

TOWN OF SALINA, OKLAHOMA

FINANCIAL STATEMENTS

JUNE 30, 2012

**TOWN OF SALINA
TABLE OF CONTENTS
FINANCIAL STATEMENTS
JUNE 30, 2012**

| | Page |
|--|-------------|
| Independent Auditor's Report | 1 |
| Management's Discussion and Analysis (Unaudited) | 3 |
| Statement of Net Assets (Statement 1) | 14 |
| Statement of Activities (Statement 2) | 15 |
| Balance Sheet, Governmental Funds (Statement 3) | 17 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances, Governmental Funds (Statement 4) | 18 |
| Statement of Net Assets, Proprietary Fund (Statement 5) | 20 |
| Statement of Revenues, Expenses and Changes in Net Assets, Proprietary Fund (Statement 6) | 21 |
| Statement of Cash Flows, Proprietary Fund (Statement 7) | 22 |
| Notes to Basic Financial Statements - Table of Contents | 24 |
| Notes to Basic Financial Statements | 25 |
| Required Supplementary Information | 46 |
| Budgetary Comparison Schedule, General Fund | 47 |
| Other Supplementary Information | 48 |
| Combining Balance Sheet - Non-Major Governmental Funds | 49 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-Major Governmental Funds | 50 |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit Performed in Accordance with <i>Government Auditing Standards</i> | 51 |

Violet F. Kirkendall CPA, PC

Certified Public Accountant

405 W. Claremore St.

Claremore, OK 74017

(918) 342-5474

Independent Auditor's Report

Board of Trustees
Town of Salina

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, as of the ***Town of Salina, Mayes County, Oklahoma***, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. The financial statements are the responsibility of ***Town of Salina, Mayes County, Oklahoma's*** management. My responsibility is to express an opinion on these financial statements based on my audit.

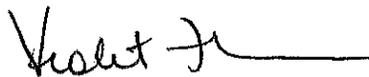
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the ***Town of Salina, Mayes County, Oklahoma*** as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated January 4, 2013 on my consideration of the ***Town of Salina, Mayes County, Oklahoma*** internal control over financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

The Management's Discussion and Analysis and budgetary comparison information of pages 1 through 14 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the *Town of Salina, Mayes County, Oklahoma* basic financial statements. The accompanying supplemental information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements taken as a whole.



Violet F. Kirkendall CPA, PC
Certified Public Accountants

January 4, 2013

**TOWN OF SALINA, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2012**

The discussion and analysis of the Town of Salina's financial performance provides an overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2012. It should be read in conjunction with the accompanying basic financial statements. This discussion includes the Salina Public Works Authority, a component unit of the Town.

WHO WE ARE

As of June 30, 2012 the mayor, council members, clerk and treasurer, all of whom are elected, consisted of the following:

| | |
|-----------------|--|
| Mayor | Darrell Blaylock |
| Council Members | Michael O'Rourke Dennis Weston Jim Hoag Morton Gann |
| Clerk/Treasurer | P. J. Pape |

The governing board and Clerk/Treasurer for the Salina Public Works Authority are the same as the Town.

FINANCIAL HIGHLIGHTS

- The total assets of the Town for its governmental and business-type activities exceeded its liabilities as of June 30, 2012 by \$4,688,231 as reflected in Statement 1 and Table 1 in this discussion. This compares to \$4,582,337 at June 30, 2011. This excess is summarized as follows:

| | <u>6-30-12</u> | <u>6-30-11</u> |
|---|--------------------|--------------------|
| Invested in capital assets, net of related debt | \$3,451,622 | \$3,339,454 |
| Restricted for debt service | 92,557 | 76,943 |
| Restricted for capital improvements | 248,826 | 282,887 |
| Restricted for specific purposes | 310,416 | 294,926 |
| Unrestricted | <u>584,810</u> | <u>588,127</u> |
| | <u>\$4,688,231</u> | <u>\$4,582,337</u> |

- The Town's net assets for governmental funds increased \$59,204 during the current fiscal year, representing a 3% decrease. This is reflected in Statement 2.
- Invested in capital assets, net of related debt for governmental activities decreased \$47,692. Such activities added \$147,362 in assets. However, this was offset by \$108,048 in depreciation. Decrease in debt of \$8,378 increased the investment. \$100,292 of the \$147,362 invested in capital assets was paid for by grants.
- The net additions to capital assets were fire equipment of \$125,904, police equipment of \$3,960, improvements to buildings of \$15,493 and office equipment of \$2,005.
- The Town's General Fund balance as reflected in the "Statement of Revenues, Expenditures, and Changes in Fund Balances" (Statement 4) decreased by \$3,978, a 1.4% decrease. This is further discussed later in this report.
- All governmental funds of the Town increased \$11,512 during the current fiscal year, which is a 2.0% increase (Statement 4). Four funds decreased during the year. However, these decreases are not a cause for alarm and are discussed later in this report.
- The net assets of the Authority increased \$46,690 from \$2,671,555 to \$2,718,245, a 1.7% increase compared to a \$23,492 loss in the previous year. Most of the \$70,182 saving can be attributed to an increase in grants of \$111,081 and a decrease in sales tax of \$24,555.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

Management's Discussion and Analysis is intended to serve as an introduction to the Town's basic financial statements. In accordance with Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements - and Managements' Discussion and Analysis - for State and Local Governments," ("GASB 34"), the Town's basic financial statements include three components: government-wide financial statements; fund financial statements; and notes to the basic financial statements. The major features of these financial statements are summarized as follows:

| | <u>Government-wide Statements</u> | <u>Governmental Funds</u> | <u>Proprietary Funds</u> |
|--|--|--|---|
| Scope | Entire Town government and the Town's component units | The activities of the Town that are not proprietary, such as police, fire, library, streets, etc. | Activities of the Salina Public Works Authority consisting of water, sewer and trash services |
| Required financial statements | -Statement of net assets -Statement of activities | -Balance sheet -Statement of revenues, expenditures, and changes in fund balances | -Statement of net assets -Statement of revenues, expenses, and changes in net assets -Statement of cash flows |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, and short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included | All assets and liabilities, both financial and capital, and short-term and long-term |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during year, regardless of when cash is received or paid |

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to statements of a private-sector business.

The *statement of net assets* presents information on all the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

(Unaudited)

The government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include public safety activities, streets, cemetery, library and parks activities and general government activities. The business-type activities of the Town include certain utilities.

A component unit is included in the basic financial statements and consists of a legally separate entity for which the Town is financially accountable and that has the same governing board as the Town. This blended component unit is the Salina Public Works Authority. The County Wide Fire Department Fund is also blended into the financial statements.

The government-wide financial statements can be found on Statements 1 and 2 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the Town, excluding the Salina Public Works Authority, are governmental funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statements of revenues, expenditures and changes in fund balance provide a reconciliation to the government-wide financial statements in order to facilitate this comparison between governmental funds and governmental activities.

The Town maintains 6 individual governmental funds for financial reporting purposes in addition to the Countywide Fire Department Fund. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General and Fire Sales Tax Fund, which are considered to be major funds. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non major governmental funds is provided in the non major funds supplementary section of this report.

(Unaudited)

The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund in the basic financial statements.

The governmental funds financial statements can be found on Statements 3 and 4 of this report.

Proprietary funds. Proprietary funds provide the same type of information as the government-wide financial statements but in more detail. The proprietary fund financial statements provide information for the Salina Public Works Authority. The proprietary fund financial statements can be found at Statements 5, 6, and 7 of this report.

Notes to the basic financial statements. The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 27 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town and its component units, assets exceeded liabilities by \$4,688,231 at the close of the current fiscal year, up \$105,894 from the previous year compared to a \$49,808 decline in the previous year. This \$155,702 swing is due mainly to an increase in grants and donations of \$217,537 offset by an increase in expenses of \$71,400.

As shown on Table 1, the largest portion of the Town's net assets, \$3,451,622, reflects its investment in capital assets less any related outstanding debt used to acquire those assets. The Town and its component unit uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate liabilities.

Included in Restricted Net Assets is \$341,383 that is reserved to repay the debt on capital assets and to acquire capital assets compared to \$359,830 in the prior year. The remainder of restricted assets are funds required to be expended for specific purposes such as streets, fire and police. Unrestricted decreased \$3,317.

Included in current assets for Governmental Activities is \$459,320 of cash and \$77,064 on deposit with Mayes County. Such cash is up \$28,261. The General Fund cash decreased \$527. Unrestricted cash of the Public Works Authority increased \$15,870.

At the end of the fiscal year ended June 30, 2012, The Town reported positive balances in all three categories of net assets, both for the Town as a whole, as well as for its separate governmental and business-type activities.

