

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

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

**FOR THE YEAR ENDED
JUNE 30, 2012**

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

Derrel S. White, CPA

P.O. Box 842
Woodward, OK 73802
(580) 256-6830

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
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, 2012, which collectively comprise the City's basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of Town of Seiling, OK's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above include the primary government of the Town of Seiling, OK, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The discretely presented component unit, The Seiling Housing Authority is presented for purposes of additional analysis and has not been subjected to the audit procedures applied to the basic financial statements of the Town, and accordingly we express no opinion on them.

The financial statements referred to previously do not include The Seiling Hospital Authority which is a legally separate component unit which the accounting principles generally accepted in the United States of America require to be reported with the financial data of the primary government. As a result the primary government financial statements do not purport to, and do not present fairly the financial position of the reporting entity of the Town of Seiling, OK as of June 30, 2012, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States. In accordance with accounting principles generally accepted in the United States, has issued separate reporting entity financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of the Town of Seiling, OK as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. We express no opinion on the financial statements taken a whole which would include component units required to be presented under accounting principles generally accepted in the United States. Because generally accepted accounting principles include the presentation of discretely presented component units which along with other required basic financial statements comprise the government wide

financial statements and the discretely presented component unit was not audit, we express no opinion on the government wide financial statements.

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 through 11 and 35 through 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.

A handwritten signature in black ink, appearing to read "D. White, CPA". The signature is fluid and cursive.

Derrel S. White, CPA

Woodward, OK

November 8, 2012

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, 2012. The Town's performance is discussed and analyzed within the context of the accompanying financial statements and disclosure 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 \$2,890,744 (net assets) for the fiscal year 2012. This compared to the previous year when assets exceeded liabilities by \$2,753,409.
- Total liabilities of the Town increased by \$108,426 to \$1,081,977. The increase is attributable to the issuance of debt in SPWA for the purchase of equipment and vehicles combined with an increase in payroll liabilities, offset by debt payments during the fiscal year.
- Total net assets are comprised of the following
 - Invested in capital assets, net of related debt, of \$1,707,866 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets. In 2011, the investment was \$1,753,230.
 - Unrestricted net assets of \$1,182,878 represent the portion available to maintain the Town's continuing obligations to citizens and creditors compared to \$1,000,179 last year.
- The Town's governmental funds reported total ending fund balance of \$524,942 this year. This compared to the prior year ending fund balance of \$473,943, showing an increase of \$50,999. 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 assets. 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 assets. Over time, increases or decreases in net assets 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 assets 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 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.

TOWN OF SEILING, OKLAHOMA
MANAGEMENT DISCUSSION & ANALYSIS
JUNE 30, 2012

Financial Analysis of the Town as a Whole

Changes in net assets may be observed and used to discuss the changing financial position of the Town as a whole. The Town's net assets at June 30, 2012 are \$2,890,744. This is a \$137,335 increase over June 30, 2011 net assets of \$2,753,409.

Summary of Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>\$</u> <u>Change</u>	<u>%</u> <u>Change</u>
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>		
Current assets	\$ 653,131	\$ 531,048	\$ 665,606	\$ 600,669	\$ 1,318,737	\$ 1,131,717	\$ 187,020	17%
Non-current assets	-	-	33,913	37,833	33,913	37,833	(3,920)	-10%
Capital assets, net	866,253	888,273	1,753,818	1,669,137	2,620,071	2,557,410	62,661	2%
Total assets	\$ 1,519,384	\$ 1,419,321	\$ 2,453,337	\$ 2,307,639	\$ 3,972,721	\$ 3,726,960	\$ 245,761	7%
Current liabilities	\$ 135,251	\$ 63,823	\$ 170,625	\$ 148,286	\$ 305,876	\$ 212,109	\$ 93,767	44%
Non-current liabilities	4,374	11,442	771,727	750,000	776,101	761,442	14,659	2%
Total liabilities	139,625	75,265	942,352	898,286	1,081,977	973,551	108,426	11%
Net assets								
Invested in capital assets, net of related debt	854,817	888,273	853,049	864,957	1,707,866	1,753,230	(45,364)	-3%
Unrestricted	524,942	455,783	657,936	544,396	1,182,878	1,000,179	182,699	18%
Total net assets	\$ 1,379,759	\$ 1,344,056	\$ 1,510,985	\$ 1,409,353	\$ 2,890,744	\$ 2,753,409	\$ 137,335	5%

The Town reported positive balances in total net assets for both governmental and business-type activities. Net assets increased \$35,703 for governmental activities and \$101,632 for business-type activities. The Town's overall financial position improved during fiscal year 2012.

