

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

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

**FOR THE YEAR ENDED
JUNE 30, 2013**

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

Karen Riffel

TOWN TREASURER AND CLERK

Shara Feuerborn



205 W. McElroy, Suite 1
Stillwater, OK 74074
(405) 624-9500

INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Seiling, OK

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, OK, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town'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. 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 Seiling Housing Authority have not been audited, and we were not engaged to audit the Seiling Housing Authority 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 discretely presented component unit and represent 2.52 percent, .56 percent, and 6.22 percent of the assets, net position, and revenues, respectively, of the Town's aggregate discretely presented component units.

Disclaimer of Opinion

Because we have not audited the financial statements of the Seiling Housing Authority which is a discretely 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 discretely presented component units of the Town of Seiling.

Unmodified Opinions

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 for Town of Seiling, OK, as of June 30, 2013, 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 Information

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2013, on our consideration of the City of Seiling, OK'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* and should be considered in assessing the results of our audit.

FSW&B CPA's - PLLC

FSW&B CPA's-PLLC

Stillwater, OK

December 19, 2013

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, 2013. 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 \$3,031,755 (net position) for the fiscal year 2013. This compared to the previous year when assets exceeded liabilities by \$2,890,744, after prior period adjustment. A prior period adjustment was made to reflect the Town's adoption of GASB 65. Refer to the footnotes for discussion of the standard.
- Total liabilities of the Town increased from \$1,081,977 to \$3,620,950. The increase is attributable to the issuance of debt in SPWA to be used for capital improvements of the Town, 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 \$1,905,676 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - Unrestricted net position of \$1,126,079 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 \$580,329 this year. This compared to the prior year ending fund balance of \$524,942, showing an increase of \$55,387. This is attributable to increase in general revenues.

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, 2013 was \$3,031,755. This is a \$164,214 increase over June 30, 2012 net position of \$2,890,744, excluding prior period adjustment.

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>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>		
Current assets	\$ 664,622	\$ 653,131	\$ 3,186,028	\$ 665,606	\$ 3,850,650	\$ 1,318,737	\$ 2,531,913	192%
Non-current assets	-	-	9,520	33,913	9,520	33,913	(24,393)	-72%
Capital assets, net	877,763	866,253	1,914,772	1,753,818	2,792,535	2,620,071	172,464	7%
Total assets	\$ 1,542,385	\$ 1,519,384	\$ 5,110,320	\$ 2,453,337	\$ 6,652,705	\$ 3,972,721	\$ 2,679,984	67%
Current liabilities	\$ 88,667	\$ 135,251	\$ 280,393	\$ 170,625	\$ 369,060	\$ 305,876	\$ 63,184	21%
Non-current liabilities	-	4,374	3,251,890	771,727	3,251,890	776,101	2,475,789	319%
Total liabilities	88,667	139,625	3,532,283	942,352	3,620,950	1,081,977	2,538,973	235%
Net assets								
Invested in capital assets, net of related debt	873,389	854,817	1,032,287	853,049	1,905,676	1,707,866	197,810	12%
Unrestricted	580,329	524,942	545,750	657,936	1,126,079	1,182,878	(56,799)	-5%
Total net position	\$ 1,453,718	\$ 1,379,759	\$ 1,578,037	\$ 1,510,985	\$ 3,031,755	\$ 2,890,744	\$ 141,011	5%

The Town reported positive balances in total net position for both governmental and business-type activities. Net position increased \$73,959 for governmental activities and \$90,255 for business-type activities. The Town's overall financial position improved during fiscal year 2013.

TOWN OF SEILING, OKLAHOMA
MANAGEMENT DISCUSSION & ANALYSIS
JUNE 30, 2013

Summary of Changes in Net Position

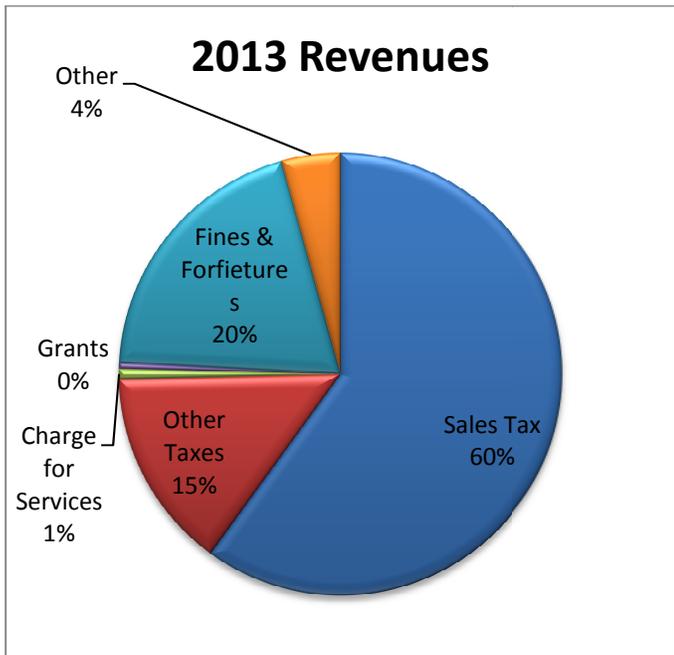
	Governmental Activities		Business-type Activities		Total		\$ Change	% Change
	2013	2012	2013	2012	2013	2012		
Revenues								
Program revenues	\$ 233,369	\$ 362,715	\$ 993,065	\$ 832,928	\$ 1,226,434	\$ 1,195,643	\$ 30,791	3%
Taxes and other general revenues	813,676	761,796	21,796	17,777	835,472	779,573	55,899	7%
Total revenues	1,047,045	1,124,511	1,014,861	850,705	2,061,906	1,975,216	86,690	4%
Expenses								
General government	203,689	262,918	-	-	203,689	262,918	(59,229)	-23%
Public safety and judiciary	287,839	271,688	-	-	287,839	271,688	16,151	6%
Transportation	89,801	205,823	-	-	89,801	205,823	(116,022)	-56%
Cultural, parks, and recreation	76,912	74,501	-	-	76,912	74,501	2,411	3%
Gas	-	-	218,040	206,587	218,040	206,587	11,453	6%
Water	-	-	328,489	204,633	328,489	204,633	123,856	61%
Sewer	-	-	90,957	81,518	90,957	81,518	9,439	12%
Sanitation	-	-	106,630	104,586	106,630	104,586	2,044	2%
Customer service	-	-	180,490	151,749	180,490	151,749	28,741	19%
Total expenses	658,241	814,930	924,606	749,073	1,582,847	1,564,003	18,844	1%
Excess (deficiency) before transfer	388,804	309,581	90,255	101,632	479,059	411,213	67,846	16%
Transfers	-	-	-	-	-	-	-	
Transfers to component units	(314,845)	(273,878)	-	-	(314,845)	(273,878)	(40,967)	15%
Increase (decrease) in net assets	\$ 73,959	\$ 35,703	\$ 90,255	\$ 101,632	\$ 164,214	\$ 137,335	\$ 26,879	20%