(Unaudited)
TABLE 1
SUMMARY OF NET ASSETS

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|--------------------|--------------------------|--------------------|--------------------|--------------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Current assets | \$ 614,116 | \$ 592,323 | \$ 323,285 | \$ 311,961 | \$ 937,401 | \$ 904,284 |
| Capital assets | 1,404,589 | 1,365,275 | 4,672,013 | 4,641,885 | 6,076,602 | 6,007,160 |
| Restricted assets | -- | -- | 341,383 | 359,830 | 341,383 | 359,830 |
| Total assets | <u>\$2,018,705</u> | <u>\$1,957,598</u> | <u>\$5,336,681</u> | <u>\$5,313,676</u> | <u>\$7,355,386</u> | <u>\$7,271,274</u> |
| Current and other | | | | | | |
| Liabilities | 38,264 | 29,122 | 148,862 | 132,864 | 187,126 | 161,986 |
| Long-term liabilities | 10,455 | 17,694 | 2,469,574 | 2,509,257 | 2,480,029 | 2,526,951 |
| Total liabilities | <u>48,719</u> | <u>46,816</u> | <u>2,618,436</u> | <u>2,642,121</u> | <u>2,667,155</u> | <u>2,688,937</u> |
| Net assets | | | | | | |
| Invested in capital assets, net of related debt | 1,387,070 | 1,339,378 | 2,064,552 | 2,000,076 | 3,451,622 | 3,339,454 |
| Restricted | 310,416 | 294,926 | 341,383 | 359,830 | 651,799 | 654,756 |
| Unrestricted | 272,500 | 276,478 | 312,310 | 311,649 | 584,810 | 588,127 |
| Total net assets | <u>\$1,969,986</u> | <u>\$1,910,782</u> | <u>\$2,718,245</u> | <u>\$2,671,555</u> | <u>\$4,688,231</u> | <u>\$4,582,337</u> |

(Unaudited)

**TABLE 2
CHANGES IN NET ASSETS**

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|--|--------------------------------|--------------------|---------------------------------|--------------------|-------------------|--------------------|
| | <u>2012</u> | <u>2011</u> | <u>2012</u> | <u>2011</u> | <u>2012</u> | <u>2011</u> |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 142,310 | \$ 74,155 | \$ 618,125 | \$ 607,396 | \$ 760,435 | \$ 681,551 |
| Operating grants and contributions | 26,899 | 21,094 | -- | -- | 26,899 | 21,094 |
| Capital grants and contributions | 100,921 | -- | 127,115 | 16,304 | 228,036 | 16,304 |
| General revenues | | | | | | |
| Sales tax | 319,341 | 357,027 | 152,934 | 177,489 | 472,275 | 534,516 |
| Other taxes | 112,410 | 114,473 | -- | -- | 112,410 | 114,473 |
| Other general revenues | <u>6,375</u> | <u>19,937</u> | <u>11,201</u> | <u>2,654</u> | <u>17,576</u> | <u>22,591</u> |
| Total revenues | <u>708,256</u> | <u>586,686</u> | <u>909,375</u> | <u>803,843</u> | <u>1,617,631</u> | <u>1,390,529</u> |
| Expenses | | | | | | |
| Administrative and Accounting | 93,393 | 101,256 | -- | -- | 93,393 | 101,256 |
| Public safety | 407,149 | 382,454 | -- | -- | 407,149 | 382,454 |
| Street | 55,906 | 49,262 | -- | -- | 55,906 | 49,262 |
| Cultural, recreation and Library | 92,604 | 80,030 | -- | -- | 92,604 | 80,030 |
| Utilities | -- | -- | <u>862,685</u> | <u>827,335</u> | <u>862,685</u> | <u>827,335</u> |
| Total expenses | <u>649,052</u> | <u>613,002</u> | <u>862,685</u> | <u>827,335</u> | <u>1,511,737</u> | <u>1,440,337</u> |
| Increase (decrease) in net assets | <u>\$ 59,204</u> | <u>\$(26,316)</u> | <u>\$ 46,690</u> | <u>\$(23,492)</u> | <u>\$ 105,894</u> | <u>\$(49,808)</u> |

(Unaudited)

Governmental Activities. Governmental activities increased the Town's fund balances by \$15,386 for the current fiscal year, a 2.77% increase in the net assets of the Town's Governmental Funds. This increase was due to changes in the fund balances of the various funds as follows:

| | |
|--------------------------------|----------------------|
| General Fund | \$(3,978) |
| Street and Alley | 1,456 |
| Cemetery Fund | (1,621) |
| Volunteer Fire Fund | 19,651 |
| County Fire Fund | (670) |
| Police Donations | <u>(3,326)</u> |
| Increase in fund balances | 11,512 |
| Increase in capital assets | 39,314 |
| Decrease in long term debt | <u>8,378</u> |
| Increase in net assets | <u>\$ 59,204</u> |

Business-type Activities. Business-type activities, i.e. the Salina Public Works Authority, had a increase in net assets of \$46,690 and is discussed further later in this report.

FINANCIAL ANALYSIS OF THE TOWN'S MAJOR FUNDS

As noted earlier, the Town uses fund accounting to demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financial requirements. In particular unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$272,500, constituting 100% of the fund balance, which was \$3,978 or 1.4% less than the prior year's General Fund balance. This compares to a \$20,000 increase in the prior year. Revenues increased \$4,304 while expenditures increased \$28,282. Sales tax was down \$40,016 or 13.6, but police fines were up \$55,694. Most of the increase in expenses was \$20,061 for the police department.

(Unaudited)

Various Fire Department Funds

The two fire department funds combined increased their fund balances by \$18,981. They combined to expend \$140,035 for capital outlay, mostly for equipment.

Street and Alley Fund

The Street and Alley Fund balance increased \$1,456 during the year.

Although the fund has a healthy fund balance at June 30, 2012 of \$141,547, this balance will decline when extensive road work is performed. This is primarily the reason the General Fund has been transferring \$36,000 to the Street Fund annually.

Salina Public Works Authority

The highlights of the fiscal year ending June 30, 2012 are as follows:

- The Authority's net assets decreased \$46,690 during the year. A summary of the increase is as follows:

| | |
|---|------------------|
| Invested in capital assets, net of related debt | \$ 64,476 |
| Restricted | (18,447) |
| Unrestricted | <u>661</u> |
| | <u>\$ 46,690</u> |

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

| | |
|-----------------------------|-------------------|
| Expended for capital assets | \$ 211,038 |
| Decrease in long-term debt | 30,289 |
| Depreciation | <u>(176,851)</u> |
| | <u>\$ 64,476</u> |

(Unaudited)

The decrease in restricted assets is further summarized as follows:

| | |
|-------------------------------------|----------------------------|
| Restricted for debt retirement | \$ 15,614 |
| Restricted for capital improvements | <u>(34,061)</u> |
| | <u><u>\$ (18,447)</u></u> |

The unrestricted net assets increased during the year by \$661.

GENERAL FUND BUDGETARY

A budgetary comparison schedule is included in the "Required Supplementary Information" to the financial statements.

The basis of accounting for budgetary purposes for the General Fund is the cash basis, i. e., revenues are recognized when received and expenses are recognized when paid.

The budget method authorized by Oklahoma Statute adopted by the Town for its general fund places a limit on the amount that can be budgeted. The amount to be budgeted for the next fiscal year is the unreserved fund balance at the beginning of the fiscal year plus 90% of its revenues for the year just ended.

The budgetary fund balance is reconciled to the balance sheet fund balance in the Required Supplementary Information.

Generally, the Town attempts to prepare a budget that will result in a small positive increased in the fund balance. Generally, this is accomplished by only budgeting 90% of the prior year revenues and budgeting amounts, primarily in General Government, that will not be expended.

The fund balance for budget purposes increased by \$4,679 to \$213,776.

(Unaudited)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

A summary of capital asset activity for both governmental activities and business-type activities is included in Note 3.D. to the financial statements.

Particular elements of this have already been discussed in this report.

Debt Administration

The Town's long term debt decreased from \$25,897 at the beginning of the year to \$17,519 at year end.

The Authority's long-term debt decreased \$30,289. This was due to scheduled payments on existing notes of \$97,791 offset by financing an equipment purchase of \$67,502.

Details concerning long-term debt notes are in Note 3.F to the financial statements.

ECONOMIC FACTORS AND NEW YEAR'S BUDGET

The Town's major governmental revenue, sales tax, decreased compared to the prior year. Beginning in March, 2007, the Authority, by a vote of the people, began receiving a 1/2 cent sales tax which was previously allocated to Street and Alley. One-half cent of the 2 1/2 cents being received by the General Fund can be allocated to other funds as determined by the Board.

The 1/2 cent sales tax allocated to the Authority is to help make debt payments. Increased water and sewer rates have been approved due to debt service on new loans.

With the exception of the Street and Alley Fund, the Town's long-term economic forecast is good due to the positive fund balances. However, there is some concern about the decrease in sales tax revenues.

The Street and Alley Fund has a sufficient fund balance that should carry it for several years. However, new sources of revenues will have to be found to sustain it over the long run.

CONTACTING THE TOWN'S FINANCE DEPARTMENT

This managements' discussion and analysis is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions or need additional financial information, please contact the Town of Salina at (918) 434-5027.

