<u>\$ (371,701)</u>
Component Unit					
Housing Authority:					
Tenant services	\$ 79,755	\$ 17,446	\$ 42,910	\$ 8,706	\$ (10,693)
Total component unit	<u>\$ 79,755</u>	<u>\$ 17,446</u>	<u>\$ 42,910</u>	<u>\$ 8,706</u>	<u>\$ (10,693)</u>

Town of Seiling, Oklahoma
Statement of Activities (continued)
Year Ended June 30, 2014

Changes in Net Assets:	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Net (expense)/revenue	\$ (391,137)	\$ 19,436	\$ (371,701)	\$ (10,693)
General revenues:				
Taxes:				
Sales tax	664,914	-	664,914	-
Use tax	55,543	-	55,543	-
Franchise taxes	43,851	-	43,851	-
Alcoholic beverage tax	33,171	-	33,171	-
Cigarette tax	7,717	-	7,717	-
Investment income	2,814	1,530	4,344	82
Oil royalties	906	-	906	-
Reimbursements	-	-	-	-
Penalties	-	11,851	11,851	-
Sale of assets	4,476	-	4,476	-
Miscellaneous	26,070	51,904	77,974	870
Transfers - Other governments, net	(163,725)	-	(163,725)	-
Transfers - Internal activity, net	(83,607)	83,607	-	-
Total general revenues and transfers	592,130	148,892	741,022	952
Change in net position	200,993	168,328	369,321	(9,741)
Net position-beginning, restated	1,711,783	1,578,037	3,289,820	161,853
Net position-ending	\$ 1,912,776	\$ 1,746,365	\$ 3,659,141	\$ 152,112

**Town of Seiling, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2014**

	General Fund	Hospital Special Revenue	Total Governmental Funds
ASSETS			
Cash	\$ 413,135	\$ 324,959	\$ 738,094
Investments, including time deposits	248,918	-	248,918
Taxes receivable	134,650	-	134,650
Accounts receivable	-	-	-
Grants receivable	-	-	-
Total assets	\$ 796,703	\$ 324,959	\$ 1,121,662
LIABILITIES			
Accounts payable	\$ 37,353	\$ 17,496	\$ 54,849
Salaries and benefits payable	20,934	-	20,934
Due from other funds	15,214	-	15,214
Accrued liabilities	968	-	968
Total liabilities	74,469	17,496	91,965
FUND BALANCES			
Restricted	-	307,463	307,463
Committed	54,770	-	54,770
Assigned	7,830	-	7,830
Unassigned	659,634	-	659,634
Total fund balances	722,234	307,463	1,029,697
Total liabilities and fund balances	\$ 796,703	\$ 324,959	\$ 1,121,662
Total fund balance- total governmental funds			1,029,697
Land and capital assets, net of accumulated depreciation, are not financial resources and, therefore, are not reported in the funds.			
Land	\$ 275,105		
Capital assets	1,637,168		
Less: Accumulated depreciation	(1,029,194)		
			883,079
Net assets of governmental activities			\$ 1,912,776

Town of Seiling, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2014

	General Fund	Hospital Special Revenue	Total Governmental Funds
<u>REVENUES</u>			
Sales tax	\$ 664,914	\$ -	\$ 664,914
Use tax	55,543	-	55,543
Beverage tax	33,171	-	33,171
Franchise taxes	43,851	-	43,851
Cigarette tax	7,717	-	7,717
Motor vehicle tax	6,550	-	6,550
Gas tax	1,553	-	1,553
Licenses and permits	962	-	962
Fines and forfeitures	117,768	-	117,768
Investment income	1,951	863	2,814
Charges for services	9,896	-	9,896
Rentals and royalties	3,856	-	3,856
Intergovernmental	26,552	-	26,552
Donations	15,294	-	15,294
Miscellaneous	30,664	3,317	33,981
Total revenues	<u>1,020,242</u>	<u>4,180</u>	<u>1,024,422</u>
<u>EXPENDITURES</u>			
Current:			
General government:			
General government	114,094	-	114,094
Clerical	67,509	-	67,509
Total general government	<u>181,603</u>	<u>-</u>	<u>181,603</u>
Public safety and judiciary:			
Police	143,073	-	143,073
Fire	24,172	-	24,172
Animal control	3,205	-	3,205
Total public safety and judiciary	<u>170,450</u>	<u>-</u>	<u>170,450</u>
Transportation:			
Street	53,288	-	53,288
Airport	1,144	-	1,144
Total transportation	<u>54,432</u>	<u>-</u>	<u>54,432</u>
Cultural, parks and recreation:			
Library	6,277	-	6,277
Park	7,698	-	7,698
Community Building	5,858	-	5,858
Swimming Pool	37,615	-	37,615
Total cultural, parks and recreation	<u>57,448</u>	<u>-</u>	<u>57,448</u>
Public Service:			
Hospital	-	26,000	26,000
Tourism	7,035	-	7,035
Total public service	<u>7,035</u>	<u>26,000</u>	<u>33,035</u>
Capital outlay	79,919	8,900	88,819
Total expenditures	<u>550,887</u>	<u>34,900</u>	<u>585,787</u>
Excess (deficiency) of revenues over expenditures	<u>469,355</u>	<u>(30,720)</u>	<u>438,635</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers out other governments	(163,725)	-	(163,725)
Transfers in	327,450	163,725	491,175
Transfers out	(491,175)	(83,607)	(574,782)
Total other financing sources and uses	<u>(327,450)</u>	<u>80,118</u>	<u>(247,332)</u>
Net change in fund balances	141,905	49,398	191,303
Fund balances - beginning	580,329	258,065	838,394
Fund balances - ending	<u>\$ 722,234</u>	<u>\$ 307,463</u>	<u>\$ 1,029,697</u>

