

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

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

**FOR THE YEAR ENDED  
JUNE 30, 2011**

TOWN OF SEILING, OKLAHOMA  
 TABLE OF CONTENTS  
 For the fiscal year ended JUNE 30, 2011

---

	<u>Page</u>
LIST OF PRINCIPAL OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2-3
REQUIRED SUPPLEMENTARY INFORMATION: Management's Discussion and Analysis	4-11
BASIC FINANCIAL STATEMENTS:	
<i>Government-wide Financial Statements:</i>	
Statement of Net Assets	12
Statement of Activities	13-14
<i>Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	16-17
Statement of Net Assets – Proprietary Funds	18
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	19
Statement of Cash Flows – Proprietary Funds	20
Notes to Basic Financial Statements	21-33
REQUIRED SUPPLEMENTARY INFORMATION: Budgetary Comparison Schedule – General Fund	34-35
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	36-37

**TOWN OF SEILING, OKLAHOMA**

**LIST OF PRINCIPAL OFFICIALS**

TOWN COUNCIL

Mickey Louthan, Mayor

Michael Nichols, Vice-Mayor

Linda Pittman

Bandon McCurley

Wanda Adair

TOWN MANAGER

Karen Riffel

TOWN TREASURER AND CLERK

Shara Feuerborn

Derrel S. White, CPA

1011 Texas Avenue  
Woodward, OK 73801  
Phone: 580-256-6830  
Fax: 580-256-6019

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Town of Seiling, OK

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Seiling, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the basic financial statements of the Town's primary government as listed in the table of contents. These financial statements are the responsibility of Town of Seiling, Oklahoma's, management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements referred to above include only the primary government of the Town of Seiling, Oklahoma, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Town's legal entity. The financial statements do not include financial data for the Town's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the Town's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Town of Seiling, Oklahoma, as of June 30, 2011, and the changes in its financial position, and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, Town of Seiling, Oklahoma, has issued separate reporting entity financial statements for which another accountant has issued a report.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of the Town of Seiling, Oklahoma, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have issued our report dated August 8, 2011 on our consideration of The Town of Seiling, Oklahoma's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other

matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 4 through 11 and 34 through 35, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We 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, we did not audit the information and express no opinion on it.

Derrel S. White, CPA

Derrel S. White, CPA

August 8, 2011

Woodward, Oklahoma

Our discussion and analysis of the Town of Seiling's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2011. The Town's performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. This discussion focuses on the Town's primary government, and unless otherwise noted, component units reported separately from the primary government are not included. Please read it in conjunction with the Town's financial statements, which follow this section.

#### ***Financial Summary***

- The Town's assets exceeded its liabilities by \$2,753,409 (net assets) for the fiscal year 2011. This compared to the previous year when assets exceeded liabilities by \$2,456,199.
- Total liabilities of the Town decreased by \$15,324 to \$973,551. The decrease is attributable to payments made on bond debt held by the Town.
- Total net assets are comprised of the following
  - Invested in capital assets, net of related debt, of \$1,753,230 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  - Unrestricted net assets of \$1,000,179 represent the portion available to maintain the Town's continuing obligations to citizens and creditors compared to \$706,075 last year.
- The Town's governmental funds reported total ending fund balance of \$473,943 this year. This compared to the prior year ending fund balance of \$269,133, showing an increase of \$204,810. This is attributable to cash used for operating and capital purchases in the General Fund.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$421,485 or 75% of total General Fund expenditures including transfers and 41% of total General Fund revenues excluding transfers.

#### ***Overview of the Financial Statements***

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

#### ***Government-wide Financial Statements***

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

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

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

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

charges. Governmental activities include general governments, public safety, public services, and culture and recreation. Business-type activities include gas utilities, water utilities, solid waste management, and wastewater utilities.

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

#### **Fund Financial Statements**

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

#### Governmental funds

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

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

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

#### Proprietary funds

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

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

#### **Notes to the financial statements**

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

**TOWN OF SEILING, OKLAHOMA  
MANAGEMENT DISCUSSION & ANALYSIS  
JUNE 30, 2011**

**Other information**

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

**Financial Analysis of the Town as a Whole**

Changes in net assets may be observed and used to discuss the changing financial position of the Town as a whole. The Town's net assets at June 30, 2011 are \$2,753,409. This is a \$297,210 increase over June 30, 2010 net assets of \$2,456,199.

**Summary of Net Assets**

	Governmental Activities		Business-Type Activities		Total		\$ Change	% Change
	2011	2010	2011	2010	2011	2010		
Current assets	\$ 531,048	\$ 308,381	\$ 600,669	\$ 485,899	\$ 1,131,717	\$ 794,280	\$ 337,437	42%
Non-current assets	-	-	37,833	41,752	37,833	41,752	(3,919)	-9%
Capital assets, net	888,273	872,063	1,669,137	1,736,979	2,557,410	2,609,042	(51,632)	-2%
<b>Total assets</b>	<b>\$ 1,419,321</b>	<b>\$ 1,180,444</b>	<b>\$ 2,307,639</b>	<b>\$ 2,264,630</b>	<b>\$ 3,726,960</b>	<b>\$ 3,445,074</b>	<b>\$ 281,886</b>	<b>8%</b>
Current liabilities	\$ 63,823	\$ 45,639	\$ 148,286	\$ 120,076	\$ 212,109	\$ 165,715	\$ 46,394	28%
Non-current liabilities	11,442	18,160	750,000	805,000	761,442	823,160	(61,718)	-7%
<b>Total liabilities</b>	<b>75,265</b>	<b>63,799</b>	<b>898,286</b>	<b>925,076</b>	<b>973,551</b>	<b>988,875</b>	<b>(15,324)</b>	<b>-2%</b>
Net assets								
Invested in capital assets, net of related debt	888,273	872,063	864,957	878,061	1,753,230	1,750,124	3,106	0%
Unrestricted	455,783	244,582	544,396	461,493	1,000,179	706,075	294,104	42%
<b>Total net assets</b>	<b>\$ 1,344,056</b>	<b>\$ 1,116,645</b>	<b>\$ 1,409,353</b>	<b>\$ 1,339,554</b>	<b>\$ 2,753,409</b>	<b>\$ 2,456,199</b>	<b>\$ 297,210</b>	<b>12%</b>

The Town reported positive balances in total net assets for both governmental and business-type activities. Net assets increased \$227,411 for governmental activities and \$69,799 for business-type activities. The Town's overall financial position improved during fiscal year 2011.