(Unaudited)

TOWN OF SALINA, OKLAHOMA
STATEMENT OF NET ASSETS
JUNE 30, 2012

Statement 1

| | <u>Governmental</u> <u>Activities</u> | <u>Business-type</u> <u>Activities</u> | <u>Total</u> |
|--|--|---|--------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash, including time deposits | \$ 459,320 | \$ 264,523 | \$ 723,843 |
| Deposit with county | 77,064 | -- | 77,064 |
| Taxes receivable | 66,292 | -- | 66,292 |
| Other receivable (net) | -- | 45,639 | 45,639 |
| Due from restricted assets | -- | 86 | 86 |
| Due from component unit | 1,668 | 6,607 | 8,275 |
| Miscellaneous receivable | <u>9,772</u> | <u>6,430</u> | <u>16,202</u> |
| Total current assets | <u>614,116</u> | <u>323,285</u> | <u>937,401</u> |
| Noncurrent assets: | | | |
| Restricted assets: | | | |
| Cash, including time deposits | -- | 315,535 | 315,535 |
| Taxes receivable | -- | 25,934 | 25,934 |
| Due general operations | -- | (86) | (86) |
| Capital assets (net) | 1,404,589 | 4,600,100 | 6,004,689 |
| Loan costs (net) | <u>--</u> | <u>71,913</u> | <u>71,913</u> |
| Total noncurrent assets | <u>1,404,589</u> | <u>5,013,396</u> | <u>6,417,985</u> |
| Total assets | <u>2,018,705</u> | <u>5,336,681</u> | <u>7,355,386</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and accrued expenses | 22,925 | 38,307 | 61,232 |
| Accrued interest | -- | 14,326 | 14,326 |
| Current portion of long-term debt | 7,064 | 62,773 | 69,837 |
| Payable from restricted assets - current portion long-term debt | -- | 33,456 | 33,456 |
| Due component unit | <u>8,275</u> | <u>--</u> | <u>8,275</u> |
| Total current liabilities | <u>38,264</u> | <u>148,862</u> | <u>187,126</u> |
| Noncurrent liabilities: | | | |
| Notes payable, less current portion | 10,455 | 2,439,319 | 2,449,774 |
| Payable from restricted assets - utility deposits | <u>--</u> | <u>30,255</u> | <u>30,255</u> |
| Total noncurrent liabilities | <u>10,455</u> | <u>2,469,574</u> | <u>2,480,029</u> |
| Total liabilities | <u>48,719</u> | <u>2,618,436</u> | <u>2,667,155</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 1,387,070 | 2,064,552 | 3,451,622 |
| Restricted for: | | | |
| Debt service | -- | 92,557 | 92,557 |
| Capital improvements | -- | 248,826 | 248,826 |
| Specific purposes | 310,416 | -- | 310,416 |
| Unrestricted | <u>272,500</u> | <u>312,310</u> | <u>584,810</u> |
| Total net assets | <u>\$1,969,986</u> | <u>\$2,718,245</u> | <u>\$4,688,231</u> |

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

TOWN OF SALINA, OKLAHOMA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

Statement 2

| | Program Revenues | | | | Net Revenue (Loss) |
|---|---------------------|-------------------------|--|--|--------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental activities | | | | | |
| General government | | | | | |
| Administrative and Accounting | \$ 93,393 | \$ 1,707 | \$ 500 | \$ -- | \$(91,186) |
| Total general government | <u>93,393</u> | <u>1,707</u> | <u>500</u> | <u>--</u> | <u>(91,186)</u> |
| Public safety and judiciary | | | | | |
| Town Attorney | 3,450 | -- | -- | -- | (3,450) |
| Police and Court | 287,450 | 120,622 | 3,399 | -- | (163,429) |
| Fire | <u>116,249</u> | <u>13,043</u> | <u>17,833</u> | <u>100,921</u> | <u>15,548</u> |
| Total public safety and judiciary | <u>407,149</u> | <u>133,665</u> | <u>21,232</u> | <u>100,921</u> | <u>(151,331)</u> |
| Transportation | | | | | |
| Street | <u>55,906</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>(55,906)</u> |
| Total transportation | <u>55,906</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>(55,906)</u> |
| Cultural, parks and recreation | | | | | |
| Cemetery | 23,452 | 6,285 | 2,108 | -- | (15,059) |
| Parks | 5,588 | -- | -- | -- | (5,588) |
| Library | <u>63,564</u> | <u>653</u> | <u>3,059</u> | <u>--</u> | <u>(59,852)</u> |
| Total cultural, parks and recreation | <u>92,604</u> | <u>6,938</u> | <u>5,167</u> | <u>--</u> | <u>(80,499)</u> |
| Total governmental activities | <u>649,052</u> | <u>142,310</u> | <u>26,899</u> | <u>100,921</u> | <u>(378,922)</u> |
| Business-type activities: | | | | | |
| Water and sewer | 752,058 | 497,678 | -- | 127,115 | (127,265) |
| Trash | <u>110,627</u> | <u>120,447</u> | <u>--</u> | <u>--</u> | <u>9,820</u> |
| Total business-type activities | <u>862,685</u> | <u>618,125</u> | <u>--</u> | <u>127,115</u> | <u>(117,445)</u> |
| Total | <u>\$ 1,511,737</u> | <u>\$ 760,435</u> | <u>\$ 26,899</u> | <u>\$ 228,036</u> | <u>\$(496,367)</u> |

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

TOWN OF SALINA, OKLAHOMA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

CHANGES IN NET ASSETS

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|------------------------|------------------------------------|-------------------------------------|---------------------|
| Net (expense) revenue | \$ (378,922) | \$ (117,445) | \$ (496,367) |
| General Revenues | | | |
| Taxes: | | | |
| Sales tax | 319,341 | 152,934 | 472,275 |
| Use tax | 52,234 | -- | 52,234 |
| Alcohol beverage tax | 9,566 | -- | 9,566 |
| Gasoline tax | 1,535 | -- | 1,535 |
| Motor vehicle tax | 9,689 | -- | 9,689 |
| Cigarette tax | 6,018 | -- | 6,018 |
| Franchise taxes | 33,368 | -- | 33,368 |
| Investment income | 1,937 | 2,207 | 4,144 |
| Miscellaneous | <u>4,438</u> | <u>8,994</u> | <u>13,432</u> |
| Total general revenues | <u>438,126</u> | <u>164,135</u> | <u>602,261</u> |
| Change in net assets | 59,204 | 46,690 | 105,894 |
| Net assets - beginning | <u>1,910,782</u> | <u>2,671,555</u> | <u>4,582,337</u> |
| Net assets - ending | <u>\$ 1,969,986</u> | <u>\$ 2,718,245</u> | <u>\$ 4,688,231</u> |

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

**TOWN OF SALINA, OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

| | <u>General Fund</u> | <u>County Fire Fund</u> | <u>Street and Alley Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Fund</u> |
|--|-------------------------|---------------------------------|--------------------------------------|---|--|
| ASSETS | | | | | |
| Cash, including time deposits | \$ 227,933 | \$ -- | \$ 147,215 | \$ 84,172 | \$ 459,320 |
| Deposit with County | -- | 77,064 | -- | -- | 77,064 |
| Taxes receivable | 52,294 | 11,706 | 2,292 | -- | 66,292 |
| Miscellaneous receivable | 9,772 | -- | -- | -- | 9,772 |
| Due from other funds | 1,309 | -- | -- | 346 | 1,655 |
| Due from component unit | <u>1,668</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>1,668</u> |
| Total assets | <u>\$ 292,976</u> | <u>\$ 88,770</u> | <u>\$ 149,507</u> | <u>\$ 84,518</u> | <u>\$ 615,771</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 20,130 | \$ -- | \$ 1,922 | \$ 873 | \$ 22,925 |
| Due to component unit | -- | -- | 4,729 | 3,546 | 8,275 |
| Due to other funds | <u>346</u> | <u>--</u> | <u>1,309</u> | <u>--</u> | <u>1,655</u> |
| Total liabilities | <u>20,476</u> | <u>--</u> | <u>7,960</u> | <u>4,419</u> | <u>32,855</u> |
| FUND BALANCES | | | | | |
| Restricted | -- | 88,770 | 141,547 | 80,099 | 310,416 |
| Unassigned | <u>272,500</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>272,500</u> |
| Total fund balance | <u>272,500</u> | <u>88,770</u> | <u>141,547</u> | <u>80,099</u> | <u>582,916</u> |
| Total liabilities and fund balances | <u>\$ 292,976</u> | <u>\$ 88,770</u> | <u>\$ 149,507</u> | <u>\$ 84,518</u> | |

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$916,877

1,404,589

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

 Due within one year

(17,519)

