

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

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

**FOR THE YEAR ENDED
JUNE 30, 2015**

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

Wanda Adair

Amy Biggs

Bandon McCurley

TOWN MANAGER

Shawndra Winter

TOWN TREASURER AND CLERK

Shara Feuerborn

INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Seiling, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and major fund of the Town of Seiling, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements. These financial statements collectively comprise the Town's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Seiling Housing Authority or Seiling Municipal Hospital Authority, which are component units of the Town.

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 did not audit the financial statements of the Seiling Municipal Hospital Authority that included the Hospital Special Revenue Fund. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Hospital Special Revenue Fund, is based solely on the report of the other auditors. 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. Because of the matter described in the "Basis for Disclaimer of Opinion" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the aggregate discretely presented component unit.

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 on the Aggregate Discretely Presented Component Units

The financial statements of the Seiling Housing Authority (the “Authority”) have not been audited, and we were not engaged to audit the Authority financial statements as part of our audit of the Town’s basic financial statements. The Authority’s financial activities are included in the Town’s basic financial statements as the Town’s only discretely presented component unit.

Disclaimer of Opinion

Because of the significance of the matter described in the “Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Units” paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the aggregate discretely presented component unit of the Town of Seiling, Oklahoma. Accordingly, we do not express an opinion on these financial statements.

Unmodified Opinions

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, and major fund of the Town of Seiling, Oklahoma, as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Note 1, the financial statements referred to above include only the primary government of the Town of Seiling, Oklahoma, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Town’s legal entity. These primary governments financial statements do not include financial data for the Seiling Municipal Hospital Authority, the Town’s legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the Town’s 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, Oklahoma, as of June 30, 2015, the changes in its financial position or, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the reporting entity of the Town of Seiling, Oklahoma, as of and for the year ended June 30, 2015, and our report thereon, dated February 22, 2016, expressed an unmodified opinion on those financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, and schedule of net pension liability on pages 5–12, 39 and 40–42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2016, on our consideration of the Town of Seiling, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Seiling, Oklahoma's internal control over financial reporting and compliance.

FSW&B CPAs-PLLC

FSW&B CPAs-PLLC
Woodward, Oklahoma
February 22, 2016

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, 2015. 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 \$3,727,901 (net position) for the fiscal year 2015. This compared to the previous year when assets exceeded liabilities by \$3,722,186, as restated for the implementation of GASB 68 Accounting and Financial Reporting for Pensions. Refer to the footnotes for details on the implementation.
- Total liabilities of the Town decreased from \$3,721,665 to \$3,491,048. The decrease is attributable debt payments during the fiscal year offset by the accrual of the firefighter's pension liability recorded in the governmental activities.
- Total net position is comprised of the following
 - Net investment in capital assets of \$824,681 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - Restricted net position of \$211,861 represent the portion related to bond reserve accounts
 - Unrestricted net position of \$2,691,359 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 \$876,640 this year. Governmental funds include the General Fund and the Hospital Special Revenue fund. The special revenue fund accounts for the restricted sales tax allocated to hospital operations.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

Governmental funds

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

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

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

Proprietary funds

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

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

Notes to the financial statements

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

Other information

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

Financial Analysis of the Town as a Whole

Changes in net position may be observed and used to discuss the changing financial position of the Town as a whole. The Town's net position at June 30, 2015 was \$3,727,901.

Summary of Net Position

	Governmental Activities		Business-Type Activities		Total		\$ Change	% Change
	2015	2014	2015	2014	2015	2014		
Current assets	\$ 994,281	\$ 1,121,662	\$ 680,703	\$ 994,725	\$ 1,674,984	\$ 2,116,387	\$ (441,403)	-21%
Non-current assets	154,155	-	7,140	8,330	161,295	8,330	152,965	1836%
Capital assets, net	862,782	883,079	4,574,679	4,373,010	5,437,461	5,256,089	181,372	3%
Total assets	\$ 2,011,218	\$ 2,004,741	\$ 5,262,522	\$ 5,376,065	\$ 7,273,740	\$ 7,380,806	\$ (107,066)	-1%
Deferred outflow	865	-	-	-	865	-	865	100%
Current liabilities	\$ 62,850	\$ 91,965	\$ 308,346	\$ 448,502	\$ 371,196	\$ 540,467	\$ (169,271)	-31%
Non-current liabilities	36,319	-	3,083,533	3,181,198	3,119,852	3,181,198	(61,346)	-2%
Total liabilities	99,169	91,965	3,391,879	3,629,700	3,491,048	3,721,665	(230,617)	-6%
Deferred inflow	55,656	-	-	-	55,656	-	55,656	100%
Net Position								
Net investment in capital assets	1,016,937	883,079	(192,256)	1,173,868	824,681	2,056,947	(1,232,266)	-60%
Restricted	153,934	54,770	57,927	531,297	211,861	586,067	(374,206)	100%
Unrestricted	686,387	974,927	2,004,972	41,200	2,691,359	1,016,127	1,675,232	165%
Total net position	\$ 1,857,258	\$ 1,912,776	\$ 1,870,643	\$ 1,746,365	\$ 3,727,901	\$ 3,659,141	\$ 68,760	2%

The Town reported positive balances in total net position for both governmental and business-type activities. Total assets noted a 1% decrease due to the transfer of assets of the hospital special revenue fund. Total liabilities decreased 6% over prior year due to payments on current and long-term liabilities of the Town. The Town's overall financial position improved during fiscal year 2015.

TOWN OF SEILING, OKLAHOMA
MANAGEMENT DISCUSSION & ANALYSIS
JUNE 30, 2015

Summary of Changes in 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>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>		
Revenues								
Program revenues	\$ 222,907	\$ 184,959	\$ 1,003,335	\$ 949,275	\$ 1,226,242	\$ 1,134,234	\$ 92,008	8%
Taxes and other general revenues	1,109,721	839,462	17,208	65,285	1,126,929	904,747	222,182	25%
Total revenues	1,332,628	1,024,421	1,020,543	1,014,560	2,353,171	2,038,981	314,190	15%
Expenses								
General government	233,275	193,352	-	-	233,275	193,352	39,923	21%
Public safety and judiciary	242,260	212,290	-	-	242,260	212,290	29,970	14%
Transportation	94,618	62,471	-	-	94,618	62,471	32,147	51%
Cultural, parks, and recreation	91,904	74,948	-	-	91,904	74,948	16,956	23%
Public service	76	33,035	-	-	76	33,035	(32,959)	100%
Gas	-	-	204,864	235,973	204,864	235,973	(31,109)	-13%
Water	-	-	399,377	356,901	399,377	356,901	42,476	12%
Sewer	-	-	80,548	92,515	80,548	92,515	(11,967)	-13%
Sanitation	-	-	126,541	117,346	126,541	117,346	9,195	8%
Customer service	-	-	125,745	127,104	125,745	127,104	(1,359)	-1%
Total expenses	662,133	576,096	937,075	929,839	1,599,208	1,505,935	93,273	6%
Transfers	(40,810)	(83,607)	40,810	83,607	-	-	-	
Transfers to component units	(759,406)	(163,725)	-	-	(759,406)	(163,725)	(595,681)	364%
Increase (decrease) in net position	\$ (129,721)	\$ 200,993	\$ 124,278	\$ 168,328	\$ (5,443)	\$ 369,321	\$ (374,764)	-101%