Program revenues remained consistent year over year, noting a 4% change. Sales tax noted a marginal increase when compared to prior year. Program revenues for governmental funds showed a decrease due to a decrease in contributions and grants received. Business-type activities noted an increase in program revenues specifically related to \$105,000 in grant revenues accrued for the fiscal year.

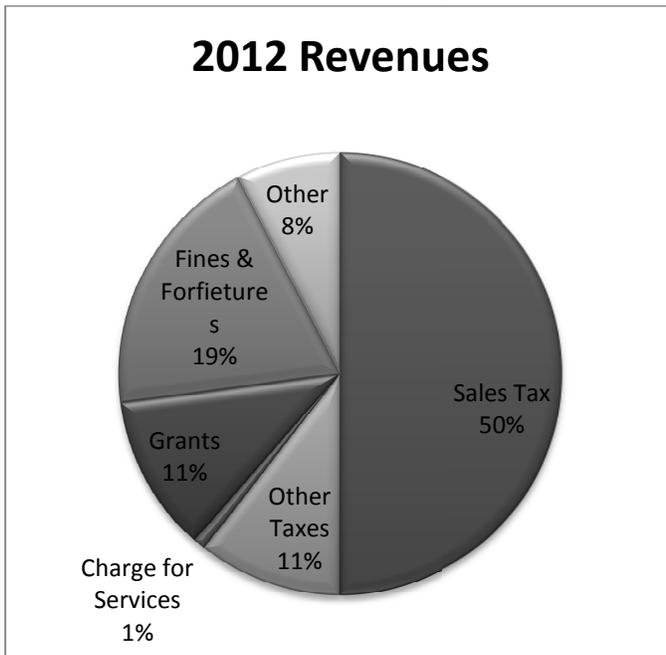
Operating expenses also remained consistent with prior year, noting a 1% change. The Town shifted costs between departments; however, in total, the change was insignificant.

Graphic presentations of the Summary of Changes in Net position follow to assist in the analysis of the Town's activities for fiscal year 2013 and 2012.

Governmental Activities

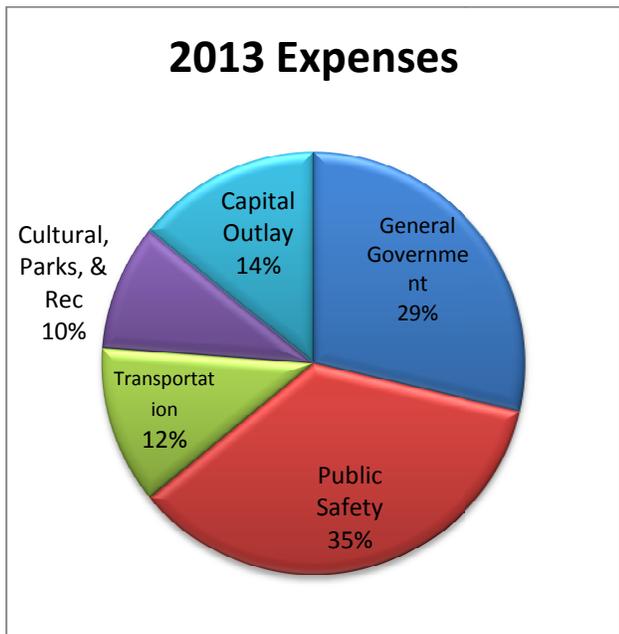


Total - \$1,047,045

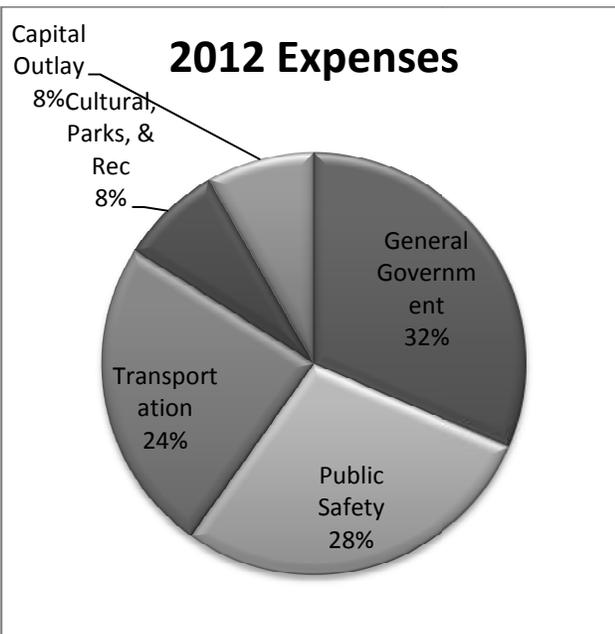


Total - \$1,124,509

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 2013, sales tax revenues contributed 60% of the funding for the Town compared to 50% in prior year. Fines and forfeitures remained consistent between years as the next largest funding source for the Town.



