

**THE TOWN OF SHATTUCK,  
OKLAHOMA**

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

**AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**TOWN OF SHATTUCK, OKLAHOMA  
ANNUAL FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2014**

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**BECKY FLEMING, C.P.A., INC.**

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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, 2014, 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, 2014, 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, 2014, and our report thereon, dated April 30, 2015, 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 9–15 and 39-40 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 April 30, 2015, 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.  
April 30, 2015

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**TOWN OF SHATTUCK, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2014**

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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, 2014. 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 \$184,963, and the assets of the Town exceed its liabilities at June 30, 2014, by \$1,457,147.
- At June 30, 2014, the Town's governmental funds reported combined ending fund balances on a modified cash basis of \$796,777.
- At June 30, 2014, the Town's general fund reported an ending fund balance on a modified cash basis of a \$152,448.

**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.

**TOWN OF SHATTUCK, OKLAHOMA**  
**Management's Discussion and Analysis**  
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- **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 this financial statement report, due to the Hospital Authority's use of a different financial reporting framework than the Town. 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. In addition, , all debt obligations incurred by the trust must be approved by two-thirds vote of the Town Council. 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.

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**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2014**

**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 25-35 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, combining and individual fund financial statements and schedules, federal and state award schedules, and debt service coverage schedule.

**THE TOWN AS A WHOLE**

For the year ended June 30, 2014, net position on a modified cash basis for the governmental and business-type activities increased \$184,963.

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, 2014**

TABLE 1  
NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2014	2013		2014	2013		2014	2013	
Current assets	\$ 797	\$ 775	3%	\$ 700	\$ 533	31%	\$ 1,497	\$ 1,308	14%
<b>Total assets</b>	<u>797</u>	<u>775</u>	3%	<u>700</u>	<u>533</u>	31%	<u>1,497</u>	<u>1,308</u>	14%
Current liabilities	-	-	-	40	36	11%	40	36	11%
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	-	<u>40</u>	<u>36</u>	11%	<u>40</u>	<u>36</u>	11%
Net position									
Restricted	746	749	0%	-	-	0%	746	749	0%
Unrestricted	51	26	96%	660	497	33%	711	523	36%
<b>Total net position</b>	<u>\$ 797</u>	<u>\$ 775</u>	3%	<u>\$ 660</u>	<u>\$ 497</u>	33%	<u>\$ 1,457</u>	<u>\$ 1,272</u>	15%

The largest portion of the Town's governmental activities net position is restricted for use by the street department. For 2014, the amount restricted for streets was \$613,667. The Town also has \$10,586 restricted for community development, \$19,654 restricted for cemetery care, \$90,662 restricted for the fire truck, and \$11,008 restricted for library.

The remaining balance in governmental activities unrestricted net position of \$51,200 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 \$163,179 or 33% was mainly due to an operating transfer from the General Fund.

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**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2014**

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.