TOWN OF SEILING, OKLAHOMA
MANAGEMENT DISCUSSION & ANALYSIS
JUNE 30, 2012

Summary of Changes in Net Assets

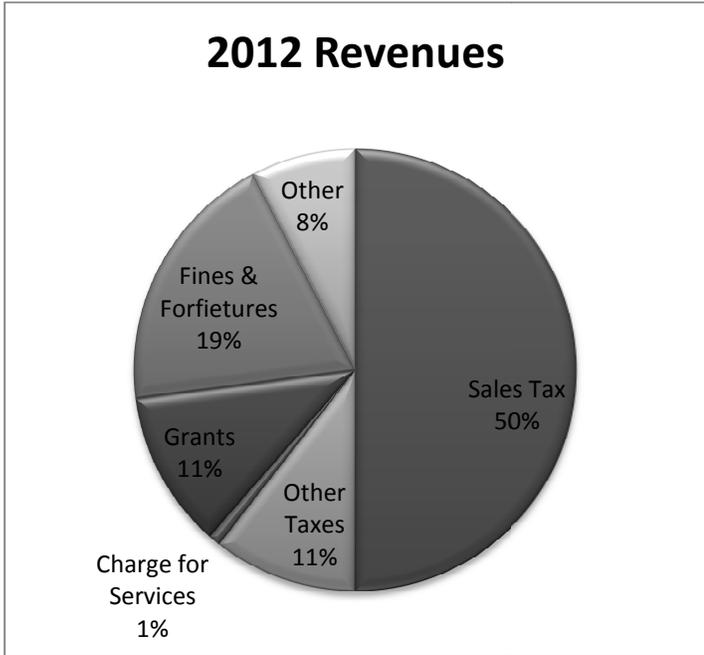
	Governmental Activities		Business-type Activities		Total		\$ Change	% Change
	2012	2011	2012	2011	2012	2011		
Revenues								
Program revenues	\$ 362,715	\$ 275,070	\$ 832,928	\$ 835,267	\$ 1,195,643	\$ 1,110,337	\$ 85,306	8%
Taxes and other general revenues	761,796	754,645	17,777	31,256	779,573	785,901	(6,328)	-1%
Total revenues	1,124,511	1,029,715	850,705	866,523	1,975,216	1,896,238	78,978	4%
Expenses								
General government	262,918	175,557	-	-	262,918	175,557	87,361	50%
Public safety and judiciary	271,688	235,736	-	-	271,688	235,736	35,952	15%
Transportation	205,823	73,243	-	-	205,823	73,243	132,580	181%
Cultural, parks, and recreation	74,501	69,956	-	-	74,501	69,956	4,545	6%
Gas	-	-	206,587	229,589	206,587	229,589	(23,002)	-10%
Water	-	-	204,633	199,759	204,633	199,759	4,874	2%
Sewer	-	-	81,518	73,251	81,518	73,251	8,267	11%
Sanitation	-	-	104,586	110,815	104,586	110,815	(6,229)	-6%
Customer service	-	-	151,749	151,310	151,749	151,310	439	0%
Total expenses	814,930	554,492	749,073	764,724	1,564,003	1,319,216	244,787	19%
Excess (deficiency) before transfer	309,581	475,223	101,632	101,799	411,213	577,022	(165,809)	-29%
Transfers	-	32,000	-	(32,000)	-	-	-	
Transfers to component units	(273,878)	(279,812)	-	-	(273,878)	(279,812)	5,934	-2%
Increase (decrease) in net assets	\$ 35,703	\$ 227,411	\$ 101,632	\$ 69,799	\$ 137,335	\$ 297,210	\$ (159,875)	-54%

Program revenues increased 8% primarily from governmental activities grants and contributions related a street resurfacing project and insurance reimbursement for weather damage. Taxes and other general revenues noted a 1% change year over year. Overall, total revenues remained consistent with a 4% change.

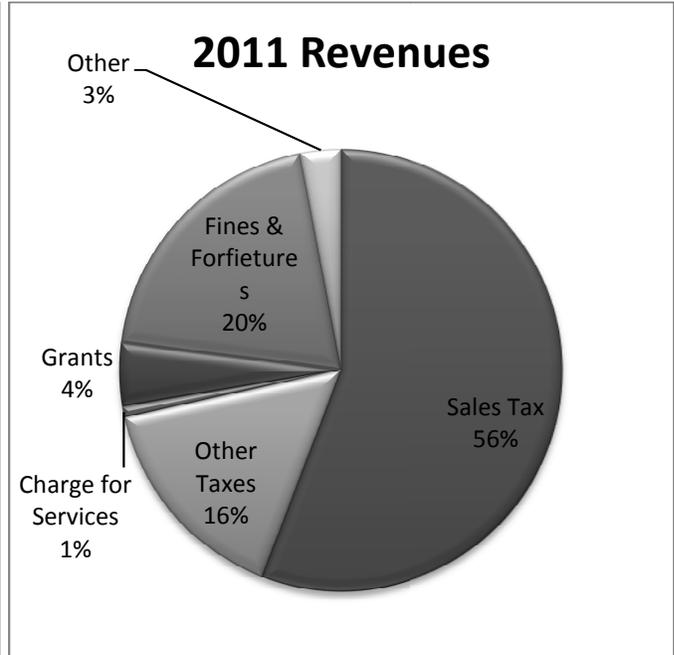
Operating expenses increased 19% compared to prior year. The most significant increase was in the street department and general government. This increase is a result of significant improvements made throughout the Town to clean up properties and public spaces while resurfacing streets and public areas.

Graphic presentations of the Summary of Changes in Net Assets follow to assist in the analysis of the Town's activities for fiscal year 2012 and 2011.