**TOWN OF SEILING, OKLAHOMA  
MANAGEMENT DISCUSSION & ANALYSIS  
JUNE 30, 2011**

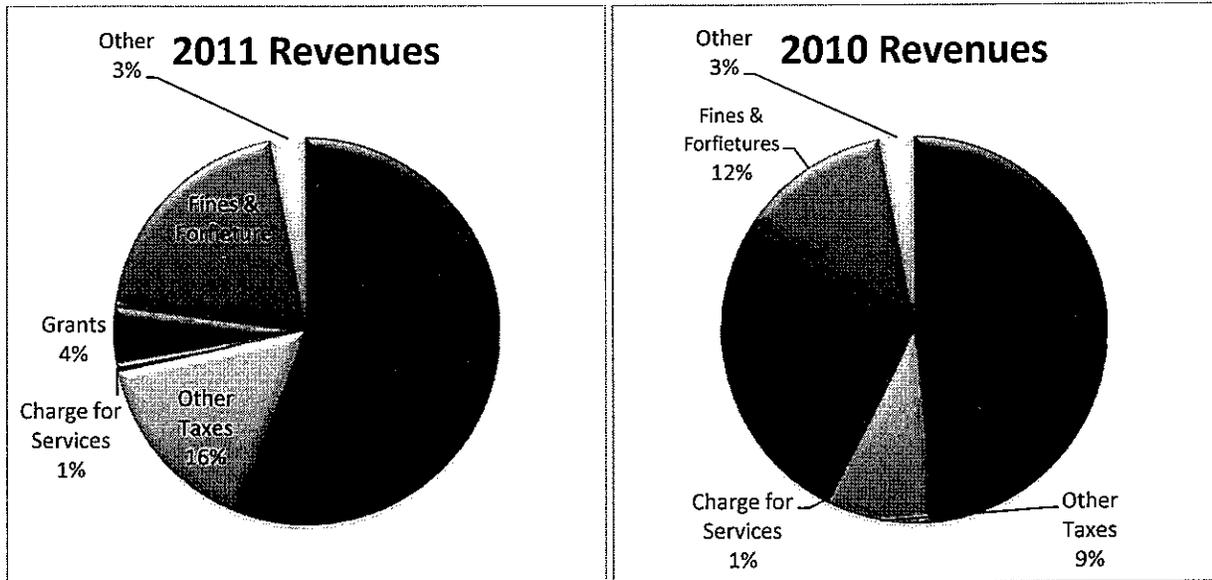
	<b>Summary of Changes in Net Assets</b>						<b>\$ Change</b>	<b>% Change</b>
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>			
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>		
<b>Revenues</b>								
Program revenues	\$ 275,070	\$ 317,071	\$ 835,267	\$ 884,270	\$ 1,110,337	\$ 1,201,341	\$ (91,004)	-8%
Taxes and other general revenues	754,645	465,550	31,256	32,374	785,901	497,924	287,977	58%
<b>Total revenues</b>	<b>1,029,715</b>	<b>782,621</b>	<b>866,523</b>	<b>916,644</b>	<b>1,896,238</b>	<b>1,699,265</b>	<b>196,973</b>	<b>12%</b>
<b>Expenses</b>								
General government	175,557	164,468	-	-	175,557	164,468	11,089	7%
Public safety and judiciary	235,736	222,608	-	-	235,736	222,608	13,128	6%
Transportation	73,243	101,126	-	-	73,243	101,126	(27,883)	-28%
Cultural, parks, and recreation	69,956	57,562	-	-	69,956	57,562	12,394	22%
Gas	-	-	229,589	238,754	229,589	238,754	(9,165)	-4%
Water	-	-	199,759	205,618	199,759	205,618	(5,859)	-3%
Sewer	-	-	73,251	58,599	73,251	58,599	14,652	25%
Sanitation	-	-	110,815	99,003	110,815	99,003	11,812	12%
Customer service	-	-	151,310	171,386	151,310	171,386	(20,076)	-12%
<b>Total expenses</b>	<b>554,492</b>	<b>545,764</b>	<b>764,724</b>	<b>773,360</b>	<b>1,319,216</b>	<b>1,319,124</b>	<b>92</b>	<b>0%</b>
Excess (deficiency) before transfer	475,223	236,857	101,799	143,284	577,022	380,141	196,881	52%
Transfers	32,000	44,280	(32,000)	(44,280)	-	-	-	
Transfers to component units	(279,812)	(192,063)	-	-	(279,812)	(192,063)	(87,749)	46%
<b>Increase (decrease) in net assets</b>	<b>\$ 227,411</b>	<b>\$ 89,074</b>	<b>\$ 69,799</b>	<b>\$ 99,004</b>	<b>\$ 297,210</b>	<b>\$ 188,078</b>	<b>\$ 109,132</b>	<b>58%</b>

Program revenues decreased 8% primarily from business-type activities, resulting from a decrease in utility billings. Taxes and other general revenues increased 58% due to an increase in sales tax and use tax for the Town.

Operating expenses remained consistent year over year. This is the result of a concerted effort by the Town to monitor expenses across each department to keep in line with the decrease in utility revenues.

Graphic presentations of the Summary of Changes in Net Assets follow to assist in the analysis of the Town's activities for fiscal year 2011 and 2010.

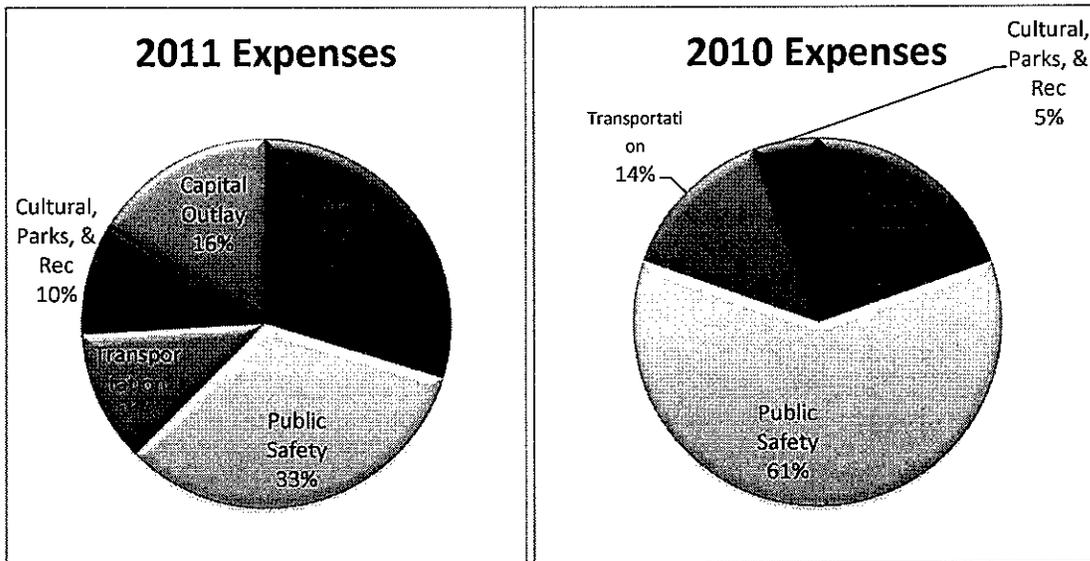
**Governmental Activities**



**Total - \$1,029,715**

**Total - \$782,621**

Overall revenues from governmental activities increased. The majority of this increase was noted in sales tax and other tax dollars. Sales tax dollars provided 56% of revenues in 2011 compared to 49% in 2010. Fines and forfeitures and intergovernmental revenues noted a decrease in the current year due to a decrease in tickets written and grant funds received. In fiscal year 2010, the Town received grant funds for the purchase of new fire equipment. They did not receive those grants funds in fiscal year 2011.