**Changes in Net Position (Modified Cash Basis)**  
**Year Ended June 30, 2014**

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

	Governmental Activities		% Inc. Dec.	Business-Type Activities		% Inc. Dec.	Total		% Inc. Dec.
	2014	2013		2014	2013		2014	2013	
<b>Revenues</b>									
Charges for services	\$ 74	\$ 67	10%	\$ 650	\$ 631	3%	\$ 724	\$ 698	4%
Operating grants and contributions	5	27	-81%	-	-	0%	5	27	-81%
Capital grants and contributions	16	2	700%	363	765	-53%	379	767	-51%
Taxes	852	859	-1%	-	-	0%	852	859	-1%
Intergovernmental revenue	80	66	21%	-	-	0%	80	66	21%
Investment income	6	2	200%	-	-	0%	6	2	200%
Miscellaneous	113	135	-16%	18	23	-22%	131	158	-17%
<b>Total revenues</b>	<b>1,146</b>	<b>1,158</b>	<b>-1%</b>	<b>1,031</b>	<b>1,419</b>	<b>-27%</b>	<b>2,177</b>	<b>2,577</b>	<b>-16%</b>
<b>Expenses</b>									
General government	340	314	8%	-	-	0%	340	314	8%
Public safety	170	262	-35%	-	-	0%	170	262	-35%
Highway and streets	252	251	0%	-	-	0%	252	251	0%
Culture and recreation	239	248	-4%	-	-	0%	239	248	-4%
Cemetery	-	4	-100%	-	-	0%	-	4	-100%
Water	-	-	0%	707	1,071	-34%	707	1,071	-34%
Sewer	-	-	0%	107	112	-4%	107	112	-4%
Sanitation	-	-	0%	177	258	-31%	177	258	-31%
<b>Total expenses</b>	<b>1,001</b>	<b>1,079</b>	<b>-7%</b>	<b>991</b>	<b>1,441</b>	<b>-31%</b>	<b>1,992</b>	<b>2,520</b>	<b>-21%</b>
Excess (deficiency) before transfers	145	79	84%	40	(22)	282%	185	57	225%
Transfers	(123)	(117)	5%	123	117	5%	-	-	-
<b>Change in net position</b>	<b>22</b>	<b>(38)</b>	<b>158%</b>	<b>163</b>	<b>95</b>	<b>72%</b>	<b>185</b>	<b>57</b>	<b>225%</b>
<b>Beginning net position</b>	<b>775</b>	<b>813</b>	<b>-5%</b>	<b>497</b>	<b>402</b>	<b>24%</b>	<b>1,272</b>	<b>1,215</b>	<b>5%</b>
<b>Ending net position</b>	<b>\$ 797</b>	<b>\$ 775</b>	<b>3%</b>	<b>\$ 660</b>	<b>\$ 497</b>	<b>33%</b>	<b>\$ 1,457</b>	<b>\$ 1,272</b>	<b>15%</b>

**Governmental Activities**

The Town's governmental activities had an increase in net position of \$21,784. This increase is primarily due to the fact that, while total revenues decreased by 1%, total expenses decreased by 7%.

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

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2014	2013		2014	2013	
General government	\$ 340	\$ 314	8%	(\$340)	(\$314)	8%
Public safety	170	262	-35%	(152)	(248)	-39%
Highways and streets	252	251	0%	(252)	(241)	5%
Culture, parks and recreation	239	248	-4%	(169)	(180)	-6%
Cemetery	-	4	-100%	7	(1)	-800%
<b>Total</b>	<b>\$ 1,001</b>	<b>\$ 1,079</b>	<b>-7%</b>	<b>\$ (906)</b>	<b>\$ (984)</b>	<b>-8%</b>

**TOWN OF SHATTUCK, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2014**

**Business-type Activities**

The business-type activities had an increase in net position of \$163,179. In reviewing the departmental net (expenses)/revenue, only the water activity charges were not sufficient to cover expenses. The decrease in water expenses is due to a greater use of 2013 OWRB Drinking Water SRF loan proceeds in the prior year; the Town did receive loan proceeds in the prior year of \$313,402.

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

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2014	2013		2014	2013	
Water	\$ 707	\$ 1,070	-34%	\$ (41)	\$ 7	-686%
Sewer	107	112	-4%	63	28	125%
Sanitation	177	258	-31%	1	(80)	101%
<b>Total</b>	<b>\$ 991</b>	<b>\$ 1,440</b>	<b>-31%</b>	<b>\$ 23</b>	<b>\$ (45)</b>	<b>151%</b>

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

As the Town completed its 2014 fiscal year, the governmental funds reported a combined fund balance of \$796,777. For the year ended June 30, 2014, the General Fund's total fund balance increased by \$35,296 or 30% to a total fund balance of \$152,448.

The Street and Alley Fund's total fund balance decreased by \$15,219 to a fund balance of \$613,667. The decrease in fund balance is attributable to capital outlay expenditures during fiscal year 2014.

The Shattuck Municipal Authority Fund reported a net position of \$660,369.

**Budgetary Highlights**

For the year ended June 30, 2014, the General Fund reported actual budgetary basis revenues under final estimates by \$219,190 or a 17.5% negative variance. General Fund actual expenditures were under final appropriations by \$255,313 or a 20.7% 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 Town is planning a waterline project estimated at \$607,000. The Town has received an OEDA REAP grant of \$47,000 and has applied for an OWRB Water 2060 grant in the amount of \$500,000. The remaining \$60,000 would be the responsibility of the Town.
- Other than the issue noted above, the FY 2015 budget is relatively consistent to the prior year.

