

**THE TOWN OF SHATTUCK,  
OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITOR'S REPORTS**

**AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**TOWN OF SHATTUCK, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2013**

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**TOWN OF SHATTUCK, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2013**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
The Town of Shattuck, Oklahoma

**Report on Financial Statements**

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the Town of Shattuck, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Town's primary government as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1B; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We 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 *Governmental 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the primary government of the Town of Shattuck, Oklahoma, as of June 30, 2013, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1B.

## **Basis of Accounting**

We draw attention to Note 1B of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

## **Emphasis of Matter**

As discussed in Note 1A, the financial statements referred to above include only the primary government of the Town of Shattuck, Oklahoma, which consists of all funds and trusts that comprise the Town's legal entity. These primary government financial statements do not include financial data for the Town's legally separate component unit, the Shattuck Hospital Authority (SHA). As a result, the Town's primary government financial statements do not include all component units of the financial reporting entity. Our opinion on the opinion units listed in the first and fourth sections above is not modified with respect to this matter. The SHA issues separate audited financial statements which are presented in accordance with accounting principles generally accepted in the United States of America.

We have audited, in accordance with auditing standards generally accepted in the United States of America, the modified cash basis financial statements of the reporting entity of the Town of Shattuck, Oklahoma, as of and for the year ended June 30, 2013, and our report thereon, dated June 5, 2014, expressed an unmodified opinion on those financial statements.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8–14 and 38-40 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.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Shattuck's basic financial statements. The combining fund financial statements, schedule of expenditures of federal and state awards, and schedule of debt service coverage requirement are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements, schedule of expenditures of federal and state awards, and schedule of debt service coverage requirement are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements, schedule of expenditures of federal and state awards, and schedule of debt service coverage requirement are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2014, 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* in considering the Town of Shattuck's internal control over financial reporting and compliance.

 C.P.A., Inc.

Becky Fleming, C.P.A., Inc.  
June 5, 2014

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**TOWN OF SHATTUCK, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2013**

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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, 2013. 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 position increased by \$57,522, and the assets of the Town exceed its liabilities at June 30, 2013, by \$1,272,184.
- At June 30, 2013, the Town's governmental funds reported combined ending fund balances on a modified cash basis of \$774,993.
- At June 30, 2013, the Town's general fund reported an ending fund balance on a modified cash basis of a \$117,152.

### **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***

Except as noted below, 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) and one blended 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** is also a component unit of the Town that issues a separate financial statement report, but is not included in the financial statement report. 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. Separate financial statements can be obtained by contacting: Shattuck Hospital Authority, 905 S. Main Street, Shattuck Ok, 73858.

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, 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"). Included in this report are government-wide statements for each of the two categories of activities - governmental and business-type.

The government-wide financial statements present the complete financial picture of the Town from the modified cash basis of accounting. These statements include all assets of the Town as well as all liabilities, resulting from modified cash basis transactions. They present governmental and business-type 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 Position 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 Position 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 Position 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.

### **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* - are described below.

*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. 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 also reported on the modified cash basis of accounting. 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 27-37 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.

**TOWN OF SHATTUCK, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2013**

**THE TOWN AS A WHOLE**

For the year ended June 30, 2013, net position on a modified cash basis for the governmental and business-type activities increased \$57,522.

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

**Net Position (Modified Cash Basis)**  
**June 30, 2013**

TABLE 1  
NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2013	2012		2013	2012		2013	2012	
Current assets	\$ 775	\$ 813	-5%	\$ 533	\$ 437	22%	\$ 1,308	\$ 1,250	5%
<b>Total assets</b>	<u>775</u>	<u>813</u>	-5%	<u>533</u>	<u>437</u>	22%	<u>1,308</u>	<u>1,250</u>	5%
Current liabilities	-	-	-	36	35	3%	36	35	3%
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	-	<u>36</u>	<u>35</u>	3%	<u>36</u>	<u>35</u>	3%
Net position									
Restricted	749	753	-1%	-	-	-	749	753	-1%
Unrestricted	26	60	-57%	497	402	24%	523	462	13%
<b>Total net position</b>	<u>\$ 775</u>	<u>\$ 813</u>	-5%	<u>\$ 497</u>	<u>\$ 402</u>	24%	<u>\$ 1,272</u>	<u>\$ 1,215</u>	5%

The largest portion of the Town's net position is restricted for use by the street department. For 2013, the amount restricted for streets was \$628,886. The Town also has \$17,232 restricted for cemetery care, \$91,703 restricted for the fire truck, and \$11,723 restricted for library.

The remaining balance in unrestricted net position of \$25,449 is available to meet the government's ongoing obligations to citizens and creditors.

The increase in unrestricted net position in business-type activities of approximately \$95,659 or 24% 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 position for both the governmental and business-type activities.

