THE TOWN OF SHATTUCK, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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BECKY FLEMING, C.P.A., INC.
7920 108th Ave NE
Norman, OK 73026-9761

Cell: 405.641.5794
Fax: 405.799.2039
Email: bdfcpa@gmail.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
The Town of Shattuck, Oklahoma

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 the Town of Shattuck, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Town of Shattuck. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the discretely presented component unit financial statements of the Shattuck Hospital Authority. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Shattuck Hospital Authority, is based on the report of the other auditors.

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. 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 and the report of other auditors provide a reasonable basis for our opinions.

As discussed in Note B, the Town of Shattuck prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. However, as discussed in Note B, the discretely presented component unit is presented on the accrual basis.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position – modified cash basis, of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Shattuck, Oklahoma, as of June 30, 2011, and the respective changes in financial position – modified cash basis, and cash flows – modified cash basis, where applicable, 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 also issued our report dated March 25, 2013, on our consideration of the internal control over financial reporting of the Town of Shattuck, and on our tests of its compliance with certain provisions of laws, regulations, contracts

and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7 through13 and 41 through 43 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the financial statements of the Town of Shattuck as a whole. The combining general fund accounts and nonmajor fund financial statements – modified cash basis, and the schedule of expenditures of federal and state awards – modified cash basis, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining nonmajor fund financial statements and the schedules of expenditures of federal and state awards – modified cash basis, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Becky Fleming, C.P.A., Inc.
March 25, 2013

The management of the Town of Shattuck is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the Town's financial condition and activities as of and for the year ended June 30, 2011. Management of the Town is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The Town reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

FINANCIAL HIGHLIGHTS

- As reported on a modified cash basis, the Town's total net assets increased by $277,603, and the assets of the Town exceed its liabilities at June 30, 2011, by $950,910.
- At June 30, 2011, the Town's governmental funds reported combined ending fund balances on a modified cash basis of a $701,956.
- At June 30, 2011, the Town's general fund reported an ending fund balance on a modified cash basis of a $120,075.
- The Town implemented "GASB Statement 54 – Fund Balance Reporting and Governmental Fund Type Definitions" which resulted in the reclassification of some fund types and presentation of fund balance in the new categories of nonspendable, restricted, committed, assigned, and unassigned.

ABOUT THE TOWN

The Town of Shattuck is a Town form of government with a population of approximately 1,274 located in Ellis County in northwestern Oklahoma. The Town is governed by a five-member council and operates under state law and Town ordinances through the three branches of democratic government.

- Legislative – the Town Council is five-member governing body elected by the citizens at large
- Executive – the Town Mayor is the Chief Executive Officer and is selected from among the Town Council by the Town Council
- Judicial – the Municipal Judge is a practicing attorney appointed by the Town Council

The Town provides typical municipal services such as public safety, street and alley maintenance, parks and recreation, streets, cemetery, water, sewer, and sanitation services.

The Town's Financial Reporting Entity

This annual report includes all activities for which the Town Council is financially accountable. These activities, defined as the Town's financial reporting entity, are operated within separate legal entities.

The Town's financial reporting entity includes the primary government (Town of Shattuck), one blended component unit and one discretely presented component unit as follows.

- **The Town of Shattuck** – that operates the public safety, street and alley maintenance, parks and recreation, and cemetery services

- **The Shattuck Municipal Authority (SMA)** – public trust created June 10, 1996, pursuant to 60 O.S. § 176 that operates the water, sewer, and sanitation services of the Town

- **The Shattuck Hospital Authority (SHA)** – public trust created August 6, 1964, pursuant to 60 O.S. § 176 that operates Newman Memorial Hospital, Inc. The hospital primarily earns revenue by providing inpatient, outpatient and emergency care services in Shattuck, Oklahoma and also operates a home health agency in the same geographic area

For the above public trust, the Shattuck Municipal Authority (SMA), the Town of Shattuck is the beneficiary of the trust and the entire Town Council serves as the governing body of the trusts. In addition, as required by state law, all debt obligations incurred by the trust must be approved by two-thirds vote of the Town Council. This is considered sufficient imposition of will to include the trust within the Town's financial reporting entity. This public trust does not issue separate annual financial statements.

For the above public trust, the Shattuck Hospital Authority (SHA), the Town of Shattuck is the beneficiary of the trust. The Town Council appointed the original Trustees of the Authority and selects the replacement Trustees from a list of names provided by the remaining Trustees of the Authority. Separate audited component unit financial statements are issued by the Shattuck Hospital Authority and may be obtained by contacting their administrative offices.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements of the primary government presented herein include all of the activities of the Town of Shattuck (the "Town"), and the Shattuck Municipal Authority (the "Municipal Authority") and other component unit. Included in this report are government-wide statements for each of the two categories of activities - governmental and business-type, along with the discreetly presented component unit. This discussion and analysis focuses on the primary government, composed of the Town of Shattuck and the Shattuck Municipal Authority.

The government-wide financial statements present the complete financial picture of the Town from the economic resources measurement focus as applicable to the modified cash basis of accounting. These statements include all assets of the Town (including infrastructure) as well as all liabilities (including long-term debt), resulting from modified cash basis transactions. They present governmental activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

Reporting the Town as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions to ask about the Town's finances is, "Has the Town's overall financial condition improved, declined or remained steady as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. You will need to consider other non-financial factors, however, such as changes in the Town's sales tax base, the condition of the Town's roads, and quality of service to assess the overall health of the Town. You will also need to keep in mind that these government-wide statements are prepared in accordance with the modified cash basis of accounting and include only those Town assets and liabilities resulting from cash transactions with selected modifications.

In the Statement of Net Assets and the Statement of Activities, we divide the Town's primary government into two kinds of activities: *Governmental activities* - Most of the Town's basic services are reported here, including the police, fire, and streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities; and *Business-type activities* – Activities where the Town charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The Town's water, sewer, and sanitation utilities are reported as business-type activities. *Discretely-presented component units* are reported in a separate column in the Statement of Net Assets and the Statement of Activities; these account for activities of the City's reporting entity that do not meet the criteria for blending, in this case, the Shattuck Hospital Authority.

Reporting the Town's Most Significant Funds - Fund Financial Statements

Fund Financial Statements

The fund financial statements provide detailed information about the Town's most significant (major) funds -- not the Town as a whole. Some funds are required to be established by State law and by debt covenants. However, the Town Council may also establish certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Town's two kinds of funds – *governmental and proprietary* - use different accounting approaches.

Governmental funds - All of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds report their activities on a modified cash basis of accounting and current financial resources measurement focus that is different from other funds. For example, these funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs.

Proprietary funds - When the Town, through the Municipal Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported on the modified cash basis of accounting and an economic resources measurement focus. For example,

proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. The Town's proprietary fund is the Shattuck Municipal Authority that accounts for the operation of the water, sewer, and sanitation activities.

