

TOWN OF SLICK, OKLAHOMA

ANNUAL FINANCIAL REPORT

JUNE 30, 2011

RALPH OSBORN
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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the Board of Trustees
Town of Slick, Oklahoma

I was engaged to audit 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 Slick, Oklahoma as of and for the year ended June 30, 2011, which collectively comprise the Town of Slick, Oklahoma's basic financial statements. These financial statements are the responsibility of Town of Slick, Oklahoma's management. My responsibility is to express an opinion on these financial statements based on my audit.

The Town was unable to provide sufficient evidence supporting revenue and expenditures claimed in the financial statements. I was not able to perform alternative procedures.

Because of the significance of the matters discussed in the preceding paragraph, the scope of my work was not sufficient to enable me to express, and I do not express, an opinion on the financial statements of the Town of Slick, Oklahoma.

The Town of Slick, Oklahoma has not presented Management's Discussion and Analysis or budgetary comparison that the Governmental Accounting Standards Council has determined is necessary to supplement, although not required to be part of, the basic financial statement.

In accordance with *Government Auditing Standards*, I have also issued my report dated May 23, 2013, on my consideration of Town of Slick, Oklahoma's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of 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 my audit.

Ralph Osborn

Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
May 23, 2013

TOWN OF SLICK, OKLAHOMA
STATEMENT OF NET ASSETS
MODIFIED CASH BASIS
JUNE 30, 2011

	Primary Government		
	Governmental	Business	
	Activities	Type	
	Activities	Activities	Total
ASSETS			
Current assets:			
Internal balances	\$ 5,768	\$ 26,449	\$ 32,217
Due from other funds	10,196	(10,196)	-
Deposits	-	3,750	3,750
Total current assets	15,964	20,003	35,967
Non-current assets:			
Capital assets			
Other capital assets net of accumulated depreciation	69,808	167,476	237,284
Total non-current assets	69,808	167,476	237,284
Total assets	85,772	187,479	273,251
LIABILITIES			
Current liabilities:			
Utility deposits	-	15,931	15,931
Notes payable - current	-	16,108	16,108
Total current liabilities	-	32,039	32,039
Non-current liabilities:			
Notes payable - non-current	-	189,947	189,947
Total non-current liabilities	-	189,947	189,947
Total liabilities	-	221,986	221,986
NET ASSETS			
Nonspendable	80,004	(60,956)	19,048
Assigned	-	26,449	26,449
Unassigned	5,768	-	5,768
Total net assets	\$ 85,772	\$ (34,507)	\$ 51,265

The accompanying notes are an integral part of this financial statement.

TOWN OF SLICK, OKLAHOMA
STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2011

		Program Revenue			Net (Expenses) Revenue
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	
	Expenses				
Function/Programs					
Governmental activities					
General government	\$ 28,888	\$ -	\$ -	\$ -	\$ (28,888)
Park	1,086	-	370	-	(716)
Street	1,093	-	-	-	(1,093)
Total governmental activities	31,067	-	370	-	(30,697)
Business-type activities					
Public Works	142,717	116,516	-	-	(26,201)
Total business-type activities	142,717	116,516	-	-	(26,201)
Total primary government	\$173,784	\$116,516	\$ 370	\$ -	\$ (56,898)
Primary Government					
Changes in net assets:					
Net (expense) revenue			\$ (30,697)	\$ (26,201)	\$ (56,898)
General revenues					
Taxes					
Sales tax			21,036	-	21,036
Franchise			-	2,383	2,383
Other tax			2,997	-	2,997
Other income			286	-	286
Interest			5	17	22
Total general revenue			24,324	2,400	26,724
Change in net assets			(6,373)	(23,801)	(30,174)
Net assets - beginning			92,145	(10,706)	81,439
Net assets - ending			\$ 85,772	\$ (34,507)	\$ 51,265

The accompanying notes are an integral part of this financial statement.

TOWN OF SLICK, OKLAHOMA
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 5,768	\$ 5,768
Due from other funds	<u>10,196</u>	<u>10,196</u>
TOTAL ASSETS	<u>\$ 15,964</u>	<u>\$ 15,964</u>
LIABILITIES AND FUND BALANCES		
FUND BALANCES		
Unassigned	<u>\$ 15,964</u>	<u>\$ 15,964</u>
TOTAL FUND BALANCES	<u>15,964</u>	<u>15,964</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 15,964</u>	<u>\$ 15,964</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF SLICK, OKLAHOMA
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
WITH THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

Total fund balance	\$ 15,964
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Amounts reported in the statement of net assets
are different because:

Capital assets used in governmental activities
are not financial resources and therefore are
not reported as assets in governmental funds.