Town of Seiling, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2014

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

Net change in fund balances - total governmental funds	\$ 191,303
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Amounts reported for governmental activities in the Statement of Activities are
different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense.

Capital asset purchases capitalized	88,819
Depreciation expense	(83,503)

Principle debt payments are reported as expenditures in the governmental funds	<u>4,374</u>
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Change in Net Assets of Governmental Activities	<u><u>\$ 200,993</u></u>
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Town of Seiling, Oklahoma
Statement of Net Position
Proprietary Funds
June 30, 2014

	Business-type Activities	Discretely Presented Component Unit
	Public Works Authority	Selling Housing Authority
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 291,733	\$ 15,861
Investments	65,228	18,117
Accounts receivable (net)	64,411	-
Inventory	-	2,361
Prepaid Insurance	-	554
Due from other funds	15,214	-
Total current assets	<u>436,586</u>	<u>36,893</u>
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	531,297	2,912
Investments	42,056	-
Total restricted assets	<u>573,353</u>	<u>2,912</u>
Noncurrent assets:		
Unamortized bond discount	8,330	-
Land and construction in process	2,743,006	6,604
Capital assets (net)	1,630,004	115,008
Total noncurrent assets	<u>4,381,340</u>	<u>121,612</u>
Total assets	<u>\$ 5,391,279</u>	<u>\$ 161,417</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 293,568	\$ 2,925
Salary and benefits payable	15,584	2,562
Sales tax payable	456	-
Other current liabilities	-	2,073
Notes payable, current	35,000	-
Total current liabilities	<u>344,608</u>	<u>7,560</u>
Liabilities payable from restricted assets:		
Accrued interest payable	32,533	-
Customer deposits payable	61,575	1,745
Bonds payable, current	25,000	-
Total liabilities payable from restricted assets	<u>119,108</u>	<u>1,745</u>
Noncurrent liabilities:		
Unamortized bond premium	261,596	-
Notes payable, noncurrent	74,602	-
Bonds payable, noncurrent	2,845,000	-
Total noncurrent liabilities	<u>3,181,198</u>	<u>-</u>
Total liabilities	<u>3,644,914</u>	<u>9,305</u>
NET POSITION		
Invested in capital assets, net of related debt	(1,569,138)	121,613
Restricted	531,297	8,706
Unrestricted	2,784,206	21,793
Total net position	<u>\$ 1,746,365</u>	<u>\$ 152,112</u>

Town of Seiling, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2014

	<u>Business-type Activities</u>	<u>Discretely Presented Component Unit</u>
	<u>Public Works Authority</u>	<u>Seiling Housing Authority</u>
<u>Operating revenues:</u>		
Charges for services:		
Gas charges	\$ 308,776	\$ -
Water charges	346,205	-
Sewer charges	112,468	-
Sanitation charges	181,826	-
Penalties	11,851	-
Tenant services	-	16,800
Total charges for services	<u>961,126</u>	<u>16,800</u>
Miscellaneous	51,904	646
Total operating revenues	<u>1,013,030</u>	<u>17,446</u>
<u>Operating expenses:</u>		
Cost of goods sold	153,512	-
Personal services	261,752	20,130
Materials and supplies	69,922	10,031
Other services and charges	203,427	34,629
Depreciation and amortization	103,249	14,965
Total operating expenses	<u>791,862</u>	<u>79,755</u>
Net operating income	221,168	(62,309)
<u>Nonoperating revenue (expense):</u>		
Investment income	1,530	82
Grant income	-	51,616
Interest expense	(137,952)	-
Bad debt	(25)	870
Total nonoperating revenue/(expense)	<u>(136,447)</u>	<u>52,568</u>
Net income before contributions and transfers	84,721	(9,741)
Transfers from other funds	411,057	-
Transfers to other funds	<u>(327,450)</u>	<u>-</u>
Change in net position	168,328	(9,741)
Net position-beginning of year	1,578,037	161,853
Net position-end of year	<u>\$ 1,746,365</u>	<u>\$ 152,112</u>

Town of Seiling, Oklahoma
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2014