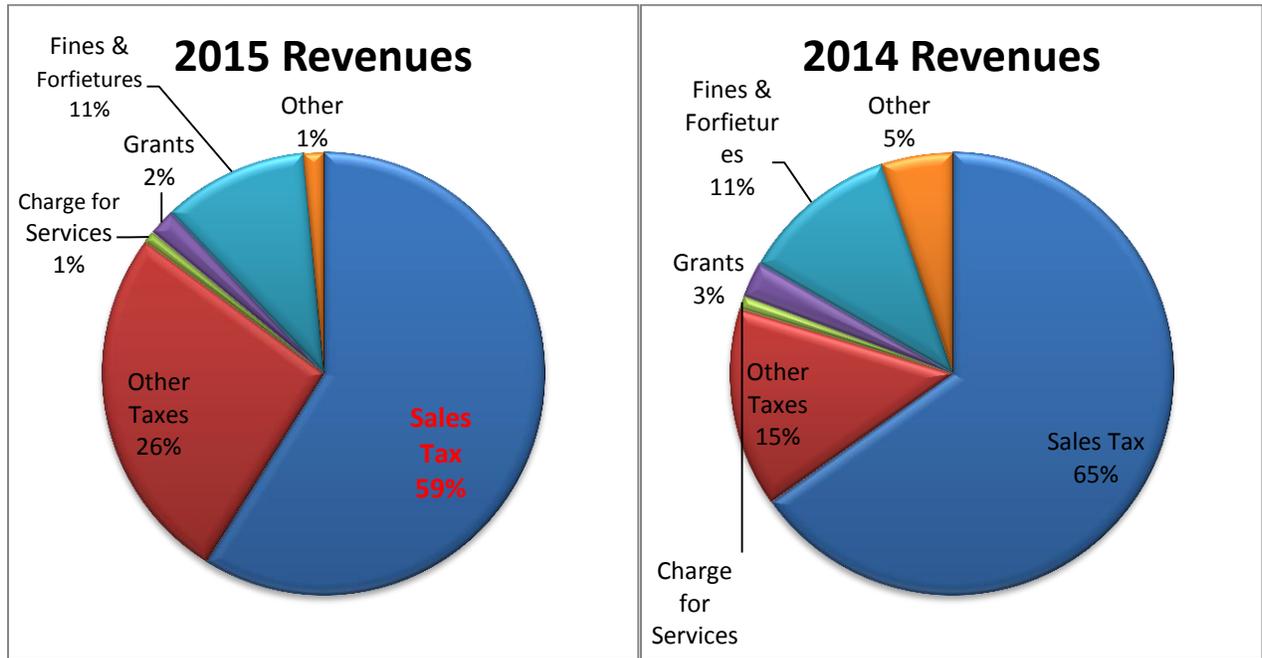
Program revenues increased 15% year over year. Sales tax noted an 18% increase in collections in fiscal year 2015 compared to 2014, which is significant component of the change recorded. Additionally utility billing revenues noted an increase based upon demand during the fiscal year.

Operating expenses noted an increase of 6% when compared to prior year. Overall expenses shifted between departments with increased noted in Transportation expenses due to depreciation costs and water expenses due to maintenance and overtime allocation.

The largest change was in the transfers to component units which accounts for the City's transfer of net assets to the Seiling Hospital Authority during the fiscal year. The Hospital Authority is audited by a different auditor and excluded from presentation in this report.

Graphic presentations of the Summary of Changes in Net position follow to assist in the analysis of the Town's activities for fiscal year 2015 and 2014.

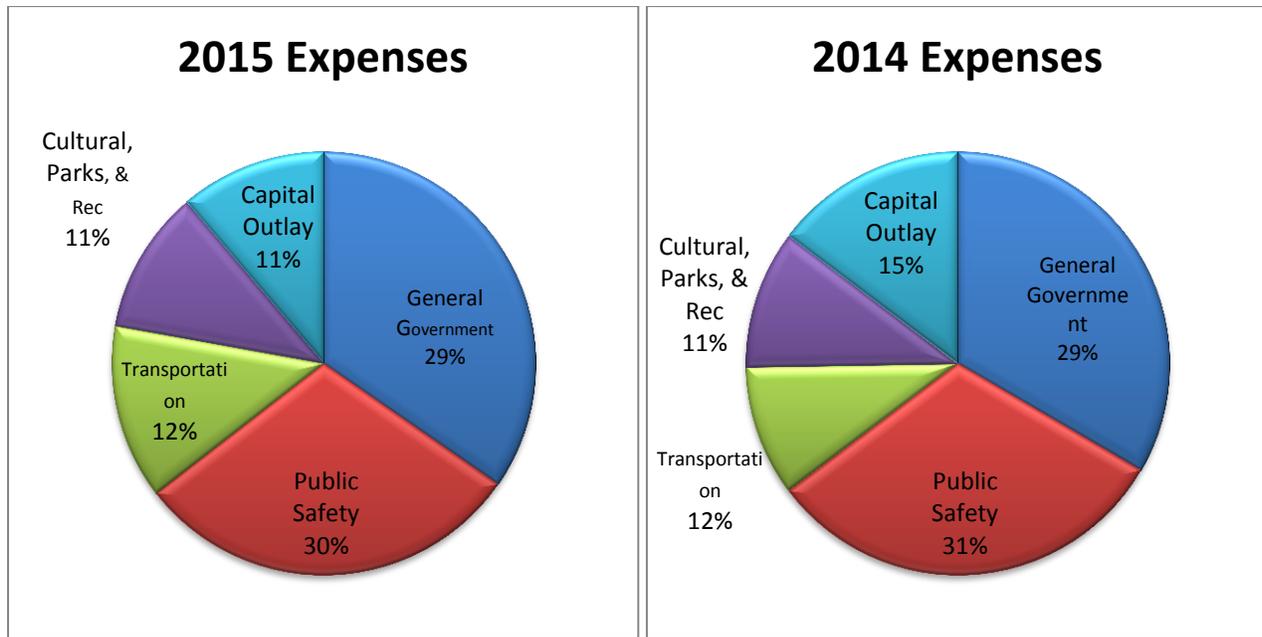
Governmental Activities



Total - \$1,329,787

Total - \$1,020,242

Overall revenues from governmental activities increased when compared to prior year, which is a function in grant and contribution funding for the Town. In fiscal year 2015, sales tax revenues contributed 59% of the funding for the Town compared to 65% in prior year. Other taxes, which include use tax, alcohol beverage tax, and tobacco tax, noted a spike in fiscal year 2015 at 26% compared to 15% in prior year. Fines and forfeitures remained consistent between fiscal years.