Notes to the Financial Statements

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 26-39 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents Budgetary Comparison Schedules for the General Fund and the Street and Alley Fund, federal and state award schedules, and debt service coverage schedule.

THE TOWN AS A WHOLE

For the year ended June 30, 2011, net assets on a modified cash basis for the governmental and business-type activities increased $277,603.

Following is a summary of net assets reported on a modified cash basis for the Town of Shattuck primary government.

Net Assets (Modified Cash Basis)
June 30, 2011

TABLE 1
NET ASSETS (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2011	2010		2011	2010		2011	2010	
Current assets	$ 702	$ 601	17%	$ 280	$ 101	177%	$ 982	$ 702	40%
Total assets	702	601	17%	280	101	177%	982	702	40%
Current liabilities	-	-	0%	31	28	11%	31	28	11%
Total liabilities	-	-	0%	31	28	11%	31	28	11%
Net assets									
Restricted	642	472	36%	-	-	0%	642	472	36%
Unrestricted	60	129	-53%	249	73	241%	309	202	53%
Total net assets	$ 702	$ 601	17%	$ 249	$ 73	241%	$ 951	$ 674	41%

The largest portion of the Town's net assets is restricted for use by the street department. For 2011, the amount restricted for streets was $556,725. The Town also has $19,637 restricted for cemetery care, $60,136 restricted for the fire truck, and $5,519 restricted for library.

The remaining balance in unrestricted net assets of $59,939 is available to meet the government's ongoing obligations to citizens and creditors.

The increase in current assets and in unrestricted net assets in business-type activities of approximately $179,000 or 177% and $176,000 or 241%, respectively, was mainly due to an operating transfer from the General Fund.

At the end of the current fiscal year, the Town is able to report positive balances in all categories of net assets for both the governmental and business-type activities.

Changes in Net Assets (Modified Cash Basis)
Year Ended June 30, 2011

TABLE 2
CHANGES IN NET ASSETS (In Thousands)

	Governmental Activities		% Inc. Dec.	Business-Type Activities		% Inc. Dec.	Total		% Inc. Dec.
	2011	2010		2011	2010		2011	2010	
Revenues									
Charges for services	$ 48	$ 37	30%	$ 499	$ 459	9%	$ 547	$ 496	10%
Operating grants and contributions	28	31	-10%	-	-	0%	28	31	-10%
Capital grants and contributions	62	-	100%	45	40	13%	107	40	168%
Taxes	772	546	41%	-	-	0%	772	546	41%
Intergovernmental revenue	59	55	7%	-	-	0%	59	55	7%
Investment income	-	-	0%	3	4	-25%	3	4	-25%
Miscellaneous	214	162	32%	1	2	-50%	215	164	31%
Total revenues	1,183	831	42%	548	505	9%	1,731	1,336	30%
Expenses									
General government	277	208	33%	-	-	0%	277	208	33%
Public safety	228	250	-9%	-	-	0%	228	250	-9%
Highway and streets	75	102	-26%	-	-	0%	75	102	-26%
Culture and recreation	322	221	46%	-	-	0%	322	221	46%
Administration	-	-	0%	-	-	0%	-	-	0%
Water	-	-	0%	375	379	-1%	375	379	-1%
Sewer	-	-	0%	59	64	-8%	59	64	-8%
Sanitation	-	-	0%	118	121	-2%	118	121	-2%
Total expenses	902	781	15%	552	564	-2%	1,454	1,345	8%
Excess (deficiency) before transfers	281	50	462%	(4)	(59)	93%	277	(9)	3178%
Transfers	(180)	(60)	200%	180	60	200%	-	-	0%
Change in net assets	101	(10)	1110%	176	1	17500%	277	(9)	3178%
Beginning net assets	601	611	-2%	73	72	1%	674	683	-1%
Ending net assets	$ 702	$ 601	17%	$ 249	$ 73	241%	$ 951	$ 674	41%

Governmental Activities

The Town's governmental activities had an increase in net assets of $101,380. This increase is primarily due to the increase in taxes of 41.4%. The increase in taxes was due to an increase in sales tax of approximately $123,000 or 29.4% and an increase in use tax of approximately $101,000 or 155.8%. Total expenses also increased 15.5%.

TABLE 3
Net Revenue (Expense) of Governmental Activities
(In Thousands)

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2011	2010		2011	2010	
General government	$ 277	$ 208	33%	($277)	($201)	-38%
Public safety	228	250	-9%	(219)	(247)	11%
Highways and streets	75	102	-26%	(64)	(85)	25%
Culture, parks and recreation	322	221	46%	(206)	(190)	-8%
Cemetery	-	-	0%	3	9	-67%
Total	$ 902	$ 781	15%	$ (763)	$ (714)	-7%

Business-type Activities

The business-type activities had an increase in net assets of $176,223. In reviewing the departmental net (expenses)/revenue, all utility activity charges except for water were sufficient to cover expenses.

TABLE 4
Net Revenue (Expense) of Business-Type Activities
(In Thousands)

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2011	2010		2011	2010	
Water	$ 375	$ 378	-1%	$ (83)	$ (161)	48%
Sewer	59	64	-8%	57	49	16%
Sanitation	118	121	-2%	19	7	171%
Total	$ 552	$ 563	-2%	$ (7)	$ (105)	93%

A FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As the Town completed its 2011 fiscal year, the governmental funds reported a combined fund balance of $701,956. For the year ended June 30, 2011, the General Fund's total fund balance decreased by $3,515 to a fund balance of $120,075.

The Shattuck Municipal Authority Fund reported net assets of $248,954.

Budgetary Highlights

For the year ended June 30, 2011, the General Fund reported actual budgetary basis revenues over final estimates by $702 or a 0.1% positive variance. General Fund actual expenditures were under final appropriations by $11,758 or a 1.4% positive variance.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The following information outlines significant known factors that will affect subsequent year finances:

- The FY 2012 budget is consistent to the prior year.

Contacting the Town's Financial Management

This report is designed to provide our citizens, taxpayers, customers 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 about this report or need additional financial information, contact the Town Clerk's office at PO Box 670 or 405 S Main, Shattuck, Oklahoma 73858 or telephone at 580-938-2916.