	Business-type Activities	Discretely Presented Component Unit
	Public Works Authority	Seiling Housing Authority
<u>Cash flows from operating activities:</u>		
Receipts from customers/patients	\$ 954,208	\$ 20,337
Payments to suppliers	(247,033)	(41,798)
Payments to employees	(268,778)	(18,900)
Other operating revenues	51,904	646
Net cash provided (used) by operating activities	490,301	(39,715)
<u>Cash flows from non-capital financing activities:</u>		
Transfers from other funds	411,057	-
Transfers to other funds	(327,450)	-
Net cash provided (used) by non-capital financing activities	83,607	-
<u>Cash flows from capital and related financing activities:</u>		
Purchase of capital assets	(2,569,049)	(8,706)
Contributions for capital assets	105,406	51,616
Principal paid on capital debt	(52,803)	-
Interest paid on capital debt	(128,517)	-
Net cash provided (used) by capital and related financing activities	(2,644,963)	42,910
<u>Cash flows from investing activities:</u>		
Investment income	1,530	82
Net cash provided (used) by investing activities	1,530	82
Net increase (decrease) in cash and cash equivalents	(2,069,525)	3,277
Cash and cash equivalents, July 1, 2013	2,999,839	33,613
Cash & cash equivalents, June 30, 2014	\$ 930,314	\$ 36,890
Cash, including time deposits	\$ 356,961	\$ 33,978
Restricted cash, including time deposits	573,353	2,912
Total cash and cash equivalents, end of year	\$ 930,314	\$ 36,890
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</u>		
Operating income (loss)	\$ 221,168	\$ (62,309)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	103,249	14,965
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(6,918)	3,537
Increase (decrease) in accounts payable	173,373	506
Increase (decrease) in wages & benefits payable	(7,026)	1,230
Increase (decrease) in deposits subject to refund	6,455	2,356
Total adjustments	269,133	22,594
Net cash provided (used) by operating activities	\$ 490,301	\$ (39,715)

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Organization

The Town of Seiling, Oklahoma (the "Town") is incorporated under the provisions of the State of Oklahoma per Executive Department Proclamation on April 5, 1909. The Town operates under the Statutory Town Board of Trustees form of government. The Town provides the following services: public safety (police and fire protection), street maintenance, utility (sanitation, water, sewer, and gas), culture-recreation, public improvements, and general administrative services.

The Reporting Entity

The Town, for financial purposes, includes all of the funds and account groups relevant to the operation of the Town of Seiling. The accompanying financial statements present the Town's primary government and component units over which the Town exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the Town. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Town of Seiling.

Due to restrictions of the state constitution relating to the issuance of municipal debt, public trusts are created to finance Town services with revenue bonds or other non-general obligation financing and provide for multi-year contracting. Financing services provided by these public trusts are solely for the benefit of the Town. Public trusts created to provide financing services are blended into the Town's primary government as an integral part of Town operations although retaining separate legal identity. Component units that do not meet the criteria from blending are reported discretely.

Blended Component Unit Reported with Primary Government:

Seiling Public Works Authority (the "Authority") – was created August 22, 1962 under provision of the Oklahoma Statutes by a Declaration of the Trust. The Town has beneficial interest and the trustees of the Town serve as Trustees of the Authority. Town employees carry on the activities of the Authority. The Authority provides gas, water, sewer, and trash services to the citizens of Seiling. Accounts of the Authority are recorded in business-type activities. Debt issued by the Authority requires two-thirds approval of the Trustees.

Discretely Presented Component Units:

Seiling Municipal Hospital Authority (SMHA) – SMHA is a Title 60 public trust created August 9, 1993 under the authority and pursuant to the provision of Title 60, Oklahoma State Statutes 1961, and Section 176-180. The Authority's purpose is to finance, develop, and operate the hospital and nursing center of the Town. SMHA includes a blended component unit, the Seiling Nursing Center which operates under the purpose as stated.

Effective July 1, 2009, the Town of Seiling sold the Seiling Municipal Hospital to CAH Acquisition Company 9 LLC for a purchase price of \$0. The Town retains ownership of the building, furniture, and fixtures. The 1% portion of sales tax restricted for the Hospital is paid to the Hospital Sales Tax Fund, which was established in accordance with the agreement. These funds are restricted for maintenance of the Hospital. Refer to additional information in footnote 6(A).

At the direction of the Board of Trustees, an agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and the additional requirements prescribed in Oklahoma Statutes §11.17.105-.107 and §60.180.1-.3. A copy of that report is available at the Town Hall in Seiling, Oklahoma. The Town has elected to exclude the Seiling Municipal Hospital Authority from the audited financial statements.

Seiling Housing Authority – was created November 6, 1969 as a Title 63 trust. Upon creation the Town appointed 100% of the Seiling Housing Authority's board members.

B. Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and statement of activities which display information about the reporting government as a whole. The statements distinguish between governmental and business-type activities. Individual funds are not displayed by the statements. The statements distinguish governmental activities, generally supported by taxes and Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services with report fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. Taxes and other revenues sources not properly included with program revenues are reported as general revenues.

Certain reclassifications have been made to prior period balances in order to conform to the current period's presentation.

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 which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The Town has no fiduciary funds.

Measurement Focus and Basis of Accounting

The financial statements of the Town are prepared in accordance with accounting principles generally accepted in the United States of America, GAAP. The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Town's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurements focus and the accrual basis of accounting. Proprietary and fiduciary fund financial statements and financial statements of the Town's component units also report using the same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considered revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenses are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales and use taxes, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in the proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of provided goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Restricted Assets

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities current in nature are reported with current assets and current liabilities in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reporting amounts and disclosures; accordingly, actual results could differ from those estimates.