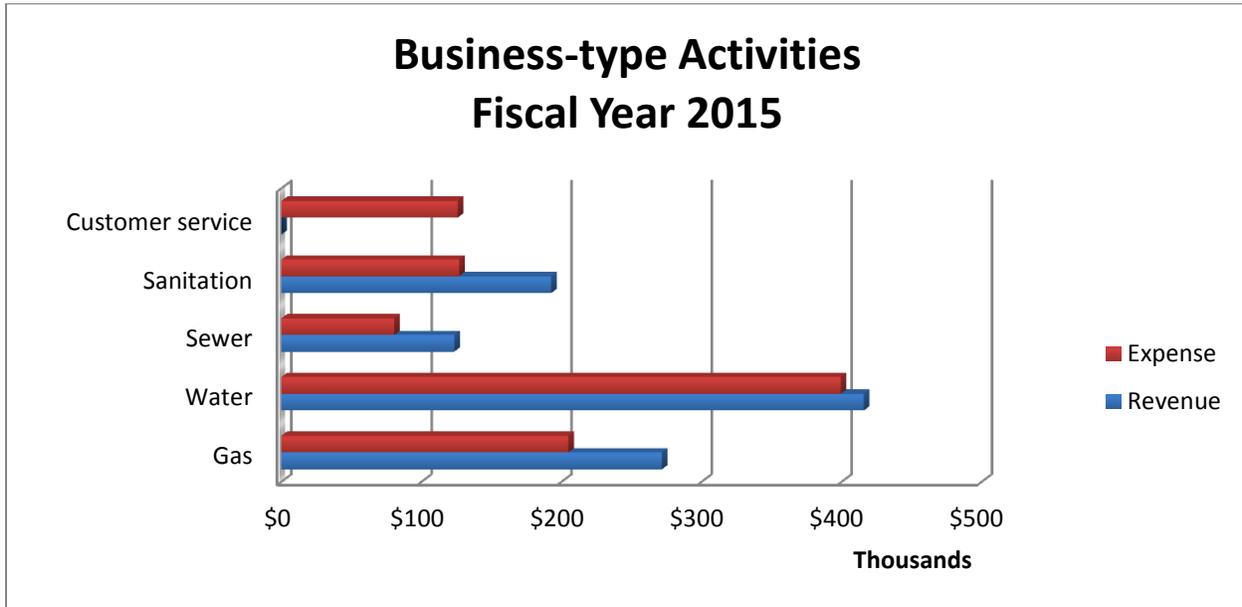


Total - \$641,760

Total - \$543,852

Governmental expenses decreased when compared to prior year due to changes in management and staffing. Allocation of expenses remained consistent between years with public safety expenses the largest cost of operations in 2015 and 2014. General government expenses were the next largest component at 29% of governmental expenses.

Business-type Activities



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

Financial Analysis of the Town's Funds

Governmental funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending funds balance of \$1,170,005, of which \$701,236 is considered unassigned indicating availability for ongoing operations of the Town.

General Fund Budgetary Highlights

The original adopted General Fund budget for fiscal year 2015 was \$614,669. The budget was amended during the year, increasing \$43,180 to \$657,849. During the year, the Town spent \$641,836 which is \$16,013 under budgeted amounts.

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, 2015 was \$1,016,937 and \$(192,256), respectively. Major capital asset additions for the Town include:

- Water and sewer infrastructure improvements in process as of June 30, 2015
- 2015 Ford Explorer for the police department
- Roof for the Library
- 2015 F-250 for the water department

Primary Government Capital Assets (net of accumulated depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Land	\$ 275,105	\$ 275,105	\$ 54,608	\$ 54,608	\$ 329,713	\$ 329,713
Construction in process	-	-	2,098,170	2,688,398	2,098,170	2,688,398
Buildings	83,636	89,521	-	-	83,636	89,521
Machinery & equipment	225,863	238,888	171,926	131,100	397,789	369,988
Utility property & improvements	278,178	279,565	2,249,975	1,498,904	2,528,153	1,778,469
Totals	\$ 862,782	\$ 883,079	\$ 4,574,679	\$ 4,373,010	\$ 5,437,461	\$ 5,256,089

Long-Term Debt

At the end of the fiscal year, the Town had \$2,944,127 in long-term debt obligations outstanding. The Town's changes in long-term debt by type of debt are as follows:

Primary Government Long-Term Debt

	2015	2014
Notes payable	\$ 99,127	\$ 109,602
Revenue bonds	2,845,000	2,870,000
subtotal	2,944,127	2,979,602
less current portion	(111,059)	(60,000)
Totals	\$ 2,833,068	\$ 2,919,602

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES

Economic Environment

According to the Oklahoma Economic Report, "revenue growth from the past year has been erased and indications are the situation is going to get worse before it gets better" stated by State Treasurer, Ken Miller in October 2015. The economic environment of the state sheds light on the local economy of the City.

The approved budget for fiscal year 2016 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 2016 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.

The budget includes a 2% cost of living adjustment for full time employees.

The Town has identified over \$121,800 in capital projects expected to be funded during fiscal year 2016, including municipal pool resurfacing, a street sweeper, street repairs, handheld meter readers, a sewer jet trailer, and a generator for the RO plant.

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, 2015

ASSETS	Governmental Activities	Business-type Activities	Total	Component Unit
Current Assets:				
Cash and cash equivalents	\$ 454,535	\$ 163,007	\$ 617,542	\$ 15,069
Investments, including time deposits	242,470	65,457	307,927	18,175
Accounts receivable (net)	111,352	60,344	171,696	85
Grants receivable	10,000	3,998	13,998	-
Fines receivable	13,999	-	13,999	-
Inventory	-	-	-	4,343
Prepaid Insurance	-	-	-	567
Total current assets	<u>832,356</u>	<u>292,806</u>	<u>1,125,162</u>	<u>38,239</u>
Restricted assets:				
Cash and cash equivalents	154,553	345,694	500,247	2,913
Investments, including time deposits	7,372	42,203	49,575	-
Total restricted assets	<u>161,925</u>	<u>387,897</u>	<u>549,822</u>	<u>2,913</u>
Noncurrent Assets:				
Unamortized bond issue costs	-	7,140	7,140	-
Pension asset	154,155	-	154,155	-
Land and construction in progress	275,105	2,152,778	2,427,883	6,604
Other capital assets (net of accumulated depreciation)	587,677	2,421,901	3,009,578	115,426
Total noncurrent assets	<u>1,016,937</u>	<u>4,581,819</u>	<u>5,598,756</u>	<u>122,030</u>
Total assets	<u>\$ 2,011,218</u>	<u>\$ 5,262,522</u>	<u>\$ 7,273,740</u>	<u>\$ 163,182</u>
DEFERRED OUTFLOW OF RESOURCES				
Deferred charges on pension obligations	<u>865</u>	<u>-</u>	<u>865</u>	<u>-</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 27,935	\$ 96,468	\$ 124,403	\$ 1,199
Salary and benefits payable	18,924	19,386	38,310	2,978
Sales tax payable	822	504	1,326	-
Due to other funds	15,169	(15,169)	-	-
Other current liabilities	-	-	-	6,019
Notes payable, current	-	41,059	41,059	-
Bonds payable, current	-	70,000	70,000	-
Total current liabilities	<u>62,850</u>	<u>212,248</u>	<u>275,098</u>	<u>10,196</u>
Liabilities payable from restricted assets:				
Accrued interest payable	-	32,803	32,803	-
Customer deposits payable	-	63,295	63,295	1,169
Total liabilities payable from restricted assets	<u>-</u>	<u>96,098</u>	<u>96,098</u>	<u>1,169</u>
Noncurrent liabilities:				
Unamortized bond premium	-	250,465	250,465	-
Pension liability	36,319	-	36,319	-
Notes payable, non-current	-	58,068	58,068	-
Bonds payable, non-current	-	2,775,000	2,775,000	-
Total noncurrent liabilities	<u>36,319</u>	<u>3,083,533</u>	<u>3,119,852</u>	<u>-</u>
Total liabilities	<u>99,169</u>	<u>3,391,879</u>	<u>3,491,048</u>	<u>11,365</u>
DEFERRED INFLOW OF RESOURCES				
Deferred charges on pension obligations	<u>55,656</u>	<u>-</u>	<u>55,656</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	1,016,937	(192,256)	824,681	122,030
Restricted	153,934	57,927	211,861	-
Unrestricted	686,387	2,004,972	2,691,359	29,787
Total net position	<u>\$ 1,857,258</u>	<u>\$ 1,870,643</u>	<u>\$ 3,727,901</u>	<u>\$ 151,817</u>