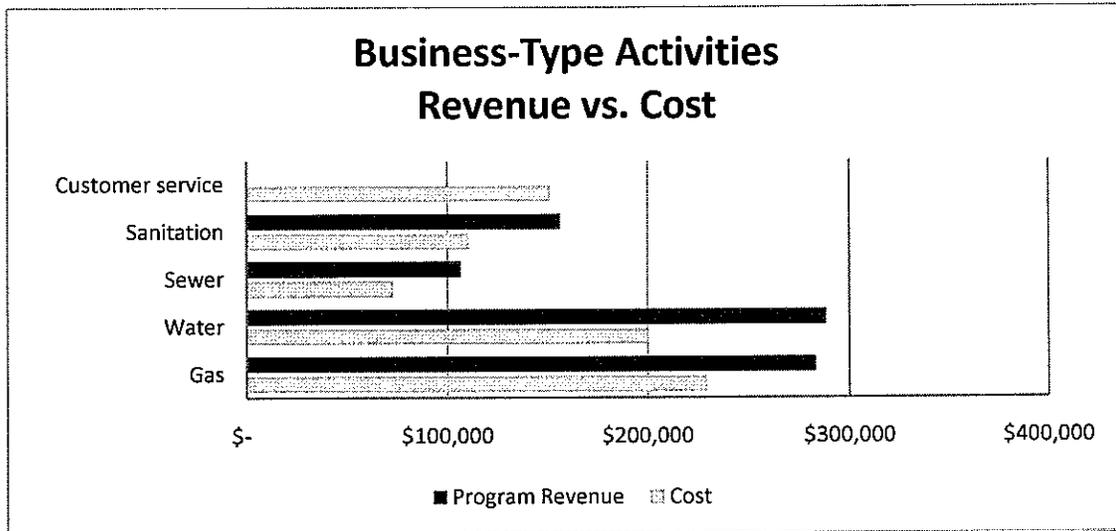


**Total - \$577,093**

**Total - \$545,764**

Governmental expenses are considered consistent with prior year. There was a shift between departmental expenses. For fiscal year 2011, public safety at 33% and general government at 30% were the largest use of governmental funds.

**Business-type Activities**



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

Charges for services for business-type activities decreased \$49,003, generally as a result of decrease in utility usage in the gas department. Revenues earned from water, sewer, and sanitation increased in fiscal year 2011 compared to fiscal year 2010 which offset to total decrease in charges for services for business-type activities. Business-type activity expenses remained consistent with prior year, noting a 1% change over fiscal year 2010.

***Financial Analysis of the Town's Funds***

**Governmental funds**

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending funds balance of \$473,943, which is considered unreserved indicating availability for continuing Town service requirements.

The total ending fund balance of governmental funds show an increase of \$204,810. Sales and use tax showed the most significant increase when compared to prior year. Expenses remained consistent between the two fiscal years. Refer to additional discussion of capital assets below.

***General Fund Budgetary Highlights***

The original adopted General Fund budget for fiscal year 2011 was \$610,178. This was a decrease of \$148,822 over the prior year budget. Amendments totaling \$58,600 were adopted during the fiscal year.

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

**TOWN OF SEILING, OKLAHOMA  
MANAGEMENT DISCUSSION & ANALYSIS  
JUNE 30, 2011**

**Capital Asset and Debt Administration**

**Capital Assets**

Town's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of June 30, 2011 was \$888,273 and \$864,957, respectively. This is a 2% increase in governmental funds and a 2% decrease in business-type activities. Major capital asset additions for the General Fund include a heat and air unit for City Hall, Police equipment and laptops, a diving board for the swimming pool, street resurfacing, and fencing for Murray Park. Capital additions during the fiscal year in the business-type activities include water meters and engineering on the water storage tank.

**Primary Government Capital Assets (net of accumulated depreciation)**

	Governmental		Business-type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 235,605	\$ 228,594	\$ 54,608	\$ 54,608	\$ 290,213	\$ 283,202
Buildings	35,344	36,469	20,641	30,364	55,985	66,833
Machinery & equipment	321,386	337,443	12,842	9,665	334,228	347,108
Utility property & improvements	295,938	269,557	1,581,046	1,642,342	1,876,984	1,911,899
<b>Totals</b>	<b>\$ 888,273</b>	<b>\$ 872,063</b>	<b>\$ 1,669,137</b>	<b>\$ 1,736,979</b>	<b>\$ 2,557,410</b>	<b>\$ 2,609,042</b>

**Long-Term Debt**

At the end of the fiscal year, the Town had \$761,442 in long-term debt outstanding, \$11,442 attributable to the governmental activities and \$750,000 business-type activities. The Town's changes in long-term debt by type of debt are as follows:

**Primary Government Long-Term Debt**

	Governmental		Business-type	
	<u>Activities</u>		<u>Activities</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Notes payable	\$ 18,160	\$ 24,551	\$ -	\$ -
Revenue bonds	-	-	805,000	855,000
subtotal	18,160	24,551	805,000	855,000
less current portion	(6,718)	(6,391)	(55,000)	(50,000)
<b>Totals</b>	<b>\$ 11,442</b>	<b>\$ 18,160</b>	<b>\$ 750,000</b>	<b>\$ 805,000</b>

**ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES**

The economic outlook of the Town of Seiling is based, in a small way, of that of the Oklahoma City market area. During 2010, the state of Oklahoma felt the impact of the weak national economic conditions. Oklahoma lost 80,000 jobs during the recession, which resulted in unemployment rates high under Oklahoma standards, but still well below the national rates. On a good note, the State's oil and gas activity recovered from lows seen in 2009, but residential and commercial construction stalled.

In the first part of 2011, Oklahoma began to see recovery. However, governmental budgets for most governmental entities are very tight and continue to struggle with generating sales tax dollars to fund government operations. Rural areas are relatively insulated from the market conditions seen in the Oklahoma City market. Stable commodity prices and the return to oil and gas activity have helped many communities. The Town of Seiling (the "Town") saw benefit from these operations during fiscal year 2011 with the notable increase in sales and use tax.

With the exception of fiscal year 2010, the Town has historically displayed favorable growth each year. Fiscal year 2011 brought the return of more favorable times with a 72% increase in sales and use tax when compared to fiscal year 2010. This increase is attributable to the increase in wind energy production and construction occurring in the Town. However, the Town is still striving to continue to provide the best possible service with limited resources available, as utility revenues, in total, have seen a decrease.

The projected budget for fiscal year 2012 projects sales and use tax at 90% of current collections and Utility revenues are expected to increase due to the proposed rate increase for fiscal year 2011 which called for a 3% increase in all utility services. The rate increase will allow the Town to cover the rising cost of providing services to its citizens as well as fund needed capital additions for the operation of the Town.

Projected expenses for the Town in fiscal year 2012 reflect a 9% decrease in total expenses for the General Fund and one capital project. That project is to provide handicap accessible areas at Murray and Hammon parks. The Seiling Public Works Authority (the "Authority") operating expenses are budgeted at levels consistent with FY11. Major capital projects budgeted for the Authority includes payments on a backhoe, a pickup, and a new maintenance building.