Governmental Activities

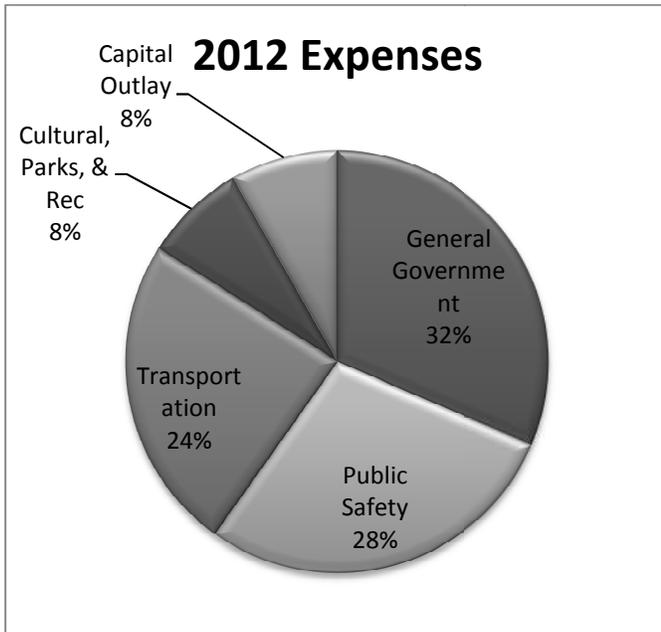


Total - \$1,124,509

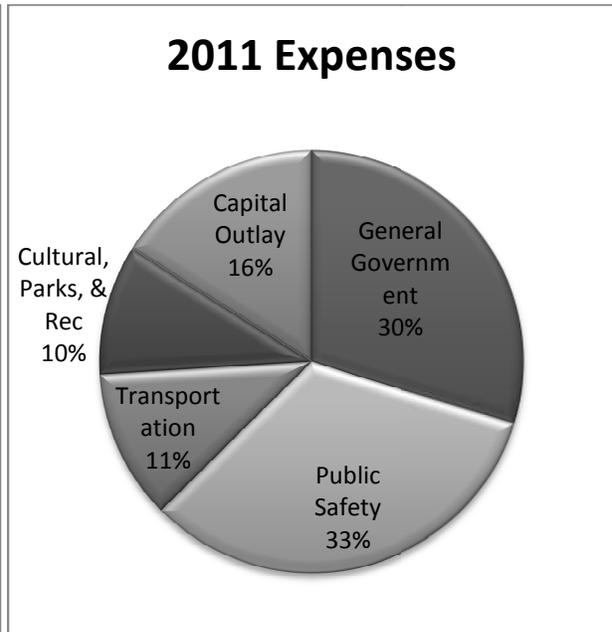


Total - \$1,029,715

Overall revenues from governmental activities increased. The majority of this increase was noted in grant income. During FY12, the Town received grant funds to resurface and repair public roadways. Sales tax, which is the largest component of income for the Town provided 50% of total revenues in fiscal year 2012 compared to 56% in fiscal year 2011. Fines and forfeitures and charges for services remained consistent between fiscal years.



Total - \$799,632

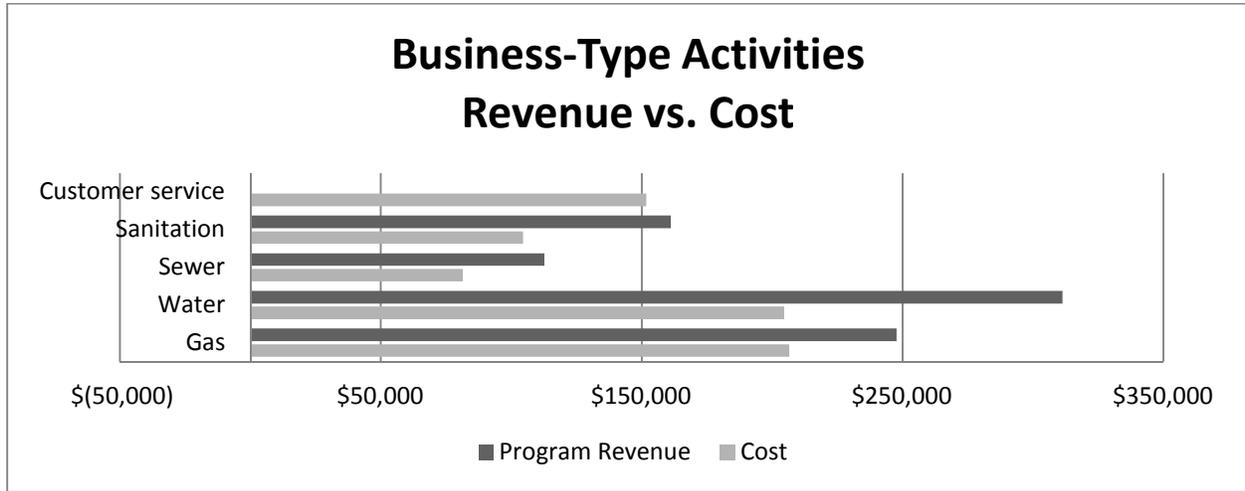


Total - \$577,093

Governmental expenses increased when compared to prior year. The most significant increase was in the Transportation department, which consists of streets and airport. Resurfacing and repairs to streets

throughout the Town resulted in increased expenses for the department. All other departments were consistent between departments.

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.

Business-type revenues remained consistent between years, noting a change of 2%. Business-type activity expenses remained consistent with prior year, noting a 2% change over fiscal year 2011.

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 \$524,942, which is considered unreserved indicating availability for continuing Town service requirements.

The total ending fund balance of governmental funds show an increase of \$50,999. Refer to discussion above.

General Fund Budgetary Highlights

The original adopted General Fund budget for fiscal year 2012 was \$843,495. This was an increase of \$233,317 over the prior year budget. Amendments totaling \$323,817 were adopted during the fiscal year.

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, 2012 was \$854,817 and \$853,049, respectively. This is a 3% change year over year. Major capital asset additions for the General Fund included a new roof and improvements in City Hall and equipment for the Police department. Capital additions during the fiscal year in the

**TOWN OF SEILING, OKLAHOMA
MANAGEMENT DISCUSSION & ANALYSIS
JUNE 30, 2012**

business-type activities include water and sewer infrastructure improvements, a 2012 new pickup for the gas department, and a bobcat for the water department.

Primary Government Capital Assets (net of accumulated depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Land	\$ 235,605	\$ 235,605	\$ 54,608	\$ 54,608	\$ 290,213	\$ 290,213
Buildings	117,821	35,344	10,919	20,641	128,740	55,985
Machinery & equipment	232,310	321,386	107,078	12,842	339,388	334,228
Utility property & improvements	280,517	295,938	1,581,213	1,581,046	1,861,730	1,876,984
Totals	\$ 866,253	\$ 888,273	\$ 1,753,818	\$ 1,669,137	\$ 2,620,071	\$ 2,557,410

Long-Term Debt

At the end of the fiscal year, the Town had \$776,101 in long-term debt outstanding, \$4,374 attributable to the governmental activities and \$695,000 business-type activities. 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	
	2012	2011	2012	2011
Notes payable	\$ 11,436	\$ 18,160	\$ 96,161	\$ -
Revenue bonds	-	-	750,000	805,000
subtotal	11,436	18,160	846,161	805,000
less current portion	(4,374)	(6,718)	(74,434)	(55,000)
Totals	\$ 7,062	\$ 11,442	\$ 771,727	\$ 750,000

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES

The economic outlook of the Town of Seiling is based, in a small way, of that of the Oklahoma City market area. The City of Oklahoma City noted improvement from the national recession beginning in May 2011. Furthermore, the City of Oklahoma City surpassed revenue expectations in fiscal year 2011 and 2012.