Town of Seiling, Oklahoma
Statement of Activities
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government:					
General government	\$ 149,546	\$ 2,223	\$ 22	\$ -	\$ (147,301)
Clerk	83,729	-	-	-	(83,729)
Total general government	<u>233,275</u>	<u>2,223</u>	<u>22</u>	<u>-</u>	<u>(231,030)</u>
Public safety and judiciary:					
Police	184,838	155,251	10,259	-	(19,328)
Fire	54,761	-	4,485	-	(50,276)
Animal control	2,661	-	-	-	(2,661)
Total public safety and judiciary	<u>242,260</u>	<u>155,251</u>	<u>14,744</u>	<u>-</u>	<u>(72,265)</u>
Transportation:					
Street	93,270	-	8,099	-	(85,171)
Airport	1,348	-	-	-	(1,348)
Total transportation	<u>94,618</u>	<u>-</u>	<u>8,099</u>	<u>-</u>	<u>(86,519)</u>
Cultural, parks and recreation:					
Library	3,941	232	-	-	(3,709)
Park	37,435	-	-	-	(37,435)
Community building	7,195	3,360	-	-	(3,835)
Swimming Pool	43,333	11,064	-	-	(32,269)
Total cultural, parks and recreation	<u>91,904</u>	<u>14,656</u>	<u>-</u>	<u>-</u>	<u>(77,248)</u>
Public Service:					
Hospital	-	-	-	-	-
Tourism	76	-	27,912	-	27,836
Total public service	<u>76</u>	<u>-</u>	<u>27,912</u>	<u>-</u>	<u>27,836</u>
Total governmental activities	<u>\$ 662,133</u>	<u>\$ 172,130</u>	<u>\$ 50,777</u>	<u>\$ -</u>	<u>\$ (439,226)</u>
Business-type activities:					
Utility services:					
Gas	\$ 204,864	\$ 271,700	\$ -	\$ -	\$ 66,836
Water	399,377	355,121	-	60,690	16,434
Sewer	80,548	123,252	-	-	42,704
Sanitation	126,541	192,572	-	-	66,031
Customer service	125,745	-	-	-	(125,745)
Total business-type activities	<u>937,075</u>	<u>942,645</u>	<u>-</u>	<u>60,690</u>	<u>66,260</u>
Total primary government	<u><u>\$ 1,599,208</u></u>	<u><u>\$ 1,114,775</u></u>	<u><u>\$ 50,777</u></u>	<u><u>\$ 60,690</u></u>	<u><u>\$ (372,966)</u></u>
Component Unit					
Housing Authority:					
Tenant services	\$ 67,184	\$ 16,387	\$ 50,433	\$ -	\$ (364)
Total component unit	<u>\$ 67,184</u>	<u>\$ 16,387</u>	<u>\$ 50,433</u>	<u>\$ -</u>	<u>\$ (364)</u>

Town of Seiling, Oklahoma
Statement of Activities (continued)
Year Ended June 30, 2015

Changes in Net Assets:	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Net (expense)/revenue	\$ (439,226)	\$ 66,260	\$ (372,966)	\$ (364)
General revenues:				
Taxes:				
Sales tax	783,080	-	783,080	-
Use tax	217,953	-	217,953	-
Franchise taxes	52,027	-	52,027	-
Alcoholic beverage tax	33,945	-	33,945	-
Cigarette tax	9,316	-	9,316	-
Investment income	2,611	1,069	3,680	69
Oil royalties	494	-	494	-
Penalties	-	10,873	10,873	-
Miscellaneous	10,295	5,266	15,561	-
Transfers - Other governments, net	(759,406)	-	(759,406)	-
Transfers - Internal activity, net	(40,810)	40,810	-	-
Total general revenues and transfers	309,505	58,018	367,523	69
 Change in net position	 (129,721)	 124,278	 (5,443)	 (295)
 Net position-beginning, restated	 1,986,979	 1,746,365	 3,733,344	 152,112
Net position-ending	\$ 1,857,258	\$ 1,870,643	\$ 3,727,901	\$ 151,817

**Town of Seiling, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2015**

	General Fund	Hospital Special Revenue	Total Governmental Funds
ASSETS			
Cash	\$ 608,989	\$ 99	\$ 609,088
Investments, including time deposits	249,842	-	249,842
Taxes receivable	111,352	-	111,352
Grants receivable	10,000	-	10,000
Fines receivable	13,999	-	13,999
Due from other funds	45	-	45
Total assets	\$ 994,227	\$ 99	\$ 994,326
DEFERRED OUTFLOW OF RESOURCES			
Deferred charges on pension obligations	865	-	865
LIABILITIES			
Accounts payable	\$ 27,935	\$ -	\$ 27,935
Salaries and benefits payable	18,924	-	18,924
Due from other funds	15,214	-	15,214
Accrued liabilities	822	-	822
Total liabilities	62,895	-	62,895
DEFERRED INFLOW OF RESOURCES			
Deferred charges on pension obligations	55,656	-	55,656
FUND BALANCES			
Restricted	-	99	99
Committed	153,934	-	153,934
Assigned	7,372	-	7,372
Unassigned	715,235	-	715,235
Total fund balances	876,541	99	876,640
Total liabilities and fund balances	\$ 939,436	\$ 99	\$ 939,535
Total fund balance- total governmental funds			876,640
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	1,708,881		
Less: Accumulated depreciation	(1,121,204)		862,782
Long-term portion of liabilities are not due and payable in the current period and are not reported			
Net pension (obligation)/asset			117,836
Net position of governmental activities			\$ 1,857,258

Town of Seiling, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2015

	General Fund	Hospital Special Revenue	Total Governmental Funds
REVENUES			
Sales tax	\$ 783,080	\$ -	\$ 783,080
Use tax	217,953	-	217,953
Beverage tax	33,945	-	33,945
Franchise taxes	52,027	-	52,027
Hotel/motel tax	27,912	-	27,912
Cigarette tax	9,316	-	9,316
Motor vehicle tax	6,515	-	6,515
Gas tax	1,584	-	1,584
Licenses and permits	1,993	-	1,993
Fines and forfeitures	155,251	-	155,251
Investment income	2,611	-	2,611
Charges for services	11,296	-	11,296
Rentals and royalties	3,854	-	3,854
Intergovernmental	14,485	-	14,485
Donations	281	-	281
Miscellaneous	10,525	-	10,525
Total revenues	<u>1,332,628</u>	<u>-</u>	<u>1,332,628</u>
EXPENDITURES			
Current:			
General government:			
General government	138,602	-	138,602
Clerical	83,729	-	83,729
Total general government	<u>222,331</u>	<u>-</u>	<u>222,331</u>
Public safety and judiciary:			
Police	165,591	-	165,591
Fire	23,580	-	23,580
Animal control	2,661	-	2,661
Total public safety and judiciary	<u>191,832</u>	<u>-</u>	<u>191,832</u>
Transportation:			
Street	84,292	-	84,292
Airport	1,147	-	1,147
Total transportation	<u>85,439</u>	<u>-</u>	<u>85,439</u>
Cultural, parks and recreation:			
Library	2,851	-	2,851
Park	20,865	-	20,865
Community Building	5,320	-	5,320
Swimming Pool	41,409	-	41,409
Total cultural, parks and recreation	<u>70,445</u>	<u>-</u>	<u>70,445</u>
Public Service:			
Hospital	-	-	-
Tourism	76	-	76
Total public service	<u>76</u>	<u>-</u>	<u>76</u>
Capital outlay	71,713	-	71,713
Total expenditures	<u>641,836</u>	<u>-</u>	<u>641,836</u>
Excess (deficiency) of revenues over expenditures	<u>690,792</u>	<u>-</u>	<u>690,792</u>
OTHER FINANCING SOURCES (USES)			
Transfers out other governments	(196,426)	(562,980)	(759,406)
Transfers in	392,852	255,616	648,468
Transfers out	(689,278)	-	(689,278)
Total other financing sources and uses	<u>(492,852)</u>	<u>(307,364)</u>	<u>(800,216)</u>
Net change in fund balances	197,940	(307,364)	(109,424)
Fund balances - beginning, restated	678,601	307,463	986,064
Fund balances - ending	<u>\$ 876,541</u>	<u>\$ 99</u>	<u>\$ 876,640</u>