**TOWN OF SHATTUCK, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2014**

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**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 STATEMENTS  
As of and for the Year Ended June 30, 2014**

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**BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE**

**TOWN OF SHATTUCK, OKLAHOMA**  
**ANNUAL FINANCIAL STATEMENTS**  
As of and for the Year Ended June 30, 2014

**Statement of Net Position (Modified Cash Basis) – June 30, 2014**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and investments	\$ 796,777	\$ 700,096	\$1,496,873
Total Assets	<u>796,777</u>	<u>700,096</u>	<u>1,496,873</u>
<b>LIABILITIES</b>			
Deposit liability	-	39,727	39,727
Total Liabilities	<u>-</u>	<u>39,727</u>	<u>39,727</u>
<b>NET POSITION</b>			
Restricted by:			
Enabling legislation:			
Streets	613,667	-	613,667
Community development	10,586	-	10,586
Statutory requirements:			
Cemetery	19,654	-	19,654
External contracts:			
Fire truck	90,662	-	90,662
Library	11,008	-	11,008
Unrestricted	51,200	660,370	711,570
Total Net Position	<u>\$ 796,777</u>	<u>\$ 660,370</u>	<u>\$1,457,147</u>

See accompanying notes to the basic financial statements.

**TOWN OF SHATTUCK, OKLAHOMA**  
**ANNUAL FINANCIAL STATEMENTS**  
As of and for the Year Ended June 30, 2014

**Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>							
Governmental activities:							
General Government	\$ 339,881	\$ -	\$ -	\$ -	\$ (339,881)	\$ -	\$ (339,881)
Public Safety	169,928	9,351	4,474	4,000	(152,103)	-	(152,103)
Highways and Streets	252,160	-	-	-	(252,160)	-	(252,160)
Culture and Recreation	239,360	57,571	-	12,435	(169,354)	-	(169,354)
Cemetery	-	6,951	-	-	6,951	-	6,951
Total governmental activities	<u>1,001,329</u>	<u>73,873</u>	<u>4,474</u>	<u>16,435</u>	<u>(906,547)</u>	<u>-</u>	<u>(906,547)</u>
Business-type activities:							
Water	707,377	300,963	-	363,402	-	(43,012)	(43,012)
Sewer	106,508	169,858	-	-	-	63,350	63,350
Sanitation	176,976	179,201	-	-	-	2,225	2,225
Total business-type activities	<u>990,861</u>	<u>650,022</u>	<u>-</u>	<u>363,402</u>	<u>-</u>	<u>22,563</u>	<u>22,563</u>
<b>Total primary government</b>	<u>\$1,992,190</u>	<u>\$ 723,895</u>	<u>\$ 4,474</u>	<u>\$ 379,837</u>	<u>(906,547)</u>	<u>22,563</u>	<u>(883,984)</u>
General revenues:							
Taxes:							
Sales and use tax					774,265	-	774,265
Franchise and public service taxes					77,089	-	77,089
Intergovernmental revenue not restricted to specific programs					80,383	-	80,383
Investment income					5,948	45	5,993
Miscellaneous:							
Royalties					48,395	-	48,395
Other					64,869	17,953	82,822
Internal transfers					(122,618)	122,618	-
Total general revenues and transfers					<u>928,331</u>	<u>140,616</u>	<u>1,068,947</u>
Change in net position					21,784	163,179	184,963
Net position - beginning					774,993	497,191	1,272,184
Net position - ending					<u>\$ 796,777</u>	<u>\$ 660,370</u>	<u>\$ 1,457,147</u>

See accompanying notes to the basic financial statements.