 Net assets of governmental activities

\$ 1,969,986

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

TOWN OF SALINA, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

| | <u>General Fund</u> | <u>County Fire Fund</u> | <u>Street and Alley Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Fund</u> |
|------------------------------------|-------------------------|---------------------------------|--------------------------------------|---|--|
| REVENUES | | | | | |
| Sales tax | \$ 254,890 | \$ 64,451 | \$ -- | \$ -- | \$ 319,341 |
| Other taxes | 67,818 | -- | 11,224 | -- | 79,042 |
| Fines and forfeits | 120,622 | -- | -- | -- | 120,622 |
| Licenses and permits | 1,707 | -- | -- | -- | 1,707 |
| Franchise taxes | 33,368 | -- | -- | -- | 33,368 |
| Interest | 1,028 | -- | 661 | 248 | 1,937 |
| Grants and contributions | 3,559 | -- | -- | 124,261 | 127,820 |
| Miscellaneous | <u>5,091</u> | <u>--</u> | <u>--</u> | <u>19,328</u> | <u>24,419</u> |
| Total revenues | <u>\$ 488,083</u> | <u>\$ 64,451</u> | <u>\$ 11,885</u> | <u>\$ 143,837</u> | <u>\$ 708,256</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General government | | | | | |
| Administrative and accounting | <u>84,060</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>84,060</u> |
| Total general government | <u>84,060</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>84,060</u> |
| Public safety and judiciary | | | | | |
| Town attorney | 3,450 | -- | -- | -- | 3,450 |
| Police and court | 266,277 | -- | -- | 2,792 | 269,069 |
| Fire | <u>960</u> | <u>27,792</u> | <u>--</u> | <u>23,600</u> | <u>52,352</u> |
| Total public safety and judiciary | <u>270,687</u> | <u>27,792</u> | <u>--</u> | <u>26,392</u> | <u>324,871</u> |
| Transportation | | | | | |
| Street | <u>--</u> | <u>--</u> | <u>46,429</u> | <u>--</u> | <u>46,429</u> |
| Total transportation | <u>--</u> | <u>--</u> | <u>46,429</u> | <u>--</u> | <u>46,429</u> |
| Park | <u>2,930</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>2,930</u> |
| Cemetery | <u>12,091</u> | <u>--</u> | <u>--</u> | <u>10,235</u> | <u>22,326</u> |
| Library | <u>58,401</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>58,401</u> |
| Debt Service | | | | | |
| Principal | 8,378 | -- | -- | -- | 8,378 |
| Interest and other charges | <u>1,252</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>1,252</u> |
| Total | <u>9,630</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>9,630</u> |

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

TOWN OF SALINA, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

| | <u>General Fund</u> | <u>County Fire Fund</u> | <u>Street and Alley Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Fund</u> |
|--|-------------------------|---------------------------------|--------------------------------------|---|--|
| Capital outlay | <u>8,062</u> | <u>37,329</u> | -- | <u>102,706</u> | <u>148,097</u> |
| Total expenditures | <u>445,861</u> | <u>65,121</u> | <u>46,429</u> | <u>139,333</u> | <u>696,744</u> |
| Excess (deficiency) of revenues over expenditures | <u>42,222</u> | <u>(670)</u> | <u>(34,544)</u> | <u>4,504</u> | <u>11,512</u> |
| Other financing sources (uses) | | | | | |
| Transfers in | -- | -- | 36,000 | 10,200 | 46,200 |
| Transfers out | <u>(46,200)</u> | -- | -- | -- | <u>(46,200)</u> |
| Total other financing sources (uses) | <u>(46,200)</u> | -- | <u>36,000</u> | <u>10,200</u> | -- |
| Net change in fund balances | <u>(3,978)</u> | <u>(670)</u> | 1,456 | 14,704 | 11,512 |
| Fund balances - beginning | <u>276,478</u> | <u>89,440</u> | <u>140,091</u> | <u>65,395</u> | <u>571,404</u> |
| Fund balances - ending | <u>\$ 272,500</u> | <u>\$ 88,770</u> | <u>\$ 141,547</u> | <u>\$ 80,099</u> | <u>\$ 582,916</u> |

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

Net change in fund balances - total governmental funds \$ 11,512

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets and expenses, the book value of items deleted as a cost:

| | |
|------------------------------------|-------------------|
| Capital asset purchase capitalized | 147,361 |
| Depreciation expense | <u>(108,047)</u> |
| | <u>39,314</u> |

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

| | |
|----------------|--------------|
| Principal paid | <u>8,378</u> |
|----------------|--------------|

| | |
|---|------------------|
| Change in net assets of governmental activities | <u>\$ 59,204</u> |
|---|------------------|

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

TOWN OF SALINA, OKLAHOMA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
SALINA PUBLIC WORKS AUTHORITY
JUNE 30, 2012

| | | |
|---|--|--------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | | \$ 264,523 |
| Accounts receivable | | 45,639 |
| Due from restricted assets | | 86 |
| Receivable from Primary Government | | 6,607 |
| Miscellaneous Receivable | | <u>6,430</u> |
| Total current assets | | <u>323,285</u> |
| Noncurrent assets: | | |
| Restricted assets | | |
| Cash and cash equivalents | | 315,535 |
| Due general operations | | (86) |
| Taxes receivable | | 25,934 |
| Capital assets (net) | | 4,600,100 |
| Loan costs (net) | | <u>71,913</u> |
| Total noncurrent assets | | <u>5,013,396</u> |
| Total assets | | <u>\$5,336,681</u> |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | | 38,307 |
| Current portion of long-term debt | | |
| Payable from restricted assets - | | 33,456 |
| Current portion of long-term debt | | 62,773 |
| Accrued interest | | <u>14,326</u> |
| Total current liabilities | | <u>148,862</u> |
| Noncurrent liabilities | | |
| Payable from restricted assets | | |
| Utility deposits | | 30,255 |
| Long-term debt | | |
| Notes payable, less current portion | | <u>2,439,319</u> |
| Total noncurrent liabilities | | <u>2,469,574</u> |
| Total liabilities | | <u>2,618,436</u> |
| NET ASSETS | | |
| Investment in capital assets, net of related debt | | 2,064,552 |
| Restricted for debt retirement | | 92,557 |
| Restricted for capital improvements | | 248,826 |
| Retained earnings - unreserved | | <u>312,310</u> |
| Total net assets | | <u>\$2,718,245</u> |

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

TOWN OF SALINA, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
SALINA PUBLIC WORKS AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2012

| | <u>Water</u> | <u>Sewer</u> | <u>Trash</u> | <u>Total</u> |
|----------------------------------|------------------|--------------------|-----------------|--------------------|
| Operating revenues | | | | |
| Utility charges | \$ 346,421 | \$ 151,257 | \$ 120,447 | \$ 618,125 |
| Operating expenses | | | | |
| Salaries and benefits | 114,193 | 76,129 | -- | 190,322 |
| Repairs | 23,181 | 33,063 | -- | 56,244 |
| Utilities | 34,702 | 16,795 | -- | 51,497 |
| Chemicals and testing | 41,437 | 1,068 | -- | 42,505 |
| Fuel | 3,930 | 2,620 | -- | 6,550 |
| Insurance | 14,210 | 9,480 | -- | 23,690 |
| Miscellaneous | 184 | 500 | -- | 684 |
| Trash service | -- | -- | 110,627 | 110,627 |
| Depreciation | <u>72,068</u> | <u>100,681</u> | <u>--</u> | <u>172,749</u> |
| Totals | <u>303,905</u> | <u>240,336</u> | <u>110,627</u> | <u>654,868</u> |
| Operating profit (loss) | <u>\$ 42,516</u> | <u>\$(89,079)</u> | <u>\$ 9,820</u> | <u>\$(36,743)</u> |
| General Administrative | | | | |
| Salaries and benefits | | | | 53,056 |
| Legal and accounting | | | | 13,140 |
| Utilities | | | | 10,783 |
| Insurance | | | | 1,500 |
| Supplies | | | | 6,631 |
| Bad debts | | | | 8,348 |
| Miscellaneous | | | | 8,736 |
| Depreciation | | | | <u>4,102</u> |
| Total general and administrative | | | | <u>106,296</u> |
| Net operating income (loss) | | | | <u>(143,039)</u> |
| Nonoperating revenues (expenses) | | | | |
| Grants | | | | 127,115 |
| Interest income | | | | 2,207 |
| Sale tax | | | | 152,934 |
| Miscellaneous | | | | 8,994 |
| Interest expenses | | | | (97,463) |
| Amortization | | | | <u>(4,058)</u> |
| Total | | | | <u>189,729</u> |
| Net Income | | | | 46,690 |
| Net assets - beginning of year | | | | <u>2,671,555</u> |
| Net assets - end of year | | | | <u>\$2,718,245</u> |

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

**TOWN OF SALINA, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
SALINA PUBLIC WORKS AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2012**

| | |
|--|-------------------|
| Cash flows from operating activities: | |
| Receipts from customers | \$ 609,880 |
| Payments to suppliers | (333,477) |
| Payments to employees and benefits | <u>(235,583)</u> |
| Net cash provided (used) by operating activities | <u>40,820</u> |
| Cash flows from noncapital financing activities: | |
| Sales tax | <u>157,499</u> |
| Cash flows from capital and related financing activities: | |
| Purchases of capital assets | (143,536) |
| Principal paid on long-term debt | (97,791) |
| Interest paid | (98,229) |
| Capital grants | <u>138,419</u> |
| Net cash provided (used) by capital and related financing activities | <u>(201,137)</u> |
| Cash flows from investing activities | |
| Interest | <u>2,207</u> |
| Net cash provided (used) by investing activities | <u>2,207</u> |
| Net increase (decrease) in cash and cash equivalents | (611) |
| Balances - beginning of the year | <u>580,669</u> |
| Balances - end of the year | <u>\$ 580,058</u> |
| Cash, including time deposits | 264,523 |
| Restricted cash, including time deposits | <u>315,535</u> |
| Total cash and cash equivalents, end of year | <u>\$ 580,058</u> |