The Town reported strong sales tax growth in fiscal year 2011. However, fiscal year 2012, sales tax collections noted a decrease of approximately 8%. However, the Town is still striving to continue to provide the best possible service with limited resources available. Utility revenues remained consistent between years.

The projected budget for fiscal year 2012 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 2012 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 2012 reflect less than a 1% change in total expenses for the General Fund. Capital projects total \$60,900 and include court software and additional work on

roadways. 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 \$164,750 and include continued infrastructure improvements in water/sewer.

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

The source for the economic data is the Oklahoma State University Center for Applied Economic Research.

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 Assets
June 30, 2012

ASSETS	Governmental Activities	Business-type Activities	Total	Component Unit
Current Assets:				
Cash and cash equivalents	\$ 231,993	\$ 265,825	\$ 497,818	\$ 7,448
Investments, including time deposits	239,533	64,692	304,225	15,723
Accounts receivable (net)	96,686	58,344	155,030	2,257
Grants receivable	71,902	-	71,902	-
Inventory	-	-	-	2,018
Prepaid Insurance	-	-	-	600
Due from other funds	-	17,272	17,272	-
Total current assets	640,114	406,133	1,046,247	28,046
Restricted assets:				
Cash and cash equivalents	5,783	39,807	45,590	-
Investments, including time deposits	7,234	219,666	226,900	2,250
Total restricted assets	13,017	259,473	272,490	2,250
Noncurrent Assets:				
Unamortized bond issue costs	-	33,913	33,913	-
Land and construction in progress	235,605	54,608	290,213	6,604
Other capital assets (net of accumulated depreciation)	630,648	1,699,210	2,329,858	110,397
Total noncurrent assets	866,253	1,787,731	2,653,984	117,001
Total assets	\$ 1,519,384	\$ 2,453,337	\$ 3,972,721	\$ 147,297
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 85,980	\$ 16,042	\$ 102,022	\$ 5,093
Salary and benefits payable	23,599	18,939	42,538	868
Sales tax payable	1,338	380	1,718	-
Due to other funds	17,272	-	17,272	-
Prepaid rents	-	-	-	242
Notes payable, current	7,062	19,434	26,496	-
Bonds payable, current	-	55,000	55,000	-
Total current liabilities	135,251	109,795	245,046	6,203
Liabilities payable from restricted assets:				
Accrued interest payable	-	7,625	7,625	-
Customer deposits payable	-	53,205	53,205	2,250
Total liabilities payable from restricted assets	-	60,830	60,830	2,250
Noncurrent liabilities:				
Notes payable, non-current	4,374	76,727	81,101	-
Bonds payable, non-current	-	695,000	695,000	-
Total noncurrent liabilities	4,374	771,727	776,101	-
Total liabilities	139,625	942,352	1,081,977	8,453
NET ASSETS				
Invested in capital assets, net of related debt	854,817	853,049	1,707,866	117,001
Unrestricted	524,942	657,936	1,182,878	21,843
Total net assets	\$ 1,379,759	\$ 1,510,985	\$ 2,890,744	\$ 138,844

Town of Seiling, Oklahoma
Statement of Activities
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government:					
General government	\$ 188,180	\$ 1,056	\$ 81,380	\$ -	\$ (105,744)
Clerk	74,738	-	-	-	(74,738)
Total general government	<u>262,918</u>	<u>1,056</u>	<u>81,380</u>	<u>-</u>	<u>(180,482)</u>
Public safety and judiciary:					
Police	210,870	217,832	1,612	-	8,574
Fire	58,948	-	5,264	-	(53,684)
Animal control	1,870	585	-	-	(1,285)
Total public safety and judiciary	<u>271,688</u>	<u>218,417</u>	<u>6,876</u>	<u>-</u>	<u>(46,395)</u>
Transportation:					
Street	205,368	-	-	43,444	(161,924)
Airport	455	-	-	-	(455)
Total transportation	<u>205,823</u>	<u>-</u>	<u>-</u>	<u>43,444</u>	<u>(162,379)</u>
Cultural, parks and recreation:					
Library	6,215	-	-	-	(6,215)
Park	17,860	-	-	-	(17,860)
Community building	6,174	1,600	-	-	(4,574)
Swimming Pool	44,252	9,942	-	-	(34,310)
Total cultural, parks and recreation	<u>74,501</u>	<u>11,542</u>	<u>-</u>	<u>-</u>	<u>(62,959)</u>
Total governmental activities	<u>\$ 814,930</u>	<u>\$ 231,015</u>	<u>\$ 88,256</u>	<u>\$ 43,444</u>	<u>\$ (452,215)</u>
Business-type activities:					
Utility services:					
Gas	\$ 206,587	\$ 247,710	\$ -	\$ -	\$ 41,123
Water	204,633	311,280	-	-	106,647
Sewer	81,518	112,766	-	-	31,248
Sanitation	104,586	161,172	-	-	56,586
Customer service	151,749	-	-	-	(151,749)
Total business-type activities	<u>749,073</u>	<u>832,928</u>	<u>-</u>	<u>-</u>	<u>83,855</u>
Total primary government	<u>\$ 1,564,003</u>	<u>\$ 1,063,943</u>	<u>\$ 88,256</u>	<u>\$ 43,444</u>	<u>\$ (368,360)</u>
Component Unit					
Housing Authority:					
Tenant services	\$ 53,828	\$ 16,390	\$ 28,591	\$ 8,348	\$ (499)
Total component unit	<u>\$ 53,828</u>	<u>\$ 16,390</u>	<u>\$ 28,591</u>	<u>\$ 8,348</u>	<u>\$ (499)</u>

Town of Seiling, Oklahoma
Statement of Activities (continued)
Year Ended June 30, 2012