**TOWN OF SHATTUCK, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2013**

**Changes in Net Position (Modified Cash Basis)**  
**Year Ended June 30, 2013**

**CHANGES IN NET POSITION (In Thousands)**

	Governmental Activities		% Inc. Dec.	Business-Type Activities		% Inc. Dec.	Total		% Inc. Dec.
	2013	2012		2013	2012		2013	2012	
<b>Revenues</b>									
Charges for services	\$ 67	\$ 64	5%	\$ 631	\$ 560	13%	\$ 698	\$ 624	12%
Operating grants and contributions	27	29	-7%	-	-	-	27	29	-7%
Capital grants and contributions	2	-	100%	765	396	93%	767	396	94%
Taxes	859	779	10%	-	-	-	859	779	10%
Intergovernmental revenue	66	64	3%	-	-	-	66	64	3%
Investment income	2	-	100%	-	1	-100%	2	1	100%
Miscellaneous	135	230	-41%	23	7	229%	158	237	-33%
<b>Total revenues</b>	<b>1,158</b>	<b>1,166</b>	<b>-1%</b>	<b>1,419</b>	<b>964</b>	<b>47%</b>	<b>2,577</b>	<b>2,130</b>	<b>21%</b>
<b>Expenses</b>									
General government	314	273	15%	-	-	-	314	273	15%
Public safety	262	222	18%	-	-	-	262	222	18%
Highway and streets	251	103	144%	-	-	-	251	103	144%
Culture and recreation	248	269	-8%	-	-	-	248	269	-8%
Cemetery	4	6	-33%	-	-	-	4	6	-33%
Water	-	-	-	1,070	676	58%	1,070	676	58%
Sewer	-	-	-	112	159	-30%	112	159	-30%
Sanitation	-	-	-	258	158	63%	258	158	63%
<b>Total expenses</b>	<b>1,079</b>	<b>873</b>	<b>24%</b>	<b>1,440</b>	<b>993</b>	<b>45%</b>	<b>2,519</b>	<b>1,866</b>	<b>35%</b>
Excess (deficiency) before transfers	79	293	-73%	(21)	(29)	-28%	58	264	-78%
Transfers	(117)	(182)	-36%	117	182	-36%	-	-	-
<b>Change in net position</b>	<b>(38)</b>	<b>111</b>	<b>-134%</b>	<b>96</b>	<b>153</b>	<b>-37%</b>	<b>58</b>	<b>264</b>	<b>-78%</b>
<b>Beginning net position</b>	<b>813</b>	<b>702</b>	<b>16%</b>	<b>402</b>	<b>249</b>	<b>61%</b>	<b>1,215</b>	<b>951</b>	<b>28%</b>
<b>Ending net position</b>	<b>\$ 775</b>	<b>\$ 813</b>	<b>-5%</b>	<b>\$ 498</b>	<b>\$ 402</b>	<b>24%</b>	<b>\$ 1,273</b>	<b>\$ 1,215</b>	<b>5%</b>

**Governmental Activities**

The Town's governmental activities had a decrease in net position of \$38,137. This decrease is primarily due to the increase in highway and streets expenses of 144%. Total expenses also increased by 24%.

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

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2013	2012		2013	2012	
General government	\$ 314	\$ 273	15%	(\$314)	(\$273)	15%
Public safety	262	222	18%	(248)	(209)	19%
Highways and streets	251	103	144%	(241)	(90)	168%
Culture, parks and recreation	248	269	-8%	(180)	(203)	-11%
Cemetery	4	6	-33%	(1)	(5)	-80%
<b>Total</b>	<b>\$ 1,079</b>	<b>\$ 873</b>	<b>24%</b>	<b>\$ (984)</b>	<b>\$ (780)</b>	<b>26%</b>

**TOWN OF SHATTUCK, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2013**

**Business-type Activities**

The business-type activities had an increase in net position of \$95,659. In reviewing the departmental net (expenses)/revenue, only the sanitation activity charges were not sufficient to cover expenses. The increase in water expenses is due to a new 2013 OWRB Drinking Water SRF loan; the Town did receive loan proceeds of \$746,639 and these proceeds are not recorded in operating revenues but are recorded in general revenues at the bottom of the Statement of Activities (see page 16).

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

	<b>Total Expense</b>		<b>% Inc. (Dec.)</b>	<b>Net Revenue</b>		<b>% Inc. (Dec.)</b>
	<b>of Services</b>			<b>(Expense)</b>		
	<u>2013</u>	<u>2012</u>		<u>2013</u>	<u>2012</u>	
Water	\$ 1,070	\$ 676	58%	\$ 7	\$ (357)	102%
Sewer	112	159	-30%	28	(38)	174%
Sanitation	<u>258</u>	<u>158</u>	63%	<u>(80)</u>	<u>(8)</u>	-900%
<b>Total</b>	<u>\$ 1,440</u>	<u>\$ 993</u>	45%	<u>\$ (45)</u>	<u>\$ (403)</u>	-89%

**A FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

As the Town completed its 2013 fiscal year, the governmental funds reported a combined fund balance of \$774,993. For the year ended June 30, 2013, the General Fund's total fund balance decreased by \$11,275 or -8.8% to a fund balance of \$117,152.