Total - \$676,813

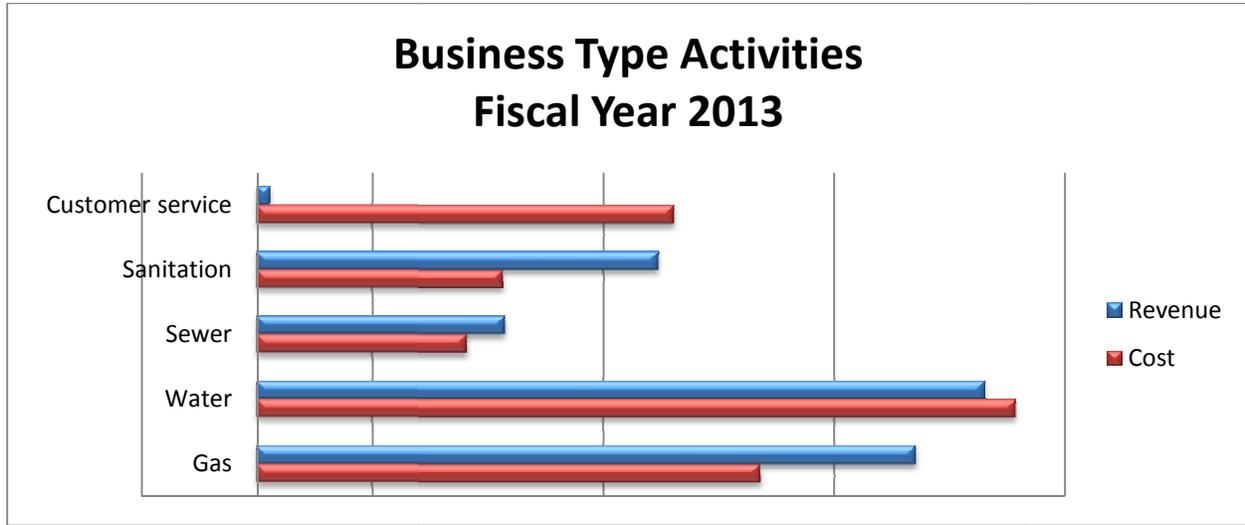


Total - \$577,093

Governmental expenses increased when compared to prior year. Public safety expenses noted the most significant jump between fiscal years from 28% in 2012 to 35% in 2013. In fiscal year 2012, the Town

made improvements to roadways and sidewalks, which were not done in fiscal year 2013, resulting in a decrease in the percentage of funding usage.

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 \$580,329, of which \$435,178 is considered unassigned indicating availability for ongoing operations of the Town.

The total ending fund balance of governmental funds show an increase of \$55,387. Refer to discussion above.

General Fund Budgetary Highlights

The original adopted General Fund budget for fiscal year 2013 was \$604,928. The budget was amended during the year, increasing \$106,400, to \$711,328.

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, 2013 was \$873,389 and \$1,032,287, respectively. Major capital asset additions for the General Fund included the purchase of land, swimming pool improvements, sidewalk repairs, and a new utility billing system.

**TOWN OF SEILING, OKLAHOMA
MANAGEMENT DISCUSSION & ANALYSIS
JUNE 30, 2013**

Capital additions during the fiscal year in the business-type activities include water improvements and a backhoe for use in the water department.

Primary Government Capital Assets (net of accumulated depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Land	\$ 275,105	\$ 235,605	\$ 54,608	\$ 54,608	\$ 329,713	\$ 290,213
Construction in process	-	-	122,919	-	122,919	-
Buildings	95,406	117,821	1,197	10,919	96,603	128,740
Machinery & equipment	211,024	232,310	157,277	107,078	368,301	339,388
Utility property & improvements	296,228	280,517	1,578,771	1,581,213	1,874,999	1,861,730
Totals	\$ 877,763	\$ 866,253	\$ 1,914,772	\$ 1,753,818	\$ 2,792,535	\$ 2,620,071

Long-Term Debt

At the end of the fiscal year, the Town had \$2,979,162 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

	Governmental		Business-type	
	Activities		Activities	
	2013	2012	2013	2012
Notes payable	\$ 4,374	\$ 11,436	\$ 143,139	\$ 96,161
Revenue bonds	-	-	2,895,000	750,000
subtotal	4,374	11,436	3,038,139	846,161
less current portion	(4,374)	(4,374)	(58,977)	(74,434)
Totals	\$ -	\$ 7,062	\$ 2,979,162	\$ 771,727

The Town issued bonds in 2013 for the purpose of infrastructure improvements. Refer to the footnotes for further information regarding debt issuance.

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES

Economic Environment

According to the Oklahoma Economic Report, the state's twelve-month gross receipts have reached an all time high, surpassing the previous record set in December 2008. State Treasurer, Ken Miller, Oklahoma has "regained and moved past the ground it lost during the Great Recession". Although the national economy has been sluggish, Oklahoma has shown significant improvement. The economic environment of the state sheds light on that local economy, as the Town has also seen improvement.

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 Town'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 3% 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.

Projected expenses for the Town in fiscal year 2013 reflect less than a 4% change in total expenses for the General Fund, which is consistent with the change in consumer price index. No capital projects are budgeted for the General Fund.