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

Statement of Net Assets (Modified Cash Basis) – June 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Shattuck Hospital Authority
ASSETS				
Cash and investments	$ 701,956	$ 279,682	$ 981,638	$ 2,948,801
Patient accounts receivable, net of allowance	-	-	-	1,247,963
County appropriations and other receivables	-	-	-	725,307
Supplies and prepaid expenses	-	-	-	338,601
Capital Assets, net	-	-	-	2,822,625
Deferred Financing Costs	-	-	-	22,535
Estimated amounts due from thrid party payers	-	-	-	60,000
Total Assets	701,956	279,682	981,638	8,165,832
LIABILITIES				
Deposit liability	-	30,728	30,728	-
Current maturities of long-term debt	-	-	-	492,759
Accounts payable	-	-	-	253,572
Accrued Expenses	-	-	-	328,935
Interest payable	-	-	-	2,897
Long-Term Debt	-	-	-	1,349,666
Total Liabilities	-	30,728	30,728	2,427,829
NET ASSETS				
Invested in capital assets, net of related debt	-	-	-	977,303
Restricted for:				
Streets	556,725	-	556,725	-
Cemetery	19,637	-	19,637	-
Fire truck	60,136	-	60,136	-
Library	5,519	-	5,519	-
Restricted - expendable for debt service	-	-	-	228,283
Restricted - expendable for operations	-	-	-	2,151,553
Unrestricted	59,939	248,954	308,893	2,380,864
Total Net Assets	$ 701,956	$ 248,954	$ 950,910	$ 5,738,003

See accompanying notes to the basic financial statements.

Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2011

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
					Primary Government			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Shattuck Hospital Authority
Primary Government:								
Governmental activities:								
General Government	$ 276,634	$ -	$ -	$ -	$ (276,634)	$ -	$ (276,634)	$ -
Public Safety	228,726	5,259	4,398	-	(219,069)	-	(219,069)	-
Highways and Streets	75,011	-	11,422	-	(63,589)	-	(63,589)	-
Culture and Recreation	321,313	40,409	12,595	62,100	(206,209)	-	(206,209)	-
Cemetery	50	2,825	-	-	2,775	-	2,775	-
Total governmental activities	901,734	48,493	28,415	62,100	(762,726)	-	(762,726)	-
Business-type activities:								
Water	375,064	246,724	-	45,000	-	(83,340)	(83,340)	-
Sewer	58,845	115,615	-	-	-	56,770	56,770	-
Sanitation	118,029	136,565	-	-	-	18,536	18,536	-
Total business-type activities	551,938	498,904	-	45,000	-	(8,034)	(8,034)	-
Total primary government	$1,453,672	$ 547,397	$ 28,415	$ 107,100	(762,726)	(8,034)	(770,760)	-
Component Unit:								
Shattuck Hospital Authority	8,792,567	8,444,345	8,446	58,522				(281,254)
Total Component Unit	$8,792,567	$8,444,345	$ 8,446	$ 58,522				$ (281,254)
General revenues:								
Taxes:								
Sales and use tax					708,734	-	708,734	-
Franchise and public service taxes					62,522	-	62,522	-
Intergovernmental revenue not restricted to specific programs					58,611	-	58,611	-
Investment income					264	3,077	3,341	18,828
Miscellaneous:								
Royalties					114,269	-	114,269	-
Other					100,133	753	100,886	-
Internal transfers					(180,427)	180,427	-	-
County appropriations - unrestricted					-	-	-	1,347,199
Total general revenues and transfers					864,106	184,257	1,048,363	1,366,027
Change in net assets					101,380	176,223	277,603	1,084,773
Net assets - beginning					600,576	72,731	673,307	4,653,230
Net assets - ending					$ 701,956	$ 248,954	$ 950,910	$ 5,738,003

See accompanying notes to the basic financial statements.

BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2011

	General Fund	Street and Alley Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	$ 120,075	$ 556,725	$ 25,156	$ 701,956
Total Assets	120,075	556,725	25,156	701,956
LIABILITIES AND FUND BALANCES				
Liabilities:	-	-	-	-
Total Liabilities	-	-	-	-
Fund Balances:				
Restricted for:				
Fire truck	60,136	-	-	60,136
Streets and alleys	-	556,725	-	556,725
Library	-	-	5,519	5,519
Cemetery	-	-	19,637	19,637
Assigned to:				
Cemetery	15,650	-	-	15,650
Balance future year's budget	44,289	-	-	44,289
Total Fund Balances	120,075	556,725	25,156	701,956
Total Liabilities and Fund Balances	$ 120,075	$ 556,725	$ 25,156	$ 701,956

See accompanying notes to the basic financial statements.

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance (Modified Cash Basis) – Year Ended June 30, 2011

	General Fund	Street and Alley Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	$ 617,440	$ 153,816	$ -	$ 771,256
Intergovernmental	125,109	11,422	12,595	149,126
Charges for services	36,334	-	1,037	37,371
Fines and forfeitures	5,200	-	-	5,200
Licenses and permits	4,849	-	-	4,849
Investment income	112	-	152	264
Miscellaneous	211,516	2,836	1,123	215,475
Total Revenues	1,000,560	168,074	14,907	1,183,541
Expenditures:				
Current:				
General Government:				
Managerial	142,139	-	-	142,139
City Attorney	10,250	-	-	10,250
City Clerk	46,695	-	-	46,695
General Government	77,550	-	-	77,550
Public Safety:				
Police	115,372	-	-	115,372
Animal Control	196	-	-	196
Fire	88,882	-	-	88,882
Highways and streets:				
Streets	5,605	69,406	-	75,011
Culture and Recreation:				
Community Development	27,604	-	-	27,604
Parks	123,811	-	-	123,811
Library	58,019	-	9,213	67,232
Cemetery	50	-	-	50
Capital Outlay	126,942	-	-	126,942
Total Expenditures	823,115	69,406	9,213	901,734
Excess (deficiency) of revenues over expenditures	177,445	98,668	5,694	281,807
Other Financing Sources (Uses):				
Transfers in	-	-	533	533
Transfers out	(180,960)	-	-	(180,960)
Total Other Financing Sources (Uses)	(180,960)	-	533	(180,427)
Net change in fund balances	(3,515)	98,668	6,227	101,380
Fund balances - beginning	123,590	458,057	18,929	600,576
Fund balances - ending	$ 120,075	$ 556,725	$ 25,156	$ 701,956

See accompanying notes to the basic financial statements.

BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS

Proprietary Fund Statement of Net Assets (Modified Cash Basis) – June 30, 2011

	Shattuck Municipal Authority
ASSETS	
Current Assets:	
Cash and investments	$ 248,954
Restricted cash and cash equivalents	30,728
Total Assets	279,682
LIABILITIES	
Current Liabilities:	
Deposit liability	30,728
Total Liabilities	30,728
NET ASSETS	
Unrestricted	248,954
Total net assets	$ 248,954

See accompanying notes to the basic financial statements.