Changes in Net Assets:	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Net (expense)/revenue	\$ (452,215)	\$ 83,855	\$ (368,360)	\$ (499)
General revenues:				
Taxes:				
Sales tax	562,575	-	562,575	-
Use tax	38,904	-	38,904	-
Franchise taxes	34,175	-	34,175	-
Alcoholic beverage tax	29,855	-	29,855	-
Cigarette tax	7,954	-	7,954	-
Investment income	3,268	2,186	5,454	131
Oil royalties	1,302	-	1,302	-
Reimbursements	60,457	-	60,457	-
Penalties	-	11,320	11,320	-
Miscellaneous	23,306	4,271	27,577	763
Transfers - Other governments, net	(273,878)	-	(273,878)	-
Transfers - Internal activity, net	-	-	-	-
Total general revenues and transfers	487,918	17,777	505,695	894
 Change in net assets	 35,703	 101,632	 137,335	 395
 Net assets-beginning	 1,344,056	 1,409,353	 2,753,409	 138,449
Net assets-ending	\$ 1,379,759	\$ 1,510,985	\$ 2,890,744	\$ 138,844

**Town of Seiling, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2012**

	General Fund
ASSETS	
Cash	\$ 237,776
Investments, including time deposits	246,767
Taxes receivable	65,206
Accounts receivable	31,480
Grants receivable	71,902
Total assets	\$ 653,131
LIABILITIES	
Accounts payable	\$ 85,980
Salaries and benefits payable	23,599
Due from other funds	17,272
Accrued liabilities	1,338
Total liabilities	128,189
FUND BALANCES	
Unassigned, reported in:	
General fund	524,942
Total fund balances	524,942
Total liabilities and fund balances	\$ 653,131
 Total fund balance- total governmental funds	524,942
 Land and capital assets, net of accumulated depreciation, are not financial resources and, therefore, are not reported in the funds.	
Land	\$ 235,605
Capital assets	1,492,084
Less: Accumulated depreciation	(861,436)
	866,253
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	(11,436)
Net assets of governmental activities	\$ 1,379,759

Town of Seiling, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2012

	General Fund
<u>REVENUES</u>	
Sales tax	\$ 562,575
Use tax	38,904
Beverage tax	29,855
Franchise taxes	34,175
Cigarette tax	7,954
Motor vehicle tax	5,884
Gas tax	1,594
Licenses and permits	1,056
Fines and forfeitures	218,416
Investment income	3,268
Charges for services	9,942
Rentals and royalties	2,939
Intergovernmental	129,237
Miscellaneous	78,710
Total revenues	1,124,509
<u>EXPENDITURES</u>	
Current:	
General government:	
General government	181,037
Clerical	70,665
Total general government	251,702
Public safety and judiciary:	
Police	196,943
Fire	27,921
Animal control	1,870
Total public safety and judiciary	226,734
Transportation:	
Street	192,910
Airport	254
Total transportation	193,164
Cultural, parks and recreation:	
Library	5,916
Park	8,794
Community Building	4,299
Swimming Pool	43,222
Total cultural, parks and recreation	62,231
Capital outlay	65,801
Total expenditures	799,632
Excess (deficiency) of revenues over expenditures	324,877
<u>OTHER FINANCING SOURCES (USES)</u>	
Transfers out to other governments	(273,878)
Transfers in	273,878
Transfers out	(273,878)
Total other financing sources and uses	(273,878)
Net change in fund balances	50,999
Fund balances - beginning	473,943
Fund balances - ending	\$ 524,942

Town of Seiling, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2012

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	\$	50,999
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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		65,801
Depreciation expense		(87,821)

Principle debt payments are reported as expenditures in the governmental funds		6,724
--	--	-------

		\$ 35,703
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Town of Seiling, Oklahoma
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Business-type Activities	Discretely Presented Component Unit
	Public Works Authority	Seiling Housing Authority
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 265,825	\$ 7,448
Investments	64,692	15,723
Accounts receivable (net)	58,344	2,257
Inventory	-	2,018
Prepaid Insurance	-	600
Due from other funds	17,272	-
Total current assets	<u>406,133</u>	<u>28,046</u>
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	39,807	-
Investments	219,666	2,250
Total restricted assets	<u>259,473</u>	<u>2,250</u>
Noncurrent assets:		
Unamortized bond issue costs	33,913	-
Land	54,608	6,604
Capital assets (net)	1,699,210	110,397
Total noncurrent assets	<u>1,787,731</u>	<u>117,001</u>
Total assets	<u>\$ 2,453,337</u>	<u>\$ 147,297</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 16,042	\$ 5,093
Salary and benefits payable	18,939	868
Sales tax payable	380	-
Prepaid rents	-	242
Notes payable, current	19,434	-
Bonds payable, current	55,000	-
Total current liabilities	<u>109,795</u>	<u>6,203</u>
Liabilities payable from restricted assets:		
Accrued interest payable	7,625	-
Customer deposits payable	53,205	2,250
Total liabilities payable from restricted assets	<u>60,830</u>	<u>2,250</u>
Noncurrent liabilities:		
Notes payable, noncurrent	76,727	-
Bonds payable, noncurrent	695,000	-
Total noncurrent liabilities	<u>771,727</u>	<u>-</u>
Total liabilities	<u>942,352</u>	<u>8,453</u>
NET ASSETS		
Invested in capital assets, net of related debt	853,049	117,001
Unrestricted	657,936	21,843
Total net assets	<u>\$ 1,510,985</u>	<u>\$ 138,844</u>

Town of Seiling, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2012

	<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	\$ 247,710	\$ -
Water charges	311,280	-
Sewer charges	112,766	-
Sanitation charges	161,172	-
Penalties	11,320	-
Tenant services	-	53,329
Total charges for services	<u>844,248</u>	<u>53,329</u>
Miscellaneous	4,272	763
Total operating revenues	<u>848,520</u>	<u>54,092</u>
<u>Operating expenses:</u>		
Cost of goods sold	129,811	-
Personal services	232,184	15,555
Materials and supplies	36,269	1,123
Other services and charges	191,466	26,930
Depreciation and amortization	108,508	10,220
Total operating expenses	<u>698,238</u>	<u>53,828</u>
Net operating income	150,282	264
<u>Nonoperating revenue (expense):</u>		
Investment income	2,186	131
Interest expense	(50,836)	-
Total nonoperating revenue (expense)	<u>(48,650)</u>	<u>131</u>
Net Income before contributions and transfers	101,632	395
Transfers from other funds	273,878	-
Transfers to other funds	<u>(273,878)</u>	<u>-</u>
Change in net assets	101,632	395
Net assets-beginning of year	1,409,353	138,449
Net assets-end of year	<u>\$ 1,510,985</u>	<u>\$ 138,844</u>