The Seiling Public Works Authority (the "Authority") operating expenses are budgeted at levels consistent with FY11, noting a minor 5% decrease. Capital projects budgeted for the Authority total \$15,000, which includes software upgrades for the Town.

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, 2013

ASSETS	Governmental Activities	Business-type Activities	Total	Component Unit
Current Assets:				
Cash and cash equivalents	\$ 144,652	\$ 275,400	\$ 420,052	\$ 15,574
Investments, including time deposits	240,625	64,984	305,609	18,039
Accounts receivable (net)	128,528	57,493	186,021	3,537
Grants receivable	-	105,406	105,406	-
Inventory	-	-	-	2,120
Prepaid Insurance	-	-	-	539
Due from other funds	-	23,290	23,290	-
Total current assets	513,805	526,573	1,040,378	39,809
Restricted assets:				
Cash and cash equivalents	143,522	53,546	197,068	-
Investments, including time deposits	7,295	2,605,909	2,613,204	-
Total restricted assets	150,817	2,659,455	2,810,272	-
Noncurrent Assets:				
Unamortized bond issue costs	-	9,520	9,520	-
Land and construction in progress	275,105	177,527	452,632	6,604
Other capital assets (net of accumulated depreciation)	602,658	1,737,245	2,339,903	121,268
Total noncurrent assets	877,763	1,924,292	2,802,055	127,872
Total assets	\$ 1,542,385	\$ 5,110,320	\$ 6,652,705	\$ 167,681
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 33,549	\$ 120,195	\$ 153,744	\$ 2,419
Salary and benefits payable	26,113	22,610	48,723	1,359
Sales tax payable	1,341	393	1,734	-
Due to other funds	23,290	-	23,290	-
Prepaid rents	-	-	-	2,050
Notes payable, current	4,374	33,977	38,351	-
Bonds payable, current	-	25,000	25,000	-
Total current liabilities	88,667	202,175	290,842	5,828
Liabilities payable from restricted assets:				
Accrued interest payable	-	23,098	23,098	-
Customer deposits payable	-	55,120	55,120	-
Total liabilities payable from restricted assets	-	78,218	78,218	-
Noncurrent liabilities:				
Unamortized bond premium	-	272,728	272,728	-
Notes payable, non-current	-	109,162	109,162	-
Bonds payable, non-current	-	2,870,000	2,870,000	-
Total noncurrent liabilities	-	3,251,890	3,251,890	-
Total liabilities	88,667	3,532,283	3,620,950	5,828
NET POSITION				
Invested in capital assets, net of related debt	873,389	1,032,287	1,905,676	127,872
Unrestricted	580,329	545,750	1,126,079	33,981
Total net position	\$ 1,453,718	\$ 1,578,037	\$ 3,031,755	\$ 161,853

Town of Seiling, Oklahoma
Statement of Activities
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government:					
General government	\$ 119,766	\$ 988	\$ 125	\$ -	\$ (118,653)
Clerk	78,763	-	-	-	(78,763)
Total general government	198,529	988	125	-	(197,416)
Public safety and judiciary:					
Police	230,239	208,251	2,191	-	(19,797)
Fire	54,477	-	4,484	-	(49,993)
Animal control	3,123	-	-	-	(3,123)
Total public safety and judiciary	287,839	208,251	6,675	-	(72,913)
Transportation:					
Street	86,265	-	7,727	-	(78,538)
Airport	3,536	-	-	-	(3,536)
Total transportation	89,801	-	7,727	-	(82,074)
Cultural, parks and recreation:					
Library	4,796	-	-	-	(4,796)
Park	24,427	-	-	-	(24,427)
Community building	11,441	1,830	-	-	(9,611)
Swimming Pool	36,248	7,773	-	-	(28,475)
Total cultural, parks and recreation	76,912	9,603	-	-	(67,309)
Total governmental activities	\$ 653,081	\$ 218,842	\$ 14,527	\$ -	\$ (419,712)
Business-type activities:					
Utility services:					
Gas	\$ 218,040	\$ 285,420	\$ -	\$ -	\$ 67,380
Water	328,489	315,441	-	105,406	92,358
Sewer	90,957	107,171	-	-	16,214
Sanitation	106,630	173,961	-	-	67,331
Customer service	180,650	-	5,666	-	(174,984)
Total business-type activities	924,766	881,993	5,666	105,406	68,299
Total primary government	\$ 1,577,847	\$ 1,100,835	\$ 20,193	\$ 105,406	\$ (351,413)
Component Unit					
Housing Authority:					
Tenant services	\$ 59,986	\$ 20,953	\$ 55,375	\$ -	\$ 16,342
Total component unit	\$ 59,986	\$ 20,953	\$ 55,375	\$ -	\$ 16,342

Town of Seiling, Oklahoma
Statement of Activities (continued)
Year Ended June 30, 2013

Changes in Net Assets:	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Net (expense)/revenue	\$ (419,712)	\$ 68,299	\$ (351,413)	\$ 16,342
General revenues:				
Taxes:				
Sales tax	627,992	-	627,992	-
Use tax	60,262	-	60,262	-
Franchise taxes	45,261	-	45,261	-
Alcoholic beverage tax	32,141	-	32,141	-
Cigarette tax	8,142	-	8,142	-
Investment income	2,506	1,651	4,157	87
Oil royalties	1,055	-	1,055	-
Reimbursements	30,855	-	30,855	-
Penalties	-	9,853	9,853	-
Sale of assets	2,700	-	2,700	-
Miscellaneous	2,762	5,292	8,054	6,580
Transfers - Other governments, net	(314,845)	-	(314,845)	-
Transfers - Internal activity, net	(5,160)	5,160	-	-
Total general revenues and transfers	493,671	21,956	515,627	6,667
 Change in net position	 73,959	 90,255	 164,214	 23,009
 Net position-beginning	 1,379,759	 1,510,985	 2,890,744	 138,844
Prior period adjustment	-	(23,203)	(23,203)	-
Net position-ending	\$ 1,453,718	\$ 1,578,037	\$ 3,031,755	\$ 161,853