The Street and Alley Fund's total fund balance decreased by \$27,128 to a fund balance of \$628,886. The decrease in fund balance is attributable to capital outlay expenditures during fiscal year 2013.

The Shattuck Municipal Authority Fund reported net position of \$497,191.

**Budgetary Highlights**

For the year ended June 30, 2013, the General Fund reported actual budgetary basis revenues under final estimates by \$270,465 or a 27.5% negative variance. General Fund actual expenditures were under final appropriations by \$239,919 or a 19.1% 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 2014 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.

**TOWN OF SHATTUCK, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2013**

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**BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE**

**TOWN OF SHATTUCK, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2013

**Statement of Net Position (Modified Cash Basis) – June 30, 2013**

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 774,993	\$ 532,975	\$1,307,968
Total Assets	<u>774,993</u>	<u>532,975</u>	<u>1,307,968</u>
<b>LIABILITIES</b>			
Deposit liability	-	35,784	35,784
Total Liabilities	<u>-</u>	<u>35,784</u>	<u>35,784</u>
<b>NET POSITION</b>			
Restricted by:			
Enabling legislation:			
Streets	628,886	-	628,886
Statutory requirements:			
Cemetery	17,232	-	17,232
External contracts:			
Fire truck	91,703	-	91,703
Library	11,723	-	11,723
Unrestricted	25,449	497,191	522,640
Total Net Position	<u>\$ 774,993</u>	<u>\$ 497,191</u>	<u>\$1,272,184</u>

See accompanying notes to the basic financial statements.

**TOWN OF SHATTUCK, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2013

**Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Primary Government:</b>							
Governmental activities:							
General Government	\$ 314,125	\$ -	\$ -	\$ -	\$ (314,125)	\$ -	\$ (314,125)
Public Safety	261,748	9,349	4,484	-	(247,915)	-	(247,915)
Highways and Streets	251,447	-	10,855	-	(240,592)	-	(240,592)
Culture and Recreation	247,629	54,473	11,300	1,500	(180,356)	-	(180,356)
Cemetery	3,777	2,825	-	-	(952)	-	(952)
Total governmental activities	<u>1,078,726</u>	<u>66,647</u>	<u>26,639</u>	<u>1,500</u>	<u>(983,940)</u>	<u>-</u>	<u>(983,940)</u>
Business-type activities:							
Water	1,070,407	312,946	-	764,806	-	7,345	7,345
Sewer	111,924	140,371	-	-	-	28,447	28,447
Sanitation	258,098	177,315	-	-	-	(80,783)	(80,783)
Total business-type activities	<u>1,440,429</u>	<u>630,632</u>	<u>-</u>	<u>764,806</u>	<u>-</u>	<u>(44,991)</u>	<u>(44,991)</u>
<b>Total primary government</b>	<u>\$2,519,155</u>	<u>\$ 697,279</u>	<u>\$ 26,639</u>	<u>\$ 766,306</u>	<u>(983,940)</u>	<u>(44,991)</u>	<u>(1,028,931)</u>
General revenues:							
Taxes:							
Sales and use tax					793,189	-	793,189
Franchise and public service taxes					66,167	-	66,167
Intergovernmental revenue not restricted to specific programs					66,492	-	66,492
Investment income					1,651	38	1,689
Miscellaneous:							
Royalties					53,019	-	53,019
Other					82,538	23,359	105,897
Internal transfers					(117,253)	117,253	-
Total general revenues and transfers					<u>945,803</u>	<u>140,650</u>	<u>1,086,453</u>
Change in net position					(38,137)	95,659	57,522
Net position - beginning, restated					813,130	401,532	1,214,662
Net position - ending					<u>\$ 774,993</u>	<u>\$ 497,191</u>	<u>\$ 1,272,184</u>

See accompanying notes to the basic financial statements.

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**BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS**

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**Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2013**

	<u>General Fund</u>	<u>Street and Alley Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and investments	\$ 117,152	\$ 628,886	\$ 28,955	\$ 774,993
Total Assets	<u>117,152</u>	<u>628,886</u>	<u>28,955</u>	<u>774,993</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted for:				
Fire truck	91,703	-	-	91,703
Streets and alleys	-	628,886	-	628,886
Library	-	-	11,723	11,723
Cemetery	-	-	17,232	17,232
Assigned to:				
Cemetery	12,497	-	-	12,497
Balance future year's budget	12,952	-	-	12,952
Total Fund Balances	<u>117,152</u>	<u>628,886</u>	<u>28,955</u>	<u>774,993</u>
Total Liabilities and Fund Balances	<u>\$ 117,152</u>	<u>\$ 628,886</u>	<u>\$ 28,955</u>	<u>\$ 774,993</u>

See accompanying notes to the basic financial statements.