Town of Seiling, Oklahoma
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2012

	Business-type Activities	Discretely Presented Component Unit
	Public Works Authority	Seiling Housing Authority
<u>Cash flows from operating activities:</u>		
Receipts from customers/patients	\$ 854,355	\$ 51,072
Payments to suppliers	(357,267)	(20,710)
Payments to employees	(228,951)	(14,687)
Other operating revenues	4,272	763
Net cash provided (used) by operating activities	272,409	16,438
<u>Cash flows from non-capital financing activities:</u>		
Transfers from other funds	273,878	-
Transfers to other funds	(273,878)	-
Net cash provided (used) by non-capital financing activities	-	-
<u>Cash flows from capital and related financing activities:</u>		
Purchase of capital assets	(189,269)	-
Loan proceed for purchase of capital assets	105,333	-
Principal paid on capital debt	(64,172)	-
Interest paid on capital debt	(56,709)	-
Net cash provided (used) by capital and related financing activities	(204,817)	-
<u>Cash flows from investing activities:</u>		
Investment income	2,186	131
Net cash provided (used) by investing activities	2,186	131
Net increase (decrease) in cash and cash equivalents	69,778	16,569
Cash and cash equivalents, July 1, 2011	520,212	8,852
Cash & cash equivalents, June 30, 2012	\$ 589,990	\$ 25,421
Cash, including time deposits	\$ 330,517	\$ 23,171
Restricted cash, including time deposits	259,473	2,250
Total cash and cash equivalents, end of year	\$ 589,990	\$ 25,421
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</u>		
Operating income (loss)	\$ 150,282	\$ 264
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	108,508	10,220
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	10,107	(2,257)
Increase (decrease) in accounts payable	(3,416)	5,093
Increase (decrease) in wages & benefits payable	3,233	868
Increase (decrease) in deposits subject to refund	3,695	2,250
Total adjustments	122,127	16,174
Net cash provided (used) by operating activities	\$ 272,409	\$ 16,438

(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 assets 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.

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.

Management has elected to report all funds as major in the fund financial statements. This election is in accordance with GASB reporting models.

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, 2012, the allowance for uncollectible accounts is \$12,040. 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.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. 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 Assets

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

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 assets

Amounts reported as restricted consist of net assets 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, park charges, 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 Assets/Fund Balance

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

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

B. Budget Requirements

For the year ended June 30, 2012, 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, 2012

<u>Revenue Bond Coverage:</u>	
Gross revenue available for debt service:	
Operating revenues of utility systems	\$ 832,928
Sales tax pledged to Public Works Authority	<u>273,878</u>
Total gross revenue available for debt service	\$ 1,106,806
Operating expenses for Public Works Authority	
Excluding depreciation and amortization	<u>589,730</u>
Net revenues available for debt service	<u><u>\$ 517,076</u></u>
Debt service requirements:	
Average annual debt service- 2000 Series	\$ 114,897
Computed coverage	<u><u>4.50</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, 2012, 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, 2012

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	\$ 246,767	\$ 246,767	N/A	133
Total investments	246,767	246,767		
Total governmental investments	\$ 246,767	\$ 246,767		

RECONCILIATION TO STATEMENT OF NET ASSETS

Investments, unrestricted	\$ 239,533
Investments, restricted	7,234
Total governmental investments	\$ 246,767

Business-type Activities

INVESTMENTS:

Certificates of deposit	\$ 106,408	\$ 106,408	N/A	159
U.S. treasury securities	177,950	177,950	AAA/Aaa	N/A
Total investments	284,358	284,358		
Total business-type investments	\$ 284,358	\$ 284,358		

RECONCILIATION TO STATEMENT OF NET ASSETS

Investments, unrestricted	\$ 64,692
Investments, restricted	219,666
Total governmental investments	\$ 284,358

(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.

Restricted assets consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and cash equivalents			
Municipal court cash	\$ 5,783	\$ -	\$ 5,783
Meter deposits	-	20,496	20,496
Water capital improvements	-	19,311	19,311
Total cash and cash equivalents	5,783	39,807	45,590
Investments			
Meter deposit CD	-	41,715	41,715
Bond sinking fund	-	71,579	71,579
Bond sinking reserve fund	-	106,372	106,372
Library CD	7,234	-	7,234
Total investments	7,234	219,666	226,900
Total restricted assets	\$ 13,017	\$ 259,473	\$ 272,490

TOWN OF SEILING, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

B. PROPERTY, PLANT AND EQUIPMENT

Governmental Activities:

A summary of the changes in the governmental activities fixed assets at June 30, 2012 follows:

	<u>Balance at June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2012</u>
Land	\$ 235,605	\$ -	\$ -	\$ 235,605
Buildings & structures	227,434	47,305	-	274,739
Machinery, furniture, & equipment	782,836	17,326	-	800,162
Improvements other than land	<u>416,011</u>	<u>1,170</u>	<u>-</u>	<u>417,181</u>
Total	1,661,886	65,801	-	1,727,687
Less accumulated depreciation	<u>773,613</u>	<u>87,821</u>	<u>-</u>	<u>861,434</u>
Fixed assets, net	<u>\$ 888,273</u>	<u>\$ (22,020)</u>	<u>\$ -</u>	<u>\$ 866,253</u>

Business-Type Activities:

A summary of the proprietary fund types fixed assets at June 30, 2012 follows:

	<u>Balance at June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2012</u>
Seiling Public Works Authority				
Land	\$ 54,608	\$ -	\$ -	\$ 54,608
Buildings	177,285	-	-	177,285
Machinery, furniture, & equipment	187,126	112,129	-	299,255
Utility property and improvements	<u>2,807,923</u>	<u>77,140</u>	<u>-</u>	<u>2,885,063</u>
Total	3,226,942	189,269	-	3,416,211
Less accumulated depreciation	<u>1,557,805</u>	<u>104,588</u>	<u>-</u>	<u>1,662,393</u>
Fixed assets, net	<u>\$ 1,669,137</u>	<u>\$ 84,681</u>	<u>\$ -</u>	<u>\$ 1,753,818</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.