Proprietary Fund Statement of Revenues, Expenses and Changes in Net Assets (Modified Cash Basis) – Year Ended June 30, 2011

	Shattuck Municipal Authority
Operating Revenues:	
Charges for services:	
Water	$ 240,442
Sewer	112,680
Sanitation	133,099
Late charges	10,425
Reconnection fees	2,258
Total Operating Revenues	498,904
Operating Expenses:	
Administrative	36,325
Water	167,808
Sewer	50,440
Sanitation	108,101
Total Operating Expenses	362,674
Operating Income	136,230
Non-Operating Revenues (Expenses):	
Investment income	3,077
Miscellaneous	753
Debt service:	
Principal retirement	(24,922)
Interest expense and fees	(10,215)
Capital Outlay	(154,127)
Total Non-Operating Revenues (Expenses)	(185,434)
Net Income (Loss) Before Contributions and Transfers	(49,204)
Transfer in	180,960
Transfer out	(533)
Capital contributions	45,000
Change in net assets	176,223
Total net assets - beginning	72,731
Total net assets - ending	$ 248,954

See accompanying notes to the basic financial statements.

Proprietary Fund Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2011

	Shattuck Municipal Authority
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$499,657
Payments to suppliers	(264,642)
Payments to employees	(98,032)
Receipts of customer utility deposits	3,184
Refunds of customer utility deposits	(650)
Net Cash Provided by Operating Activities	139,517
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	180,960
Transfers to other funds	(533)
Net Cash Provided by Noncapital Financing Activities	180,427
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital assets purchased	(154,127)
Capital contributions	45,000
Principal paid on debt	(24,922)
Interest and fiscal agent fees paid on debt	(10,215)
Net Cash Provided by (Used In) Capital and Related Financing Activities	(144,264)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	3,077
Net Cash Provided by Investing Activities	3,077
Net Increase in Cash and Cash Equivalents	178,757
Balance - beginning of the year	100,925
Balance - end of the year	$279,682
Reconciliation to Statement of Net Assets:	
Cash and cash equivalents	248,954
Restricted cash and cash equivalents	30,728
Total cash and cash equivalents	$279,682
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$136,230
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Other receipts	753
Change in assets and liabilities:	
Deposit liability	2,534
Net cash provided by operating activities	$139,517

See accompanying notes to the basic financial statements.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The Town's financial reporting entity includes the primary government, one blended component unit and one discretely-presented component unit as follows.

- **The Town of Shattuck** – that operates the public safety, highways and streets, culture and recreation, general government and cemetery, governed by the Town Council

- **The Shattuck Municipal Authority (SMA)** – public trust created June 10, 1996, pursuant to 60 O.S. § 176 that operates the water, sewer, and sanitation services of the Town, governed by trustees comprised of the entire Town Council

- **The Shattuck Hospital Authority (SHA)** – public trust created August 6, 1964, pursuant to 60 O.S. § 176 that operates Newman Memorial Hospital, Inc. The hospital primarily earns revenue by providing inpatient, outpatient and emergency care services in Shattuck, Oklahoma and also operates a home health agency in the same geographic area (discretely presented)

In determining the financial reporting entity, the Town complies with the provisions of Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*.

Each of the component units is a Public Trust established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance Town services through issuance of revenue bonds or other non-general obligation debt and to enable the Town Board to delegate certain functions to the governing body (Trustees) of the Authorities. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. In addition, the Town has leased certain existing assets at the creation for the Authorities to the Trustees on a long-term basis. The Town, as beneficiary of the Public Trust, receives title to any residual assets when a Public Trust is dissolved.

The Shattuck Hospital Authority (the Authority) was created under a trust indenture dated August 6, 1964, as a public trust under provisions of Title 60 of the Oklahoma Statutes for the benefit of Shattuck, Oklahoma. The Authority operates Newman Memorial Hospital, Inc., a not-for-profit corporation, under an operation and maintenance contract. The contract term is from June 1, 1973 to July 1, 2003, or until such date as all indebtedness incurred by the Authority has been paid. The Hospital primarily earns revenue by providing inpatient, outpatient and emergency care services in Shattuck, Oklahoma. It also operates a home health agency in the same geographic area. Separate audited component unit financial statements are issued by the Shattuck Hospital Authority and can be obtained by contacting their administrative offices.

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statement of net assets and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes

therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:

- cash-based interfund receivables and payables
- other cash-based receivables/payables
- investments
- utility deposit liabilities

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Program revenues within the statement of activities are derived directly from each activity or from parties outside the Town's taxpayers. The Town has the following program revenues in each activity:

- General government: operating grants
- Public safety: Fine revenue
- Highways and streets: Gas excise taxes and commercial vehicle taxes
- Culture and recreation: Library fines, operating grants
- Cemetery: Lots sales, opening and closing fees

For business-type activities, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied as they apply to the modified cash basis, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

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 financial resources not accounted for and reported in another fund.

Special Revenue Funds – These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Capital Project Funds – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Proprietary Fund:

Enterprise Fund – These 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 reporting entity includes the

Shattuck Municipal Authority enterprise fund. This fund accounts for activities of the public trust in providing water, sewer, and sanitation services to the public.

The Town's governmental funds are comprised of the following:

Major Funds:

- General Fund – The general fund is the general operating fund of the Town. It is used to account for all financial resources except for those required to be accounted for in another fund. The major sources of revenue for this fund are sales and use taxes. For financial reporting purposes, the General Fund includes the Fire Truck Fund.

- Street and Alley Fund – A special revenue fund that accounts for state shared gasoline excise and commercial vehicle taxes and sales tax legally restricted for street and alley purpose.

Non-Major Funds (Reported as Other Governmental Funds):

- Library Fund – A special revenue fund that accounts for grant proceeds for library activities, as well as book sales and donations to the library.

- Cemetery Care Fund – A capital project fund that accounts for 12.5% of cemetery revenue restricted by state law for cemetery capital improvements.

The governmental funds are reported on a modified cash basis of accounting and current financial resources measurement focus. Only current financial assets and liabilities resulting from cash transactions are included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period.

Proprietary Funds:

The Town's proprietary funds are comprised of the following:

Enterprise Funds:

- Shattuck Municipal Authority – accounts for the operation of the water, sewer, and sanitation activities.

The proprietary funds are reported on a modified cash basis, as defined above, and economic resources measurement focus.

For purposes of the statement of revenues, expenses and changes in fund net assets, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

Shattuck Hospital Authority:

The financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally, county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions. County appropriations, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Hospital first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

The Hospital prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). Pursuant to GASB Statement No. 20, the Hospital has elected to apply the provisions of all relevant pronouncements for the Financial Accounting Standards Board (FASB) that were issued on or before November 30, 1989, and do not conflict with or contradict GASB pronouncements.

C. Cash, Cash Equivalents, and Investments

Cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three months or less, and money market accounts. Investments consist of long-term certificates of deposits and are reported at cost.

D. Capital Assets and Depreciation

Since the Town is reporting on the modified cash basis of accounting and is not modifying the cash basis for capital asset transactions, there are no capital assets recorded in the financial statements.