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**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance**  
**(Modified Cash Basis) – Year Ended June 30, 2013**

	<u>General Fund</u>	<u>Street and Alley Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Taxes	\$ 649,274	\$ 210,081	\$ -	\$ 859,355
Intergovernmental	70,977	10,855	12,800	94,632
Charges for services	56,693	-	1,344	58,037
Fines and forfeitures	4,921	-	-	4,921
Licenses and permits	3,689	-	-	3,689
Investment income	114	1,377	160	1,651
Miscellaneous	133,803	-	1,754	135,557
Total Revenues	<u>919,471</u>	<u>222,313</u>	<u>16,058</u>	<u>1,157,842</u>
<b>Expenditures:</b>				
Current:				
General Government:				
Managerial	135,375	-	-	135,375
City Attorney	6,561	-	-	6,561
City Clerk	88,475	-	-	88,475
General Government	79,770	-	-	79,770
Public Safety:				
Police	130,643	-	-	130,643
Animal Control	1,530	-	-	1,530
Fire	95,498	-	-	95,498
Highways and streets:				
Streets	2,006	164,160	-	166,166
Culture and Recreation:				
Community Development	22,603	-	-	22,603
Parks	137,561	-	-	137,561
Library	62,058	-	8,964	71,022
Cemetery	152	-	3,625	3,777
Capital Outlay	51,261	85,281	3,203	139,745
Total Expenditures	<u>813,493</u>	<u>249,441</u>	<u>15,792</u>	<u>1,078,726</u>
Excess (deficiency) of revenues over expenditures	105,978	(27,128)	266	79,116
<b>Other Financing Sources (Uses):</b>				
Transfers in	129,901	-	-	129,901
Transfers out	(247,154)	-	-	(247,154)
Total Other Financing Sources (Uses)	<u>(117,253)</u>	<u>-</u>	<u>-</u>	<u>(117,253)</u>
Net change in fund balances	(11,275)	(27,128)	266	(38,137)
Fund balances - beginning	128,427	656,014	28,689	813,130
Fund balances - ending	<u>\$ 117,152</u>	<u>\$ 628,886</u>	<u>\$ 28,955</u>	<u>\$ 774,993</u>

See accompanying notes to the basic financial statements.

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**BASIC FINANCIAL STATEMENTS – PROPRIETARY FUND**

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**Proprietary Fund Statement of Net Position (Modified Cash Basis) – June 30, 2013**

	<b><u>Shattuck Municipal Authority</u></b>
<b>ASSETS</b>	
Current Assets:	
Cash and investments	\$ 497,191
Restricted cash and cash equivalents	35,784
Total Assets	<u>532,975</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Deposit liability	35,784
Total Liabilities	<u>35,784</u>
<b>NET POSITION</b>	
Unrestricted	497,191
Total net position	<u>\$ 497,191</u>

See accompanying notes to the basic financial statements.

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**Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended June 30, 2013**

	<u>Shattuck Municipal Authority</u>
<b>Operating Revenues:</b>	
Charges for services:	
Water	\$ 305,334
Sewer	136,956
Sanitation	173,003
Late charges	9,118
Reconnection fees	6,221
Total Operating Revenues	<u>630,632</u>
<b>Operating Expenses:</b>	
Administrative	69,543
Water	213,340
Sewer	90,164
Sanitation	138,450
Total Operating Expenses	<u>511,497</u>
Operating Income	119,135
<b>Non-Operating Revenues (Expenses):</b>	
Investment income	38
Miscellaneous	23,359
Loan proceeds	746,639
Debt service:	
Principal retirement	(24,750)
Interest expense and fees	(16,196)
Capital Outlay	(887,986)
Total Non-Operating Revenues (Expenses)	<u>(158,896)</u>
Net Income (Loss) Before Contributions and Transfers	(39,761)
Transfer in	247,154
Transfer out	(129,901)
Capital contributions - grant	18,167
Change in net position	95,659
Total net position - beginning, restated	401,532
Total net position - ending	<u>\$ 497,191</u>

See accompanying notes to the basic financial statements.

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**Proprietary Fund Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2013**

	<u>Shattuck Municipal Authority</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$653,991
Payments to suppliers	(400,255)
Payments to employees	(111,242)
Receipts of customer utility deposits	1,322
Refunds of customer utility deposits	(300)
Net Cash Provided by Operating Activities	<u>143,516</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from other funds	247,154
Transfers to other funds	(129,901)
Net Cash Provided by Noncapital Financing Activities	<u>117,253</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital contributions	18,167
Purchases of capital assets	(887,986)
Proceeds of debt	746,639
Principal paid on debt	(24,750)
Interest and fiscal agent fees paid on debt	(16,196)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(164,126)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends	38
Net Cash Provided by Investing Activities	<u>38</u>
Net Increase in Cash and Cash Equivalents	96,681
Balance - beginning of the year	<u>436,294</u>
Balance - end of the year	<u>\$532,975</u>
<b>Reconciliation to Statement of Net Position:</b>	
Cash and cash equivalents	497,191
Restricted cash and cash equivalents	<u>35,784</u>
Total cash and cash equivalents	<u>\$532,975</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$119,135
Adjustments to reconcile operating income to net cash provided by operating activities:	
Other receipts	23,359
Change in assets and liabilities:	
Deposit liability	1,022
Net cash provided by operating activities	<u>\$143,516</u>

See accompanying notes to the basic financial statements.