Town of Seiling, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2015

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

Net change in fund balances - total governmental funds \$ (109,424)

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	71,713
Depreciation expense	(92,010)

Principle debt payments are reported as expenditures in the governmental funds	-
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Change in Net Position of Governmental Activities	\$ (129,721)
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Town of Seiling, Oklahoma
Statement of Net Position
Proprietary Funds
June 30, 2015

	Business-type Activities	Discretely Presented Component Unit
	Public Works Authority	Seiling Housing Authority
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 163,007	\$ 15,069
Investments	65,457	18,175
Accounts receivable (net)	60,344	85
Grants receivable	3,998	-
Inventory	-	4,343
Prepaid Insurance	-	567
Due from other funds	15,214	-
Total current assets	<u>308,020</u>	<u>38,239</u>
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	345,694	2,913
Investments	42,203	-
Total restricted assets	<u>387,897</u>	<u>2,913</u>
Noncurrent assets:		
Unamortized bond discount	7,140	-
Land and construction in process	2,152,778	6,604
Capital assets (net)	2,421,901	115,426
Total noncurrent assets	<u>4,581,819</u>	<u>122,030</u>
Total assets	<u>\$ 5,277,736</u>	<u>\$ 163,182</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 96,468	\$ 1,199
Salary and benefits payable	19,386	2,978
Sales tax payable	504	-
Other current liabilities	-	6,019
Due to other funds	45	-
Notes payable, current	41,059	-
Total current liabilities	<u>157,462</u>	<u>10,196</u>
Liabilities payable from restricted assets:		
Accrued interest payable	32,803	-
Customer deposits payable	63,295	1,169
Bonds payable, current	70,000	-
Total liabilities payable from restricted assets	<u>166,098</u>	<u>1,169</u>
Noncurrent liabilities:		
Unamortized bond premium	250,465	-
Notes payable, noncurrent	58,068	-
Bonds payable, noncurrent	2,775,000	-
Total noncurrent liabilities	<u>3,083,533</u>	<u>-</u>
Total liabilities	<u>3,407,093</u>	<u>11,365</u>
NET POSITION		
Net investment in capital assets	(192,256)	122,030
Restricted	57,927	-
Unrestricted	2,004,972	29,787
Total net position	<u>\$ 1,870,643</u>	<u>\$ 151,817</u>

Town of Seiling, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2015

	<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	\$ 271,700	\$ -
Water charges	355,121	-
Sewer charges	123,252	-
Sanitation charges	192,572	-
Penalties	10,873	-
Tenant services	-	15,745
Total charges for services	<u>953,518</u>	<u>15,745</u>
Miscellaneous	5,264	642
Total operating revenues	<u>958,782</u>	<u>16,387</u>
<u>Operating expenses:</u>		
Cost of goods sold	120,295	-
Personal services	270,255	21,151
Materials and supplies	64,773	2,647
Other services and charges	227,051	29,373
Depreciation and amortization	117,303	14,013
Total operating expenses	<u>799,677</u>	<u>67,184</u>
Net operating income	159,105	(50,797)
<u>Nonoperating revenue (expense):</u>		
Investment income	1,069	69
Grant income	60,690	50,433
Interest expense	(137,396)	-
Bad debt	-	-
Total nonoperating revenue/(expense)	<u>(75,637)</u>	<u>50,502</u>
Net income before contributions and transfers	83,468	(295)
Transfers from other funds	492,852	-
Transfers to other funds	<u>(452,042)</u>	<u>-</u>
Change in net position	124,278	(295)
Net position-beginning of year	1,746,365	152,112
Net position-end of year	<u>\$ 1,870,643</u>	<u>\$ 151,817</u>

Town of Seiling, Oklahoma
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2015

	Business-type Activities	Discretely Presented Component Unit
	Public Works Authority	Seiling Housing Authority
<u>Cash flows from operating activities:</u>		
Receipts from customers/patients	\$ 957,585	\$ 15,660
Payments to suppliers	(610,862)	(32,360)
Payments to employees	(266,453)	(20,735)
Other operating revenues	5,264	642
Net cash provided (used) by operating activities	85,534	(36,793)
<u>Cash flows from non-capital financing activities:</u>		
Transfers from other funds	492,852	-
Transfers to other funds	(452,042)	-
Intergovernmental funding for operations	-	50,433
Net cash provided (used) by non-capital financing activities	40,810	50,433
<u>Cash flows from capital and related financing activities:</u>		
Purchase of capital assets	(328,914)	(14,431)
Proceeds from issuance of debt	29,520	-
Intergovernmental funding for capital assets	60,690	-
Principal paid on capital debt	(64,996)	-
Interest paid on capital debt	(137,666)	-
Net cash provided (used) by capital and related financing activities	(441,366)	(14,431)
<u>Cash flows from investing activities:</u>		
Investment income	1,069	58
Net cash provided (used) by investing activities	1,069	58
Net increase (decrease) in cash and cash equivalents	(313,953)	(733)
Cash and cash equivalents, July 1, 2014	930,314	36,890
Cash & cash equivalents, June 30, 2015	\$ 616,361	\$ 36,157
Cash, including time deposits	\$ 228,464	\$ 33,244
Restricted cash, including time deposits	387,897	2,913
Total cash and cash equivalents, end of year	\$ 616,361	\$ 36,157
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	\$ 159,105	\$ (50,797)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	117,303	14,013
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	4,067	(85)
Increase (decrease) in accounts payable	(198,743)	236
Increase (decrease) in wages & benefits payable	3,802	416
Increase (decrease) in deposits subject to refund	-	(576)
Total adjustments	(73,571)	14,004
Net cash provided (used) by operating activities	\$ 85,534	\$ (36,793)

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

A. Organization

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

The Reporting Entity

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

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

Blended Component Unit Reported with Primary Government:

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

Discretely Presented Component Units:

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

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

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.

C. Fund Types and Major Funds

Major Governmental Fund

General Fund

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

Special Revenue Fund

Hospital Special Revenue Fund

The Hospital Special Revenue Fund accounts for the restricted sales tax allocated to the Hospital for construction and maintenance of the facility. For the year ended June 30, 2015, the assets were transferred to the Seiling Hospital Authority. That entity is audited by another auditor.

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, 2015, the allowance for uncollectible accounts is \$6,051. Management does not believe there are significant losses in excess of the allowance.

Property, Plant and Equipment

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

Government-Wide Statements:

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost, if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the asset value or materially extend the useful lives are not capitalized. Management established a capitalization limit of \$1,500.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net position. Proprietary fund and similar component unit fixed assets

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

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

Fund Financial Statement

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

Long-Term Debt

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

Equity Classifications

Governmental Fund Balances

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

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

Nonspendable

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

Restricted

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

Committed

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

Assigned

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

Unassigned

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

Net Position

Both proprietary fund financial statements and government-wide financial statements report net position. Net investment in capital assets and legally restricted amounts are separated from unrestricted net position.

Net investment in capital assets

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.

Unrestricted net position

This consists of net position that does not meeting the criteria of "restricted" or "net investment in capital assets".

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources

In addition to assets, the statement of net position will sometimes reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) therefore will not be recognized as an outflow of resources (expense) until then. The Town only has one item that qualifies for reporting in this category. It is the deferred charge on net pension obligations for the retirement plans of the Town. A deferred charge on pension obligations results from the net different between projected and actual earnings on pension plan investments.