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

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

#### **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

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

**Town of Seiling, Oklahoma**  
**Statement of Net Assets**  
**June 30, 2011**

<b>ASSETS</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 155,509	\$ 202,988	\$ 358,497
Investments, including time deposits	237,830	64,224	302,054
Accounts receivable (net)	102,620	67,069	169,689
Due from other funds	-	13,388	13,388
<b>Total current assets</b>	<b>495,959</b>	<b>347,669</b>	<b>843,628</b>
<b>Restricted assets:</b>			
Cash and cash equivalents	27,934	-	27,934
Investments, including time deposits	7,155	253,000	260,155
<b>Total restricted assets</b>	<b>35,089</b>	<b>253,000</b>	<b>288,089</b>
<b>Noncurrent Assets:</b>			
Unamortized bond issue costs	-	37,833	37,833
Land and construction in progress	235,605	54,608	290,213
Other capital assets (net of accumulated depreciation)	652,668	1,614,529	2,267,197
<b>Total noncurrent assets</b>	<b>888,273</b>	<b>1,706,970</b>	<b>2,595,243</b>
<b>Total assets</b>	<b>\$ 1,419,321</b>	<b>\$ 2,307,639</b>	<b>\$ 3,726,960</b>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 19,524	\$ 19,458	\$ 38,982
Salary and benefits payable	22,468	15,706	38,174
Sales tax payable	1,725	428	2,153
Due to other funds	13,388	-	13,388
Notes payable, current	6,718	-	6,718
Bonds payable, current	-	55,000	55,000
<b>Total current liabilities</b>	<b>63,823</b>	<b>90,592</b>	<b>154,415</b>
<b>Liabilities payable from restricted assets:</b>			
Accrued interest payable	-	8,184	8,184
Customer deposits payable	-	49,510	49,510
<b>Total liabilities payable from restricted assets</b>	<b>-</b>	<b>57,694</b>	<b>57,694</b>
<b>Noncurrent liabilities:</b>			
Notes payable, non-current	11,442	-	11,442
Bonds payable, non-current	-	750,000	750,000
<b>Total noncurrent liabilities</b>	<b>11,442</b>	<b>750,000</b>	<b>761,442</b>
<b>Total liabilities</b>	<b>75,265</b>	<b>898,286</b>	<b>973,551</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	888,273	864,957	1,753,230
Unrestricted	455,783	544,396	1,000,179
<b>Total net assets</b>	<b>\$ 1,344,056</b>	<b>\$ 1,409,353</b>	<b>\$ 2,753,409</b>

**Town of Seiling, Oklahoma**  
**Statement of Activities**  
**Year Ended June 30, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
<b>Governmental activities:</b>					
<b>General government:</b>					
General government	\$ 104,154	\$ 706	\$ 3,374	\$ 40,090	\$ (59,984)
Clerk	71,403	-	-	-	(71,403)
Total general government	175,557	706	3,374	40,090	(131,387)
<b>Public safety and judiciary:</b>					
Police	184,949	204,992	-	-	20,043
Fire	50,419	-	4,398	-	(46,021)
Animal control	368	640	-	-	272
Total public safety and judiciary	235,736	205,632	4,398	-	(25,706)
<b>Transportation:</b>					
Street	72,467	-	10,558	-	(61,909)
Airport	776	-	-	-	(776)
Total transportation	73,243	-	10,558	-	(62,685)
<b>Cultural, parks and recreation:</b>					
Library	2,185	-	-	-	(2,185)
Park	22,919	-	-	-	(22,919)
Community building	5,381	2,150	-	-	(3,231)
Swimming Pool	39,471	8,162	-	-	(31,309)
Total cultural, parks and recreation	69,956	10,312	-	-	(59,644)
Total governmental activities	\$ 554,492	\$ 216,650	\$ 18,330	\$ 40,090	\$ (279,422)
<b>Business-type activities:</b>					
<b>Utility services:</b>					
Gas	\$ 229,589	\$ 283,365	\$ -	\$ -	\$ 53,776
Water	199,759	288,668	-	-	88,909
Sewer	73,251	100,350	6,518	-	33,617
Sanitation	110,815	156,366	-	-	45,551
Customer service	151,310	-	-	-	(151,310)
Total business-type activities	764,724	828,749	6,518	-	70,543
<b>Total primary government</b>	<b>\$ 1,319,216</b>	<b>\$ 1,045,399</b>	<b>\$ 24,848</b>	<b>\$ 40,090</b>	<b>\$ (208,879)</b>

**Town of Seiling, Oklahoma**  
**Statement of Activities (continued)**  
**Year Ended June 30, 2011**

<b>Changes in Net Assets:</b>	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Net (expense)/revenue	\$ (279,422)	\$ 70,543	\$ (208,879)
General revenues:			
Taxes:			
Sales tax	574,642	-	574,642
Use tax	83,269	-	83,269
Franchise taxes	33,034	-	33,034
Alcoholic beverage tax	27,643	-	27,643
Cigarette tax	8,245	-	8,245
Investment income	3,652	2,880	6,532
Oil royalties	1,431	-	1,431
Reimbursements	19,818	-	19,818
Penalties	-	10,774	10,774
Miscellaneous	2,911	17,602	20,513
Transfers - Other governments, net	(279,812)	-	(279,812)
Transfers - Internal activity, net	32,000	(32,000)	-
<b>Total general revenues and transfers</b>	<b>506,833</b>	<b>(744)</b>	<b>506,089</b>
<b>Change in net assets</b>	<b>227,411</b>	<b>69,799</b>	<b>297,210</b>
<b>Net assets-beginning</b>	<b>1,116,645</b>	<b>1,339,554</b>	<b>2,456,199</b>
<b>Net assets-ending</b>	<b>\$ 1,344,056</b>	<b>\$ 1,409,353</b>	<b>\$ 2,753,409</b>

Town of Seiling, Oklahoma  
Balance Sheet  
Governmental Funds  
June 30, 2011

	<b>General Fund</b>
<b>ASSETS</b>	
Cash	\$ 183,443
Investments, including time deposits	244,985
Taxes receivable	69,592
Accounts receivable	33,028
Total assets	\$ 531,048
<b>LIABILITIES</b>	
Accounts payable	\$ 19,524
Salaries and benefits payable	22,468
Due from other funds	13,388
Accrued liabilities	1,725
Total liabilities	57,105
<b>FUND BALANCES</b>	
Unreserved, reported in:	
General fund	473,943
Total fund balances	473,943
Total liabilities and fund balances	\$ 531,048
Total fund balance- total governmental funds	473,943
Land and capital assets, net of accumulated depreciation, are not financial resources and, therefore, are not reported in the funds.	
Land	\$ 235,605
Capital assets	1,426,283
Less: Accumulated depreciation	(773,615)
	888,273
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	
	(18,160)
Net assets of governmental activities	\$ 1,344,056