TOWN OF SEILING, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

Depreciation expense charges to governmental activities:

General government	\$ 7,143
Public safety & judiciary	55,750
Transportation	12,658
Cultural, parks & recreation	12,270
Total governmental activities depreciation expense	\$ 87,821

Depreciation expense charges to business-type activities:

Gas	\$ 8,723
Water	68,264
Customer service	10,166
Sewer	17,435
Total business-type activities depreciation expense	\$ 104,588

C. LONG-TERM DEBT

The following is a summary of long-term debt for the year ended June 30, 2012:

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.	\$ 4,072
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.	7,364
	\$ 11,436

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.	\$ 69,981
On April 2012, SPWA entered into a 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.	26,181
	\$ 96,162

BONDS PAYABLE

Business-Type Activities:

SPWA Utility System Revenue Bonds, Series 2000 for \$1,990,000 were issued November 1, 2000, maturing November 1, 2020 with interest rates (coupon) ranging from 5.50% to 6.10%. Underwriting fees and issuance costs were approximately \$78,400. Payments are made monthly to a debt service sinking fund. Funds were used to construct the reverse osmosis plant. For the year ended June 30, 2012, the Town met the minimum debt service covenants as required under the agreement.	\$ 750,000
	\$ 750,000

TOWN OF SEILING, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Changes in Long-Term Debt:

The following is a summary of changes in long-term debt for the year ended June 30, 2012:

<u>Type of Debt</u>	<u>Balance at July 1, 2011</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Balance at June 30, 2012</u>	<u>Due Within One Year</u>
Governmental activities:					
<i>Lease/purchase debt</i>					
FNB Police Vehicle A	\$ 7,378	\$ -	\$ 3,306	\$ 4,072	\$ 3,476
FNB Police Vehicle B	10,782	-	3,418	7,364	3,586
Total governmental activities	<u>\$ 18,160</u>	<u>\$ -</u>	<u>\$ 6,724</u>	<u>\$ 11,436</u>	<u>\$ 7,062</u>
Business-type activities:					
<i>Notes Payable</i>					
FNB - Bobcat	\$ -	\$ 78,380	\$ 8,400	\$ 69,980	\$ 14,523
FNB - Pickup	-	26,953	772	26,181	4,911
<i>Bonds Payable</i>					
2000 Series Revnue Bonds	805,000	-	55,000	750,000	55,000
Total business-type activities	<u>805,000</u>	<u>105,333</u>	<u>64,172</u>	<u>846,161</u>	<u>74,434</u>

The Town recorded \$50,836 of interest expense in business-type activities customer service function for the year ended June 30, 2012.

Annual Debt Service Requirements:

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2012 follow:

<u>Year Ending June 30</u>	<u>Lease/Purchase</u>		<u>Notes Payable</u>		<u>Bonds Payable</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 7,062	\$ 411	\$ 19,434	\$ 4,367	\$ 55,000	\$ 45,750	\$ 62,062	\$ 46,161
2014	4,374	107	20,429	3,372	60,000	42,395	64,380	42,502
2015	-	-	21,475	2,327	65,000	38,735	65,000	38,735
2016	-	-	22,573	1,229	65,000	34,770	375,000	131,150
2017	-	-	12,250	206	70,000	30,805	70,000	30,805
2018-2021	-	-	-	-	435,000	77,470	435,000	77,470
Totals	<u>\$ 11,436</u>	<u>\$ 518</u>	<u>\$ 96,161</u>	<u>\$ 11,501</u>	<u>\$ 750,000</u>	<u>\$ 269,925</u>	<u>\$ 1,071,442</u>	<u>\$ 366,823</u>

D. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers for the year ended June 30, 2012 were as follows:

<u>Transfer To/Transfer From</u>	<u>To</u>	<u>From</u>
GOVERNMENTAL FUND: General Fund		
Public Works Authority (Enterprise Fund)	\$ 273,878	\$ 273,878
Other governmental entities	273,878	-
ENTERPRISE FUND: Public Works Authority		
General Fund	273,878	273,878
Grand Total	821,634	547,756
** excluding other governmental entities	273,878	-
	<u>\$ 547,756</u>	<u>\$ 547,756</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. Membership in the plan is as follows:

	<u>As of January 1, 2012</u>
Retired participants and beneficiaries	6
Vested active participants	2
Nonvested active participants	6
Total	<u>14</u>

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

<u>Provision</u>	<u>OMRF Plan</u>
a. Eligible to Participate	Full-time, employees of the Town or Authority, except police, firefighter, and other employees who are covered under another approved system.
b. Contributions Requirement	By Town Ordinance
- Authorization	Yes
- Actuarially Determined	6.36% of covered payroll, effective FY12
- Employer Rate	4.9% of covered payroll
- Employee Rate	
c. Period Required to Vest	5 years of credited service
d. 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
JUNE 30, 2012

- e. 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
- f. 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)
1/1/2011	626,440	642,952	16,512	97.4%	242,457	6.8%

- a. Date of last Actuarial Valuation
 March 2012
- 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 2012 Contributions Made
- | | | |
|-------------------------|---------------------------|-----------|
| Total Contributions- | 11.26% of covered payroll | \$ 30,858 |
| Employee Contributions- | 4.9% of covered payroll | \$ 13,424 |
| Employer Contributions- | 6.36% of covered payroll | \$ 17,434 |