Capital assets	84,783	
Accumulated depreciation	<u>(14,975)</u>	<u>69,808</u>
Total net assets		<u>\$ 85,772</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF SLICK, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Total Governmental Funds
Revenue		
Sales tax	\$ 21,036	\$ 21,036
Other tax	2,997	2,997
Donations	370	370
Interest	5	5
Other	286	286
Total revenue	<u>24,694</u>	<u>24,694</u>
Expenditures		
Current		
General government	27,978	27,978
Park	597	597
Total expenditures	<u>28,575</u>	<u>28,575</u>
Excess(deficiency) of revenue over expenditures	(3,881)	(3,881)
Fund balances, beginning	<u>19,845</u>	<u>19,845</u>
Fund balances, ending	<u><u>\$ 15,964</u></u>	<u><u>\$ 15,964</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF SLICK, OKLAHOMA
STATEMENT OF FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
JUNE 30, 2011

	<u>Public Works</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 26,449
Deposits	<u>3,750</u>
Total current assets	<u>30,199</u>
Non-current assets	
Capital assets:	
Capital assets, net of accumulated depreciation	<u>167,476</u>
Total non-current assets	<u>167,476</u>
Total assets	<u>197,675</u>
LIABILITIES	
Current liabilities:	
Utility deposits	15,931
Due to other funds	10,196
Notes payable - current	<u>16,108</u>
Total current liabilities	<u>42,235</u>
Non-current liabilities:	
Notes payable - non-current	<u>189,947</u>
Total non-current liabilities	<u>189,947</u>
Total liabilities	<u>232,182</u>
NET ASSETS	
Nonspendable	(60,956)
Assigned	<u>26,449</u>
Net assets of business-type activities	<u><u>\$ (34,507)</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF SLICK, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
MODIFIED CASH BASIS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Public Works</u>
<u>OPERATING REVENUES</u>	
Charges for services:	
Water	\$ 63,648
Natural gas sales	42,776
Taps	1,000
Franchise tax	2,383
Other	<u>9,092</u>
Total operating revenues	<u>118,899</u>
<u>OPERATING EXPENSES</u>	
Personal services	18,024
Water purchase	49,516
Natural gas purchase	20,086
Maintenance and supplies	18,990
Professional/Legal	850
Utilities	3,429
Insurance	820
Other expenses	8,196
Depreciation	<u>12,085</u>
Total operating expenses	<u>131,996</u>
Operating income (loss)	<u>(13,097)</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>	
Investment income	17
Interest on notes payable	<u>(10,721)</u>
Total non-operating revenue (expenses)	<u>(10,704)</u>
Change in net assets	(23,801)
Total net assets, beginning	<u>(10,706)</u>
Total net assets, ending	<u>\$ (34,507)</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF SLICK, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Public Works</u>
Cash flows from operating activities	
Cash received from customers	\$ 119,274
Cash payments to employees	(18,024)
Cash payments to suppliers for goods and services	(101,887)
Net cash provided (used) by operating activities	<u>(637)</u>
Cash flows from capital and related financing activities	
Principal paid on notes payable	(15,284)
Interest paid on notes payable and fiscal fees	(10,721)
Net cash used for capital and related financing activities	<u>(26,005)</u>
Cash flows from investing activities	
Interest revenue	<u>17</u>
Net cash provided by investing activities	<u>17</u>
Net increase in cash and cash equivalents	(26,625)
Cash and cash equivalents, beginning	<u>53,074</u>
Cash and cash equivalents, ending	<u><u>\$ 26,449</u></u>
Reconciliation of operating income(loss) to net cash provided by(used) by operating activities	
Operating income (loss)	\$ (13,097)
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	12,085
Changes in assets and liabilities:	
Increase in utility deposits	<u>375</u>
Net cash provided by operating activities	<u><u>\$ (637)</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF SLICK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Slick, Oklahoma, was incorporated under the provisions of the laws of the State of Oklahoma. The Town operates under a Board of Trustees form of government and provides the following services: general government, public works, parks and recreation. The basic financial statements include the departments, agencies, and other organizational units over which the Board of Trustees exercise oversight responsibility. In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14 and No. 39. Based on the criteria the Slick Public Works Authority (the Authority) is the only component unit. The definition of the financial reporting entity is primarily based on the concept of financial accountability. The financial reporting entity consists of the primary government (the Town), and activities for which the primary government is financially accountable, and the activities of the Authority. Financial accountability exists if a primary government appoints a voting majority of an organizations governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide a specific financial benefit to, or impose specific financial burdens on, the primary government. Based upon the application of these criteria, there are no other entities to include in the Town's financial statements.