**Town of Seiling, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**June 30, 2011**

	<b>General Fund</b>
<b><u>REVENUES</u></b>	
Sales tax	\$ 574,642
Use tax	83,269
Beverage tax	27,643
Franchise taxes	33,034
Cigarette tax	8,245
Motor vehicle tax	9,078
Gas tax	1,480
Licenses and permits	706
Fines and forfeitures	205,632
Investment income	3,652
Charges for services	8,162
Rentals and royalties	3,591
Intergovernmental	47,862
Miscellaneous	22,719
Total revenues	1,029,715
<b><u>EXPENDITURES</u></b>	
Current:	
General government:	
General government	100,500
Clerical	71,403
Total general government	171,903
Public safety and judiciary:	
Police	173,016
Fire	15,743
Animal control	368
Total public safety and judiciary	189,127
Transportation:	
Street	65,816
Airport	575
Total transportation	66,391
Cultural, parks and recreation:	
Library	1,886
Park	14,349
Community Building	3,506
Swimming Pool	37,531
Total cultural, parks and recreation	57,272
Capital outlay	
Total expenditures	577,093
Excess (deficiency) of revenues over expenditures	452,622
<b><u>OTHER FINANCING SOURCES (USES)</u></b>	
Transfers out to other governments	(279,812)
Transfers in	311,812
Transfers out	(279,812)
Total other financing sources and uses	(247,812)
Net change in fund balances	204,810
Fund balances - beginning	269,133
Fund balances - ending	\$ 473,943

**Town of Seiling, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**June 30, 2011**

---

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

Net change in fund balances - total governmental funds \$ 204,810

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

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

Capital asset purchases capitalized	92,400
Depreciation expense	(76,190)

Principle debt payments reported as expenditures in the governmental funds	<u>6,391</u>
--	--------------

Change in Net Assets of Governmental Activities	<u><u>\$ 227,411</u></u>
---	--------------------------

**Town of Seiling, Oklahoma  
Statement of Net Assets  
Proprietary Funds  
June 30, 2011**

	<b>Business-type Activities</b>
	<b>Public Works Authority</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 202,988
Investments	64,224
Accounts receivable (net)	67,069
Due from other funds	13,388
Total current assets	347,669
Noncurrent assets:	
Restricted assets:	
Investments	253,000
Total restricted assets	253,000
Noncurrent assets:	
Unamortized bond issue costs	37,833
Land	54,608
Capital assets (net)	1,614,529
Total noncurrent assets	1,706,970
<b>Total assets</b>	<b>\$ 2,307,639</b>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 19,458
Salary and benefits payable	15,706
Sales tax payable	428
Bonds payable, current	55,000
Total current liabilities	90,592
Liabilities payable from restricted assets:	
Accrued interest payable	8,184
Customer deposits payable	49,510
Total liabilities payable from restricted assets	57,694
Noncurrent liabilities:	
Bonds payable, noncurrent	750,000
Bonds payable, net of unamortized discount/premium and deferred amount on refunding	750,000
Total noncurrent liabilities	750,000
<b>Total liabilities</b>	<b>898,286</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	864,957
Unrestricted	544,396
<b>Total net assets</b>	<b>\$ 1,409,353</b>

Town of Seiling, Oklahoma  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
Year Ended June 30, 2011

	<b>Business-type Activities</b>
	<b>Public Works Authority</b>
<b><u>Operating revenues:</u></b>	
Charges for services:	
Gas charges	\$ 283,365
Water charges	288,668
Sewer charges	100,350
Sanitation charges	156,366
Penalties	10,774
Total charges for services	839,523
Miscellaneous	25,251
Total operating revenues	864,774
<b><u>Operating expenses:</u></b>	
Cost of goods sold	152,507
Personal services	229,113
Materials and supplies	43,649
Other services and charges	195,915
Depreciation and amortization	92,358
Total operating expenses	713,542
Net operating income	151,232
<b><u>Nonoperating revenue (expense):</u></b>	
Investment income	2,880
Interest expense	(51,183)
Bad debt	(1,130)
Total nonoperating revenue (expense)	(49,433)
<b>Net Income before contributions and transfers</b>	101,799
Transfers from other funds	279,812
Transfers to other funds	(311,812)
<b>Change in net assets</b>	69,799
Net assets-beginning of year	1,339,554
Net assets-end of year	\$ 1,409,353

**Town of Seiling, Oklahoma  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2011**

	<b>Business-type Activities</b>
	<b>Public Works Authority</b>
<b><u>Cash flows from operating activities:</u></b>	
Receipts from customers/patients	\$ 843,517
Payments to suppliers	(369,292)
Payments to employees	(231,988)
Other operating revenues	25,251
<b>Net cash provided (used) by operating activities</b>	<b>267,488</b>
<b><u>Cash flows from non-capital financing activities:</u></b>	
Transfers from other funds	279,812
Transfers to other funds	(311,812)
<b>Net cash provided (used) by non-capital financing activities</b>	<b>(32,000)</b>
<b><u>Cash flows from capital and related financing activities:</u></b>	
Purchase of capital assets	(21,351)
Principal paid on capital debt	(50,000)
Interest paid on capital debt	(51,641)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(122,992)</b>
<b><u>Cash flows from investing activities:</u></b>	
Investment income	2,880
<b>Net cash provided (used) by investing activities</b>	<b>2,880</b>
Net increase (decrease) in cash and cash equivalents	115,376
Cash and cash equivalents, July 1, 2010	404,836
Cash & cash equivalents, June 30, 2011	\$ 520,212
Cash, including time deposits	\$ 267,212
Restricted cash, including time deposits	253,000
Total cash and cash equivalents, end of year	\$ 520,212
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>	
Operating income (loss)	\$ 151,232
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	92,358
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	3,994
Increase (decrease) in accounts payable	17,449
Increase (decrease) in wages & benefits payable	(2,875)
Increase (decrease) in deposits subject to refund	5,330
Total adjustments	116,256
<b>Net cash provided (used) by operating activities</b>	<b>\$ 267,488</b>

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

**A. Organization**

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

***The Reporting Entity***

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

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

**Blended Component Unit Reported with Primary Government:**

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

**Discretely Presented Component Units:**

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

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

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

Seiling Housing Authority – was created November 6, 1969 as a Title 63 trust. Upon creation the Town appointed 100% of the Seiling Housing Authority's board members. The Town has elected to exclude the Seiling Housing Authority from the audited financial statements.

**B. Basis of Presentation**

***Government-Wide Financial Statements***

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

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

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

***Fund Financial Statements***

Fund financial statements of the reporting entity are organized into funds each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The Town has no fiduciary funds.

***Measurement Focus and Basis of Accounting***

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

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

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

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

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

***Restricted Assets***

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

***Use of Estimates***

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

***Interfund Balances***

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

**C. Fund Types and Major Funds**

***Major Governmental Funds***

***General Fund***

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

***Major Proprietary Funds***

***Seiling Public Works Authority***

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

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

**D. Budgets and Budgetary Accounting**

***Budget Policy and Practice***

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

***Budgetary Control***

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

***Budget Basis of Accounting***

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

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

**E. Assets, Liabilities and Equity**

***Cash and Investments***

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

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

***Receivables and Uncollectible Accounts***

Significant receivables include sales and use tax receivables and amounts due from customers primarily for utility services. These receivables are due within one year. Sales and use tax are considered fully collectable. The Town has established an allowance for uncollectible customer accounts based on management's prior experience using past due amounts more than 60 to 90 days. For the year ended June 30, 2011, the allowance for uncollectible accounts is \$13,422. Management does not believe there are significant losses in excess of the allowance.