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 \$5.46 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.
<i>Annual Required Contributions</i>	
Provision for:	
Cost of living adjustment	Yes, if vested by 5/83
Death (duty, non-duty, post retirement)	Yes
Disability (duty, non-duty)	Yes
Cost of living allowances	Yes
Valuation Date	7/1/09
Actuarial cost method	Individual entry age normal
Amortization method/period	Level dollar 30 years, open
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	4.0% - 10.0%
Post retirement benefit increases	2.0%
Inflation	3.0%
Other	1994 group annuity table set forward 1 year for men and 2 years for women

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, 2012

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES					
Sales taxes	\$ 520,000	\$ 15,000	\$ 535,000	\$ 562,575	\$ 27,575
Use taxes	2,500	50,000	52,500	38,904	(13,596)
Franchise taxes	36,000	(5,500)	30,500	34,175	3,675
Fines and forfeitures	190,000	34,000	224,000	218,416	(5,584)
Licenses and permits	500	350	850	1,056	206
Investment income	3,500	(500)	3,000	3,268	268
Charges for services	5,300	3,350	8,650	9,942	1,292
Intergovernmental	28,675	70,117	98,792	129,237	30,445
Miscellaneous	31,925	42,100	74,025	126,936	52,911
Total revenues before carryover	<u>818,400</u>	<u>208,917</u>	<u>1,027,317</u>	<u>1,124,509</u>	<u>97,192</u>
EXPENDITURES					
Current:					
General government:					
General government					
Personal services	77,000	4,500	81,500	78,810	2,690
Materials & supplies	3,000	500	3,500	2,496	1,004
Other services & charges	25,000	92,500	117,500	99,731	17,769
Capital outlay	7,900	41,625	49,525	47,305	2,220
Clerk					
Personal services	46,000	-	46,000	42,798	3,202
Materials & supplies	4,000	1,000	5,000	4,148	852
Other services & charges	25,000	5,000	30,000	27,792	2,208
Total general government	<u>187,900</u>	<u>145,125</u>	<u>333,025</u>	<u>303,080</u>	<u>29,945</u>
Public safety and judiciary:					
Police					
Personal services	138,000	8,000	146,000	140,013	5,987
Materials & supplies	20,000	1,000	21,000	20,507	493
Other services & charges	30,000	(5,800)	24,200	36,422	(12,222)
Capital outlay	7,478	22,522	30,000	6,977	23,023
Fire					
Personal services	8,000	1,500	9,500	8,745	755
Materials & supplies	2,500	3,000	5,500	5,241	259
Other services & charges	5,500	6,400	11,900	9,861	2,039
Capital outlay	2,500	2,500	5,000	9,861	(4,861)
Animal control					
Materials & supplies	250	100	350	1,167	(817)
Other services & charges	500	500	1,000	703	297
Total public safety and judiciary	<u>214,728</u>	<u>39,722</u>	<u>254,450</u>	<u>239,497</u>	<u>14,953</u>
Transportation:					
Street					
Materials & supplies	10,000	5,000	15,000	18,009	(3,009)
Other services & charges	45,000	40,637	85,637	104,436	(18,799)
Capital outlay	-	87,783	87,783	74,635	13,148
Airport					
Other services & charges	1,200	(500)	700	254	446
Total transportation	<u>56,200</u>	<u>132,920</u>	<u>189,120</u>	<u>197,334</u>	<u>(8,214)</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, 2012

	<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		600	600	520	80
Other services & charges	1,850	3,500	5,350	5,396	(46)
Park					
Personal services	-	-	-	-	-
Materials & supplies	1,500	2,000	3,500	3,582	(82)
Other services & charges	15,000	(9,000)	6,000	5,212	788
Capital outlay	7,900	(4,700)	3,200	2,475	725
Community Building					
Materials & supplies	500	250	750	308	442
Other services & charges	3,000	1,500	4,500	3,691	809
Swimming Pool					
Personal services	21,000	7,000	28,000	28,735	(735)
Materials & supplies	7,500	2,500	10,000	11,928	(1,928)
Other services & charges	2,000	3,000	5,000	2,560	2,440
Capital outlay	-	-	-	-	-
Total cultural, parks and recreation	<u>60,250</u>	<u>6,050</u>	<u>66,900</u>	<u>63,887</u>	<u>2,413</u>
Total expenditures	<u>519,078</u>	<u>323,817</u>	<u>843,495</u>	<u>803,798</u>	<u>39,697</u>
Revenue over (under) expenditures	299,322	(114,900)	183,822	320,711	136,889
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	<u>(290,000)</u>	<u>22,500</u>	<u>(267,500)</u>	<u>(273,879)</u>	<u>(6,379)</u>
Net other financing sources (uses)	<u>(290,000)</u>	<u>22,500</u>	<u>(267,500)</u>	<u>(273,879)</u>	<u>(6,379)</u>
Revenues and other financing sources over (under) expenditures and other uses	9,322	(92,400)	(83,678)	46,832	130,510
Fund balance at beginning of year (Non-GAAP budgetary basis)			<u>337,562</u>	<u>474,778</u>	<u>137,216</u>
Fund balance at end of year (Non-GAAP budgetary basis)			\$ 253,884	\$ 521,610	<u>\$ 267,726</u>
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				5,935	
Expenditure and transfer accruals				(2,603)	
Fund balance at end of year (GAAP basis)				<u>\$ 524,942</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.

Derrel S. White, CPA

P.O. Box 842
Woodward, OK 73802
(580) 256-6830

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 Board of Trustees
Town of Seiling, OK

We have audited the 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, 2012, which collectively comprise the Town of Seiling, OK's basic financial statements for their primary government and have issued our report thereon dated November 8, 2012. The report on the primary government was unqualified. Certain, but not all of the discretely presented component units were presented for purposes of additional analysis but we did not audit those component units and consequently we disclaim any opinion on those component units and for the government wide financial statements. Except as noted in the preceding, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Town of Seiling, OK, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Town of Seiling, OK's internal control over financial reporting as a basis for designing our auditing procedures 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Seiling's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Seiling, OK's financial statements are free of 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*.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "D. White, CPA". The signature is fluid and cursive, with the initials "D" and "W" being particularly prominent.

Derrel S. White, CPA

Woodward, OK

November 8, 2012