Interfund Balances

Generally, outstanding balances between funds reported and due to/due from other funds include outstanding charges by one fund to another for services or goods or miscellaneous receivables/payables between funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year and are described as due to/due from other funds.

Date of Management's Review

Subsequent events were evaluated through January 27, 2015, which is the date the financial statements were available to be issued.

C. Fund Types and Major Funds

Major Governmental Fund

General Fund

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

Special Revenue Fund

Hospital Special Revenue Fund

The Hospital Special Revenue Fund accounts for the restricted sales tax allocated to the Hospital for construction and maintenance of the facility

Major Proprietary Funds

Seiling Public Works Authority

The Seiling Public Works Authority (SPWA) accounts for transactions relating to utility services including gas, water, sewer, and sanitation.

D. Budgets and Budgetary Accounting

Budget Policy and Practice

The Town Clerk submits an annual budget to the Board of Trustees in accordance with the Oklahoma Municipal Budget Act. The budget is presented to the Board of Trustees for review, and public hearings are held to address priorities and the allocation of resources. In June, the Board of Trustees adopts the annual fiscal year budget for Town operating funds. Budget amendments or supplements may be made during the year when unexpected modifications are required in estimated revenues and appropriations. Budget amendments are recommended by the Town Clerk and must be approved by the Board of Trustees. Public trusts submit budgets and other planning documents to their respective governing bodies.

Budgetary Control

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and object class as follows: personal services, other services and charges, materials and supplies, capital outlay, transfers, and debt service. This legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Budget revisions at this level are subject to final review by the Town Council. Within these control levels, management may transfer appropriations without Board approval.

Budget Basis of Accounting

The combined statement of revenues, expenditures and changes in fund balances (budget and actual) present comparisons of legally adopted budgets with actual data on a budgetary basis. The budgetary basis of accounting differs from GAAP in that the cash basis of accounting is used. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be issued. All appropriations (including encumbered) lapse at year-end; any open encumbrances to be honored in the subsequent budget year are reappropriated in the new year's budget. As a result, no reserve for encumbrances is reported at year-end.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

E. Assets, Liabilities and Equity

Cash and Investments

For the purposes of the combined balance sheet and the statement of cash flows, "cash and cash equivalents" includes all demand deposits, savings accounts and certificates of deposits or short-term investments (including restricted assets) with an original maturity of three months or less. Deposits are stated at cost.

Investments are reported at fair value which is determined using market prices. Short-term investments are reported at cost, which approximates fair value.

Receivables and Uncollectible Accounts

Significant receivables include sales and use tax receivables and amounts due from customers primarily for utility services. These receivables are due within one year. Sales and use tax are considered fully collectable. The Town has established an allowance for uncollectible customer accounts based on management's prior experience using past due amounts more than 60 to 90 days. For the year ended June 30, 2014, the allowance for uncollectible accounts is \$7,527. Management does not believe there are significant losses in excess of the allowance.

Property, Plant and Equipment

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.

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 cost of normal maintenance and repairs that do not add to the asset value or materially extend the useful lives are not capitalized. Management established a capitalization limit of \$1,500.

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. Proprietary fund and similar component unit fixed assets are recorded in the respective funds or component units and depreciated using the straight-line method. When proprietary fund fixed assets are disposed, the cost and applicable accumulated depreciation is removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

- | | |
|------------------------------------|-------------|
| • Buildings | 25-50 years |
| • Other improvements | 2-50 years |
| • Machinery, furniture & equipment | 5-20 years |
| • Infrastructure | 25-50 years |

Fund Financial Statement

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.

Long-Term Debt

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as a liability.

Equity Classifications

Governmental Fund Balances

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

Nonspendable

Fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

Restricted

Fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

Committed

Fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town Council, the Town's highest level of decision-making authority,

Assigned

Fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned

Fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications

Net Position

Both proprietary fund financial statements and government-wide financial statements report net position. Amounts invested in capital assets, net of related debt and legally restricted amounts are separated from unrestricted net position.

Invested in capital assets, net of related debt

The amount restricted 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.

Restricted net position

Amounts reported as restricted consist of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

F. Revenues, Expenditures and Expenses

Revenues

Sales Tax

The Town levied a 4% sales tax on taxable sales within the Town. The sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission. The sales tax received is recorded as sales tax revenue within the General Fund. Of the 4 cent sales tax, two cents is restricted. The City transfers one cent to the Hospital Special Revenue fund for capital improvements and one cent is transferred to the Seiling Nursing Center for operations. The remaining two cents is pledged for debt service on the Seiling Public Works Authority bond obligation.

Charges for Services

Program revenues reported with governmental activities include charges for services like permits and fees, swimming pool fees, and fines and forfeitures. Business-type activity charges for services include all operating income of proprietary funds which consists largely of utility service revenues.