**TOWN OF SALINA, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
SALINA PUBLIC WORKS AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2012**

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

| | |
|---|------------------|
| Operating income (loss) | (143,039) |
| Miscellaneous income | 8,994 |
| | |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | |
| Cash flows in other categories: | |
| Depreciation expense | 176,851 |
| Change in assets and liabilities: | |
| Increase in receivables | (1,500) |
| Increase in miscellaneous receivable | (7,854) |
| Increase (decrease) in accounts payable and accrued expenses | 6,905 |
| Increase in customer meter deposits payable | <u>463</u> |
| | <u>\$ 40,820</u> |

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

**TOWN OF SALINA, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
TABLE OF CONTENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Financial Reporting Entity
- B. Basis of Presentation
- C. Measurement Focus and Basis of Accounting
- D. Assets, Liabilities, and Equity
- E. Revenues, Expenditures, and Expenses

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

- A. Fund Accounting Requirements
- B. Deposits and Investments Laws and Regulations
- C. Revenue Restrictions
- D. Debt Restrictions and Covenants
- E. Fund Equity Restrictions

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

- A. Cash and Investments
- B. Restricted Assets
- C. Accounts Receivable
- D. Capital Assets
- E. Accounts Payable
- F. Long-term Debt
- G. Employment Retirement System
- H. Due to/from Operating and Capital Transfers
- I. Risk Management
- J. Subsequent Events
- K. Commitments and Contingent Liabilities

TOWN OF SALINA, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Salina operates under an elected Town Board of Trustees form of government. The Town's major operations include public safety (police and fire), provision and maintenance of streets and drainage, and general administrative services. In addition, the Town exercises sufficient control over another governmental agency that provides water and sewer services that is included as part of the Town's reporting entity.

The Town complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Town the option of electing to apply FASB pronouncements issued after November 30, 1989. The Town has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. The Town complies with the reporting requirements of GASB Statement Nos. 33 and 34 for the year ended June 30 and all other applicable GASB Statements.

1.A. FINANCIAL REPORTING ENTITY

The Town's financial reporting entity comprises the following:

| | |
|--------------------------|---|
| Primary Government: | Town of Salina |
| Blended Component Units: | Salina Public Works Authority County Wide Fire Department Fund |

In determining the financial reporting entity, The Town complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity," and includes all component units of which the Town appointed a voting majority of the units' board; the Town is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Unit

A blended component unit is a separate legal entity that meets the component unit criteria described above and whose governing body is the same or substantially the same as the Town Council or the component unit provides services entirely to the Town. The component unit's funds are blended into those of the Town's by appropriate activity type to compose the primary government presentation.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the Town has no discretely presented component units.

Blended Component Unit

| Component Unit | Brief Description/Inclusion Criteria | Reporting |
|-------------------------------|--|------------------|
| Salina Public Works Authority | The Authority, which has the same Board Members as the Town, provides water, sewer and trash services to citizens of the Town. The Authority is dependent on the Town, as a major source of revenues is sales tax. The Town is the beneficiary of the Authority. | Proprietary |
| County Fire Fund | A countywide sales tax is assessed for the purpose of providing revenues to the various fire departments of Mayes County. The sales tax receipts are equally divided among the fire departments and administered by the County which maintains a fund for each fire department, including that of the Town of Salina. Purchases against the funds can only be initiated by each fire department, sometimes requiring its governing board approval. | Governmental |

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental category. The Salina Public Works Authority is the only proprietary type activity of the reporting entity and is considered a major fund. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are either legally or council restricted to expenditures for certain purposes.

Capital Project Funds

The Capital Project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items. The Town has no capital project funds.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principle on the general long-term debt of the Town other than debt service payments made by other funds. The Town has no debt service funds.

Proprietary Fund

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The Salina Public Works Authority is the only enterprise fund.

Major and Non major Funds

The funds are further classified as major or non major as follows:

| Fund | Brief Description |
|---|---|
| Major: | |
| General | See above for description |
| Proprietary Fund: Salina Public Works Authority | Accounts for activities of providing water, sewer, and trash services to the public. |
| Special Revenue Funds: Street and Alley | Accounts for revenues and expenditures of maintaining, improving and extending streets and alleys. |
| County Fire Fund | Provides for the acquisition of assets and the operations of the fire department. Funded by a countywide sales tax. |

| Fund | Brief Description |
|---|---|
| Non major: | |
| Special Revenue Funds: | |
| Cemetery Fund | Accounts for revenues and expenditures of maintaining the cemetery. |
| Volunteer Fire Fund the expending of such funds. | Accounts for revenues raised by the volunteer firefighters and |
| Police donations | Accounts for donations and grants to the police department. |
| Public Library | Accounts for donations and grants to the library. |

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and businesslike activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

The Town implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of June 30, 2005.

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and businesslike activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Specifically taxes received in July and August after the year end are accrued when such taxes pertain to the period being reported.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, asset acquisitions and repayment of debt are expensed and depreciation is not reflected.

Proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Budget Basis of Accounting

Formal budgetary accounting is employed as a management control for the governmental funds of the Town. Annual operating budgets are adopted only for the general fund. The basis of accounting for budgetary purposes for all funds is the modified cash basis, i.e., revenues are recognized when received and expenditures are recognized when incurred. Prior to this year, expenditures were recognized when paid. The Salina Public Works Authority also adopts a budget and revenues are recognized when earned and billed and expenditures are recognized when incurred.

The budget method authorized by Oklahoma Statute adopted by the Town for its general fund places a limit on the amount that can be budgeted. The amount to be budgeted for the next fiscal year is the unreserved fund balance at the end of the fiscal year plus 90% of its revenues for the year just ended. All unencumbered budget appropriations, except project budgets, lapse at the end of each fiscal year.

1.D. ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposit of the Town. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit.

Additional cash and investment disclosures are presented in Notes 2.B. and 3.A.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received.

The Salina Public Works Authority is the only fund that has receivables that are essentially subject to bad debts. An allowance for uncollectible accounts has been established, as is more fully explained in Note 3.C. Such receivables consist of utility charges to customers.

Fixed Assets

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

The capitalization policy of the Town is to capitalize assets which are expected to last past the end of the current year with a cost of \$500 or more. The policy of the Authority was to capitalize all such assets, regardless of cost, until June 30, 2002. Beginning July 1, 2002, the policy is to capitalize those assets with a cost of \$500 or more.

Government-wide statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

The governmental funds' infrastructure assets have not been capitalized for past years, which, in accordance with GASB 34, is not required. However, the Town has started capitalizing current additions to infrastructure beginning with the current year.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

| | <u>Government</u> | <u>Proprietary</u> |
|-------------------------|-------------------|--------------------|
| Buildings | 20 - 40 years | 10 - 40 years |
| Machinery and Equipment | 5 - 25 years | 5 - 10 years |
| Utility System | -- | 5 - 50 years |
| Infrastructure | 25 - 40 years | |

Fund Financial Statements

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

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to charter and third party required reserves and utility meter deposits.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consist primarily of notes and leases payable, and customer meter deposits.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures.

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The restricted net assets are funds set aside for the payment of long-term debt as required by bond indentures, funds held for utility deposits, and funds restricted for capital improvements. All are reflected in the Salina Public Works Authority.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

1.E. REVENUES, EXPENDITURES, AND EXPENSES

Sales Tax

A 4 cent sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission. The Tax Commission receives the sales tax approximately one month after collection by vendors. Although the sales tax rate has been and continues to be four cents, a change in the allocation of one cent was approved by a vote of the people during the year. Prior to the change, the allocation of the one cent was voted on by the people every two years. The allocation of the entire four cents is now permanent. The follow reflects the allocation of the sales tax before and after the vote:

| | <u>Sales Tax Receipts</u> | |
|------------------------|---|--|
| | <u>Through</u> <u>February, 2007</u> | <u>Beginning</u> <u>March, 2007</u> |
| General Fund | 2.5 cents | 2.5 cents |
| Street and Alley | .5 cents | -- |
| Public Works Authority | <u>1.0 cents</u> | <u>1.5 cents</u> |
| | <u>4.0 cents</u> | <u>4.0 cents</u> |

The original one cent to the Authority is for the construction of water and sewer treatment and distribution systems and/or the retirement of current debt related to such improvements. The ½ cent to the Authority is to fund the mandatory improvements to the wastewater plant and system and to service the debt to the Federal Home Administration, Rural Development necessitated by such improvements.