**Town of Seiling, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2013**

	General Fund
ASSETS	
Cash	\$ 288,174
Investments, including time deposits	247,920
Taxes receivable	89,674
Accounts receivable	38,854
Grants receivable	-
Total assets	\$ 664,622
LIABILITIES	
Accounts payable	\$ 33,549
Salaries and benefits payable	26,113
Due from other funds	23,290
Accrued liabilities	1,341
Total liabilities	84,293
FUND BALANCES	
Committed	137,856
Assigned	7,295
Unassigned	435,178
Total fund balances	580,329
Total liabilities and fund balances	\$ 664,622
Total fund balance- total governmental funds	580,329
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	1,548,349
Less: Accumulated depreciation	(945,691)
	877,763
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	
	(4,374)
Net assets of governmental activities	\$ 1,453,718

Town of Seiling, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2013

	General Fund
<u>REVENUES</u>	
Sales tax	\$ 627,992
Use tax	60,262
Beverage tax	32,141
Franchise taxes	45,261
Cigarette tax	8,142
Motor vehicle tax	6,153
Gas tax	1,573
Licenses and permits	738
Fines and forfeitures	208,098
Investment income	2,506
Charges for services	7,773
Rentals and royalties	2,885
Intergovernmental	4,609
Donations	4,942
Miscellaneous	33,970
Total revenues	1,047,045
<u>EXPENDITURES</u>	
Current:	
General government:	
General government	109,978
Clerical	78,763
Total general government	188,741
Public safety and judiciary:	
Police	216,939
Fire	19,682
Animal control	3,123
Total public safety and judiciary	239,744
Transportation:	
Street	78,395
Airport	3,335
Total transportation	81,730
Cultural, parks and recreation:	
Library	4,497
Park	15,361
Community Building	9,566
Swimming Pool	36,249
Total cultural, parks and recreation	65,673
Capital outlay	
Total expenditures	671,653
Excess (deficiency) of revenues over expenditures	375,392
<u>OTHER FINANCING SOURCES (USES)</u>	
Transfers out other governments	(314,845)
Transfers in	314,845
Transfers out	(320,005)
Total other financing sources and uses	(320,005)
Net change in fund balances	55,387
Fund balances - beginning	524,942
Fund balances - ending	\$ 580,329

Town of Seiling, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2013

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	\$	55,387
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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		95,765
Depreciation expense		(84,255)

Principle debt payments are reported as expenditures in the governmental funds		7,062
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Change in Net Assets of Governmental Activities	\$	73,959
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Town of Seiling, Oklahoma
Statement of Net Position
Proprietary Funds
June 30, 2013

	Business-type Activities	Discretely Presented Component Unit
	Public Works Authority	Seiling Housing Authority
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 275,400	\$ 15,574
Investments	64,984	18,039
Accounts receivable (net)	57,493	3,537
Grant receivable	105,406	-
Inventory	-	2,120
Prepaid Insurance	-	539
Due from other funds	23,290	-
Total current assets	<u>526,573</u>	<u>39,809</u>
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	53,546	-
Investments	2,605,909	-
Total restricted assets	<u>2,659,455</u>	<u>-</u>
Noncurrent assets:		
Unamortized bond discount	9,520	-
Land and construction in process	177,527	6,604
Capital assets (net)	1,737,245	121,268
Total noncurrent assets	<u>1,924,292</u>	<u>127,872</u>
Total assets	<u>\$ 5,110,320</u>	<u>\$ 167,681</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 120,195	\$ 2,419
Salary and benefits payable	22,610	1,359
Sales tax payable	393	-
Prepaid rents	-	2,050
Notes payable, current	33,977	-
Total current liabilities	<u>177,175</u>	<u>5,828</u>
Liabilities payable from restricted assets:		
Accrued interest payable	23,098	-
Customer deposits payable	55,120	-
Bonds payable, current	25,000	-
Total liabilities payable from restricted assets	<u>103,218</u>	<u>-</u>
Noncurrent liabilities:		
Unamortized bond premium	272,728	-
Notes payable, noncurrent	109,162	-
Bonds payable, noncurrent	2,870,000	-
Total noncurrent liabilities	<u>3,251,890</u>	<u>-</u>
Total liabilities	<u>3,532,283</u>	<u>5,828</u>
NET POSITION		
Invested in capital assets, net of related debt	1,032,287	127,872
Unrestricted	545,750	33,981
Total net position	<u>\$ 1,578,037</u>	<u>\$ 161,853</u>

Town of Seiling, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2013

	<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	\$ 285,420	\$ -
Water charges	315,441	-
Sewer charges	107,171	-
Sanitation charges	173,961	-
Penalties	9,853	-
Tenant services	-	76,328
Total charges for services	<u>891,846</u>	<u>76,328</u>
Miscellaneous	5,290	6,580
Total operating revenues	<u>897,136</u>	<u>82,908</u>
<u>Operating expenses:</u>		
Cost of goods sold	131,733	-
Personal services	246,062	12,946
Materials and supplies	64,473	1,240
Other services and charges	217,576	32,421
Depreciation and amortization	96,872	13,379
Total operating expenses	<u>756,716</u>	<u>59,986</u>
Net operating income	140,420	22,922
<u>Nonoperating revenue (expense):</u>		
Investment income	1,651	87
Grant income	111,072	-
Interest expense	(167,686)	-
Bad debt	(362)	-
Total nonoperating revenue/(expense)	<u>(55,325)</u>	<u>87</u>
Net income before contributions and transfers	85,095	23,009
Transfers from other funds	320,005	-
Transfers to other funds	<u>(314,845)</u>	<u>-</u>
Change in net position	90,255	23,009
Net position-beginning of year	1,510,985	138,844
Prior period adjustment	(23,203)	-
Net position-end of year	<u>\$ 1,578,037</u>	<u>\$ 161,853</u>