E. Long-Term Debt

Also due to the Town reporting on the modified cash basis of accounting without modifying for long-term debt transactions, the Town's long-term debt is disclosed as a commitment in Note 13 and is not recorded in the financial statements.

F. Compensated Absences

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due to employees upon termination is reported as a commitment in Note 13.

G. Fund Balances and Net Assets

Fund Balances:

Fund balances generally reported in the governmental funds financial statements are generally displayed in five components:

a. *Nonspendable* – includes amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact.

b. *Restricted* – consists of fund balance with constraints placed on the use of resources either by (a) external groups such as creditor, grantors, contributors, or laws and regulations of other governments, or (b) law through constitutional provisions or enabling legislation.

c. *Committed* – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. The Town's highest level of decision-making authority is made by ordinance, while the SMA highest level of decision-making authority is made by resolution.

d. *Assigned* – includes amounts that are constrained by the Town's intent to be used for specific purposes but are neither restricted not committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through budgetary process.

e. *Unassigned* – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

It is the Town's policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The Town's policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. The only exception to this policy is for assigned interest income in governmental funds other than the General Fund. On those funds, interest income is used first before other revenues.

Fund Balance Deficit Prohibition:

Title 11, Section 17-211 of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund (excluding public trusts). The Town had no deficit fund balances for the year ended June 30, 2011.

Net Assets:

Net assets are displayed in two components:

a. *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 and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

b. *Unrestricted net assets* - All other net assets that do not meet the definition of "restricted."

It is the Town's policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

H. Internal and Interfund Balances and Transfers

The Town's policy is to eliminate interfund transfers and balances in the statement of activities and net assets to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances then offset in the total column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements.

I. Use of Estimates

Certain estimates may be made in the preparation of the financial statements. Estimates are based on management's best judgments and may vary from actual results.

2. Deposits and Investments

For the year ended June 30, 2011, the Town recognized $3,341 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the Town's deposits are in demand and short-term time deposits.

At June 30, 2011, the primary government held the following deposits and investments:

Primary Government:	Carrying Value
Deposits:	
Demand deposits	$ 580,147
Time deposits	401,491
Total Deposits and Investments	$ 981,638
Reconciliation to Statement of Net Assets:	
Cash and investments	$ 981,638
	$ 981,638

Custodial Credit Risk
Exposure to custodial credit related to deposits exists when the Town holds deposits that are uninsured and uncollateralized; 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 without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the Town holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Town's name. The Town's policy as it relates to custodial credit risk is to comply with state law and secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100% of the uninsured deposits and accrued interest thereon. Acceptable collateral is defined in state statutes and includes U.S. Treasury securities and direct debt obligations of municipalities, counties, and school districts in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 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. At June 30, 2011, the Town had custodial credit risk of $338,372.

Investment Credit Risk
The Town has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U.S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district; and government money market funds regulated by the SEC. Title 60 public trusts are not limited by the same investment limitations of their municipal beneficiary. The investments held by the town and Municipal Authority are certificates of deposits.

Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town has no investment policy that limits based on maturity. The Town discloses it exposure to interest rate risk by disclosing the maturity dates of its various investments. As noted in the schedule of deposits and investments above, at June 30, 2011, the maturity dates of investments subject to interest rate risk have been disclosed.

Concentration of Investment Credit Risk
Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the Town (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The Town's has no investment policy regarding concentration of credit risk. At June 30, 2011, the Town had no concentration of credit risk as defined above.

Restricted cash and Investments – The amounts reported as restricted assets on the proprietary fund statement of net assets are comprised of amounts restricted for water deposits. The restricted assets as of June 30, 2011 are as follows:

Type of Restricted Assets	Current Cash and Cash Equivalents
Utility Deposits	$ 30,728

Component Unit:

Shattuck Hospital Authority

Deposits

Custodial credit risk is the risk that in the event of a bank failure a government's deposits may not be returned to it. The Hospital's deposit policy for custodial credit risk is to collateralize its deposits with federal depository insurance and obligations of the U.S. Treasury and U.S. agencies or instrumentalities.

At December 31, 2010, approximately $630,000 of the Hospital's bank balances of $1,686,983 were uninsured and have collateral held by the pledging financial institution in other than the Hospital's name. These amounts do not include funds held by Ellis County on behalf of the Hospital.

No legal opinion has been obtained regarding the enforceability of the collateral arrangements.

Investment Income

Investment income for the year ended December 31, 2010 consisted primarily of interest income.

3. Sales Tax Revenue

Sales tax revenue represents a 3 cent local tax on each dollar of taxable sales within the Town, of which 1 cent is voter-restricted for debt service for the SMA and .85 cents is recorded in the Street and Alley fund, with the rest reported in the General fund.

4. County Appropriations

Shattuck Hospital Authority

During 2005, the citizens of Ellis County (the County) approved a 3/4 –cent sales tax for the support and operation of the Hospital for a five-year period from October 1, 2005 to September 30, 2010. During 2010, the County approved a ½-cent sales tax for a five-year period from October 1, 2010 to September 30, 2015. In 2010, the Hospital received approximately 14% of its financial support from county appropriations related to the sales tax. Unexpended funds related to county appropriations are reflected on the accompanying balance sheets as held by county for operations.

5. Property Tax Levy

The Town presently levies no property tax. In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters and to pay judgments rendered against the Town.

6. Patient Accounts Receivable

Shattuck Hospital Authority

The Hospital grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at December 31, 2010, consisted of:

	2010
Patients	$ 862,069
Insurance carriers	800,018
Medicare	490,871
Medicaid	112,005
	2,264,963
Less allowance for uncollectible accounts	1,017,000
Patient accounts receivable, net	$ 1,247,963

7. Charity Care and Other Community Benefits

Shattuck Hospital Authority

In support of its mission, the Hospital voluntarily provides free care to patients who lack financial resources and are deemed to be medically indigent. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported in net patient service revenue. In addition, the Hospital provides services to other medically indigent patients under certain government-reimbursed public aid programs. Such programs pay providers amounts which are less than established charges for the services provided to the recipients and many times the payments are less than the cost of rendering the services provided.

Uncompensated charges relating to these services are as follows:

	2010
Charity allowances	$ 306,000
Medicaid welfare	2,103,000
	$ 2,409,000

In addition to uncompensated charges, the Hospital also commits significant time and resources to endeavors and critical services which meet otherwise unfilled community needs. Many of these activities are sponsored with the knowledge that they will not be self-supporting or financially viable. Such programs include health screening and assessments and community educational services.

8. Capital Assets and Depreciation

Since the Town is reporting on the modified cash basis of accounting and is not modifying the cash basis for capital asset transactions, there are no capital assets recorded in the financial statements.