Deferred inflows of resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s); therefore will not be recognized as an inflow of resources (revenue) until that time. The Town reports deferred charge on net pension obligations for the retirement plans of the Town. A deferred charge on pension obligations results from the net different between projected and actual earnings on pension plan investments.

F. Revenues, Expenditures and Expenses

Revenues

Sales Tax

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

Charges for Services

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

Grants and Contributions

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

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

Interfund Transfers

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

Compensated Absences

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

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deficit Fund Net position/Fund Balance

Deficits resulting from accrual reporting do not constitute violations of Oklahoma State Statutes.
 The Town had no deficit fund net position or fund balances for the fiscal year.

B. Budget Requirements

For the year ended June 30, 2015, 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.

<u>Revenue Bond Coverage:</u>	
Gross revenue available for debt service:	
Operating revenues of utility systems	\$ 942,645
Sales tax pledged to Pulic Works Authority	<u>392,852</u>
Total gross revenue available for debt service	\$ 1,335,497
Operating expenses for Public Works Authority	
Excluding depreciation and amortization	<u>682,374</u>
Net revenues available for debt service	<u><u>\$ 653,123</u></u>
Debt service requirements:	
Average annual debt service- 2013 Series	\$ 206,897
Computed coverage	<u><u>3.16</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:

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

TOWN OF SEILING, OKLAHOMA
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JUNE 30, 2015

fiscal health and service. Collateral agreements must be approved prior to deposit of funds as provided by law. At June 30, 2015, the Town's deposits exceeded FDIC coverage.

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.

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 Months to Maturity (2)</u>
Governmental Activities				
<u>INVESTMENTS:</u>				
Certificates of deposit	\$ 249,842	\$ 249,842	N/A	5.20
Total investments	<u>249,842</u>	<u>249,842</u>		
 Total governmental investments	 <u>\$ 249,842</u>	 <u>\$ 249,842</u>		

RECONCILIATION TO STATEMENT OF NET POSITION

Investments, unrestricted	\$ 242,470
Investments, restricted	<u>7,372</u>
Total governmental investments	<u>\$ 249,842</u>

Business-type Activities

INVESTMENTS:

Certificates of deposit	\$ 107,660	\$ 107,660	N/A	5.30
Total investments	<u>107,660</u>	<u>107,660</u>		
 Total business-type investments	 <u>\$ 107,660</u>	 <u>\$ 107,660</u>		

RECONCILIATION TO STATEMENT OF NET POSITION

Investments, unrestricted	\$ 65,457
Investments, restricted	<u>42,203</u>
Total governmental investments	<u>\$ 107,660</u>

(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
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Restricted assets consist of the following:

Primary Governemnt

	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents			
Municipal court cash	\$ 153,935	\$ -	\$ 153,935
Library cash	519	-	519
Hospital improvements	99	-	99
Meter deposits	-	29,193	29,193
Debt service	-	289,811	289,811
Water capital improvements	-	26,691	26,691
Total cash and cash equivalents	154,553	345,695	500,248
Investments			
Meter deposit CD	-	42,203	42,203
Library CD	7,372	-	7,372
Total investments	7,372	42,203	49,575
Total restricted assets	\$ 161,925	\$ 387,898	\$ 549,823

B. PROPERTY, PLANT AND EQUIPMENT

Governmental Activities:

A summary of the changes in the governmental activities fixed assets at June 30, 2015 follows:

	Balance at July 1, 2014	Additions	Deletions	Balance at June 30, 2015
Land	\$ 275,105	\$ -	\$ -	\$ 275,105
Buildings & structures	341,104	10,650	-	351,754
Machinery, furniture, & equipment	851,301	49,667	-	900,968
Improvements other than land	444,763	11,396	-	456,159
Total	1,912,273	71,713	-	1,983,986
Less accumulated depreciation	1,029,194	92,010	-	1,121,204
Fixed assets, net	\$ 883,079	\$ (20,297)	\$ -	\$ 862,782

TOWN OF SEILING, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
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Business-Type Activities:

A summary of the proprietary fund types fixed assets at June 30, 2015 follows:

	Balance at July 1, 2014	Additions	Deletions	Balance at June 30, 2015
Seiling Public Works Authority				
Land	\$ 54,608	\$ -	\$ -	\$ 54,608
Construction in process	1,886,584	211,586	-	2,098,170
Buildings	177,285	-	-	177,285
Machinery, furniture, & equipment	372,092	86,462	-	458,554
Utility property and improvements	3,762,459	30,866	-	3,793,325
Total	6,253,028	328,914	-	6,581,942
Less accumulated depreciation	1,880,018	127,245	-	2,007,263
Fixed assets, net	\$ 4,373,010	\$ 201,669	\$ -	\$ 4,574,679

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

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

Depreciation expense charges to governmental activities:

General government	\$ 10,944
Public safety & judiciary	50,428
Transportation	9,179
Cultural, parks & recreation	19,584
Public services	1,875
Total governmental activities depreciation expense	\$ 92,010

Depreciation expense charges to business-type activities:

Gas	\$ 8,152
Water	102,308
Sewer	16,785
Total business-type activities depreciation expense	\$ 127,245

TOWN OF SEILING, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

C. LONG-TERM DEBT

The following is a summary of long-term debt for the year ended June 30, 2015:

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. \$ 24,146

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. 10,680

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. 39,337

SPWA entered into an agreement in August 2015 with First National Bank of Seiling for the purchase of a 2015 Ford F-250 in the amount of \$29,520 at 4% interest for 60 months. Monthly payments of \$543 are remitted to the bank on a monthly basis. The debt matures August 2019. 24,963

\$ 99,126

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. \$ 2,845,000

\$ 2,870,000

Changes in Long-Term Debt:

The following is a summary of changes in long-term debt for the year ended June 30, 2015:

<u>Type of Debt</u>	<u>Balance at July 1, 2014</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Balance at June 30, 2015</u>	<u>Due Within One Year</u>
Business-type activities:					
<i>Notes Payable</i>					
FNB - Bobcat	\$ 40,192	\$ -	\$ 16,047	\$ 24,145	\$ 16,047
FNB - Pickup	16,546	-	5,867	10,679	5,867
FNB - Backhoe	52,864	-	13,526	39,338	13,526
2015 Ford	-	29,520	4,556	24,964	5,619
	109,602	29,520	39,996	99,126	41,059
<i>Bonds Payable</i>					
2013 Series Revnue Bonds	2,870,000	-	25,000	2,845,000	70,000
Total business-type activities	<u>\$ 2,979,602</u>	<u>\$ 29,520</u>	<u>\$ 64,996</u>	<u>\$ 2,944,126</u>	<u>\$ 111,059</u>

TOWN OF SEILING, OKLAHOMA
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Annual Debt Service Requirements:

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2015 follow:

Year Ending June 30	Notes Payable		Bonds Payable	
	Principal	Interest	Principal	Interest
2016	\$ 36,505	\$ 2,214	\$ 70,000	\$ 130,196
2017	26,612	768	70,000	128,167
2018	11,485	132	75,000	126,064
2019	-	-	75,000	123,701
2020	-	-	80,000	121,066
2021-2025	-	-	445,000	440,720
2026-2030	-	-	575,000	338,943
2031-2035	-	-	735,000	238,509
2036-2038	-	-	720,000	59,370
Totals	<u>\$ 74,602</u>	<u>\$ 3,114</u>	<u>\$ 2,845,000</u>	<u>\$ 1,706,736</u>

D. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers for the year ended June 30, 2015 were as follows:

Transfer To/Transfer From	To	From
GOVERNMENTAL FUND: General Fund		
Hospital Special Revenue Fund (Governmental)	\$ 196,426	\$ -
Public Works Authority (Enterprise Fund)	392,852	392,852
Other governmental entities	196,426	-
GOVERNMENTAL FUND: Hospital Special Revenue Fund		
General Fund	-	196,426
Public Works Authority (Enterprise Fund)	-	59,190
ENTERPRISE FUND: Public Works Authority		
General Fund	392,852	392,852
Hospital Special Revenue Fund (Governmental)	59,190	-
Grand Total	1,237,746	1,041,320
** excluding other governmental entities	196,426	-
	<u>\$ 1,041,320</u>	<u>\$ 1,041,320</u>

(4) RETIREMENT PLANS

The Town participates in two employee retirement systems as follows:

<u>Name of Plan</u>	<u>Type of Plan</u>
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, 2015, contribution rates were 4.9% and 2.96% for employees and employers, respectively.