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**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**

## **1. Summary of Significant Accounting Policies**

### **A. Financial Reporting Entity**

The Town's financial reporting entity consists of the primary government, one blended component unit, and one component unit that should be discretely-presented.

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

**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. The Shattuck Hospital Authority issues a separate financial statement report, but management of the Town has elected to exclude the Authority in this financial statement report. Separate financial statements can be obtained by contacting: Shattuck Hospital Authority, 905 S. Main Street, Shattuck Ok, 73858.

In determining the financial reporting entity, the Town complies, with the exception of the omission of the Shattuck Hospital Authority, with the provisions of Governmental Accounting Standards Board Statement No. 14, *“The Financial Reporting Entity”*, as amended by Statement No. 61 *“The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 & No. 34”*, that requires all component units of which the Town is financially accountable be included in the financial report.

The component unit presented is a Public Trust established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authority is 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 Authority. The Authority generally retains 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 Authority 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.

### **B. Basis of Presentation and Accounting**

#### *Government-Wide Financial Statements:*

The statement of net position 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

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- 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

*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 account.

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- 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. 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 fund is 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.

For purposes of the statement of revenues, expenses and changes in fund net position, 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.

**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 Statements of Net Position.

**E. Long-Term Debt**

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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 instead disclosed as a commitment in Note 9 and is not recorded in the Statements of Net Position.

**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 Statements of Net Position. 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 9.

**G. Fund Balances and Net Position**

*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.
- d. *Assigned* – includes amounts that are constrained by the Town's intent to be used for specific purposes but are neither restricted nor 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.

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*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, 2013.

*Net Position:*

Net position is displayed in two components:

- a. *Restricted net position* - Consists of net position 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 position* - All other net position that does not meet the definition of “restricted.”

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

**J. New Accounting Pronouncements**

The Town implemented the following accounting standards during fiscal year ended June 30, 2013:

*Governmental Accounting Standards Board Statement No. 60 - Accounting and Financial Reporting for Service Concession Arrangements* - This had no impact on the town's financial report.

*Governmental Accounting Standards Board Statement No. 61 - The Financial Reporting Entity: Omnibus* -This had no impact on the town's financial report.

*Governmental Accounting Standards Board Statement No. 62 - Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* - A modification was made to the note disclosure to eliminate references to FASB pronouncements and APB opinions issued on or before November 30, 1989.

*Governmental Accounting Standards Board Statement No. 63 - Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* – This statement required the removal of the Statement of Net Asset, and replaced it with a Statement of Net Position.

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*Governmental Accounting Standards Board Statement No. 65 - Items Previously Reported as Assets and Liabilities*-Early implemented, but had no impact on the town's financial report and was early implemented.

## **2. Deposits and Investments**

For the year ended June 30, 2013, the Town recognized \$1,688 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, 2013, the primary government held the following deposits and investments:

<u>Primary Government:</u>	<u>Carrying Value</u>
Deposits:	
Demand deposits	\$ 874,601
Time deposits	433,367
<b>Total Deposits and Investments</b>	<u><u>\$ 1,307,968</u></u>
 <b>Reconciliation to Statement of Net Position:</b>	
Cash and investments	\$ 1,307,968
	<u><u>\$ 1,307,968</u></u>

### *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, 2013, the Town had no custodial credit risk.

### *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

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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 its 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, 2013, 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, 2013, 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 position are comprised of amounts restricted for water deposits. The restricted assets as of June 30, 2013 are as follows:

<u>Type of Restricted Assets</u>	Current Cash and Cash <u>Equivalents</u>
Utility Deposits	<u>\$ 35,784</u>

**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. 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.

**5. Transfers**

Internal transfers between funds and activities for the year ended June 30, 2013, were as follows:

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<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Nature of Transfer</u>
General Fund	SMA	\$ 247,154	Sales tax transfer
SMA	General Fund	129,901	Operating transfer
		<u>\$ 377,055</u>	

Reconciliation to Statement of Changes in Net Position:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental	\$ 129,901	\$ (247,154)	\$ (117,253)
Business-Type	247,154	(129,901)	117,253
Total	<u>\$ 377,055</u>	<u>\$ (377,055)</u>	<u>\$ -</u>

## 6. Fund Equity

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

	<u>General Fund</u>	<u>Street and Alley Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund Balance:				
Restricted for:				
Fire truck	\$ 91,703	\$ -	\$ -	\$ 91,703
Streets and alleys	-	628,886	-	628,886
Library	-	-	11,723	11,723
Cemetery	-	-	17,232	17,232
Sub-total Restricted	<u>91,703</u>	<u>628,886</u>	<u>28,955</u>	<u>749,544</u>
Assigned to:				
Cemetery	12,497	-	-	12,497
Balance future year's budget	12,952	-	-	12,952
Total Fund Balance	<u>\$ 117,152</u>	<u>\$ 628,886</u>	<u>\$ 28,955</u>	<u>\$ 774,993</u>

### Restricted Net Position – Governmental Activities:

The town has restricted fund balances of \$749,544. Of that amount, \$628,886 is restricted by enabling legislation for the purpose of construction, maintenance, repair, improvement or lighting of streets and alleys.