Shattuck Hospital Authority

Capital assets activity for the years ended December 31, 2010, was:

	2010				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 33,025	$ -	$ -	$ -	$ 33,025
Land improvements	38,745	-	-	-	38,745
Buildings, improvements and fixed equipment	3,944,151	-	-	-	3,944,151
Major moveable equipment	8,328,437	135,885	-	-	8,464,322
Construction in progress	509,658	453,979	-	-	963,637
	12,854,016	589,864	-	-	13,443,880
Less accumulated depreciation					
Land improvements	38,745	-	-	-	38,745
Buildings, improvements and fixed equipment	3,099,251	86,606	-	-	3,185,857
Major moveable equipment	6,897,154	499,499	-	-	7,396,653
	10,035,150	586,105	-	-	10,621,255
Capital assets, net	$ 2,818,866	$ 3,759	$ -	$ -	$ 2,822,625

9. Transfers

Internal transfers between funds and activities for the year ended June 30, 2011, were as follows:

Transfer From	Transfer To	Amount	Nature of Transfer
General Fund	SMA	$ 180,960	Sales tax transfer
SMA	Library Fund	533	Expenses paid on behalf of another fund
		$ 181,493	

Reconciliation to Statement of Changes in Net Assets:

	Transfers In	Transfers Out	Net Transfers
Governmental	$ 533	$ (180,960)	$ (180,427)
Business-Type	180,960	(533)	180,427
Total	$ 181,493	$ (181,493)	$ -

10. Fund Equity

The following tables show the fund balance classifications as shown in the Governmental Funds Balance Sheet in accordance with GASB Statement 54.

	General Fund	Street and Alley Fund	Other Governmental Funds	Total
Fund Balance:				
Restricted for:				
Fire truck	$ 60,136	$ -	$ -	$ 60,136
Streets and alleys	-	556,725	-	556,725
Library	-	-	5,519	5,519
Cemetery	-	-	19,637	19,637
Sub-total Restricted	60,136	556,725	25,156	642,017
Assigned to:				
Cemetery	15,650	-	-	15,650
Balance future year's budget	44,289	-	-	44,289
Total Fund Balance	$ 120,075	$ 556,725	$ 25,156	$ 701,956

Restricted Net Assets – Governmental Activities:

The city has restricted fund balances of $642,017. Of that amount, $556,725 is restricted by enabling legislation for the purpose of construction, maintenance, repair, improvement or lighting of streets and alleys.

11. Risk Management

The primary government is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. These risks are managed by securing commercial insurance for all risks, except for participation in the Oklahoma Municipal Assurance Group risk entity pool for worker's compensation and tort liability coverage. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

12. Pension Plan Participation

The Town of Shattuck participates in two pension or retirement plans:

1. Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan.
2. Oklahoma Public Employees Retirement System (OPERS) – a state-wide cost-sharing plan.

OFPRS

The Town of Shattuck, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter's Pension and Retirement System (OFPRS) as a result of the employment of full-time firefighters. The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the Town must participate in the plan if they employ fulltime or volunteer firefighters. OFPRS plan members are required to contribute 8% to the plan. The Town is required by state law to contribute 13% per year of covered payroll for paid firefighters. For volunteer firefighters, the Town is required to contribute $60 per year per volunteer, while there is no required contribution by the volunteer. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. For 2011, the Town's annual required contribution was $1,320 for the OFPRS plan and was equal to the Town's actual contribution.

	OFPRS	
Fiscal Year	Required Contribution	Amount Contributed
2009	$ 1,260	100%
2010	$ 1,260	100%
2011	$ 1,320	100%

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

OFPRS
4545 N. Lincoln Blvd., Suite 265
Oklahoma Town, OK 73105-3414

Employee Plan:

The City provides a defined-contribution pension benefit for all of its full-time employees with the exception of the fire departments, through the Oklahoma Public Employees Retirement System (OPERS). The employee's contribution rate is 3.5%. The City's contribution is 15.5%. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

	OPERS	
Fiscal Year	Required Contribution	Amount Contributed
2010	$ 44,797	100%
2011	$ 44,593	100%

The trend information for 2009 was not available. Three-year trend information will be presented in subsequent years.

A copy of the OPERS financial statements can be obtained from Oklahoma Public Employees Retirement System, 2101 N. Lincoln Blvd., Room 580, Oklahoma City, OK 73105.

13. Commitments and Contingencies

Accounts Payable and Accrued Expenses:

Shattuck Hospital Authority:

Accounts payable and accrued expenses included in current liabilities at December 31, 2010, consisted of:

	2010
Payable to suppliers and contractors	$ 253,572
Payable to employees (including payroll taxes and benefits)	303,935
Payable for self-insured health claims	25,000
	$ 582,507

Long-term Debt Commitments:

Shattuck Municipal Authority:

Note Payable:

OWRB Clean Water Note, issued in June 1999, original amount $500,000, due in semi-annual installments each March 15 and August 15, final installment due March 15, 2020, fixed interest rate of 3.041%. Issued by the SMA and secured by pledged sales tax. $ 269,058

Year Ended June 30,	Notes Payable	
	Principal	Interest
2013	$ 15,648	$ 21,663
2014	31,984	42,638
2015	32,924	41,697
2016	33,891	40,730
2017	34,887	39,734
2018-2022	190,433	182,676
2023-2027	220,109	153,001
2028-2032	254,411	118,698
2033-2037	294,058	79,052
2038-2042	339,881	33,227

Shattuck Hospital Authority:

The following is a summary of long-term debt transactions for the Hospital for the years ended December 31, 2010:

	2010				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
USDA mortgage	$ 1,174,613	$ -	$ (37,094)	$ 1,137,519	$ 38,895
USDA construction loan	-	381,800	(103,814)	$ 277,986	243,867
Capital lease obligations	713,768	-	(286,848)	$ 426,920	209,997
Total long-term debt	$ 1,888,381	$ 381,800	$ (427,756)	$ 1,842,425	$ 492,759

USDA Mortgage and Construction Loan

Shattuck Hospital Authority entered into a mortgage obligation with the U.S. Department of Agriculture (USDA) which is secured by a first mortgage on the Hospital's property and a pledge of the Hospital's gross revenues; principal and interest of $7,674 payable monthly through June 2030; interest at 4.75%.

Shattuck Hospital Authority entered into three construction loan obligations with the USDA which are secured by a pledge of the Hospital's gross revenues; principal and interest of $20,879 collectively payable monthly through July 2050; interest at 4.0%. The Hospital began construction during 2010. The project's approved loan amount is approximately $5,000,000 with $3,885,400 funded as of December 31, 2011.