Slick Public Works Authority was created under the provisions of Title 60, Sections 176 to 180, Oklahoma Statutes. The Authority is managed by a Board of Trustees made up of members of the Board of Trustees. The Authority operates water and natural gas services for the Town of Slick.

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Town as a whole excluding fiduciary activities such as employee pension plans. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but 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 functional program 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 which report fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which

TOWN OF SLICK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these programs uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements of the Town are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

Measurement Focus and Basis of Accounting

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

Measurement Focus

In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in item B below.

In the financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

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

TOWN OF SLICK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental and business-like activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements and proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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 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.

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements of proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

FUND TYPES AND MAJOR FUNDS

The Town reports the following major governmental funds:

General Fund - The general fund reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.

Proprietary Funds - The Town reports the following major enterprise funds:

Slick Public Works Authority - The Authority provides certain utility services for the Town.

Budgetary Accounting and Control

The Mayor 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 allocation of resources. In June, the Board of Trustees adopts the annual fiscal year budgets for the Town operating funds. Once approved, the Board of Trustees may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Public trusts submit budget and other planning documents to their respective governing bodies.

TOWN OF SLICK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

The budgets for the governmental funds and proprietary fund operations are prepared on the cash basis. 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 paid. The budget and actual financial statements are reported on this basis. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

Investments

The Town follows Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," which requires marketable securities to be carried at fair value. The Town considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The investments reported in the financial statements consist of Certificates of Deposits.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed in the governmental funds. Encumbrances outstanding at year end are cancelled under the modified cash basis. The encumbrance is added to the subsequent year expenses when paid.

Inventories and Prepaids

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. Proprietary funds and similar component unit inventories are recorded at the lower of cost or market on a first-in, first-out basis. The Town has not maintained inventory records, however, the value of inventory on hand at June 30, 2011 is not believed to be material.

Prepaids record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Both inventories and prepaids are similarly reported in government-wide and fund financial statements.

TOWN OF SLICK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Capital Assets, Depreciation, and Amortization

The Town's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost or at estimated historical cost for those items not previously reported and comprehensively reported in the government-wide financial statements. The Town maintains infrastructure assets records consistent with all other capital assets.

Proprietary and component unit capital assets are also reported in their respective fund and combining component units financial statements. Donated assets are stated at fair value on the date donated. The Town generally capitalizes assets with cost of \$500 or more as purchase and construction outlay occur. The cost of normal maintenance and repairs that do not add to the assets value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are moved from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	5-60
Improvements, other than buildings	2-50
Mobile equipment	3-40
Furniture , machinery, and equipment	3-30
Utility system	5-60

Compensated Absences

Full-time, permanent employees are granted personal leave in varying amounts to specified maximums depending on tenure with the Town. The Town does not record a liability for accrued compensated absences. The amount paid for compensated absences is expensed as paid.

Reserves and Designations

Reserves represent those portions of fund balance not available for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

TOWN OF SLICK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE B - CASH AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of counterparty, the Town will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Town, and are held by counterparty or the counterparty's trust department but not in the name of the Town. The Town's policy requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits or investments. As of June 30, 2011, all of the Town's deposits and investments were either covered by federal deposit insurance or were fully collateralized.

Deposits

The Town had deposits at financial institutions with a carrying amount of approximately \$32,168 at June 30, 2011. The bank balance of the deposits at June 30, 2011 was approximately \$33,863.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Town did not have fixed income securities at June 30, 2011.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board of Directors monitors the investment performance on an ongoing basis to limit the Town's interest rate risk. As of June 30, 2011, the Town's deposits consisted of demand deposits and certificates of deposit with a maturity of 12 months or less.