**TOWN OF SHATTUCK, OKLAHOMA  
ANNUAL FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2014**

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**BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS**

**TOWN OF SHATTUCK, OKLAHOMA  
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**Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2014**

	<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	\$ 152,448	\$ 613,667	\$ 30,662	\$ 796,777
Total Assets	<u>152,448</u>	<u>613,667</u>	<u>30,662</u>	<u>796,777</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted for:				
Fire truck	90,662	-	-	90,662
Community Development	10,586	-	-	10,586
Streets and alleys	-	613,667	-	613,667
Library	-	-	11,008	11,008
Cemetery	-	-	19,654	19,654
Assigned to:			-	
Cemetery	17,709	-	-	17,709
Balance future year's budget	33,491	-	-	33,491
Total Fund Balances	<u>152,448</u>	<u>613,667</u>	<u>30,662</u>	<u>796,777</u>
Total Liabilities and Fund Balances	<u>\$ 152,448</u>	<u>\$ 613,667</u>	<u>\$ 30,662</u>	<u>\$ 796,777</u>

See accompanying notes to the basic financial statements.

**TOWN OF SHATTUCK, OKLAHOMA**  
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**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance**  
**(Modified Cash Basis) – Year Ended June 30, 2014**

	<u>General Fund</u>	<u>Street and Alley Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Taxes	\$ 643,428	\$ 207,926	\$ -	\$ 851,354
Intergovernmental	76,151	12,706	12,435	101,292
Charges for services	64,112	-	1,738	65,850
Fines and forfeitures	4,285	-	-	4,285
Licenses and permits	3,738	-	-	3,738
Investment income	5,789	-	159	5,948
Miscellaneous	112,739	-	525	113,264
<b>Total Revenues</b>	<u>910,242</u>	<u>220,632</u>	<u>14,857</u>	<u>1,145,731</u>
<b>Expenditures:</b>				
Current:				
General Government:				
Managerial	136,718	-	-	136,718
City Attorney	5,700	-	-	5,700
City Clerk	98,789	-	-	98,789
General Government	66,674	-	-	66,674
Public Safety:				
Police	90,403	-	-	90,403
Animal Control	501	-	-	501
Fire	72,285	-	-	72,285
Highways and streets:				
Streets	16,309	116,689	-	132,998
Culture and Recreation:				
Community Development	16,756	-	-	16,756
Parks	135,742	-	-	135,742
Library	64,505	-	10,228	74,733
Capital Outlay	47,946	119,162	2,922	170,030
<b>Total Expenditures</b>	<u>752,328</u>	<u>235,851</u>	<u>13,150</u>	<u>1,001,329</u>
Excess (deficiency) of revenues over expenditures	157,914	(15,219)	1,707	144,402
<b>Other Financing Sources (Uses):</b>				
Transfers in	144,747	-	-	144,747
Transfers out	(267,365)	-	-	(267,365)
<b>Total Other Financing Sources (Uses)</b>	<u>(122,618)</u>	<u>-</u>	<u>-</u>	<u>(122,618)</u>
Net change in fund balances	35,296	(15,219)	1,707	21,784
Fund balances - beginning	117,152	628,886	28,955	774,993
Fund balances - ending	<u>\$ 152,448</u>	<u>\$ 613,667</u>	<u>\$ 30,662</u>	<u>\$ 796,777</u>

See accompanying notes to the basic financial statements.

**TOWN OF SHATTUCK, OKLAHOMA  
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**BASIC FINANCIAL STATEMENTS – PROPRIETARY FUND**

**TOWN OF SHATTUCK, OKLAHOMA**  
**ANNUAL FINANCIAL STATEMENTS**  
**As of and for the Year Ended June 30, 2014**

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**Proprietary Fund Statement of Net Position (Modified Cash Basis) – June 30, 2014**

	<b><u>Shattuck Municipal Authority</u></b>
<b>ASSETS</b>	
Current Assets:	
Cash and investments	\$ 660,369
Restricted cash and cash equivalents	39,727
Total Assets	<u>700,096</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Deposit liability	39,727
Total Liabilities	<u>39,727</u>
<b>NET POSITION</b>	
Unrestricted	660,369
Total net position	<u>\$ 660,369</u>

See accompanying notes to the basic financial statements.