The debt service requirements, based on the loan terms and the amount funded as of December 31, 2011, are as follows:

Year Ending December 31,	Total to be Paid	Principal	Interest
2012	$ 342,636	$ 149,011	$ 193,625
2013	342,636	155,400	187,236
2014	342,636	162,066	180,570
2015	342,636	169,018	173,618
2016	342,636	176,271	166,365
2017-2021	1,713,180	1,001,607	711,573
2022-2026	1,713,180	1,236,198	476,982
2027-2031	1,494,456	1,296,767	197,689
2032-2033	370,853	359,550	11,303
	$ 7,004,849	$ 4,705,888	$ 2,298,961

Capital Lease Obligations

Shattuck Hospital Authority:

The Hospital is obligated under various leases for equipment that are accounted for as capital leases. Assets under capital leases at December 31, 2010, totaled $916,522, net of accumulated depreciation of $626,523, respectively.

Pledge of Future Revenues

Sales Tax and Utility Net Revenues Pledge - The Town has pledged one cent (or 33.3%) of future sales tax revenues and net water and sewer revenues to repay the $500,000 of the OWRB 1999 Small Community Clean Water SRF Promissory Note. Proceeds from the note provided financing for construction improvements to capital assets. The note is payable from pledged sales tax revenues and net water and sewer revenues of the SMA and are payable through 2020. The total principal and interest payable for the remainder of the life of this note is $310,503. Pledged sales taxes and net water and sewer revenues received in the current year were $303,713. Debt service payments of $35,137 for the current fiscal year were 11.6% of pledged sales taxes and net water and sewer revenues.

Compensated Absences:
As a result of the Town's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation, sick and comp leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2011 is $13,187.

Litigation:
The Town and its public trusts are parties to various legal proceedings or have threatened litigation which normally occurs in the course of municipal governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State Constitution and statutes provide for the levy of an ad valorem tax over a three-year period by a Sinking Fund for the payment of any court assessed judgment rendered against the Town. (This provision is not available to public trusts.) While the outcome of the above noted proceedings or threatened litigation cannot be predicted, due to the insurance coverage maintained by the Town and the State statute relating to judgments, the Town feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the Town.

Shattuck Hospital Authority:
In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Hospital's commercial

insurance; for example, allegations regarding employment practices or performances of contracts. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Federal and State Award Programs:
The Town of Shattuck participates in various federal or state grant/loan programs from year to year. In 2011, the Town's involvement in federal and state award programs was not significant. 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. The Town has not been notified of any noncompliance with federal or state award requirements.

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended June 30, 2011

	GENERAL FUND			
	Budgeted Amounts		Actual	Final Budget
	Original	Final	Amounts	Positive (Negative)
Beginning Budgetary Fund Balance:	$ 6,354	$ 10,754	$ 42,583	$ 31,829
Resources (Inflows):				
Taxes	458,000	458,000	436,480	(21,520)
Intergovernmental	158,000	158,000	120,711	(37,289)
Charges for services	10,800	10,800	34,065	23,265
Fines and Forfeitures	3,510	3,510	5,200	1,690
Licenses and Permits	3,000	3,000	4,849	1,849
Investment Income	100	100	112	12
Miscellaneous	118,586	168,586	201,281	32,695
Total Resources	751,996	801,996	802,698	702
Amounts available for appropriation	758,350	812,750	845,281	32,531
Charges to Appropriations (Outflows):				
Managerial	121,500	142,500	142,139	361
City Attorney	11,000	11,000	10,250	750
City Clerk	52,000	47,000	46,695	305
General Government	84,500	78,500	77,550	950
Police	160,050	116,050	115,372	678
Animal Control	4,300	300	196	104
Fire	86,100	95,500	91,085	4,415
Streets	17,000	8,000	5,605	2,395
Community Development	31,000	28,000	27,604	396
Parks	121,700	226,700	226,477	223
Library	69,200	59,200	58,019	1,181
Total Charges to Appropriations	758,350	812,750	800,992	11,758
Ending Budgetary Fund Balance	$ -	$ -	$ 44,289	$ 44,289

See accompanying notes to budgetary comparison schedules.

Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended June 30, 2011, (Cont.)

	STREET AND ALLEY FUND			
	Budgeted Amounts		Actual	Final Budget
	Original	Final	Amounts	Positive (Negative)
Beginning Budgetary Fund Balance:	$ 61,000	$ 61,000	$ 458,057	$ 397,057
Resources (Inflows):				
Taxes	141,698	141,698	153,816	12,118
Intergovernmental	-	-	11,422	11,422
Miscellaneous	-	-	2,836	2,836
Total Resources	141,698	141,698	168,074	26,376
Amounts available for appropriation	202,698	202,698	626,131	423,433
Charges to Appropriations (Outflows):				
Streets	202,698	202,698	69,406	133,292
Total Charges to Appropriations	202,698	202,698	69,406	133,292
Ending Budgetary Fund Balance	$ -	$ -	$ 556,725	$ 556,725

See accompanying notes to budgetary comparison schedules.

Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedules are reported on the same modified cash basis as governmental funds within the basic financial statements.

2. The legal level of appropriation control is the department level within a fund. Transfers and supplemental appropriations require Town Council approval.

3. The actual amounts on the budgetary comparison schedules differ from the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balance due to a difference in the presentation of the general fund. In the governmental fund statements, the general fund includes the Fire Truck Fund and the Cemetery Care Fund. These funds did not meet the definition of special revenue funds as defined in GASB 54. The detail of the differences is as follows:

Resources - Budgetary Comparison Schedule	$ 802,698
Fire Truck Fund revenue	14,633
Cemetery Reserve Fund revenue	2,269
General Fund Sales Tax Transfer	180,960
Revenue - Statement of Revenues, Expenditures, and Changes in Fund Balance	$ 1,000,560
Charges to appropriations - Budgetary Comparison Schedule	$ 800,992
Fire Truck Fund expenditures	22,073
Cemetery Reserve Fund expenditures	50
General Fund Sales Tax Transfer	180,960
Expenditures - Statement of Revenues, Expenditures, and Changes in Fund Balance	$ 1,004,075

SUPPLEMENTARY INFORMATION

Combining Balance Sheet – General Fund Accounts (Modified Cash Basis) June 30, 2011

	General Fund	Fire Truck Fund	Cemetery Reserve Fund	Total General Fund
ASSETS				
Cash and investments	$ 46,289	$ 58,136	$ 15,650	$ 120,075
Due from other funds - interaccount	-	2,000	-	2,000
Total Assets	46,289	60,136	15,650	122,075
LIABILITIES AND FUND BALANCES				
Due to other funds - interaccount	2,000	-	-	2,000
Total Liabilities	2,000	-	-	2,000
Fund Balances:				
Restricted for:				
Fire Truck	-	60,136	-	60,136
Assigned to:				
Cemetery	-	-	15,650	15,650
Balance future year's budget	44,289	-	-	44,289
Total Fund Balances	44,289	60,136	15,650	120,075
Total Liabilities and Fund Balances	$ 46,289	$ 60,136	$ 15,650	$ 122,075