For the year ended June 30, 2015, the following amounts related to the defined contribution plan:

Payroll for covered employees	\$290,265
Employer (Town) contributions made	\$18,328

Plan Description – The Town contributes to the OkMRF for all eligible employees except for those covered by the Firefighter Pension Systems. The plan is an agent multiple employer - defined benefit plan administered by OkMRF. The OkMRF plan issues a separate financial report and can be obtained from OkMRF or from their website: www.okmrf.org/reports.html. Benefits are established or amended by the Town Council in accordance with O.S. Title 11, Section 48-101-102.

Summary of Significant Accounting Policies – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town's plan and additions to/deductions from the Town's fiduciary net position have been determined on the same basis as they are reported by OkMRF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value based on published market prices. Detailed information about the OkMRF plans' fiduciary net position is available in the separately issued OkMRF financial report.

Eligibility Factors and Benefit Provisions

<u>Provision</u>	<u>OkMRF Plan</u>
a. Eligible to Participate	Full-time, employees of the Town or Authority, except police, firefighters, and other employees who are covered under another approved system. The Plan has a 3 month probationary period.
b. Contributions Requirement	By Town Ordinance
- Authorization	Yes
- Actuarially Determined	2.96% of covered payroll for FY15
- Employer Rate	4.9% of covered payroll
- Employee Rate	
c. Period Required to Vest	5 years of vesting service
d. Eligibility for Distribution	<ul style="list-style-type: none"> - Normal retirement at age 65 with 5 years of vesting service. - Early Retirement after age 55 with 5 years or more of vesting. - Disability retirement upon total and permanent disability with 5 years of service. - Death benefits with 5 years of vesting service, if married, 50% of accrued benefit payable to spouse until death or remarriage, if single, 50% of the accrued benefit is payable for 10 years certain.
e. Benefit Determination Base	Final average salary – the average of the five highest consecutive annual salaries out of the last 10 years of service.
f. Benefit Determination Methods:	
- Normal Retirement	2.625% of final average compensation multiplied by the number of

- | | |
|-----------------------------|--|
| | years of credited service. |
| - Early Retirement | Payable starting at normal retirement or the accrued benefit reduced 5% per year for commencement prior to normal retirement age. |
| - Disability Retirement | Payable upon disablement without reduction for early payment |
| - Death Benefit | 50% of employee's accrued benefit, see above |
| - Prior to 10 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. |

Employees Covered by Benefit Terms

Active Employees	8
Retirees or Retiree Beneficiaries	<u>4</u>
Total	<u>12</u>

Contribution Requirements

The Town Council has the authority to set and amend contribution rates by ordinance for the OkMRF defined benefit plan in accordance with O.S. Title 11, Section 48-102. The contribution rates for the current fiscal year have been made in accordance with an actuarially determined rate. The actuarially determined rate is 7.86% of covered payroll. Employees contribute a fixed 4.9% to the plan in accordance with the plan provisions adopted by the Town Council.

Actuarial Assumptions

- | | |
|--|---|
| a. Date of last Actuarial Valuation | July 2015 |
| b. Significant Actuarial Assumptions Used: | |
| 1. Rate of Return on Investments | 7.5% per annum |
| 2. Pay increases | Rates by age |
| 3. Retirement Age | Rates by age |
| 4. Mortality Table | UP 1994 mortality (projected) |
| 5. Asset Value | Actuarial method |
| c. Actuarial cost method | Entry age normal |
| d. Date of last experience study | Sept 2012 for fiscal years 2007 thru 2011 |

Discount Rate – The discount rate used to value benefits was the long-term expected rate of return on plan investments, 7.75% since the plan's net fiduciary position is projected to be sufficient to make projected benefit payments.

The Town has adopted a funding method that is designed to fund all benefits payable to participants over the course of their working careers. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable. Thus, the sufficiency of pension plan assets was made without a separate projection of cash flows.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.0%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2014 are summarized in the following table:

TOWN OF SEILING, OKLAHOMA
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	<u>Target Allocation</u>	<u>Real Return</u>	<u>Weighted Return</u>
Large cap stocks - S&P 500	25%	5.40%	1.35%
Small/mid cap stocks - Russell 2500	10%	7.50%	0.75%
Long/short equity - MSCI ACWI	10%	6.10%	0.61%
International stocks - MSCI EAFE	20%	5.10%	1.02%
Fixed income bonds - Barclay's Capital Aggregate	30%	2.60%	0.78%
Real estate - NCREIF	5%	4.80%	0.24%
Cash equivalents - 3 month Treasury	0%	0.00%	0.00%
	<u>100%</u>		
		Average Real Return	4.75%
		Inflation	<u>3.00%</u>
		Long term expected return	<u><u>7.75%</u></u>

Changes in Net Pension Liability – The total pension liability was determined based on an actuarial valuation performed as of July 1, 2014 which is also the measurement date. There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of July 1, 2014 and the Town's report ending date of June 30, 2015, that would have had a significant impact on the net pension liability. The following table reports the components of changes in net pension liability:

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the Town, calculated using the discount rate of 7.75 percent, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
City's proportionate share of the net pension liability/(asset)	(67,758)	(154,155)	(225,866)

The Town reported \$56 in pension expense for the year ended June 30, 2015. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -
Changes of assumptions	-
Net difference between projected and actual earnings on pension plan investments	50,158
Changes in proportion and differences between City contributions and proportionate share of contributions	-
City contributions subsequent to the measurement date	-
Total	<u>\$ 50,158</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$(12,540)
2017	(12,540)
2018	(12,540)
2019	(12,540)

B. Oklahoma Firefighter's Pension and Retirement Systems

Plan Description – The Town of Seiling, as the employer, participates in the Firefighters Pension & Retirement – a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension & Retirement System (FPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the FPRS. FPRS issues a publicly available financial report that can be obtained at www.ok.gov/fprs.

Benefits provided – FPRS provides retirement, disability and death benefits to members of the plan.

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

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

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in-the-line-of-duty is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per years of service, with a maximum of 30 years of service. For disabilities not-in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation, based on the most recent 60-month salary as opposed to 30 months. For volunteer firefighters, the not-in-the-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-the-line-of-duty pension is \$150.60 with less than 20 years of service, or \$7.53 per year of service, with a maximum of 30 years.

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

Contributions – The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the Town were \$1,320 (fiscal year contributions).

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the Town reported a liability of \$36,319 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The Town's proportion of the net pension liability was based on the Town's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2014. Based upon this information the Town's proportion was 0.0035%.

For the year ended June 30, 2015, the Town recognized pension expense of \$3,262. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 865	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	5,498
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	-	-
Total	\$ 865	\$ 5,498

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 927
2017	927
2018	927

TOWN OF SEILING, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

2019	927
2020	925

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

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

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

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

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

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

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

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability/(asset)	41,398	36,319	26,765

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the FPRS; which can be located at www.ok.gov/fprs.