Grants and Contributions

Governmental grants and contributions primarily consist of grants from Federal and state agencies. The nature of the grant determines if it is reported as operating or capital program revenues.

Business-type activity grants and contributions include donations from others as well as grants from Federal and state agencies.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. Recurring transfers for operational purposes are classified as "operating transfers", while non-recurring transfers of equity are reported as "residual equity transfers".

Compensated Absences

Full-time employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the Town. Sick leave accrues to full-time employees to specified maximums. Generally, after one year of service, employees are entitled to a percentage of their sick leave balance and all accrued vacation leave upon termination. The estimated liabilities include required salary-related payments. Compensated absences are reported as accrued current liabilities in the government-wide and proprietary financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deficit Fund Net position/Fund Balance

Deficits resulting from accrual reporting do not constitute violations of Oklahoma State Statutes.

The Town had no deficit fund net position or fund balances for the fiscal year.

B. Budget Requirements

For the year ended June 30, 2014, the Town did not materially overspend in any department-level category.

C. Debt Restrictions and Covenants

Debt Service Calculation

The revenue bonds held by the Seiling Public Works Authority contain debt covenants which are related to financial matters. The most significant of which is the Debt Service Coverage, whereby, net charges for the operation of all utility services along with the 2% restricted sales tax shall provide Net Revenues Available for Debt Service ("NRADS"). NRADS

TOWN OF SEILING, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

must equal 1.25 times the average annual debt service of the note for the Authority. The following is a calculation of the coverage requirement.

<u>Revenue Bond Coverage:</u>	
Gross revenue available for debt service:	
Operating revenues of utility systems	\$ 949,275
Sales tax pledged to Pulic Works Authority	<u>327,450</u>
Total gross revenue available for debt service	\$ 1,276,725
Operating expenses for Public Works Authority	
Excluding depreciation and amortization	<u>816,648</u>
Net revenues available for debt service	<u><u>\$ 460,077</u></u>
Debt service requirements:	
Average annual debt service- 2013 Series	\$ 118,841
Computed coverage	<u><u>3.87</u></u>
Coverage requirement	<u><u>1.25</u></u>

D. Revenue Restrictions

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

<u>REVENUE SOURCE</u>	<u>LEGAL RESTRICTIONS OF USE</u>
Gasoline Excise/Commercial Vehicle Tax	Street and Alley Purposes
Sales Tax – 1%	Hospital
Sales Tax – 1%	Nursing Center
Sales Tax – 2%	Seiling Public Works Authority
Restricted Police Fee	Capital outlay and training of Police Dept.

(3) DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. Cash and Investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned or the Town will not be able to recover collateral securities in the possession of an outside party. The Town's deposits are secured by collateral values at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service. Collateral agreements must be approved prior to deposit of funds as provided by law. At June 30, 2014, the Town's deposits were properly collateralized.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

TOWN OF SEILING, OKLAHOMA
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Investments

The Town invests primarily in certificates of deposit. Bond sinking funds are held in U.S. treasury securities.

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Weighted Average Days to Maturity (2)</u>
Governmental Activities				
<u>INVESTMENTS:</u>				
Certificates of deposit	\$ 248,918	\$ 248,918	N/A	119
Total investments	248,918	248,918		
Total governmental investments	\$ 248,918	\$ 248,918		

RECONCILIATION TO STATEMENT OF NET POSITION

Investments, unrestricted	\$ 241,587
Investments, restricted	7,331
Total governmental investments	\$ 248,918

Business-type Activities

INVESTMENTS:

Certificates of deposit	\$ 107,284	\$ 107,284	N/A	159
Total investments	107,284	107,284		
Total business-type investments	\$ 107,284	\$ 107,284		

RECONCILIATION TO STATEMENT OF NET POSITION

Investments, unrestricted	\$ 65,228
Investments, restricted	42,056
Total governmental investments	\$ 107,284

(1) Ratings are provided where applicable to indicate associated **Credit Risk**. N/A indicates not applicable.

(2) **Interest rate risk** is estimated using either duration or weighted average days to maturity depending on the respective policy.

TOWN OF SEILING, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Restricted assets consist of the following:

Primary Governemnt

	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents			
Municipal court cash	\$ 54,980	\$ -	\$ 54,980
Library cash	499	-	499
Hospital improvements	324,959	-	324,959
Meter deposits	-	29,363	29,363
Debt service	-	468,264	468,264
Water capital improvements	-	33,670	33,670
Total cash and cash equivalents	380,438	531,297	911,735
Investments			
Meter deposit CD	-	42,056	42,056
Library CD	7,331	-	7,331
Total investments	7,331	42,056	49,387
Total restricted assets	\$ 387,769	\$ 573,353	\$ 961,122

B. PROPERTY, PLANT AND EQUIPMENT

Governmental Activities:

A summary of the changes in the governmental activities fixed assets at June 30, 2014 follows:

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014
Land	\$ 275,105	\$ -	\$ -	\$ 275,105
Buildings & structures	297,734	43,370	-	341,104
Machinery, furniture, & equipment	823,699	27,602	-	851,301
Improvements other than land	426,916	17,847	-	444,763
Total	1,823,454	88,819	-	1,912,273
Less accumulated depreciation	945,691	83,503	-	1,029,194
Fixed assets, net	\$ 877,763	\$ 5,316	\$ -	\$ 883,079