## 7. 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.

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**8. 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 2013, the Town's annual required contribution was \$2,700 for the OFPRS plan and was equal to the Town's actual contribution.

Fiscal Year	OFPRS	
	Required Contribution	Amount Contributed
2011	1,320	100%
2012	1,320	100%
2013	2,700	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 16.5%. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

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Fiscal Year	Required Contribution	Amount Contributed
2011	44,593	100%
2012	62,594	100%
2013	55,203	100%

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.

**9. Commitments and Contingencies**

*Long-term Debt Commitments:*

*Shattuck Municipal Authority:*

Note Payable:

OWRB Drinking Water SRF Loan, issued in February 2013, original amount \$1,485,000, due in semi-annual installments each March 15 and September 15, final installment due September 15, 2042, fixed interest rate of 2.90%. Issued by the SMA and secured by pledged sales tax and net revenues. \$ 1,086,854

Year Ended June 30,	Notes Payable	
	Principal	Interest
2014	\$ 31,984	\$ 42,638
2015	32,924	41,697
2016	33,891.00	40,730.00
2017	34,887.00	39,734.00
2018	35,913.00	38,709.00
2019-2023	196,029.00	177,080.00
2024-2028	226,578.00	146,532.00
2028-2032	261,888.00	111,221.00
2033-2037	302,700	70,410
2038-2042	303,456	\$23,239
Total	\$ 1,460,250	<u>\$ 731,990</u>
Less:		
Remaining proceeds to be drawn	<u>(373,396)</u>	
Principal balance	<u>\$ 1,086,854</u>	

**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, sewer and sanitation revenues to repay the \$500,000 of the OWRB 1999 Small Community Clean Water SRF Promissory Note and the \$1,485,000 of the OWRB 2013 Drinking Water SRF Promissory Note. Proceeds from the notes provided financing for construction improvements to capital assets. The notes are payable from pledged sales tax revenues and net water, sewer and sanitation revenues of the SMA and are payable through 2020 and 2042, respectively. The city retired the OWRB 1999 note on February 24, 2013. The total principal and interest payable for the remainder of the life of the 2013 note is \$2,192,240. Pledged sales taxes and net water and sewer revenues received in the

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current year were \$306,613. Debt service payments of \$40,946 for the current fiscal year were 13.4% of pledged sales tax and net utility 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 and comp leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2013 is \$16,663.

*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.

*Federal and State Award Programs:*

The Town of Shattuck participates in various federal or state grant/loan programs from year to year. In 2013, 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.

**10. Expenditures Exceeding Appropriations**

The City is required to adopt appropriations for all funds of the City of Shattuck's legal entity. The level at which expenditures should not exceed appropriations is the department level within a fund as provided by the Municipal Budget Act. Transfers of appropriation may be approved by the City management; however, supplemental appropriations must be approved by the City Council and subsequently filed with the Oklahoma State Auditor's Office.

For the year ended June 30, 2013, the City of Shattuck expenditures exceeded fund/departmental appropriations in the following:

General Fund – Library \$13,239.

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**SUPPLEMENTARY INFORMATION**

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**Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended June 30, 2013**

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Final Budget Positive (Negative)
	Original	Final		
<b>Beginning Budgetary Fund Balance:</b>	\$ 17,889	\$ 56,216	\$ 59,736	\$ 3,520
<b>Resources (Inflows):</b>				
Taxes	801,000	801,000	649,274	(151,726)
Intergovernmental	55,000	55,000	66,493	11,493
Charges for services	60,100	60,100	56,693	(3,407)
Fines and Forfeitures	5,127	5,127	4,921	(206)
Licenses and Permits	2,570	2,570	3,689	1,119
Investment Income	190	190	114	(76)
Miscellaneous	218,850	188,850	74,077	(114,773)
Other Financing Sources - Transfers In	124,901	142,790	129,901	(12,889)
<b>Total Resources</b>	<b>1,267,738</b>	<b>1,255,627</b>	<b>985,162</b>	<b>(270,465)</b>
<b>Amounts available for appropriation</b>	<b>1,285,627</b>	<b>1,311,843</b>	<b>1,044,898</b>	<b>(266,945)</b>
<b>Charges to Appropriations (Outflows):</b>				
Managerial	120,440	135,395	135,375	20
City Attorney	12,000	9,070	6,561	2,509
City Clerk	75,500	88,481	88,475	6
General Government	97,976	101,085	83,714	17,371
Police	150,870	160,420	160,378	42
Animal Control	1,200	1,531	1,530	1
Fire	134,600	61,142	58,642	2,500
Streets	2,100	2,040	2,006	34
Community Development	-	24,973	22,603	2,370
Parks	189,221	137,561	137,561	-
Library	57,200	62,059	75,298	(13,239)
Cemetery	-	1,570	152	1,418
Other Financing Uses - Transfers Out	444,520	474,041	247,154	226,887
<b>Total Charges to Appropriations</b>	<b>1,285,627</b>	<b>1,259,368</b>	<b>1,019,449</b>	<b>239,919</b>
<b>Ending Budgetary Fund Balance</b>	<b>\$ -</b>	<b>\$ 52,475</b>	<b>\$ 25,449</b>	<b>\$ (27,026)</b>

See accompanying notes to budgetary comparison schedules.