***Property, Plant and Equipment***

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

***Government-Wide Statements:***

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

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Proprietary fund and similar component unit fixed assets are recorded in the respective funds or component units and depreciated using the straight-line method. When proprietary fund fixed assets are disposed, the cost and applicable accumulated depreciation is removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

**TOWN OF SEILING, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

---

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

***Fund Financial Statement***

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

***Long-Term Debt***

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

***Equity Classifications***

***Fund Balance***

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes beyond the restrictions applicable to the fund.

***Net Assets***

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

***Invested in capital assets, net of related debt***

The amount restricted consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

***Restricted net assets***

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

**F. Revenues, Expenditures and Expenses**

***Revenues***

***Sales Tax***

The Town levied a 4% sales tax on taxable sales within the Town. The sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission. The sales tax received is recorded as sales tax revenue within the general fund.

***Charges for Services***

Program revenues reported with governmental activities include charges for services like permits and fees, park charges, and fines and forfeitures. Business-type activity charges for services include all operating income of proprietary funds.

***Grants and Contributions***

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

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

***Interfund Transfers***

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

***Compensated Absences***

Full-time employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the Town. Sick leave accrues to full-time employees to specified maximums. Generally, after one year of services, employees are entitled to a percentage of their sick leave balance and all accrued vacation leave upon termination. The estimated liabilities include required salary-related payments. Compensated absences are reported as accrued current

**TOWN OF SEILING, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

liabilities in the government-wide and proprietary financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees.

(2) **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Deficit Fund Net Assets/Fund Balance**

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

The Town had not deficit fund net assets or fund balances for the fiscal year.

**B. Budget Requirements**

For the year ended June 30, 2011, the Town did not materially overspend in any department-level category.

**C. Debt Restrictions and Covenants**

***Debt Service Calculation***

The revenue bonds held by the Seiling Public Works Authority contain debt covenants which are related to financial matters. The most significant of which is the Debt Service Coverage, whereby, net charges for the operation of all utility services along with the 2% restricted sales tax shall provide Net Revenues Available for Debt Service ("NRADS"). NRADS must equal 1.25 times the average annual debt service of the note for the Authority. The following is a calculation of the coverage requirement.

<u>Revenue Bond Coverage:</u>	
Gross revenue available for debt service:	
Operating revenues of utility systems	\$ 828,749
Sales tax pledged to Public Works Authority	279,812
Total gross revenue available for debt service	\$ 1,108,561
Operating expenses for Public Works Authority	
Excluding depreciation and amortization	621,184
Net revenues available for debt service	\$ 487,377
Debt service requirements:	
Average annual debt service- 2000 Series	\$ 113,325
Computed coverage	4.30
Coverage requirement	1.25

**D. Revenue Restrictions**

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

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

(3) **DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

**A. Cash and Investments**

***Deposits***

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned or the Town will not be able to recover collateral securities in the possession of an outside party. The Town's deposits are secured by collateral values at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance

**TOWN OF SEILING, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

Corporation (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service. Collateral agreements must be approved prior to deposit of funds as provided by law.

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

**Investments**

The Town invests primarily in certificates of deposit.

<u>Types of investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Weighted Average Days to Maturity (2)</u>
<b>Governmental Activities</b>				
<b><u>INVESTMENTS:</u></b>				
Certificates of deposit	\$ 244,985	\$ 244,985	N/A	119
Total investments	<u>244,985</u>	<u>244,985</u>		
Total governmental investments	<u>\$ 244,985</u>	<u>\$ 244,985</u>		

**RECONCILIATION TO STATEMENT OF NET ASSETS**

Investments, unrestricted	\$ 237,830
Investments, restricted	<u>7,155</u>
Total governmental investments	<u>\$ 244,985</u>

**Business-type Activities**

**INVESTMENTS:**

Certificates of deposit	\$ 105,649	\$ 105,649	N/A	159
U.S. treasury securities	<u>211,575</u>	<u>211,575</u>	AAA/Aaa	N/A
Total investments	<u>317,224</u>	<u>317,224</u>		
Total business-type investments	<u>\$ 317,224</u>	<u>\$ 317,224</u>		

**RECONCILIATION TO STATEMENT OF NET ASSETS**

Investments, unrestricted	\$ 64,224
Investments, restricted	<u>253,000</u>
Total governmental investments	<u>\$ 317,224</u>

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

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

**TOWN OF SEILING, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

Restricted assets consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Cash and cash equivalents</b>			
Municipal court cash	\$ 27,934	\$ -	\$ 27,934
Meter deposits	-	16,235	16,235
Water capital improvements	-	16,841	16,841
<b>Total cash and cash equivalents</b>	<b>27,934</b>	<b>33,076</b>	<b>61,010</b>
<b>Investments</b>			
Meter deposit CD	-	41,425	41,425
Bond sinking fund	-	72,127	72,127
Bond sinking reserve fund	-	106,372	106,372
Library CD	7,155	-	7,155
<b>Total investments</b>	<b>7,155</b>	<b>219,924</b>	<b>227,079</b>
<b>Total restricted assets</b>	<b>\$ 35,089</b>	<b>\$ 253,000</b>	<b>\$ 288,089</b>

**B. PROPERTY, PLANT AND EQUIPMENT**

**Governmental Activities:**

A summary of the changes in the governmental activities fixed assets at June 30, 2011 follows:

	<u>Balance at June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2011</u>
Land	\$ 228,594	\$ 7,011	\$ -	\$ 235,605
Buildings & structures	214,524	12,910	-	227,434
Machinery, furniture, & equipment	754,084	28,752	-	782,836
Improvements other than land	372,284	43,727	-	416,011
<b>Total</b>	<b>1,569,486</b>	<b>92,400</b>	<b>-</b>	<b>1,661,886</b>
Less accumulated depreciation	697,423	76,190	-	773,613
<b>Fixed assets, net</b>	<b>\$ 872,063</b>	<b>\$ 16,210</b>	<b>\$ -</b>	<b>\$ 888,273</b>

**Business-Type Activities:**

A summary of the proprietary fund types fixed assets at June 30, 2011 follows:

	<u>Balance at June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2011</u>
<b>Seiling Public Works Authority</b>				
Land	\$ 54,608	\$ -	\$ -	\$ 54,608
Buildings	177,285	-	-	177,285
Machinery, furniture, & equipment	185,361	1,765	-	187,126
Utility property and improvements	2,789,092	18,831	-	2,807,923
<b>Total</b>	<b>3,206,346</b>	<b>20,596</b>	<b>-</b>	<b>3,226,942</b>
Less accumulated depreciation	1,469,367	88,438	-	1,557,805
<b>Fixed assets, net</b>	<b>\$ 1,736,979</b>	<b>\$ (67,842)</b>	<b>\$ -</b>	<b>\$ 1,669,137</b>