NOTE C - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at June 30, 2011 are as follows:

<u>Amount</u>	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>
\$ 10,196	General Fund	Public Works
<u>\$ 10,196</u>		

TOWN OF SLICK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE D - CAPITAL ASSETS

Changes in capital assets.

The following table provides a summary of changes in capital assets:

	CAPITAL ASSETS, DEPRECIATED				Capital Assets Not Depreciated
	Buildings	Infrastructure Improvements Other Than Buildings	Furniture, Machinery, And Equipment	Totals	Land
PRIMARY GOVERNMENT					
Governmental activities					
Balance, June 30, 2010	\$ 13,244	\$ 63,254	\$ 8,285	\$ 84,783	\$ -
Increases	-	-	-	-	-
Decreases	-	-	-	-	-
Balance, June 30, 2011	<u>13,244</u>	<u>63,254</u>	<u>8,285</u>	<u>84,783</u>	<u>-</u>
Accumulated Depreciation					
Balance, June 30, 2010	1,435	7,230	3,818	12,483	
Increase	220	1,582	690	2,492	
Decreases	-	-	-	-	
Balance, June 30, 2011	<u>1,655</u>	<u>8,812</u>	<u>4,508</u>	<u>14,975</u>	
Governmental activities Capital Assets, Net	<u>\$ 11,589</u>	<u>\$ 54,442</u>	<u>\$ 3,777</u>	<u>\$ 69,808</u>	<u>\$ -</u>
Business-type activities					
Balance, June 30, 2010	\$ 9,120	\$ 473,038	\$ 4,288	\$ 486,446	\$ -
Increases	-	-	-	-	-
Decreases	-	-	-	-	-
Balance, June 30, 2011	<u>9,120</u>	<u>473,038</u>	<u>4,288</u>	<u>486,446</u>	<u>-</u>
Accumulated Depreciation					
Balance, June 30, 2010	988	302,409	3,488	306,885	
Increase	152	11,826	107	12,085	
Decreases	-	-	-	-	
Balance, June 30, 2011	<u>1,140</u>	<u>314,235</u>	<u>3,595</u>	<u>318,970</u>	
Business-type Activities Capital Assets, Net	<u>\$ 7,980</u>	<u>\$ 158,803</u>	<u>\$ 693</u>	<u>\$ 167,476</u>	<u>\$ -</u>
PRIMARY GOVERNMENT Capital Assets, Net	<u>\$ 19,569</u>	<u>\$ 213,245</u>	<u>\$ 4,470</u>	<u>\$ 237,284</u>	<u>\$ -</u>

DEPRECIATION EXPENSE

Depreciation expense was charged to functions of the primary government as follows:

GOVERNMENT ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
General Government	\$ 910	Public Works	\$ 12,085
Street	1,093		
Park	489		

TOWN OF SLICK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE E - PROPRIETARY FUND NOTES PAYABLE

The Authority has incurred indebtedness for the expansion of system facilities. The following is a summary of note payable transactions for the year ended June 30, 2011.

	Payable at July 1, 2010	Retirements	Balance at June 30, 2011
USDA, Rural Development	\$ 69,686	\$ (5,668)	\$ 64,018
USDA, Rural Development	5,891	(583)	5,308
USDA, Rural Development	5,165	(522)	4,643
USDA, Rural Development	140,597	(8,511)	132,086
Total	<u>\$ 221,339</u>	<u>\$ (15,284)</u>	<u>\$ 206,055</u>

A brief description of the outstanding notes payable at June 30, 2011 is set forth below:

USDA, Rural Development loan dated May 7, 1980, in the original loan amount of \$153,000, interest rate of 5%, term of 40 years, monthly installment of \$752 until May 2020.	\$ 64,018
USDA, Rural Development loan dated May 7, 1980, in the original loan amount of \$14,500, interest rate of 5%, term of 40 years, monthly installment of \$72 until May 2020.	5,308
USDA, Rural Development loan dated June 17, 1981, in the original loan amount of \$13,000, interest rate of 5%, term of 40 years, monthly installment of \$64 until June 2021.	4,643
USDA, Rural Development loan dated November 3, 1982, in the original loan amount of \$260,300, interest rate of 5%, term of 40 years, monthly installment of \$1,279 until November 2022.	132,086
Total	<u>\$ 206,055</u>