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**Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended June 30, 2013, (Cont.)**

	STREET AND ALLEY FUND			
	Budgeted Amounts		Actual Amounts	Final Budget Positive (Negative)
	Original	Final		
<b>Beginning Budgetary Fund Balance:</b>	\$ 656,014	\$ 656,014	\$ 656,014	\$ -
<b>Resources (Inflows):</b>				
Taxes	202,800	202,800	210,081	7,281
Intergovernmental	-	-	10,855	10,855
Miscellaneous	-	-	1,377	1,377
Total Resources	<u>202,800</u>	<u>202,800</u>	<u>222,313</u>	<u>19,513</u>
<b>Amounts available for appropriation</b>	<u>858,814</u>	<u>858,814</u>	<u>878,327</u>	<u>19,513</u>
<b>Charges to Appropriations (Outflows):</b>				
Streets	<u>858,814</u>	<u>858,814</u>	<u>249,441</u>	<u>609,373</u>
Total Charges to Appropriations	<u>858,814</u>	<u>858,814</u>	<u>249,441</u>	<u>609,373</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 628,886</u>	<u>\$ 628,886</u>

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 account. This account 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	\$ 985,162
fire truck account revenue	<u>64,210</u>
Revenue - Statement of Revenues, Expenditures, and Changes in Fund Balance	<u>\$ 1,049,372</u>
Charges to appropriations - Budgetary Comparison Schedule	\$ 1,019,449
fire truck account expenditures	<u>41,198</u>
Expenditures - Statement of Revenues, Expenditures, and Changes in Fund Balance	<u>\$ 1,060,647</u>

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**Combining Balance Sheet – General Fund Accounts**

	<b>General Fund</b>	<b>Fire Truck Account</b>	<b>Total General Fund</b>
<b>ASSETS</b>			
Cash and investments	\$ 25,449	\$ 91,703	\$ 117,152
Total Assets	25,449	91,703	117,152
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities	-	-	-
Total Liabilities	-	-	-
Fund Balances:			
Restricted for:			
Fire Truck	-	91,703	91,703
Assigned to:			
Cemetery	12,497	-	12,497
Balance future year's budget	12,952	-	12,952
Total Fund Balances	25,449	91,703	117,152
Total Liabilities and Fund Balances	\$ 25,449	\$ 91,703	\$ 117,152

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**Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund Accounts**  
**(Modified Cash Basis) – Year Ended June 30, 2013**

	<u>General Fund</u>	<u>Fire Truck Account</u>	<u>Total General Fund</u>
<b>Revenues:</b>			
Taxes	\$ 649,274	\$ -	\$ 649,274
Intergovernmental	66,493	4,484	70,977
Charges for services	56,693	-	56,693
Fines and forfeitures	4,921	-	4,921
Licenses and permits	3,689	-	3,689
Investment income	114	-	114
Miscellaneous	74,077	59,726	133,803
Total Revenues	<u>855,261</u>	<u>64,210</u>	<u>919,471</u>
<b>Expenditures:</b>			
Current:			
General Government:			
Managerial	135,375	-	135,375
City Attorney	6,561	-	6,561
City Clerk	88,475	-	88,475
General Government	79,770	-	79,770
Public Safety:			
Police	130,643	-	130,643
Animal Control	1,530	-	1,530
Fire	54,300	41,198	95,498
Highways and streets:			
Streets	2,006	-	2,006
Culture and Recreation:			
Community Development	22,603	-	22,603
Parks	137,561	-	137,561
Library	62,058	-	62,058
Cemetery	152	-	152
Capital Outlay	51,261	-	51,261
Total Expenditures	<u>772,295</u>	<u>41,198</u>	<u>813,493</u>
<b>Excess (deficiency) of revenues over expenditures</b>	82,966	23,012	105,978
<b>Other Financing Sources (Uses):</b>			
Transfers in	129,901	-	129,901
Transfers out	(247,154)	-	(247,154)
Total Other Financing Sources (Uses)	<u>(117,253)</u>	<u>-</u>	<u>(117,253)</u>
<b>Net change in fund balances</b>	(34,287)	23,012	(11,275)
<b>Fund balances, beginning</b>	59,736	68,691	128,427
<b>Fund balances, ending</b>	<u>\$ 25,449</u>	<u>\$ 91,703</u>	<u>\$ 117,152</u>

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**Combining Balance Sheet – Non-Major Governmental Funds – June 30, 2013**