(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.

B. Grant Program Involvement

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

(6) OTHER MATTERS

A. Restatement of Beginning Net Position

Effective July 1, 2014, the Town implemented GASB No. 68, Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27. GASB No. 68 established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. The Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plans and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans and cost sharing plans, and recognition and disclosure requirements are addressed for each classification.

Implementation of GASB No. 68 resulted in the restatement of beginning year net position to recognize the net pension obligation of the Town. The changes were as follows:

		<u>Governmental Activities</u>
Beginning Net Position	\$	1,912,776
Net pension obligations		117,836
Net deferred outflows/(inflows) on pension charges		(54,791)
Restated Beginning Net Position	\$	<u>1,975,821</u>

B. Subsequent Events

Seiling Municipal Hospital

During the fiscal year, the Town of Seiling took over operation of the Seiling Municipal Hospital, the "Hospital". For the year ended June 30, 2015, the Hospital was audited by Eide Baily. As disclosed in Note 1(F), the Town of Seiling receives and remits the one cent restricted sales tax for the Hospital on a monthly basis. That restricted sales tax will continue until the debt obligations of the Hospital are retired.

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, 2015

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES					
Sales tax	\$ 602,900	\$ 182,100	\$ 785,000	\$ 783,080	\$ (1,920)
Use tax	71,332	166,000	237,332	217,953	(19,379)
Franchise taxes	46,595	-	46,595	52,027	5,432
Fines and forfeitures	112,000	23,000	135,000	155,251	20,251
Licenses and permits	600	1,100	1,700	1,993	293
Investment income	2,000	450	2,450	2,611	161
Charges for services	6,200	2,400	8,600	11,296	2,696
Intergovernmental	44,618	15,659	60,277	25,643	(34,634)
Miscellaneous	19,960	23,160	43,120	93,932	50,812
Total revenues before carryover	<u>906,205</u>	<u>413,869</u>	<u>1,320,074</u>	<u>1,343,786</u>	<u>23,712</u>
EXPENDITURES					
Current:					
General government:					
General government	119,250	23,380	142,630	140,640	1,990
Clerk	87,500	(2,000)	85,500	83,729	1,771
Total general government	<u>206,750</u>	<u>21,380</u>	<u>228,130</u>	<u>224,369</u>	<u>3,761</u>
Public safety and judiciary:					
Police	226,569	(18,000)	208,569	203,796	4,773
Fire	23,500	3,000	26,500	23,580	2,920
Animal control	3,250	(500)	2,750	2,661	89
Total public safety and judiciary	<u>253,319</u>	<u>(15,500)</u>	<u>237,819</u>	<u>230,037</u>	<u>7,782</u>
Transportation:					
Street	55,000	43,350	98,350	95,688	2,662
Airport	800	550	1,350	1,147	203
Total transportation	<u>55,800</u>	<u>43,900</u>	<u>99,700</u>	<u>96,835</u>	<u>2,865</u>
Cultural, parks and recreation:					
Library	5,500	8,500	14,000	13,501	499
Park	47,500	(17,000)	30,500	30,365	135
Community Building	7,300	(1,100)	6,200	5,320	880
Swimming Pool	38,500	3,000	41,500	41,409	91
Total cultural, parks and recreation	<u>98,800</u>	<u>(6,600)</u>	<u>92,200</u>	<u>90,595</u>	<u>1,605</u>
Total expenditures	<u>614,669</u>	<u>43,180</u>	<u>657,849</u>	<u>641,836</u>	<u>16,013</u>
Revenue over (under) expenditures	291,536	370,689	662,225	701,950	39,725
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	(301,450)	(266,050)	(567,500)	(492,852)	74,648
Net other financing sources (uses)	<u>(301,450)</u>	<u>(266,050)</u>	<u>(567,500)</u>	<u>(492,852)</u>	<u>74,648</u>
Revenues and other financing sources over (under) expenditures and other uses	(9,914)	104,639	94,725	209,098	114,373
Fund balance at beginning of year (Non-GAAP budgetary basis)			610,000	662,070	137,216
Fund balance at end of year (Non-GAAP budgetary basis)			\$ 704,725	\$ 871,168	<u>\$ 251,589</u>
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				6,123	
Expenditure and transfer accruals				(750)	
Fund balance at end of year (GAAP basis)				<u>\$ 876,541</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.

Schedules of Required Supplementary Information

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Oklahoma Fire Pension Retirement Plan
 Year Ended June 30, 2015

	<u>2015*</u>
Town's portion of the net pension liability (asset)	0.0035%
Town's proportionate share of the net pension liability (asset)	\$ 36,319
Town's covered-employee payroll	\$ 4,526
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	802%
Plan fiduciary net position as a percentage of the total pension liability	71.85%

* The amount presented for each fiscal year were determined as of the fiscal year-end that occurred previous

SCHEDULE OF TOWN'S CONTRIBUTIONS
Oklahoma Fire Pension Retirement Plan

	<u>2015*</u>
Contractually required contribution	\$ 1,320
Contributions in relation to the contractually required contribution	<u>(1,320)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Town's covered-employee payroll	\$ 4,526
Contributions as a percentage of covered-employee payroll	29.16%

Schedules of Required Supplementary Information

**SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY AND RELATED RATIOS
Oklahoma Municipal Retirement Plan
SINCE INITIAL APPLICATION**

	<u>2015*</u>
Total pension liability	
Service cost	\$ 27,200
Interest	46,917
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	<u>(38,093)</u>
Net change in total pension liability	\$ 36,024
Total pension liability - beginning	<u>596,878</u>
Total pension liability - ending (a)	<u><u>\$ 632,902</u></u>
 Plan fiduciary net position	
Contributions - employer	18,328
Contributions - employee	14,011
Net investment income	111,864
Benefit payments, including refunds of employee contributions	(38,093)
Administrative expense	(1,655)
Other	-
Net change in plan fiduciary net position	<u>104,455</u>
 Plan fiduciary net position - beginning	<u>682,602</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 787,057</u></u>
 Town's net pension liability - ending (a) - (b)	<u><u>\$ (154,155)</u></u>
 Plan fiduciary net position as a percentage of the total pension liability	124.36%
Covered-employee payroll	\$ 290,265
Town's net pension liability as a percentage of covered-employee payroll	-53.11%

Schedules of Required Supplementary Information

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Oklahoma Municipal Retirement Plan
 Year Ended June 30, 2015

	<u>2015*</u>
Town's portion of the net pension liability (asset)	-0.0325%
Town's proportionate share of the net pension liability (asset)	\$ (154,155)
Town's covered-employee payroll	\$ 290,265
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-53.11%
Plan fiduciary net position as a percentage of the total pension liability	118.12%

* The amount presented for each fiscal year were determined as of the fiscal year-end that occurred previous

SCHEDULE OF TOWN CONTRIBUTIONS
Oklahoma Municipal Retirement Plan

	<u>2015*</u>
Actuarially determined contribution	\$ 18,328
Contributions in relation to the actuarially determined contribution	<u>(18,328)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Town's covered-employee payroll	\$ 290,265
Contributions as a percentage of covered-employee payroll	6.31%



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

To the Town Council
Town of Seiling, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, and major fund of the Town of Seiling, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Seiling, Oklahoma's basic financial statements, and have issued our report thereon dated February 22, 2016. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. The financial statements of Seiling Housing Authority were not audited in accordance with Government Auditing Standards, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Seiling Housing Authority.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

FSW&B CPAs-PLLC

FSW&B CPAs-PLLC
Woodward, Oklahoma
February 22, 2016