TOWN OF SEILING, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Business-Type Activities:

A summary of the proprietary fund types fixed assets at June 30, 2014 follows:

	<u>Balance at July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2014</u>
Seiling Public Works Authority				
Land	\$ 54,608	\$ -	\$ -	\$ 54,608
Construction in process	122,919	1,763,665	-	1,886,584
Buildings	177,285	-	-	177,285
Machinery, furniture, & equipment	368,522	3,570	-	372,092
Utility property and improvements	2,960,645	801,814	-	3,762,459
Total	3,683,979	2,569,049	-	6,253,028
Less accumulated depreciation	<u>1,769,207</u>	<u>110,811</u>	<u>-</u>	<u>1,880,018</u>
Fixed assets, net	<u>\$ 1,914,772</u>	<u>\$ 2,458,238</u>	<u>\$ -</u>	<u>\$ 4,373,010</u>

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against its operations. Accumulated depreciation is reported on proprietary fund balance sheets.

Depreciation expense was charged to functions in the statement of activities as follows:

Depreciation expense charges to governmental activities:

General government	\$ 10,557
Public safety & judiciary	46,214
Transportation	8,039
Cultural, parks & recreation	17,500
Public services	1,193
Total governmental activities depreciation expense	<u><u>\$ 83,503</u></u>

Depreciation expense charges to business-type activities:

Gas	\$ 9,285
Water	83,331
Customer service	1,197
Sewer	16,998
Total business-type activities depreciation expense	<u><u>\$ 110,811</u></u>

C. LONG-TERM DEBT

The following is a summary of long-term debt for the year ended June 30, 2014:

NOTES PAYABLE

Business-Type Activities:

SPWA entered into a promissory note with First National Bank of Seiling for the purchase of a bobcat in the amount of \$78,380 at 5% interest for a period of 60 months. Debt was issued in December 2011. Monthly payments are made; debt matures November 2016. \$ 40,192

In April 2012, SPWA entered into an agreement with First National Bank of Seiling for the purchase of a pickup in the amount of \$26,953 at 5% interest for a period of 60 months. Monthly payments are made; debt matures April 2017. 16,546

In March 2013, SPWA entered into an agreement with First National Bank of Seiling for the purchase of a backhoe in the amount of \$69,267 at 2.98% interest for a period of 60 months. Monthly payments are made; debt matures March 2018. 52,864

\$ 109,602

BONDS PAYABLE

Business-Type Activities:

SPWA Series 2013 Promissory Note to OWRB in the amount of \$2,895,000 is dated April 2013 to refund the Utility System Revenue Bonds, Series 2000 and provide funding for infrastructure improvements, note matures October 2038 with interest rates ranging from 2.4% to 5.4%. Underwriting fees and issuance costs were approximately \$96,375. Payments are made monthly to a debt service sinking fund. Funds were used to retire existing debt of the SPWA and construct capital assets. For the year ended June 30, 2014, the Town met the minimum debt service covenants as required under the agreement. \$ 2,870,000

\$ 2,870,000

TOWN OF SEILING, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
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Changes in Long-Term Debt:

The following is a summary of changes in long-term debt for the year ended June 30, 2014:

<u>Type of Debt</u>	<u>Balance at July 1, 2013</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Balance at June 30, 2014</u>	<u>Due Within One Year</u>
Governmental activities:					
<i>Lease/purchase debt</i>					
FNB Police Vehicle A	\$ 597	\$ -	\$ 597	\$ -	\$ -
FNB Police Vehicle B	3,777	-	3,777	-	-
Total governmental activities	<u>\$ 4,374</u>	<u>\$ -</u>	<u>\$ 4,374</u>	<u>\$ -</u>	<u>\$ -</u>
Business-type activities:					
<i>Notes Payable</i>					
FNB - Bobcat	\$ 55,458	\$ -	\$ 15,266	\$ 40,192	\$ 16,047
FNB - Pickup	21,688	-	5,142	16,546	5,427
FNB - Backhoe	65,993	-	13,129	52,864	13,526
	143,139	-	33,537	109,602	35,000
<i>Bonds Payable</i>					
2013 Series Revnue Bonds	2,895,000	-	25,000	2,870,000	25,000
Total business-type activities	<u>3,038,139</u>	<u>-</u>	<u>58,537</u>	<u>2,979,602</u>	<u>60,000</u>
Total primary government debt	<u>\$ 3,042,513</u>	<u>\$ -</u>	<u>\$ 62,911</u>	<u>\$ 2,979,602</u>	<u>\$ 60,000</u>

Annual Debt Service Requirements:

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2014 follow:

<u>Year Ending June 30</u>	<u>Notes Payable</u>		<u>Bonds Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	35,000	3,719	25,000	131,512
2016	36,505	2,214	70,000	130,196
2017	26,612	768	70,000	128,167
2018	11,485	132	75,000	126,064
2019	-	-	75,000	123,701
2020-2024	-	-	430,000	461,769
2025-2029	-	-	545,000	369,183
2030-2034	-	-	695,000	202,977
2035-2038	-	-	885,000	131,477
Totals	<u>\$ 109,602</u>	<u>\$ 6,833</u>	<u>\$ 2,870,000</u>	<u>\$ 1,805,046</u>

D. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers for the year ended June 30, 2014 were as follows:

<u>Transfer To/Transfer From</u>	<u>To</u>	<u>From</u>
GOVERNMENTAL FUND: General Fund		
Hospital Special Revenue Fund	\$ 163,725	\$ -
Public Works Authority (Enterprise Fund)	327,450	327,450
Other governmental entities	163,725	-
GOVERNMENTAL FUND: Hospital Special Revenue Fund		
General Fund	-	163,725
Public Works Authority (Enterprise Fund)	83,607	-
ENTERPRISE FUND: Public Works Authority		
General Fund	327,450	327,450
Hospital Special Revenue Fund	-	83,607
Grand Total	1,065,957	902,232
** excluding other governmental entities	163,725	-
	\$ 902,232	\$ 902,232

(4) RETIREMENT PLANS

The Town participates in three employee retirement systems as follows:

<u>Name of Plan</u>	<u>Type of Plan</u>
Oklahoma Municipal Retirement Fund	Agent Multiple Employer – Defined Benefit Plan
Oklahoma Municipal Retirement Fund	Defined Contribution Plan
Oklahoma Firefighters Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan

A. Oklahoma Municipal Retirement Fund

Plan Description

Substantially all of the Town's full-time employees, except police and firefighters, participate in a defined benefit pension plan adopted by the Town and administered by the Oklahoma Municipal Retirement System, which was established to administer pension plans for municipal employees. All full-time employees of the Town or Authority, with the exception of police, firefighter and any employee covered by another retirement system, are eligible to participate. The Town has no probationary period for participation. Contributions are actuarially determined. For the year ended June 30, 2014, contribution rates were 4.9% and 5.83% for employees and employers, respectively.

Membership in the plan is as follows:

	<u>As of January 1, 2014</u>
Retired participants and beneficiaries	4
Active participants	7
Total	11

The following is a summary of eligibility, contribution methods and benefits provisions:

<u>Provision</u>	<u>OMRF Plan</u>
a. Period Required to Vest	5 years of credited service
b. Eligibility for Distribution	<ul style="list-style-type: none"> - Normal retirement at age 65 with 5 years of service. - Early Retirement after age 55 with 5 years or more of service. - Disability retirement upon total and permanent disability after 5 years of service. - Termination before retirement age return of employee contributions with interest - Termination after vesting accrued benefit at normal retirement age

TOWN OF SEILING, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
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- c. Benefit Determination Base
 Final average compensation – the average of the five highest consecutive annual salaries out of the last 10 calendar years of service. Accrued benefit is 2.625% of final average compensation multiplied by the number of year of credited service
- d. Benefit Determination Methods:
- Normal Retirement
 Accrued benefit payable immediately.
 - Early Retirement
 Accrued benefit payable starting at normal retirement age or accrued benefit reduced 5% per year for commencement prior to normal retirement age
 - Disability Retirement
 Accrued benefit payable upon disablement without reduction for early payment
 - Death Benefit
 50% of accrued benefit is payable to spouse until death or remarriage, non-married participants 50% of the accrued benefit is payable for 5 years
 - Prior to 5 Years Service
 Return of employee contributions with accrued interest.
- g. Form of Benefit Payments
 Normal form of payment of the accrued benefit is a monthly lifetime annuity with 5 years certain. Other retirement benefits are available under actuarially equivalent optional forms

Funding Status and Progress

Actuarial Valuation Date	Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll c	UAAL as a % of Covered Payroll (b-a/c)
1/1/2014	718,967	623,225	(95,742)	115.4%	242,719	-39.4%
1/1/2013	666,776	658,356	(8,420)	101.3%	259,077	-3.2%
1/1/2012	639,623	609,504	(30,119)	104.9%	223,463	-13.5%

- a. Date of last Actuarial Valuation
 March 2014
- b. Significant Actuarial Assumptions Used:
1. Rate of Return on Investments
 7.5% per annum
 2. Projected Salary Increase
 Rates by age, range 4.0% - 7.42%
 3. Retirement Age
 Normal and early rates
 4. Mortality Table
 UP 1994 mortality (projected)
 5. Asset Value
 Actuarial method
- c. Actuarial cost method
 Entry age normal cost method
- d. Amortization method
 Level % of payroll
- e. Fiscal Year 2014 Contributions Made
- | | |
|------------------------|-----------|
| Total Contributions | \$ 31,850 |
| Employee Contributions | \$ 13,799 |
| Employer Contributions | \$ 18,051 |

B. Oklahoma Firefighter's Pension and Retirement Systems

Plan Description

The Town's participates in the statewide, cost-sharing, multiple-employer defined benefit plans on behalf of firefighters. The table below is a summary of eligibility factors contribution methods, and benefit provisions. The Town of Seiling is supported by a voluntary force of firefighters.