	<u>Special Revenue Funds</u>		
	<u>Cemetery Care Fund</u>	<u>Library Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 17,232	\$ 11,723	\$ 28,955
Total Assets	<u>17,232</u>	<u>11,723</u>	<u>28,955</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Restricted for:			
Cemetery	17,232	-	17,232
Library	-	11,723	11,723
Total Fund Balances	<u>17,232</u>	<u>11,723</u>	<u>28,955</u>
Total Liabilities and Fund Balances	<u>\$ 17,232</u>	<u>\$ 11,723</u>	<u>\$ 28,955</u>

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**Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Non-Major Governmental Funds (Modified Cash Basis) – Year Ended June 30, 2013**

	<b><u>Special Revenue Funds</u></b>		
	<b><u>Cemetery</u></b>		
	<b><u>Care</u></b>	<b><u>Library</u></b>	<b><u>Total</u></b>
	<b><u>Fund</u></b>	<b><u>Fund</u></b>	
<b>Revenues:</b>			
Intergovernmental	\$ -	\$ 12,800	\$ 12,800
Charges for services	706	638	1,344
Investment income	160	-	160
Miscellaneous	-	1,754	1,754
Total Revenues	<u>866</u>	<u>15,192</u>	<u>16,058</u>
<b>Expenditures:</b>			
Current:			
Cemetery	3,625	-	3,625
Library	-	8,964	8,964
Capital Outlay	-	3,203	3,203
Total Expenditures	<u>3,625</u>	<u>12,167</u>	<u>15,792</u>
<b>Net change in fund balances</b>	(2,759)	3,025	266
<b>Fund balances, beginning</b>	19,991	8,698	28,689
<b>Fund balances, ending</b>	<u>\$ 17,232</u>	<u>\$ 11,723</u>	<u>\$ 28,955</u>

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**Schedule of Expenditures of Federal and State Awards (Modified Cash Basis) – Year Ended June 30, 2013**

Federal/State Grantor/Pass through agency Grantor/Program Title	Grant #	Award Amount	Expenditures
<b>FEDERAL AWARDS:</b>			
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass through the Oklahoma Department of Commerce: Community Development Block Grant	CFDA #14.228 14826 CDBG- CIP 11	\$ 18,167	\$ 18,167
<u>National Foundation on the Arts and the Humanities</u>			
Pass through the Oklahoma Department of Libraries: Grants to States	CFDA #45.310 F-13-12	\$ 1,500	\$ 875
<b>TOTAL FEDERAL AWARDS</b>		<b>\$ 19,667</b>	<b>\$ 19,042</b>
<b>STATE AWARDS:</b>			
<u>OKLAHOMA DEPARTMENT OF LIBRARIES:</u>			
Library State Aid	N/A	\$ 24,138	\$ 11,292
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>			
Rural Fire Operational Grant	N/A	4,484	4,484
<b>TOTAL STATE AWARDS</b>		<b>\$ 28,622</b>	<b>\$ 15,776</b>

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**Schedule of Debt Service Coverage Requirement – Year Ended June 30, 2013**

	<b>OWRB NOTE</b>
<b>GROSS REVENUE AVAILABLE:</b>	
Charges for services (water, sewer, sanitation systems)	\$630,632
Investment income	38
Pledged sales tax	247,154
Total Gross Revenue Available	877,824
<b>OPERATING EXPENDITURES:</b>	
Water	286,669
Sewer	114,859
Sanitation	169,645
Total Operating Expenditures	571,173
Net Revenue Available for Debt Service	\$306,651
Maximum Annual Debt Service on all Long-Term Debt Payable From Revenues of the System	\$74,622
Computed Coverage	411%
Coverage Requirement	125%

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**INTERNAL CONTROL AND COMPLIANCE**

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**GOVERNMENT AUDITING STANDARDS REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS**

The Board of Trustees  
The Town of Shattuck, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the Town of Shattuck, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Shattuck's basic financial statements, and have issued our report thereon dated June 5, 2014.

**Internal Control Over Financial Reporting**

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

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

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

2013-1: The town does not have established policies and procedures relating to the proper recording and review of capital asset purchases, with the result that capital assets may be posted to the wrong general ledger account or fund. We recommend that policies and procedures be developed for the recording and review of capital asset purchases so that they are recorded to the proper general ledger account and fund.

### **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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

2013-2: As a result of the incorrect recording of capital assets purchased for the library, the library department of the general fund exceeded its budget at year end.

### **The Town of Shattuck's Response to Findings**

The Town of Shattuck's response to the findings identified in our audit is described below. The Town of Shattuck's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

2013-1 response: We will establish policies and procedures for the correct recording and subsequent review of capital asset purchases so that they are correctly recorded in the general ledger.

2013-2 response: We will establish policies and procedures for the correct recording and subsequent review of capital asset purchases so that they are correctly recorded in the general ledger and so budgeted amounts are correctly adjusted for such purchases.

### **Purpose of this Report**

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

 C.P.A., Inc.

Becky Fleming, C.P.A., Inc.  
June 5, 2014