**TOWN OF SHATTUCK, OKLAHOMA**  
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**Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended June 30, 2014**

	<u><b>Shattuck Municipal Authority</b></u>
<b>Operating Revenues:</b>	
Charges for services:	
Water	\$ 293,643
Sewer	165,727
Sanitation	174,843
Late charges	9,839
Reconnection fees	5,970
Total Operating Revenues	<u>650,022</u>
<b>Operating Expenses:</b>	
Administrative	107,527
Water	171,701
Sewer	78,410
Sanitation	147,332
Total Operating Expenses	<u>504,970</u>
Operating Income	145,052
<b>Non-Operating Revenues (Expenses):</b>	
Investment income	45
Miscellaneous	17,953
Loan proceeds	313,402
Debt service:	
Principal retirement	(49,500)
Interest expense and fees	(35,931)
Capital Outlay	(400,460)
Total Non-Operating Revenues (Expenses)	<u>(154,491)</u>
Net Income (Loss) Before Contributions and Transfers	(9,439)
Transfer in	244,618
Transfer out	(122,000)
Capital contributions - grant	<u>50,000</u>
Change in net position	163,179
Total net position - beginning	497,191
Total net position - ending	<u><u>\$ 660,370</u></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, 2014**

	<b>Shattuck Municipal Authority</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$667,975
Payments to suppliers	(387,040)
Payments to employees	(126,274)
Receipts of customer utility deposits	3,943
Net Cash Provided by Operating Activities	158,604
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from other funds	244,618
Transfers to other funds	(122,000)
Net Cash Provided by Noncapital Financing Activities	122,618
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital contributions	50,000
Purchases of capital assets	(392,117)
Proceeds of debt	313,402
Principal paid on debt	(49,500)
Interest and fiscal agent fees paid on debt	(35,931)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(114,146)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends	45
Net Cash Provided by Investing Activities	45
Net Increase in Cash and Cash Equivalents	167,121
Balance - beginning of the year	532,975
Balance - end of the year	\$700,096
<b>Reconciliation to Statement of Net Position:</b>	
Cash and cash equivalents	660,369
Restricted cash and cash equivalents	39,727
Total cash and cash equivalents	\$700,096
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$136,708
Adjustments to reconcile operating income to net cash provided by operating activities:	
Other receipts	17,953
Change in assets and liabilities:	
Deposit liability	3,943
Net cash provided by operating activities	\$158,604

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 also 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**

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.

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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, 2014.

*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.

**2. Deposits and Investments**

For the year ended June 30, 2014, the Town recognized \$5,993 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, 2014, the primary government held the following deposits and investments:

<u>Primary Government:</u>	<b>Carrying Value</b>
Deposits:	
Demand deposits	\$ 1,109,318
Time deposits	387,556
<b>Total Deposits and Investments</b>	<b><u>\$ 1,496,874</u></b>
 <b>Reconciliation to Statement of Net Position:</b>	
Cash and investments	\$ 1,496,874
	<b><u>\$ 1,496,874</u></b>

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*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, 2014, 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 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, 2014, 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, 2014, the Town had no concentration of credit risk as defined above.

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*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, 2014 are as follows:

<u>Type of Restricted Assets</u>	<u>Current Cash and Cash Equivalents</u>
Utility Deposits	\$ <u>39,727</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, 2014, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Nature of Transfer</u>
General Fund	SMA	\$ 244,618	Sales tax transfer
SMA	General Fund	122,000	Operating transfer
Fire Truck Fund	General Fund	22,747	Operating transfer
		<u>\$ 389,365</u>	

Reconciliation to Statement of Changes in Net Position:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental	\$ 144,747	\$ (267,365)	\$ (122,618)
Business-Type	244,618	(122,000)	122,618
Total	<u>\$ 389,365</u>	<u>\$ (389,365)</u>	<u>\$ -</u>

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**6. Fund Equity**

The following tables show the fund balance classifications as shown in the Governmental Funds Balance Sheet.