The systems is administered by an agency of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations as necessary.

	<u>Oklahoma Firefighter's Pension and Retirement System</u>
Eligibility to participate	All full-time or voluntary firefighters of a participating municipality hired before age 45.
Authority establishing contribution obligations and benefits	State Statute
Plan member's contribution rate	0% of covered payroll
Town's contribution rate	\$60 per year, per firefighter (volunteer)
Period required to vest	10 years
Benefits and eligibility for distribution (full time)	NA
Benefits and eligibility for distribution (volunteer)	20 years credited service equal to \$7.53 per month per year of service, with a maximum of 30 years considered.
Deferred retirement option	Yes, 20 years credited service with continued service for 30 or more years.

Employer contribution rates are determined by Oklahoma State Statute.

(5) **COMMITMENTS AND CONTINGENCIES**

A. **Litigation**

The Town is party to various legal proceedings, which normally occur in the course of governmental operations. These proceedings are not likely to have a material adverse impact on the funds of the Town. In addition, the Town currently is a party to lawsuit regarding an officer-related shooting. The Town attorney has advised management of a possible unfavorable outcome. An estimate of the loss cannot be determined; and therefore, has not been accrued in the financial statements.

B. **Grant Program Involvement**

In the normal course of operations, the Town participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement, which may arise as a result of these audits, cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

(6) **SUBSEQUENT EVENTS**

A. **Seiling Municipal Hospital**

Subsequent to year end, the Town of Seiling took over operation of the Seiling Municipal Hospital.

Town of Seiling, Oklahoma
General Fund
Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2014

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES					
Sales tax	\$ 593,662	\$ 62,000	\$ 655,662	\$ 664,914	\$ 9,252
Use tax	61,676	2,400	64,076	55,543	(8,533)
Franchise taxes	38,124	705	38,829	43,851	5,022
Fines and forfeitures	175,000	(72,000)	103,000	117,768	14,768
Licenses and permits	600	260	860	962	102
Investment income	2,000	500	2,500	1,951	(549)
Charges for services	7,900	800	8,700	9,896	1,196
Intergovernmental	43,526	13,028	56,554	26,552	(30,002)
Miscellaneous	19,600	38,990	58,590	108,423	49,833
Total revenues before carryover	<u>942,088</u>	<u>46,683</u>	<u>988,771</u>	<u>1,029,860</u>	<u>41,089</u>
EXPENDITURES					
Current:					
General government:					
General government	108,000	16,533	124,533	121,129	3,404
Clerk	78,000	-	78,000	67,509	10,491
Total general government	<u>186,000</u>	<u>16,533</u>	<u>202,533</u>	<u>188,638</u>	<u>13,895</u>
Public safety and judiciary:					
Police	211,177	(40,311)	170,866	168,065	2,801
Fire	23,500	15,138	38,638	38,375	263
Animal control	1,500	1,500	3,000	2,980	20
Total public safety and judiciary	<u>236,177</u>	<u>(23,673)</u>	<u>212,504</u>	<u>209,420</u>	<u>3,084</u>
Transportation:					
Street	75,000	-	75,000	58,288	16,712
Airport	800	500	1,300	1,144	156
Total transportation	<u>75,800</u>	<u>500</u>	<u>76,300</u>	<u>59,432</u>	<u>16,868</u>
Cultural, parks and recreation:					
Library	4,500	2,000	6,500	6,277	223
Park	7,500	23,371	30,871	30,568	303
Community Building	5,600	-	5,600	5,358	242
Swimming Pool	38,500	-	38,500	37,615	885
Total cultural, parks and recreation	<u>56,100</u>	<u>25,371</u>	<u>81,471</u>	<u>79,818</u>	<u>1,653</u>
Total expenditures	<u>554,077</u>	<u>18,731</u>	<u>572,808</u>	<u>537,308</u>	<u>35,500</u>
Revenue over (under) expenditures	388,011	27,952	415,963	492,552	76,589
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	(296,831)	(31,000)	(327,831)	(327,450)	381
Net other financing sources (uses)	<u>(296,831)</u>	<u>(31,000)</u>	<u>(327,831)</u>	<u>(327,450)</u>	<u>381</u>
Revenues and other financing sources over (under) expenditures and other uses	91,180	(3,048)	88,132	165,102	76,970
Fund balance at beginning of year (Non-GAAP budgetary basis)			<u>445,000</u>	<u>551,759</u>	<u>137,216</u>
Fund balance at end of year (Non-GAAP budgetary basis)			\$ 533,132	\$ 716,861	<u>\$ 214,186</u>
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				6,123	
Expenditure and transfer accruals				(750)	
Fund balance at end of year (GAAP basis)				<u>\$ 722,234</u>	

(1) Budgets include fund balances carried over from prior years. It is not revenue of the current period, but is presented as revenue only for budgetary reporting purposes.



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

To the City Council
Town of Seiling, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Seiling, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Town of Seiling, Oklahoma's basic financial statements, and have issued our report thereon dated January 27, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Seiling, Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

FSW&B CPA'S- PLLC

Stillwater, OK
January 27, 2015