**TOWN OF SEILING, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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

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

Depreciation expense charges to governmental activities:

General government	\$ 3,752
Public safety & judiciary	53,000
Transportation	6,851
Cultural, parks & recreation	12,587
Total governmental activities depreciation expense	\$ 76,190

Depreciation expense charges to business-type activities:

Gas	\$ 2,278
Water	58,917
Customer service	10,288
Sewer	16,955
Total business-type activities depreciation expense	\$ 88,438

**C. LONG-TERM DEBT**

The following is a summary of long-term debt for the year ended June 30, 2011:

**LEASE/PURCHASE PAYABLE**

**Governmental Activities:**

Lease purchase agreement between the Town and First National Bank of Seiling for the purchase of a police vehicle in the amount of \$15,900 at 5% interest for a period of 60 months. Monthly payments are made; debt matures August 2013. \$ 7,379

Lease purchase agreement between the Town and First National Bank of Seiling for the purchase of a police vehicle in the amount of \$17,101 at 5% interest for a period of 60 months. Monthly payments are made; debt matures June 2014. 10,781

**\$ 18,160**

**BONDS PAYABLE**

**Business-Type Activities:**

SPWA Utility System Revenue Bonds, Series 2000 for \$1,990,000 were issued November 1, 2000, maturing November 1, 2020 with interest rates (coupon) ranging from 5.50% to 6.10%. Underwriting fees and issuance costs were approximately \$78,400. Payments are made monthly to a debt service sinking fund. Funds were used to construct the reverse osmosis plant. For the year ended June 30, 2011, the Town met the minimum debt service covenants as required under the agreement. \$ 805,000

**\$ 805,000**

**TOWN OF SEILING, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Changes in Long-Term Debt:**

The following is a summary of changes in long-term debt for the year ended June 30, 2011:

<u>Type of Debt</u>	<u>Balance at July 1, 2010</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Baiance at June 30, 2011</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
<i>Lease/purchase det</i>					
FNB Police Vehicle A	\$ 10,524	\$ -	\$ 3,146	\$ 7,378	\$ 3,308
FNB Police Vehicle B	14,027	-	3,245	10,782	3,410
Total governmental activities	<u>\$ 24,551</u>	<u>\$ -</u>	<u>\$ 6,391</u>	<u>\$ 18,160</u>	<u>\$ 6,718</u>
<b>Business-type activities:</b>					
<i>Bonds Payable</i>					
2000 Series Revnue Bonds	\$ 855,000	\$ -	\$ 50,000	\$ 805,000	\$ 55,000
Total business-type activities	<u>855,000</u>	<u>-</u>	<u>50,000</u>	<u>805,000</u>	<u>55,000</u>
<b>Total primary government debt</b>	<u>\$ 879,551</u>	<u>\$ -</u>	<u>\$ 56,391</u>	<u>\$ 823,160</u>	<u>\$ 61,718</u>

The Town recorded \$49,795 of interest expense in business-type activities customer service function for the year ended June 30, 2011.

**Annual Debt Service Requirements:**

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2011 follow:

<u>Year Ending June 30</u>	<u>Lease/Purchase</u>		<u>Bonds Payable</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 6,718	\$ 755	\$ 55,000	\$ 49,105	\$ 61,718	\$ 49,860
2013	7,062	411	55,000	45,750	62,062	46,161
2014	4,380	107	60,000	42,395	64,380	42,502
2015	-	-	65,000	38,735	65,000	38,735
2016	-	-	375,000	131,150	375,000	131,150
2017-2021	-	-	195,000	11,895	195,000	11,895
Totals	<u>\$ 18,160</u>	<u>\$ 1,272</u>	<u>\$ 805,000</u>	<u>\$ 319,030</u>	<u>\$ 823,160</u>	<u>\$ 320,302</u>

**TOWN OF SEILING, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**D. INTERFUND TRANSACTIONS AND BALANCES**

Operating transfers for the year ended June 30, 2011 were as follows:

<u>Transfer To/Transfer From</u>	<u>To</u>	<u>From</u>
<b>GOVERNMENTAL FUND: General Fund</b>		
Public Works Authority (Enterprise Fund)	\$ 279,812	\$ 311,812
Other governmental entities	279,812	-
<b>ENTERPRISE FUND: Public Works Authority</b>		
General Fund	311,812	279,812
Grand Total	871,436	591,624
** excluding other governmental entities	279,812	-
	<u>\$ 591,624</u>	<u>\$ 591,624</u>

**(4) RETIREMENT PLANS**

The Town participates in three employee pension systems as follows:

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

**A. Oklahoma Municipal Retirement Fund**

**Plan Description**

Substantially all of the Town's full-time employees, except police and firefighters, participate in a defined benefit pension plan adopted by the Town and administered by the Oklahoma Municipal Retirement System, which was established to administer pension plans for municipal employees. Membership in the plan is as follows:

	<u>As of January 1, 2011</u>
Retired participants and beneficiaries	6
Vested active participants	2
Nonvested active participants	6
Total	<u>14</u>

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

<u>Provision</u>	<u>OMRF Plan</u>
a. Eligible to Participate	Full-time, employees of the Town or Authority, except police, firefighter, and other employees who are covered under another approved system.
b. Contributions Requirement	By Town Ordinance
- Authorization	Yes
- Actuarially Determined	9.57% of covered payroll, effective FY10
- Employer Rate	4.9% of covered payroll
- Employee Rate	
c. Period Required to Vest	5 years of credited service
d. Eligibility for Distribution	<ul style="list-style-type: none"> <li>- Normal retirement at age 65 with 5 years of service.</li> <li>- Early Retirement after age 55 with 5 years or more of service.</li> <li>- Disability retirement upon total and permanent disability after 5 years of service.</li> <li>- Termination before retirement age return of employee contributions with interest</li> <li>- Termination after vesting accrued benefit at normal retirement age</li> </ul>
e. Benefit Determination Base	Final average compensation – the average of the five highest



**TOWN OF SEILING, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**B. Oklahoma Firefighter's Pension and Retirement Systems**

**Plan Description**

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

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

	<u>Oklahoma Firefighter's Pension and Retirement System</u>
Eligibility to participate	All full-time or voluntary firefighters of a participating municipality hired before age 45.
Authority establishing contribution obligations and benefits	State Statute
Plan member's contribution rate	0% of covered payroll
Town's contribution rate	\$60 per year, per firefighter (volunteer)
Period required to vest	10 years
Benefits and eligibility for distribution (full time)	NA
Benefits and eligibility for distribution (volunteer)	20 years credited service equal to \$5.46 per month per year of service, with a maximum of 30 years considered.
Deferred retirement option	Yes, 20 years credited service with continued service for 30 or more years.
<i>Annual Required Contributions</i>	
Provision for:	
Cost of living adjustment	Yes, if vested by 5/83
Death (duty, non-duty, post retirement)	Yes
Disability (duty, non-duty)	Yes
Cost of living allowances	Yes
Valuation Date	7/1/09
Actuarial cost method	Individual entry age normal
Amortization method/period	Level dollar 30 years, open
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	4.0% - 10.0%
Post retirement benefit increases	2.0%
Inflation	3.0%
Other	1994 group annuity table set forward 1 year for men and 2 years for women

Employer contribution rates are determined by Oklahoma State Statute.