	General Fund	Street and Alley Fund	Other Governmental Funds	Total
Fund Balance:				
Restricted for:				
Fire	\$ 90,662	\$ -	\$ -	\$ 90,662
Tourism and Parks Improvements	10,586	-	-	10,586
Streets and alleys	-	613,667	-	613,667
Library	-	-	11,008	11,008
Cemetery	-	-	19,654	19,654
Sub-total Restricted	<u>101,248</u>	<u>613,667</u>	<u>30,662</u>	<u>745,577</u>
Assigned to:				
Cemetery	17,709	-	-	17,709
Balance future year's budget	33,491	-	-	33,491
Total Fund Balance	<u>\$ 152,448</u>	<u>\$ 613,667</u>	<u>\$ 30,662</u>	<u>\$ 796,777</u>

**Restricted Net Position – Governmental Activities:**

The town has restricted fund balances of \$745,577. Of that amount, \$613,667 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.

**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.

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*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 2014, the Town's annual required contribution was \$1,260 for the OFPRS plan and was equal to the Town's actual contribution.

<u>Fiscal Year</u>	<u>OFPRS</u>	
	<u>Required Contribution</u>	<u>Amount Contributed</u>
2012	1,320	100%
2013	2,700	100%
2014	1,260	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.

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2012	62,594	100%
2013	55,203	100%
2014	60,201	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.

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**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. \$ 1,350,756

Year Ended June 30,	Notes Payable	
	Principal	Interest
2015	\$ 32,924	\$ 41,697
2016	33,891	40,730
2017	34,887	39,734
2018	35,913	38,709
2019	36,968	37,654
2020-2024	201,790	171,319
2025-2029	233,237	139,872
2030-2034	269,584	103,525
2035-2039	311,595	61,514
2040-2042	246,579	14,597
Total	\$ 1,437,368	\$ 689,351
Less:		
Remaining proceeds to be drawn	(86,612)	
Principal balance	\$ 1,350,756	

**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 \$1,485,000 of the OWRB 2013 Drinking Water SRF Promissory Note. Proceeds from the note provided financing for construction improvements to capital assets. The note is payable from pledged sales tax revenues and net water, sewer and sanitation revenues of the SMA and is payable through 2042. The total principal and interest payable for the remainder of the life of the 2013 note is \$2,126,719. Pledged sales taxes and net water and sewer revenues received in the current year were \$381,371. Debt service payments of \$85,431 for the current fiscal year were 22.4% 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, 2014 is \$26,847.

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*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 2014, 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, 2014, the City of Shattuck expenditures exceeded fund/departmental appropriations in the following:

General Fund – Managerial \$4,958.

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**SUPPLEMENTARY INFORMATION**

**TOWN OF SHATTUCK, OKLAHOMA  
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**Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended June 30, 2014**

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Final Budget Positive (Negative)
	Original	Final		
<b>Beginning Budgetary Fund Balance:</b>	\$ 4,594	\$ 4,594	\$ 25,449	\$ 20,855
<b>Resources (Inflows):</b>				
Taxes	920,500	873,500	643,428	(230,072)
Intergovernmental	107,000	61,000	71,677	10,677
Charges for services	63,800	65,745	64,112	(1,633)
Fines and Forfeitures	5,010	5,010	4,285	(725)
Licenses and Permits	4,070	4,070	3,738	(332)
Investment Income	125	135	5,789	5,654
Miscellaneous	72,000	106,600	97,591	(9,009)
Other Financing Sources - Transfers In	138,497	138,497	144,747	6,250
<b>Total Resources</b>	<b>1,311,002</b>	<b>1,254,557</b>	<b>1,035,367</b>	<b>(219,190)</b>
<b>Amounts available for appropriation</b>	<b>1,315,596</b>	<b>1,259,151</b>	<b>1,060,816</b>	<b>(198,335)</b>
<b>Charges to Appropriations (Outflows):</b>				
Managerial	162,010	163,760	168,718	(4,958)
City Attorney	6,600	6,600	5,700	900
City Clerk	108,529	101,529	98,789	2,740
General Government	83,500	75,750	66,674	9,076
Police	131,626	103,626	93,015	10,611
Animal Control	1,600	1,600	501	1,099
Fire	59,200	61,200	55,749	5,451
Streets	2,200	17,200	16,309	891
Community Development	21,100	21,100	17,756	3,344
Parks	197,871	152,871	143,949	8,922
Library	75,200	75,200	64,505	10,695
Cemetery	160	160	-	160
Other Financing Uses - Transfers Out	466,000	451,000	244,618	206,382
<b>Total Charges to Appropriations</b>	<b>1,315,596</b>	<b>1,231,596</b>	<b>976,283</b>	<b>255,313</b>
<b>Ending Budgetary Fund Balance</b>	<b>\$ -</b>	<b>\$ 27,555</b>	<b>\$ 84,533</b>	<b>\$ 56,978</b>

See accompanying notes to budgetary comparison schedules.