Use Tax

The Town levies a 4 cent use tax on personal property purchased outside the city limits but stored, used, or consumed within the city. The use tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission, which is one month after the tax is received from the vendors. The use taxes are allocated entirely to the General Fund.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities:

In the fund financial statements, expenditures are classified as follows:

| | |
|-----------------------------------|--|
| Governmental Funds - By Character | Current (further classified by function) |
| | Debt Service |
| | Capital Outlay |

Proprietary Fund - By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

Operating/non-operating Revenues - Proprietary Funds

Operating revenues for the Authority consist only of revenues derived from the providing of utility and services to its customers. Nonoperating revenues consist of all other revenues and consist of sales tax revenues and interest earned.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the Town and its component units are subject to various federal, state, and local laws and contractual regulations. An analysis of the Town of Salina's compliance with significant laws and regulations and demonstration of its stewardship over Town resources follows.

2.A. FUND ACCOUNTING REQUIREMENTS

The Town complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the Town include the following:

| Fund | Required By |
|------------------------|-----------------|
| Street and Drainage | State Law |
| Cemetery Fund | State Law |
| Public Works Authority | Trust Indenture |

2.B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U. S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations, or surety bonds. As required by 12 U.S.C.A. Section 1823 (e), all financial institutions pledging collateral to the Town must have a written collateral agreement approved by the board of directors or loan committee.

2.C. REVENUE RESTRICTIONS

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

| <u>Revenue Source</u> | <u>Legal Restrictions of Use</u> |
|--|-----------------------------------|
| Sales Tax | See Note 1.E. |
| Gasoline Excise & Commercial Vehicle Tax | Street and Alley Purposes |
| Water, Sewer, and Trash Revenue | Debt Service & Utility Operations |

For the year ended June 30, 2012, the Town complied, in all material respects, with these revenue restrictions.

2.D. DEBT RESTRICTIONS AND COVENANTS

General Obligation Debt

Article 10, Sections 26 and 27, for the Oklahoma Constitution limits the amount of outstanding general obligation bonded debt of the municipality for nonutility or nonstreet purposes to no more than 10 percent of net assessed valuation. For the year ended June 30, 2012, the Town complied with this provision.

Other Long-term Debt

Except as noted in the preceding paragraph, as required by the Oklahoma State Constitution, the Town (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue without first obtaining voter approval. For the year ended June 30, 2012, the Town incurred no such indebtedness.

2.E. FUND EQUITY RESTRICTIONS

Deficit Prohibition

Title 11, Section 17-211, of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. The Town of Salina complied with this statute in all material respects for the year ended June 30, 2012.

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3.A. CASH AND INVESTMENTS

Deposits

The Town's policies regarding deposits of cash are discussed in Note 1.E. The table presented below is designed to disclose the level of custody credit risk assumed by the Town based upon how its deposits were insured or secured with collateral at June 30, 2012. The categories of credit risk are defined as follows:

Category 1 - Insured by FDIC or collateralized with securities held by the Town (or public trust) or by its agent in its name

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name

Category 3 - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Town's name; or collateralized with no written or approved collateral agreement

| Type of Deposits | Total Bank Balance | Category <u>1</u> | Credit Risk <u>2</u> | Category <u>3</u> | Carrying Value | Total |
|--|-----------------------|----------------------|-------------------------|----------------------|--------------------|-------|
| Demand deposits and time deposits | <u>\$1,053,704</u> | <u>\$533,456</u> | <u>\$520,248</u> | <u>\$-----</u> | <u>\$1,039,378</u> | |
| Total Deposits | | | | | | |
| Reconciliation to Government-wide Statement of Net Assets: | | | | | | |
| Unrestricted cash, including time deposits | | | | | \$ 723,843 | |
| Restricted cash, including time deposits | | | | | <u>315,535</u> | |
| | | | | | <u>\$1,039,378</u> | |

3.B. RESTRICTED NET ASSETS

The following is a summary of the restricted assets, which consists of cash and short-term funds:

| | | |
|-------------------------------------|---------------|-------------------|
| Reserved from retained earnings | | |
| Capital Improvement Funds | | |
| Sales Tax Facilities Improvement | | |
| Cash | \$ 199,740 | |
| Taxes receivable | <u>25,934</u> | |
| | | <u>225,674</u> |
| Reserved for utility deposits | | |
| Cash | 30,341 | |
| Less: Due general operations | (86) | |
| Total utility deposits | | <u>30,255</u> |
| Debt service fund | | <u>33,456</u> |
| Debt service reserve | | 28,846 |
| Depreciation reserve | | <u>23,152</u> |
| Total restricted assets | | <u>\$ 341,383</u> |
| Restricted for debt retirement | | 92,557 |
| Restricted for capital improvements | | <u>248,826</u> |
| | | <u>\$ 341,383</u> |

The source and purpose of restricted assets is as follows:

- a. The Sales Tax Facilities Improvement was created by the voters in 1980 allocating a one cent sales tax to provide revenues for the payment of costs of construction of water and sewer treatment and distribution systems, with any not necessary to same, at the discretion of the Board of Trustees, to be placed in the General Fund of the Township. Legal Counsel for the Authority has opined that these funds could be used to retire the current debt outstanding. The sales tax is currently being used to fund the retirement of debt.
- b. The Debt Service Fund is funded by the Authority on a monthly basis to accumulate the necessary funds to make semiannual payments of principal and interest on the note. Monthly funding is set by the trustee.
- c. Reserve for utility deposits - This represents deposits for utilities by customers and is not refunded until the customer no longer is receiving utilities from the Authority. As of June 30, 2012 this fund had an excess of \$2,685 over the utility deposits outstanding. This is the result of interest earned.
- d. Notes payable with U. S. Department of Agriculture require the following reserves:
 - i. Debt Service Reserve requiring a deposit of 10% on the monthly payments of \$6,126 (\$613) be deposited to the reserve until an annual payment amount of \$73,512 is accumulated. Balance at June 30, 2012 is \$28,846.
 - ii. Depreciation reserve for short lived assets requiring a deposit of \$492 per month. Balance at June 30, 2012 is \$23,152.

3.C. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities consist of utilities receivable and are reported at their gross value less an allowance for doubtful accounts of \$1,000. All accounts have utility deposits with the Authority which can be applied to any unpaid balances. Management feels that such deposits will cover most accounts that might become uncollectible.

3.D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

| | Balance at July 1, 2011 | Additions | Transfers | Disposals | Balance at June 30, 2012 |
|---|----------------------------|-------------------|--------------|--------------|-----------------------------|
| Governmental activities: | | | | | |
| Land | \$ 68,800 | \$ -- | \$ -- | \$ -- | \$ 68,800 |
| Buildings | 907,743 | 15,493 | -- | -- | 923,236 |
| Machinery & equipment | 1,056,348 | 131,869 | -- | -- | 1,188,217 |
| Infrastructure | <u>141,213</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>141,213</u> |
| Totals at historical cost | <u>2,174,104</u> | <u>147,362</u> | <u>--</u> | <u>--</u> | <u>2,321,466</u> |
| Less accumulated depreciation | | | | | |
| Buildings | (210,473) | (24,139) | -- | -- | (234,612) |
| Machinery & equipment | (575,043) | (78,414) | -- | -- | (653,457) |
| Infrastructure | <u>(23,313)</u> | <u>(5,495)</u> | <u>--</u> | <u>--</u> | <u>(28,808)</u> |
| Total accumulated depreciation | <u>(808,829)</u> | <u>(108,048)</u> | <u>--</u> | <u>--</u> | <u>(916,877)</u> |
| Governmental activities capital assets, net | <u>\$ 1,365,275</u> | <u>\$ 39,314</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 1,404,589</u> |
| Business-type activities: | | | | | |
| Land | 11,625 | -- | -- | -- | 11,625 |
| Buildings | 177,030 | 10,634 | -- | -- | 187,664 |
| Machinery & equipment | 185,617 | 71,401 | -- | -- | 257,018 |
| Utility property | 5,962,696 | -- | -- | -- | 5,962,696 |
| Work in progress | <u>20,550</u> | <u>129,003</u> | <u>--</u> | <u>--</u> | <u>149,553</u> |
| Totals at historical cost | <u>6,357,518</u> | <u>211,038</u> | <u>--</u> | <u>--</u> | <u>6,568,556</u> |
| Less accumulated depreciation: | | | | | |
| Buildings | (50,452) | (4,102) | -- | -- | (54,554) |
| Machinery & equipment | (163,809) | (13,200) | -- | -- | (177,009) |
| Utility property | <u>(1,577,344)</u> | <u>(159,549)</u> | <u>--</u> | <u>--</u> | <u>(1,736,893)</u> |
| Total accumulated depreciation | <u>(1,791,605)</u> | <u>(176,851)</u> | <u>--</u> | <u>--</u> | <u>(1,968,456)</u> |
| Business-type capital assets, net | <u>\$ 4,565,913</u> | <u>\$ 34,187</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 4,600,100</u> |

* Depreciation expense was charged to governmental activities as follows:

| | |
|--------------------------------------|------------------|
| General government: | |
| Administrative and accounting | <u>\$ 9,333</u> |
| Total general government | <u>9,333</u> |
| Public safety and judiciary: | |
| Police | 16,393 |
| Fire | <u>63,897</u> |
| Total public safety and judiciary | <u>80,290</u> |
| Streets | <u>9,477</u> |
| Cultural, parks and recreation: | |
| Cemetery | 1,126 |
| Parks | 2,658 |
| Library | <u>5,163</u> |
| Total cultural, parks and recreation | <u>8,947</u> |
| Total depreciation expense | <u>\$108,047</u> |

The capitalization of infrastructure is reported on a prospective basis.