Town of Seiling, Oklahoma
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2013

	Business-type Activities	Discretely Presented Component Unit
	Public Works Authority	Seiling Housing Authority
<u>Cash flows from operating activities:</u>		
Receipts from customers/patients	\$ 883,508	\$ 75,048
Payments to suppliers	(308,611)	(36,818)
Payments to employees	(242,391)	(12,455)
Other operating revenues	5,290	6,580
Net cash provided (used) by operating activities	337,796	32,355
<u>Cash flows from non-capital financing activities:</u>		
Transfers from other funds	320,005	-
Transfers to other funds	(314,845)	-
Net cash provided (used) by non-capital financing activities	5,160	-
<u>Cash flows from capital and related financing activities:</u>		
Purchase of capital assets	(267,766)	(24,250)
Issuance of bonds	2,895,000	-
Premium on bond issuance	283,860	-
Issuance of debt for capital assets	69,267	-
Contributions for capital assets	5,666	-
Principal paid on capital debt	(772,290)	-
Interest paid on capital debt	(148,495)	-
Net cash provided (used) by capital and related financing activities	2,065,242	(24,250)
<u>Cash flows from investing activities:</u>		
Investment income	1,651	87
Net cash provided (used) by investing activities	1,651	87
Net increase (decrease) in cash and cash equivalents	2,409,849	8,192
Cash and cash equivalents, July 1, 2012	589,990	25,421
Cash & cash equivalents, June 30, 2013	\$ 2,999,839	\$ 33,613
Cash, including time deposits	\$ 340,384	\$ 33,613
Restricted cash, including time deposits	2,659,455	-
Total cash and cash equivalents, end of year	\$ 2,999,839	\$ 33,613
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</u>		
Operating income (loss)	\$ 140,420	\$ 22,922
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	96,872	13,379
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(8,338)	(1,280)
Increase (decrease) in accounts payable	103,256	(2,674)
Increase (decrease) in wages & benefits payable	3,671	491
Increase (decrease) in deposits subject to refund	1,915	(483)
Total adjustments	197,376	9,433
Net cash provided (used) by operating activities	\$ 337,796	\$ 32,355

(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.

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.

Prior Period Adjustment

The City adopted GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities* for the year ended June 30, 2013 which resulted in a prior period adjustment of \$23,203 related to deferred bond issuance costs. Previously the cost incurred for issuing bonds were capitalized on the Statement of Net Position and amortized over the life of the bond issue

Date of Management's Review

Subsequent events were evaluated through December 9, 2013, which is the date the financial statements were available to be issued.

C. Fund Types and Major Funds

Major Governmental Funds

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.

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, 2013, the allowance for uncollectible accounts is \$4,553. 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 liabilities.

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.

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.

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, 2013, 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 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.

TOWN OF SEILING, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Revenue Bond Coverage:

<u>Gross revenue available for debt service:</u>	
Operating revenues of utility systems	\$ 885,991
Sales tax pledged to Public Works Authority	314,845
Total gross revenue available for debt service	\$ 1,200,836
Operating expenses for Public Works Authority	
Excluding depreciation and amortization	637,302
Net revenues available for debt service	\$ 563,534
Debt service requirements:	
Average annual debt service- 2013 Series	\$ 201,398
Computed coverage	2.80
Coverage requirement	1.25

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:

REVENUE SOURCE	LEGAL RESTRICTIONS OF USE
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, 2013, 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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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	\$ 247,920	\$ 247,920	N/A	133
Total investments	247,920	247,920		
 Total governmental investments	 \$ 247,920	 \$ 247,920		

RECONCILIATION TO STATEMENT OF NET ASSETS

Investments, unrestricted	\$ 240,625
Investments, restricted	7,295
Total governmental investments	\$ 247,920

Business-type Activities

INVESTMENTS:

Certificates of deposit	\$ 106,884	\$ 106,884	N/A	159
U.S. treasury securities	2,564,009	2,564,009	AAA/Aaa	N/A
Total investments	2,670,893	2,670,893		
 Total business-type investments	 \$ 2,670,893	 \$ 2,670,893		

RECONCILIATION TO STATEMENT OF NET ASSETS

Investments, unrestricted	\$ 64,984
Investments, restricted	2,605,909
Total governmental investments	\$ 2,670,893

(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, 2013

Restricted assets consist of the following:

Primary Governemnt

	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents			
Municipal court cash	\$ 137,856	\$ -	\$ 137,856
Grant funds	5,666	-	5,666
Meter deposits	-	22,340	22,340
Water capital improvements	-	31,206	31,206
Total cash and cash equivalents	143,522	53,546	197,068
Investments			
Meter deposit CD	-	41,900	41,900
Bond sinking fund	-	36,024	36,024
Bond proceeds	-	2,325,532	2,325,532
Bond sinking reserve fund	-	202,453	202,453
Library CD	7,295	-	7,295
Total investments	7,295	2,605,909	2,613,204
Total restricted assets	\$ 150,817	\$ 2,659,455	\$ 2,810,272

B. PROPERTY, PLANT AND EQUIPMENT

Governmental Activities:

A summary of the changes in the governmental activities fixed assets at June 30, 2013 follows:

	Balance at June 30, 2012	Additions	Deletions	Balance at June 30, 2013
Land	\$ 235,605	\$ 39,500	\$ -	\$ 275,105
Buildings & structures	274,739	22,995	-	297,734
Machinery, furniture, & equipment	800,162	23,537	-	823,699
Improvements other than land	417,181	9,735	-	426,916
Total	1,727,687	95,767	-	1,823,454
Less accumulated depreciation	861,434	84,257	-	945,691
Fixed assets, net	\$ 866,253	\$ 11,510	\$ -	\$ 877,763

TOWN OF SEILING, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Business-Type Activities:

A summary of the proprietary fund types fixed assets at June 30, 2013 follows:

	Balance at June 30, 2012	Additions	Deletions	Balance at June 30, 2013
Seiling Public Works Authority				
Land	\$ 54,608	\$ -	\$ -	\$ 54,608
Construction in process	-	122,919	-	122,919
Buildings	177,285	-	-	177,285
Machinery, furniture, & equipment	299,255	69,267	-	368,522
Utility property and improvements	2,885,063	75,582	-	2,960,645
	<u>3,416,211</u>	<u>267,768</u>	<u>-</u>	<u>3,683,979</u>
Total	3,416,211	267,768	-	3,683,979
Less accumulated depreciation	<u>1,662,393</u>	<u>106,814</u>	<u>-</u>	<u>1,769,207</u>
	<u>1,753,818</u>	<u>160,954</u>	<u>-</u>	<u>1,914,772</u>
Fixed assets, net	\$ 1,753,818	\$ 160,954	\$ -	\$ 1,914,772

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	\$ 7,225
Public safety & judiciary	55,157
Transportation	8,070
Cultural, parks & recreation	13,805
Total governmental activities depreciation expense	<u>\$ 84,257</u>

Depreciation expense charges to business-type activities:

Gas	\$ 9,192
Water	70,835
Customer service	9,722
Sewer	17,065
Total business-type activities depreciation expense	<u>\$ 106,814</u>

C. LONG-TERM DEBT

The following is a summary of long-term debt for the year ended June 30, 2013:

LEASE/PURCHASE PAYABLE

Governmental Activities:

Lease purchase agreement between the Town and First National Bank of Seiling for the purchase of a police vehicle in the amount of \$15,900 at 5% interest for a period of 60 months. Monthly payments are made; debt matures August 2013. \$ 597

Lease purchase agreement between the Town and First National Bank of Seiling for the purchase of a police vehicle in the amount of \$17,101 at 5% interest for a period of 60 months. Monthly payments are made; debt matures June 2014. 3,777

\$ 4,374

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. \$ 55,458

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. 21,688

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. 65,993

\$ 141,139

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, 2013, the Town met the minimum debt service covenants as required under the agreement. \$ 2,895,000

\$ 2,895,000

TOWN OF SEILING, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Changes in Long-Term Debt:

The following is a summary of changes in long-term debt for the year ended June 30, 2013:

<u>Type of Debt</u>	<u>Balance at July 1, 2012</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Balance at June 30, 2013</u>	<u>Due Within One Year</u>
Governmental activities:					
<i>Lease/purchase debt</i>					
FNB Police Vehicle A	\$ 4,072	\$ -	\$ 3,475	\$ 597	\$ 597
FNB Police Vehicle B	7,364	-	3,587	3,777	3,777
Total governmental activities	<u>\$ 11,436</u>	<u>\$ -</u>	<u>\$ 7,062</u>	<u>\$ 4,374</u>	<u>\$ 4,374</u>
Business-type activities:					
<i>Notes Payable</i>					
FNB - Bobcat	\$ 68,980	\$ -	\$ 13,522	\$ 55,458	\$ 15,266
FNB - Pickup	26,181	-	4,493	21,688	5,582
FNB - Backhoe	-	69,267	3,274	65,993	13,129
	95,161	69,267	21,289	143,139	33,977
<i>Bonds Payable</i>					
2000 Series Revnue Bonds	750,000	-	750,000	-	-
2013 Series Revnue Bonds	-	2,895,000	-	2,895,000	25,000
Total business-type activities	<u>845,161</u>	<u>2,964,267</u>	<u>771,289</u>	<u>3,038,139</u>	<u>58,977</u>
Total primary government debt	<u>\$ 856,597</u>	<u>\$ 2,964,267</u>	<u>\$ 778,351</u>	<u>\$ 3,042,513</u>	<u>\$ 63,351</u>

SPWA recorded \$25,138 and \$44,072 of interest expense in business-type activities water and customer service functions, respectively for the year ended June 30, 2013.

Annual Debt Service Requirements:

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2013 follow:

<u>Year Ending June 30</u>	<u>Lease/Purchase</u>		<u>Notes Payable</u>		<u>Bonds Payable</u>		<u>Total</u>	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	4,374	107	33,977	5,251	25,000	123,652	64,380	42,502
2015	-	-	35,000	3,719	25,000	131,512	65,000	38,735
2016	-	-	36,505	2,214	70,000	130,196	375,000	131,150
2017	-	-	26,612	768	70,000	128,167	70,000	128,167
2018	-	-	11,045	132	75,000	126,064	75,000	126,064
2019-2023	-	-	-	-	410,000	585,470	410,000	585,470
2024-2028	-	-	-	-	520,000	473,842	520,000	473,842
2029-2033	-	-	-	-	660,000	279,369	660,000	279,369
2034-2038	-	-	-	-	1,040,000	131,477	1,040,000	131,477
Totals	<u>\$ 4,374</u>	<u>\$ 107</u>	<u>\$ 143,139</u>	<u>\$ 12,084</u>	<u>\$ 2,895,000</u>	<u>\$ 2,109,749</u>	<u>\$ 3,279,380</u>	<u>\$ 1,936,776</u>

D. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers for the year ended June 30, 2013 were as follows:

<u>Transfer To/Transfer From</u>	<u>To</u>	<u>From</u>
GOVERNMENTAL FUND: General Fund		
Public Works Authority (Enterprise Fund)	\$ 320,005	\$ 314,845
Other governmental entities	314,845	-
ENTERPRISE FUND: Public Works Authority		
General Fund	314,845	320,005
Grand Total	949,695	634,850
** excluding other governmental entities	314,845	-
	<u>\$ 634,850</u>	<u>\$ 634,850</u>

(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, 2013, contribution rates were 4.9% and 5.73% for employees and employers, respectively.