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**Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended June 30, 2014, (Cont.)**

	STREET AND ALLEY FUND			
	Budgeted Amounts		Actual	Final Budget
	Original	Final	Amounts	Positive (Negative)
<b>Beginning Budgetary Fund Balance:</b>	\$ 628,887	\$ 628,887	\$ 628,886	\$ (1)
<b>Resources (Inflows):</b>				
Taxes	219,000	214,000	207,926	(6,074)
Intergovernmental	9,500	9,500	12,706	3,206
Miscellaneous	1,400	1,400	-	(1,400)
Total Resources	229,900	224,900	220,632	(4,268)
<b>Amounts available for appropriation</b>	858,787	853,787	849,518	(4,269)
<b>Charges to Appropriations (Outflows):</b>				
Streets	858,787	853,787	235,851	617,936
Total Charges to Appropriations	858,787	853,787	235,851	617,936
<b>Ending Budgetary Fund Balance</b>	\$ -	\$ -	\$ 613,667	\$ 613,667

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. The detail of the differences is as follows:

Resources - Budgetary Comparison Schedule	\$ 1,035,367
fire truck account revenue	19,622
Revenue - Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 1,054,989
Charges to appropriations - Budgetary Comparison Schedule	\$ 976,283
fire truck account expenditures	43,410
Expenditures - Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 1,019,693

**TOWN OF SHATTUCK, OKLAHOMA  
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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	\$ 84,533	\$ 67,915	\$ 152,448
Total Assets	84,533	67,915	152,448
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities	-	-	-
Total Liabilities	-	-	-
Fund Balances:			
Restricted for:			
Fire Truck	22,747	67,915	90,662
Community Development	10,586	-	10,586
Assigned to:			
Cemetery	17,709	-	17,709
Balance future year's budget	33,491	-	33,491
Total Fund Balances	84,533	67,915	152,448
Total Liabilities and Fund Balances	\$ 84,533	\$ 67,915	\$ 152,448

**TOWN OF SHATTUCK, OKLAHOMA**  
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**Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund Accounts (Modified Cash Basis) – Year Ended June 30, 2014**

	<b>General Fund</b>	<b>Fire Truck Account</b>	<b>Total General Fund</b>
<b>Revenues:</b>			
Taxes	\$ 643,428	\$ -	\$ 643,428
Intergovernmental	71,677	4,474	76,151
Charges for services	64,112	-	64,112
Fines and forfeitures	4,285	-	4,285
Licenses and permits	3,738	-	3,738
Investment income	5,789	-	5,789
Miscellaneous	97,591	15,148	112,739
<b>Total Revenues</b>	<b>890,620</b>	<b>19,622</b>	<b>910,242</b>
<b>Expenditures:</b>			
Current:			
General Government:			
Managerial	136,718	-	136,718
City Attorney	5,700	-	5,700
City Clerk	98,789	-	98,789
General Government	66,674	-	66,674
Public Safety:			
Police	90,403	-	90,403
Animal Control	501	-	501
Fire	55,749	16,536	72,285
Highways and streets:			
Streets	16,309	-	16,309
Culture and Recreation:			
Community Development	16,756	-	16,756
Parks	135,742	-	135,742
Library	64,505	-	64,505
Capital Outlay	43,819	4,127	47,946
<b>Total Expenditures</b>	<b>731,665</b>	<b>20,663</b>	<b>752,328</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>158,955</b>	<b>(1,041)</b>	<b>157,914</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	144,747	-	144,747
Transfers out	(244,618)	(22,747)	(267,365)
<b>Total Other Financing Sources (Uses)</b>	<b>(99,871)</b>	<b>(22,747)</b>	<b>(122,618)</b>
<b>Net change in fund balances</b>	<b>59,084</b>	<b>(23,788)</b>	<b>35,296</b>
<b>Fund balances, beginning</b>	<b>25,449</b>	<b>91,703</b>	<b>117,152</b>
<b>Fund balances, ending</b>	<b>\$ 84,533</b>	<b>\$ 67,915</b>	<b>\$ 152,448</b>