3.E. ACCOUNTS PAYABLE

Payables in all funds are composed of payables to vendors only. Accrued expenses consist mainly of accrued payroll and benefits and additionally for the Salina Public Works Authority, accrued interest.

3.F. LONG-TERM DEBT

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Governmental Activities

The following is a summary of the Town's (excluding Proprietary Funds) long-term debt transactions for the year ended June 30, 2012:

| | |
|---------------------------------|------------------|
| Debt outstanding, July 1, 2011 | \$ 25,897 |
| Additions | -- |
| Retirements | <u>(8,378)</u> |
| Debt outstanding, June 30, 2012 | <u>\$ 17,519</u> |

Notes payable at June 30, 2012 for the Town of Salina consists of the following, both of which are paid by the General Fund :

| | <u>Total</u> | <u>Due Within One Year</u> |
|--|-----------------|------------------------------------|
| Lease/purchase option on patrol car payable in monthly installments of \$575,60 including 5% interest in the original amount of \$24,960,31 | <u>16,702</u> | <u>6,247</u> |
| Lease/purchase option on animal control vehicle payable in monthly installments of \$206.02, including 5% in the original amount of \$4,699.00 | <u>817</u> | <u>817</u> |
| Total | \$17,519 | <u>\$ 7,064</u> |
| Less: Current portion | <u>7,064</u> | |
| Long-term portion | <u>\$10,455</u> | |

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

| | <u>Principal</u> | <u>Interest</u> |
|--------------------------|------------------|-----------------|
| Year ended June 30, 2013 | 7,064 | 701 |
| Year ended June 30, 2014 | 6,533 | 374 |
| Year ended June 30, 2015 | 3,922 | 65 |

Business-Type Activities

The following is a summary of the Salina Public Works Authority's long-term debt transactions for the year ended June 30, 2012.

| | |
|--------------------------------|---------------------|
| Debt outstanding July 1, 2011 | \$ 2,565,837 |
| Additions | 67,502 |
| Retirements | <u>(97,791)</u> |
| Debt outstanding June 30, 2012 | <u>\$ 2,535,548</u> |

The current and long term payments on long-term debt is as follows:

| | <u>Total</u> | <u>Due Within One Year</u> |
|---|--------------------|------------------------------------|
| Sales tax revenue note dated September 1, 2008 in the original amount of \$1,260,000, payable in varying amounts of principal and 3.99% interest over 17 years and is secured by a mortgage on all property owned whether real, personal or mixed, which constitutes or is used in connection with the water and sanitary sewer systems and facilities of the Authority and of the Town of Salina | \$1,010,000 | \$ 60,000 |
| Note payable to the U. S. Department of Agriculture in monthly installments of \$3,360 including 4.375% interest. The wastewater system cannot be disposed of without approval of the USDA and could possibly revert to the Federal Government if not paid | 721,829 | 8,917 |
| Note payable to the U. S. Department of Agriculture in monthly installments of \$2,766 including 2.75% interest. The wastewater system cannot be disposed of without approval of the USDA and could possibly revert to the Federal Government if not paid | 745,418 | 12,854 |
| Chattel mortgage on vehicle payable in monthly installments of \$467.30 including 5.5% interest | 1,774 | 1,774 |
| Note payable to Lakeside Bank in monthly installments of \$1,289.69 including 5.5% interest, secured by a Case Back hoe | <u>56,527</u> | <u>12,684</u> |
| | \$2,535,548 | <u>\$ 96,229</u> |
| Less: Current portion | <u>96,229</u> | |
| | <u>\$2,439,319</u> | |

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

| | <u>Principal</u> | <u>Interest</u> |
|--------------------------|------------------|-----------------|
| Year ended June 30, 2013 | 96,229 | 94,263 |
| Year ended June 30, 2014 | 100,926 | 90,269 |
| Year ended June 30, 2015 | 107,466 | 86,135 |
| Year ended June 30, 2016 | 109,078 | 81,791 |

| | <u>Principal</u> | <u>Interest</u> |
|---------------------------------------|------------------|-----------------|
| Year ended June 30, 2017 | 101,301 | 77,579 |
| Five year period ending June 30, 2022 | 563,601 | 327,710 |
| Five year period ending June 30, 2027 | 409,879 | 217,548 |
| Five year period ending June 30, 2032 | 196,454 | 171,116 |
| Five year period ending June 30, 2037 | 234,461 | 133,092 |
| Five year period ending June 30, 2042 | 280,284 | 87,276 |
| Five year period ending June 30, 2047 | 335,435 | 31,428 |
| Period ending July, 2047 | 434 | 2 |

3.G EMPLOYEE RETIREMENT SYSTEM

Oklahoma Firefighters' Pension and Retirement System

1) Plan Description

All volunteer firemen of the Town of Salina, Oklahoma are covered by the Oklahoma Firefighters' Pension and Retirement System, which is a cost-sharing multiple-employer PERS.

All volunteer firemen, except those under 18 years of age or an employee who was hired after reaching age 45 unless he or she has prior service and will have completed twenty years of service by age 65, are eligible and must participate in the State PERS. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. A member may retire after accumulating 20 years of service with the Town or another entity covered by the State PERS. Benefits vest after 10 years of service. Employees who retire with 20 or more years of service are entitled to pension payments beginning at age 50 equal to \$5.33 per month times their number of years of service up to a maximum of 30 years.

Pension provisions include deferred allowances whereby a volunteer firefighter may terminate with the Town after accumulating 10 years of service but not before reaching the age of 50. The volunteer firefighter is entitled to all pension benefits upon reaching the age of 50 or by the time he or she would have completed 20 years of service, whichever is later.

Pension provisions include death and disability benefits, whereby the disabled volunteer firefighter or surviving spouse is entitled to receive the same as a normal retirement with 20 years of service.

Both the Town's current-year covered payroll and its total current-year payroll for all employees amount to \$.00, as contributions and benefits for volunteer firemen are not based on payroll.

2) Contributions Required and Made

Volunteer firefighters of the Town do not make contributions to the pension plan. The Town makes annual contributions of \$60 to the pension plan for each active volunteer firefighter, which amounted to \$960.00 for the year ended June 30, 2012.

The Town made all required contributions to the plan for the year, and no contributions are required from the firefighters. Total contributions are allocated between the municipality and the state. The contribution amounts for municipalities are set by state statutes. Therefore, the remainder of required contributions must be made by the state.

Funding Status and Progress

The amount of the total pension benefit obligation is based on a standardized measurement established by GASB-5 that, with some exceptions, must be used by a PERS. The standardized measurement is the actuarial present value of credited projected benefits. This pension valuation method reflects the present value of estimated pension benefits which will be paid in future years as a result of employee services performed to date, and is adjusted for the effects of projected salary increases. A standardized measure of the pension benefit obligation was adopted by the GASB to enable readers of PERS financial statements to (a) assess the PERS funding status on a going-concern basis, (b) assess progress made in accumulating sufficient assets to pay benefits when due, and (c) make comparisons among other PERS and among other employers.

Total unfunded pension benefit obligation of the State PERS as of July 1, 2012 was as follows:

| | |
|---|------------------------|
| Total pension benefit obligations (actuarial accrued liability) | \$2,886,400,000 |
| Net assets available for pension benefits, at actuarial value | <u>1,759,100,000</u> |
| Unfunded actuarial benefit obligation | <u>\$1,127,300,000</u> |

The measurement of the total pension benefit obligation is based on actuarial valuation as of July 1, 2012. Net assets available to pay pension benefits were valued as of the same date.

The Town's 2012 required contribution to the State PERS represents approximately .01% of the total current-year actuarially determined contribution requirements for all employers covered by the pension plan.

Ten-year historical trend information is presented in the State PERS Comprehensive Annual Financial Report. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due.

Salina 457 (b) Deferred Compensation Plan

The Town of Salina and the Salina Public Works Authority jointly started a 457 (b) deferred compensation plan in the previous year. Under the terms of the plan, the employers will match up to 3% of each employee's contributions to the plan.

During the year ended June 30, 2012, the employers paid in \$1,377.36 and the employees paid in \$1,377.36.

3.H. DUE TO/FROM OPERATING TRANSFERS

As of June 30, 2012, interfund receivables and payables which resulted from various interfund transactions were as follows:

| | Amount <u>Due</u> | Amount <u>Owed</u> |
|-------------------------------|----------------------|-----------------------|
| General Fund | \$ 2,631 | \$ -- |
| Salina Public Works Authority | 6,607 | -- |
| Street and Alley Fund | -- | 6,038 |
| Volunteer Fire Fund | 346 | -- |
| Cemetery Fund | <u>--</u> | <u>3,546</u> |
| | <u>\$ 9,584</u> | <u>\$ 9,584</u> |

The operating transfers consisted of the General Fund transferring \$10,200 to the Volunteer Fire Department, which was budgeted and \$36,000 to Street and Alley due to its increased expenditures in the current year.