Membership in the plan is as follows:

	<u>As of January 1, 2013</u>
Retired participants and beneficiaries	5
Vested active participants	3
Nonvested active participants	5
Total	<u>13</u>

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
c. Benefit Determination Base	Final average compensation – the average of the five highest consecutive annual salaries out of the last 10 calendar years of

	<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.

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, 2013

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES					
Sales taxes	\$ 493,000	\$ 95,000	\$ 588,000	\$ 627,992	\$ 39,992
Use taxes	51,000	(20,000)	31,000	60,262	29,262
Franchise taxes	36,000	-	36,000	45,261	9,261
Fines and forfeitures	190,000	-	190,000	208,098	18,098
Licenses and permits	600	-	600	738	138
Investment income	3,500	(1,500)	2,000	2,506	506
Charges for services	8,800	-	8,800	7,773	(1,027)
Intergovernmental	32,000	71,800	103,800	4,609	(99,191)
Miscellaneous	17,800	15,000	32,800	56,785	23,985
Total revenues before carryover	<u>832,700</u>	<u>160,300</u>	<u>993,000</u>	<u>1,014,024</u>	<u>21,024</u>
EXPENDITURES					
Current:					
General government:					
General government					
Personal services	83,000	-	83,000	75,820	7,180
Materials & supplies	3,000	-	3,000	2,843	157
Other services & charges	25,000	-	25,000	27,398	(2,398)
Capital outlay	13,000	44,500	57,500	54,563	2,937
Clerk					
Personal services	46,000	-	46,000	45,477	523
Materials & supplies	4,500	2,500	7,000	9,884	(2,884)
Other services & charges	25,000	-	25,000	23,402	1,598
Total general government	<u>199,500</u>	<u>47,000</u>	<u>246,500</u>	<u>239,387</u>	<u>7,113</u>
Public safety and judiciary:					
Police					
Personal services	149,350	-	149,350	157,166	(7,816)
Materials & supplies	20,000	-	20,000	20,096	(96)
Other services & charges	31,700	-	31,700	26,269	5,431
Capital outlay	19,478	-	19,478	15,537	3,941
Fire					
Personal services	7,000	2,500	9,500	9,367	133
Materials & supplies	3,500	1,000	4,500	5,980	(1,480)
Other services & charges	8,000	-	8,000	4,336	3,664
Animal control					
Materials & supplies	250	-	250	911	(661)
Other services & charges	500	2,500	3,000	2,212	788
Total public safety and judiciary	<u>239,778</u>	<u>6,000</u>	<u>245,778</u>	<u>241,874</u>	<u>3,904</u>
Transportation:					
Street					
Materials & supplies	15,000	-	15,000	11,072	3,928
Other services & charges	55,000	-	55,000	62,163	(7,163)
Capital outlay	28,000	-	28,000	14,893	13,107
Airport					
Other services & charges	500	3,600	4,100	3,536	564
Total transportation	<u>98,500</u>	<u>3,600</u>	<u>102,100</u>	<u>91,664</u>	<u>10,436</u>

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, 2013

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Cultural, parks and recreation:					
Library					
Materials & supplies	500	-	500	270	230
Other services & charges	3,500	1,000	4,500	4,226	274
Park					
Materials & supplies	2,000	-	2,000	6,383	(4,383)
Other services & charges	10,000	-	10,000	8,978	1,022
Capital outlay	7,900	-	7,900	-	7,900
Community Building					
Materials & supplies	500	300	800	1,613	(813)
Other services & charges	4,250	6,000	10,250	7,954	2,296
Swimming Pool					
Personal services	25,000	-	25,000	19,913	5,087
Materials & supplies	8,500	-	8,500	7,708	792
Other services & charges	5,000	-	5,000	5,665	(665)
Capital outlay	-	42,500	42,500	33,395	9,105
Total cultural, parks and recreation	<u>67,150</u>	<u>49,800</u>	<u>116,950</u>	<u>96,105</u>	<u>20,845</u>
Total expenditures	<u>604,928</u>	<u>106,400</u>	<u>711,328</u>	<u>669,030</u>	<u>42,298</u>
Revenue over (under) expenditures	227,772	53,900	281,672	344,994	63,322
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	<u>(226,500)</u>	<u>(44,110)</u>	<u>(270,610)</u>	<u>(314,845)</u>	<u>(44,235)</u>
Net other financing sources (uses)	<u>(226,500)</u>	<u>(44,110)</u>	<u>(270,610)</u>	<u>(314,845)</u>	<u>(44,235)</u>
Revenues and other financing sources over (under) expenditures and other uses	1,272	9,790	11,062	30,149	19,087
Fund balance at beginning of year (Non-GAAP budgetary basis)			<u>500,000</u>	<u>521,610</u>	<u>137,216</u>
Fund balance at end of year (Non-GAAP budgetary basis)			\$ 511,062	\$ 551,759	<u>\$ 156,303</u>
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				31,842	
Expenditure and transfer accruals				(3,272)	
Fund balance at end of year (GAAP basis)				<u>\$ 580,329</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.