(5) **COMMITMENTS AND CONTINGENCIES**

A. **Litigation**

The Town is a party to various legal proceedings, which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings, as they are not likely to have a material adverse impact on the funds of the Town.

B. **Grant Program Involvement**

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

Town of Seiling, Oklahoma  
General Fund  
Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2011

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
<b>REVENUES</b>					
Sales taxes	\$ 353,000	\$ 200,000	\$ 553,000	\$ 574,642	\$ 21,642
Use taxes	2,500	52,790	55,290	83,269	27,979
Franchise taxes	44,500	(12,000)	32,500	33,034	534
Fines and forfeitures	73,250	118,000	191,250	205,632	14,382
Licenses and permits	600	-	600	706	106
Investment income	5,000	(1,500)	3,500	3,652	152
Charges for services	6,700	(500)	6,200	8,162	1,962
Intergovernmental	86,600	(7,000)	79,600	94,308	14,708
Miscellaneous	27,800	17,500	45,300	26,310	(18,990)
Total revenues before carryover	<u>599,950</u>	<u>367,290</u>	<u>967,240</u>	<u>1,029,715</u>	<u>62,475</u>
<b>EXPENDITURES</b>					
Current:					
General government:					
General government					
Personal services	58,650	13,850	72,500	72,968	(468)
Materials & supplies	2,250	750	3,000	4,217	(1,217)
Other services & charges	25,000	-	25,000	23,302	1,698
Capital outlay	11,000	9,500	20,500	19,921	579
Clerk					
Personal services	42,500	5,000	47,500	43,064	4,436
Materials & supplies	4,000	-	4,000	4,595	(595)
Other services & charges	20,000	-	20,000	23,744	(3,744)
Total general government	<u>163,400</u>	<u>29,100</u>	<u>192,500</u>	<u>191,811</u>	<u>689</u>
Public safety and judiciary:					
Police					
Personal services	120,000	20,000	140,000	135,125	4,875
Materials & supplies	16,000	2,000	18,000	17,655	345
Other services & charges	30,000	6,000	36,000	39,555	(3,555)
Capital outlay	7,478	-	7,478	7,478	-
Fire					
Personal services	10,500	-	10,500	6,286	4,214
Materials & supplies	5,000	-	5,000	3,027	1,973
Other services & charges	8,000	-	8,000	6,430	1,570
Animal control					
Materials & supplies	250	-	250	138	112
Other services & charges	500	-	500	230	270
Total public safety and judiciary	<u>197,728</u>	<u>28,000</u>	<u>225,728</u>	<u>215,924</u>	<u>9,804</u>
Transportation:					
Street					
Materials & supplies	10,000	-	10,000	12,661	(2,661)
Other services & charges	45,000	-	45,000	52,611	(7,611)
Capital outlay	55,000	-	55,000	39,984	15,016
Airport					
Other services & charges	1,300	-	1,300	575	725
Total transportation	<u>111,300</u>	<u>-</u>	<u>111,300</u>	<u>105,831</u>	<u>5,469</u>

Town of Seiling, Oklahoma  
General Fund  
Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2011

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
Cultural, parks and recreation:					
Library					
Other services & charges	1,750	-	1,750	1,886	(136)
Park					
Personal services	29,500	-	29,500	-	29,500
Materials & supplies	1,500	-	1,500	2,132	(632)
Other services & charges	3,000	-	3,000	12,215	(9,215)
Capital outlay	7,900	-	7,900	4,287	3,613
Community Building					
Materials & supplies	500	-	500	498	2
Other services & charges	3,000	500	3,500	3,008	492
Swimming Pool					
Personal services	23,500	-	23,500	23,739	(239)
Materials & supplies	6,500	1,000	7,500	8,497	(997)
Other services & charges	2,000	-	2,000	5,295	(3,295)
Capital outlay	-	-	-	1,957	(1,957)
Total cultural, parks and recreation	<u>79,150</u>	<u>1,500</u>	<u>80,650</u>	<u>63,514</u>	<u>17,136</u>
Total expenditures	<u>551,578</u>	<u>58,600</u>	<u>610,178</u>	<u>577,080</u>	<u>33,098</u>
Revenue over (under) expenditures	48,372	308,690	357,062	452,635	95,573
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in/(out)	<u>(176,500)</u>	<u>(100,000)</u>	<u>(276,500)</u>	<u>(247,812)</u>	<u>28,688</u>
Net other financing sources (uses)	<u>(176,500)</u>	<u>(100,000)</u>	<u>(276,500)</u>	<u>(247,812)</u>	<u>28,688</u>
Revenues and other financing sources over (under) expenditures and other uses	(128,128)	208,690	80,562	204,823	124,261
Fund balance at beginning of year (Non-GAAP budgetary basis)			<u>257,000</u>	<u>269,955</u>	<u>12,955</u>
Fund balance at end of year (Non-GAAP budgetary basis)			\$ 337,562	\$ 474,778	<u>\$ 137,216</u>
<b>ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>					
Revenue and transfer accruals				(5,295)	
Expenditure and transfer accruals				4,460	
Fund balance at end of year (GAAP basis)				<u>\$ 473,943</u>	

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

Derrel S. White, CPA

1011 Texas Avenue  
Woodward, OK 73801  
Phone: 580-256-6830  
Fax: 580-256-6019

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

To the Board of Trustees  
Town of Seiling, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Seiling, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the Town of Seiling, Oklahoma's basic financial statements and have issued our report thereon dated August 8, 2011. This presentation omitted presentation of required component units of the government. Our Independent Auditors Report dated August 8, 2011 issued a qualified opinion. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Seiling, Oklahoma's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Seiling, Oklahoma's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Seiling, Oklahoma's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

Segregation of Duties

Condition: The limited number of office personnel within the Town of Seiling, Oklahoma prevents a proper segregation of accounting functions, which is necessary to assure adequate internal control structure.

Recommendation: We recommended management be aware of this condition and realize the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. We commend the Town for hiring an accounting consultant to perform independent review, prepare financial statements and to assist Town personnel with their accounting duties. This is a substantial mitigating factor for the lack of full time personnel. Even with the use of an accounting consultant, the most effective controls lie in management's knowledge of the Town of Seiling, Oklahoma's operations and a periodic review of these operations.

Response: Management is utilizing additional employees and rotating employees to mitigate effects of lack of segregation of accounting functions.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Seiling, Oklahoma's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Seiling, Oklahoma's financial statements that is more than inconsequential will not be prevented or detected by the Town of Seiling, Oklahoma's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Seiling, Oklahoma's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the condition noted above as a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Seiling, Oklahoma's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. We noted no matters that could have a direct and material effect on the financial statements related to compliance.

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

*Derrel S. White, CPA*

Derrel S. White, CPA

Woodward, Oklahoma

August 8, 2011