**TOWN OF SHATTUCK, OKLAHOMA  
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**Combining Balance Sheet – Non-Major Governmental Funds – June 30, 2014**

	<u>Special Revenue Funds</u>		
	<u>Cemetery Care Fund</u>	<u>Library Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 19,654	\$ 11,008	\$ 30,662
Total Assets	<u>19,654</u>	<u>11,008</u>	<u>30,662</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Restricted for:			
Cemetery	19,654	-	19,654
Library	-	11,008	11,008
Total Fund Balances	<u>19,654</u>	<u>11,008</u>	<u>30,662</u>
Total Liabilities and Fund Balances	<u>\$ 19,654</u>	<u>\$ 11,008</u>	<u>\$ 30,662</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, 2014**

	<u>Special Revenue Funds</u>		
	<u>Cemetery Care Fund</u>	<u>Library Fund</u>	<u>Total</u>
<b>Revenues:</b>			
Intergovernmental	\$ -	\$ 12,435	\$ 12,435
Charges for services	1,738	-	1,738
Investment income	159	-	159
Miscellaneous	525	-	525
Total Revenues	<u>2,422</u>	<u>12,435</u>	<u>14,857</u>
<b>Expenditures:</b>			
Current:			
Library	-	10,228	10,228
Capital Outlay	-	2,922	2,922
Total Expenditures	<u>-</u>	<u>13,150</u>	<u>13,150</u>
<b>Net change in fund balances</b>	2,422	(715)	1,707
<b>Fund balances, beginning</b>	17,232	11,723	28,955
<b>Fund balances, ending</b>	<u>\$ 19,654</u>	<u>\$ 11,008</u>	<u>\$ 30,662</u>

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**Schedule of Expenditures of Federal and State Awards (Modified Cash Basis) – Year Ended June 30, 2014**

<b>Federal/State Grantor/Pass through agency Grantor/Program Title</b>	<b>Grant #</b>	<b>Award Amount</b>	<b>Expenditures</b>
<b>FEDERAL AWARDS:</b>			
<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	\$ 625
<b>TOTAL FEDERAL AWARDS</b>		<u>\$ 1,500</u>	<u>\$ 625</u>
<b>STATE AWARDS:</b>			
<u>OKLAHOMA DEPARTMENT OF LIBRARIES:</u>			
Library State Aid	N/A	\$ 24,105	\$ 12,435
Rural Fire Operational Grant	N/A	4,474	4,474
<u>OKLAHOMA ECONOMIC DEVELOPMENT AUTHORITY</u>			
OEDA REAP 13-14	N/A	50,000	50,000
<u>OKLAHOMA HIGHWAY SAFETY OFFICE</u>			
Incentive Award for Participation in Drive Sober or Get Pulled Over	N/A	4,000	4,000
<b>TOTAL STATE AWARDS</b>		<u>\$ 82,579</u>	<u>\$ 70,909</u>

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**Schedule of Debt Service Coverage Requirement – Year Ended June 30, 2014**

	<b>OWRB NOTE</b>
<b>GROSS REVENUE AVAILABLE:</b>	
Charges for services (water, sewer, sanitation systems)	\$650,022
Investment income	45
Pledged sales tax	244,618
Total Gross Revenue Available	894,685
<b>OPERATING EXPENDITURES:</b>	
Water	217,938
Sewer	99,915
Sanitation	187,117
Total Operating Expenditures	504,970
Net Revenue Available for Debt Service	\$389,715
Maximum Annual Debt Service on all Long-Term Debt Payable From Revenues of the System	\$74,622
Computed Coverage	522%
Coverage Requirement	125%

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**INTERNAL CONTROL AND COMPLIANCE**

**TOWN OF SHATTUCK, OKLAHOMA  
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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, 2014, 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 April 30, 2015.

**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.

2014-1: 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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.

2014-1 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.

### **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.  
April 30, 2015