The annual debt service requirement for these loans as shown below includes principal and interest payments. These loan agreements require the Authority maintain a loan reserve equal to the total annual payment on the loans. The authority does not have the required loan reserve. At June 30, 2011, the loan reserve was \$10,993. The required reserve is \$26,004.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012	\$ 16,108	\$ 9,896	\$ 26,004
2013	16,932	9,072	26,004
2014	17,798	8,206	26,004
2015	18,709	7,295	26,004
2016	19,666	6,338	26,004
2017-21	98,141	16,663	114,804
2022-23	18,701	486	19,187
Total	<u>\$ 206,055</u>	<u>\$ 57,956</u>	<u>\$ 264,011</u>

TOWN OF SLICK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE F - CONTRACTS

The Authority has entered into a water purchase contract with the Municipal Authority of the City of Bristow, Oklahoma to provide water for resale. This contract provides the sole source of water for the Authority. An interruption of this source would adversely affect the Authority.

The Authority also purchases natural gas for resale from Oklahoma Natural Gas. Purchasing is on a month to month basis. An interruption of this source would adversely affect the Authority.

NOTE G - COMPENSATED ABSENCES

The Town and Authority have not reported an amount for accrued compensated absences. Under the modified cash basis of accounting, payments for vacation and sick leave are expensed as paid.

NOTE H - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for risk of loss, including workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE I - FEDERAL AND STATE GRANTS

In the normal course of operations, the Town receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities the purpose of which is to ensure compliance with conditions precedent to the granting of the funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

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 Honorable Mayor and Members of the Board of Trustees
Town of Slick
Slick, Oklahoma

I was engaged to audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Slick, Oklahoma, as of and for the year ended June 30, 2011, and have issued my report thereon dated May 23, 2013 which did not include Management's Discussion and Analysis or budgetary comparison. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Town of Slick, Oklahoma is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered Town of Slick, Oklahoma's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Slick, Oklahoma's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Town of Slick, 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, I have identified certain deficiencies that we consider to be significant deficiencies.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2011-3 and 2011-4 to be material weaknesses.

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. I consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-1 and 2011-2 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Slick, Oklahoma's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and question costs as item 2011-01 and 2011-2.

This report is intended solely for the information and use of management, the Board of Directors, 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.

Sincerely,

Ralph Osborn

Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
May 23, 2013

TOWN OF SLICK, OKLAHOMA
SLICK, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2011

2011-1 Franchise Tax

Finding: Franchise tax revenue was reported as operating revenue in Slick Public Works Authority because the Authority pays the electric.

Recommendation: The Town should deposit all tax revenue into the General Fund. Any money being transferred to the Public Works Authority should be budgeted by the General Fund. The Authority does not have the power to levy taxes.

2011-2 Negative Fund Balance

Finding: Slick Public Works Authority reported a deficit fund balance of \$34,507 at June 30, 2011.

Recommendation: The Town should monitor the fund balance on a regular basis and insure that the liabilities do not exceed the assets. The Authority should consider increasing utility rates or reducing expenses.

2011-3 Water and Natural Gas Sales

Finding: Water and natural gas utility revenue combined totaled \$106,424 for the year ending June 30, 2011. Revenue from the same two sources totaled \$130,291 for the year ended June 30, 2010. The Authority purchases water and natural gas from other suppliers for resale to customers. Water and natural gas purchases totaled \$69,602 for the year ending June 30, 2011. Water and natural gas purchases for the year ended June 30, 2010 totaled \$68,000. The Authority has not been able to explain the reason purchases from suppliers went up while the revenue from sales decreased 18%. The Authority Board believes utility meters were not properly read.

Recommendation: The Authority should consider a detailed examination of meter reading and utility billing. The Authority should determine if any customers were not billed the correct amount or if utility payments were not properly received.

2011-4 Town Clerk/Utility Clerk

Finding: During the year ended June 30, 2012, the Town Clerk/Utility Clerk was removed from office for misappropriation of funds.

Recommendation: The Town should consult the proper legal authorities to determine any action the Town needs to take. The Town should consider a detailed examination of Town financial activities during the term of the Town Clerk.