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund Accounts (Modified Cash Basis) – Year Ended June 30, 2011

	General Fund	Fire Truck Fund	Cemetery Reserve Fund	Total General Fund
Revenues:				
Taxes	$ 617,440	$ -	$ -	$ 617,440
Intergovernmental	120,711	4,398	-	125,109
Charges for services	34,065	-	2,269	36,334
Fines and forfeitures	5,200	-	-	5,200
Licenses and permits	4,849	-	-	4,849
Investment income	112	-	-	112
Miscellaneous	201,281	10,235	-	211,516
Total Revenues	983,658	14,633	2,269	1,000,560
Expenditures:				
Current:				
General Government:				
Managerial	142,139	-	-	142,139
City Attorney	10,250	-	-	10,250
City Clerk	46,695	-	-	46,695
General Government	77,550	-	-	77,550
Public Safety:				
Police	115,372	-	-	115,372
Animal Control	196	-	-	196
Fire	66,809	22,073	-	88,882
Highways and streets:				
Streets	5,605	-	-	5,605
Culture and Recreation:				
Community Development	27,604	-	-	27,604
Parks	123,811	-	-	123,811
Library	58,019	-	-	58,019
Cemetery	-	-	50	50
Capital Outlay	126,942	-	-	126,942
Total Expenditures	800,992	22,073	50	823,115
Excess (deficiency) of revenues over expenditures	182,666	(7,440)	2,219	177,445
Other Financing Sources (Uses):				
Transfers out	(180,960)	-	-	(180,960)
Total Other Financing Sources (Uses)	(180,960)	-	-	(180,960)
Net change in fund balances	1,706	(7,440)	2,219	(3,515)
Fund balances, beginning	42,583	67,576	13,431	123,590
Fund balances, ending	$ 44,289	$ 60,136	$ 15,650	$ 120,075

Combining Balance Sheet – Non-Major Governmental Funds (Modified Cash Basis) – June 30, 2011

	Special Revenue Funds		
	Cemetery Care Fund	Library Fund	Total
ASSETS			
Cash and investments	$ 19,637	$ 5,519	$ 25,156
Total Assets	19,637	5,519	25,156
LIABILITIES AND FUND BALANCES			
Liabilities	-	-	-
Total Liabilities	-	-	-
Fund Balances:			
Restricted for:			
Cemetery	19,637	-	19,637
Library	-	5,519	5,519
Total Fund Balances	19,637	5,519	25,156
Total Liabilities and Fund Balances	$ 19,637	$ 5,519	$ 25,156

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Non-Major Governmental Funds (Modified Cash Basis) – Year Ended June 30, 2011

	Special Revenue Funds		
	Cemetery Care Fund	Library Fund	Total
Revenues:			
Intergovernmental	$ -	$ 12,595	$ 12,595
Charges for services	556	481	1,037
Investment income	152	-	152
Miscellaneous	-	1,123	1,123
Total Revenues	708	14,199	14,907
Expenditures:			
Current:			
Library	-	9,213	9,213
Total Expenditures	-	9,213	9,213
Excess (deficiency) of revenues over expenditures	708	4,986	5,694
Other Financing Sources (Uses):			
Transfers in	-	533	533
Total Other Financing Sources (Uses)	-	533	533
Net change in fund balances	708	5,519	6,227
Fund balances, beginning	18,929	-	18,929
Fund balances, ending	$ 19,637	$ 5,519	$ 25,156

Schedule of Expenditures of Federal and State Awards (Modified Cash Basis) – Year Ended June 30, 2011

Federal/State Grantor/Pass through agency Grantor/Program Title	Grant #	Award Amount	Expenditures
FEDERAL AWARDS:			
U.S. DEPARTMENT OF TRANSPORTATION			
Pass through the Oklahoma Tourism and Recreation Department: Recreational Trails Program Grant	CFDA #20.219 NRT-RT08 (100)	$ 62,100	$ 62,100
TOTAL FEDERAL AWARDS		$ 62,100	$ 62,100

STATE AWARDS:	Grant #	Award Amount	Expenditures
OKLAHOMA DEPARTMENT OF LIBRARIES:			
Library State Aid	N/A	$ 12,595	$ 9,214
OKLAHOMA DEPARTMENT OF AGRICULTURE:			
Rural Fire Operational Grant	N/A	4,398	4,398
ASSOCIATION OF SOUTH CENTRAL OKLAHOMA GOVERNMENTS:			
REAP Grant	N/A	45,000	45,000
TOTAL STATE AWARDS		$ 61,993	$ 58,612

Schedule of Debt Service Coverage Requirement – Year Ended June 30, 2011

	OWRB NOTE
GROSS REVENUE AVAILABLE:	
Charges for services (water and sewer systems)	$364,321
Investment income	3,077
Pledged sales tax	180,960
Total Gross Revenue Available	548,358
OPERATING EXPENDITURES:	
Water	185,800
Sewer	58,845
Total Operating Expenditures	244,645
Net Revenue Available for Debt Service	$303,713
Maximum Annual Debt Service on all Long-Term Debt Payable From Revenues of the System	$35,258
Computed Coverage	861%
Coverage Requirement	125%

INTERNAL CONTROL AND COMPLIANCE

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BECKY FLEMING, C.P.A., INC.
7920 108th Ave NE
Norman, OK 73026-9761

Cell: 405.641.5794
Fax: 405.799.2039
Email: bdfcpa@gmail.com

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

The Board of Trustees
The Town of Shattuck, Oklahoma

We have audited the financial statements – modified cash basis, of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Shattuck, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the basic financial statements of the Town of Shattuck, and have issued our report thereon, dated March 25, 2013. Other auditors audited the financial statements of the Shattuck Hospital Authority, the town's discretely presented component unit, as described in our report on the town's financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Town of Shattuck is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the internal control over financial reporting of the Town of Shattuck 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 Shattuck's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Shattuck's internal control over financial reporting.

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

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

consider to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the Town's internal control to be a significant deficiency:

2011-1 The town does not have procedures in place to make sure that all town deposits are insured or collateralized according to state statutes. Procedures should be established to track town deposits and make sure they are insured or collateralized according to state statutes.

Response We will establish procedures to make sure that all town deposits are insured or collateralized according to state statutes.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Town of Shattuck are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

2011-2 Title 62, sections 511-517, Oklahoma statutes require uninsured town deposits to be collateralized. At year end, the town had uninsured, uncollateralized deposits of $338,372.

The Town of Shattuck's response to the findings identified in our audit is described above. We did not audit the Town of Shattuck's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the organization, and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

, C.P.A., Inc.

Becky Fleming, C.P.A., Inc.
March 25, 2013