3.I. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The Town purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials' liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

3.J. CONDUIT DEBT OBLIGATION

During the fiscal year 2006/07, the Town of Salina approved a resolution relating to the incurring of indebtedness by the Trustees of the Salina Educational Facilities Authority to be accomplished by the issuance of lease revenue bonds not to exceed \$2,100,000 to provide funds to Independent School District No. 16, Mayes County, Oklahoma required to construct, furnish, and equip a new elementary school; established a reserve fund, capitalize interest and pay cost of issuance and all matters related thereto, including but not limited to the waiver of competitive bidding thereof. The debt is secured by the property financed. The Town functions as a conduit for the indebtedness and is not obligated in any manner for repayment.

3.K. SUBSEQUENT EVENTS

On September 18, 2012, the Salina Public Works Authority approved a loan application with the Oklahoma Water Resources Board in the amount of \$3,210,000 with interest at a fixed rate to be determined at closing plus an administrative fee at the rate of 0.5% per annum on the outstanding balance

Less the DEQ Regionalization Debt Forgiveness of 40% upon completion and possible funding from Cherokee National Health.

Proceeds are to be used to 1) construct approximately 9.5 miles of 10-inch waterline to connect to the Oklahoma Ordinance Works Authority, improve the Pinecrest Storage Tank, conduct instrumentation/SCADA upgrade, clean out an existing sludge lagoon, install related construction appurtenances and 2) pay related costs of issuance, all as more specifically set forth in the Loan Application.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB, but are considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedules - General Fund

**TOWN OF SALINA, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | Variance with Final Budget Positive (Negative) |
|--|-------------------------|----------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Beginning budgetary fund balance | \$ 209,097 | \$ 209,097 | \$ 209,097 | \$ -- |
| Resources (inflows) | | | | |
| Taxes | | | | |
| Franchise taxes | 30,422 | 30,422 | 33,468 | 3,046 |
| Use tax | 40,856 | 40,856 | 58,025 | 17,169 |
| Sales tax | <u>263,660</u> | <u>263,660</u> | <u>262,497</u> | (1,163) |
| Total taxes | <u>334,938</u> | <u>334,938</u> | <u>353,990</u> | <u>19,052</u> |
| Intergovernmental | | | | |
| Alcoholic beverage tax | 9,045 | 9,045 | 9,636 | 591 |
| Cigarette tax | <u>6,058</u> | <u>6,058</u> | <u>6,350</u> | <u>292</u> |
| Total intergovernmental | <u>15,103</u> | <u>15,103</u> | <u>15,986</u> | <u>883</u> |
| Fines and forfeitures | | | | |
| Police fines | <u>66,533</u> | <u>66,533</u> | <u>133,252</u> | <u>66,719</u> |
| Total fines and forfeitures | <u>66,533</u> | <u>66,533</u> | <u>133,252</u> | <u>66,719</u> |
| Licenses and permits | | | | |
| Various permits | <u>996</u> | <u>996</u> | <u>1,707</u> | <u>711</u> |
| Total licenses and permits | <u>996</u> | <u>996</u> | <u>1,707</u> | <u>711</u> |
| Investment income | <u>1,060</u> | <u>1,060</u> | <u>1,028</u> | (32) |
| Miscellaneous | | | | |
| Miscellaneous | 6,812 | 6,812 | 7,158 | 346 |
| Donations | <u>1,083</u> | <u>1,083</u> | <u>3,559</u> | <u>2,476</u> |
| Total miscellaneous | <u>7,895</u> | <u>7,895</u> | <u>10,717</u> | <u>2,822</u> |
| Amounts available for appropriation | <u>635,622</u> | <u>635,622</u> | <u>725,777</u> | <u>90,155</u> |
| Charges to appropriations (outflows) | | | | |
| Personal services | 362,294 | 362,294 | 306,893 | 55,401 |
| Maintenance and operation | 209,521 | 209,521 | 193,112 | 16,409 |
| Capital outlay | <u>63,807</u> | <u>63,807</u> | <u>11,996</u> | <u>51,811</u> |
| Total | <u>635,622</u> | <u>635,622</u> | <u>512,001</u> | <u>123,621</u> |
| Ending Budgetary Fund Balances | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 213,776</u> | <u>\$ 213,776</u> |
| Adjustments to reconcile to balance sheet | | | | |
| Increase in beginning fund balance | | | 67,381 | |
| Increase (decrease) in taxes receivable, including franchise | | | (13,900) | |
| Decrease in other assets and liabilities | | | <u>5,243</u> | |
| Fund Balance | | | <u>\$ 272,500</u> | |

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedules include:

- Combining Statements - Nonmajor governmental funds

TOWN OF SALINA, OKLAHOMA
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

| | Cemetery <u>Fund</u> | Volunteer Fire <u>Fund</u> | Police Donations <u>Fund</u> | <u>Total</u> |
|--|-------------------------|----------------------------------|------------------------------------|------------------|
| ASSETS | | | | |
| Cash, including time deposits | \$ 51,126 | \$ 29,843 | \$ 3,203 | \$ 84,172 |
| Due from other funds | <u> --</u> | <u> 346</u> | <u> --</u> | <u> 346</u> |
| | <u>\$ 51,126</u> | <u>\$ 30,189</u> | <u>\$ 3,203</u> | <u>\$ 84,518</u> |
| LIABILITIES | | | | |
| Accounts payable | 873 | -- | -- | 873 |
| Due Kansas PWA | <u>3,546</u> | <u> --</u> | <u> --</u> | <u>3,546</u> |
| Total liabilities | <u>4,419</u> | <u> --</u> | <u> --</u> | <u>4,419</u> |
| FUND BALANCES | | | | |
| Restricted | <u>46,707</u> | <u>30,189</u> | <u>3,203</u> | <u>80,099</u> |
| Total fund balances | <u>46,707</u> | <u>30,189</u> | <u>3,203</u> | <u>80,099</u> |
| Total liabilities and fund balances | <u>\$ 51,126</u> | <u>\$ 30,189</u> | <u>\$ 3,203</u> | <u>\$ 84,518</u> |

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

**TOWN OF SALINA, OKLAHOMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2012**

| | <u>Cemetery Fund</u> | <u>Volunteer Fire Fund</u> | <u>Police Donations Fund</u> | <u>Total</u> |
|--|--------------------------|------------------------------------|--------------------------------------|-------------------------|
| Revenues | | | | |
| Grants and contributions | \$ 2,108 | \$ 118,754 | \$ 3,399 | \$ 124,261 |
| Interest | 221 | -- | 27 | 248 |
| Miscellaneous | <u>6,285</u> | <u>13,043</u> | <u>--</u> | <u>19,328</u> |
| Total revenues | <u>8,614</u> | <u>131,797</u> | <u>3,426</u> | <u>143,837</u> |
| Expenditures | | | | |
| Police | -- | -- | 2,792 | 2,792 |
| Cemetery | 10,235 | -- | -- | 10,235 |
| Fire | -- | 23,600 | -- | 23,600 |
| Capital outlay | <u>--</u> | <u>98,746</u> | <u>3,960</u> | <u>102,706</u> |
| Total expenditures | <u>10,235</u> | <u>122,346</u> | <u>6,752</u> | <u>139,333</u> |
| Excess (deficiency) of revenues over expenditures | <u>(1,621)</u> | <u>9,451</u> | <u>(3,326)</u> | <u>4,504</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in (out) | <u>--</u> | <u>10,200</u> | <u>--</u> | <u>10,200</u> |
| Net Change in Fund balances | <u>(1,621)</u> | <u>19,651</u> | <u>(3,326)</u> | <u>14,704</u> |
| Fund balances - Beginning of Year | <u>48,328</u> | <u>10,538</u> | <u>6,529</u> | <u>65,395</u> |
| Fund Balances - End of Year | <u>\$ 46,707</u> | <u>\$ 30,189</u> | <u>\$ 3,203</u> | <u>\$ 80,099</u> |

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

Violet F. Kirkendall CPA, PC

Certified Public Accountant

405 W. Claremore St.

Claremore, OK 74017

(918) 342-5474

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

Board of Trustees
Town of Salina
Mayes County, Oklahoma

I have audited the financial statements of *Town of Salina, Mayes County, Oklahoma* for the year ended June 30, 2012, and have issued my report thereon dated January 4, 2013. I conducted my audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States

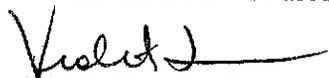
Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

This report is intended for the information of the Board of Trustees, management, and State of Oklahoma and is not intended to be and should not be used by anyone other than these specified parties.



Violet F. Kirkendall CPA, PC
Certified Public Accountant

January 4, 2013

TOWN OF SALINA
MAYES COUNTY, OKLAHOMA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

A. Audit Findings

PRIOR YEAR

None

CURRENT YEAR

None

B. Questioned Costs

None