

**THE TOWN OF SHATTUCK,
OKLAHOMA**

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

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**TOWN OF SHATTUCK, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015**

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**TOWN OF SHATTUCK, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015**

TABLE OF CONTENTS

	Page
Independent Auditor’s Report on Financial Statements	5-7
Management’s Discussion and Analysis – Other Information	9-15
The Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position (Modified Cash Basis).....	17
Statement of Activities (Modified Cash Basis).....	18
Governmental Funds Financial Statements:	
Balance Sheet (Modified Cash Basis).....	20
Statement of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis).....	21
Proprietary Fund Financial Statements:	
Statement of Net Position (Modified Cash Basis)	23
Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis).....	24
Statement of Cash Flows (Modified Cash Basis).....	25
Footnotes to the Basic Financial Statements	27-37
Supplementary and Other Information:	
Budgetary Comparison Information	
Budgetary Comparison Schedule (Modified Cash Basis) – General Fund.....	39
Budgetary Comparison Schedule (Modified Cash Basis) – Street and Alley Fund.....	40
Footnotes to Budgetary Comparison Schedules.....	40
Combining Statements and Schedules	
Combining Balance Sheet – General Fund Accounts (Modified Cash Basis)	41
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – General Fund Accounts (Modified Cash Basis).....	42
Combining Balance Sheet – Non-major Governmental Funds (Modified Cash Basis)	43
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds (Modified Cash Basis).	44
State Awards Information	
Schedule of Expenditures of State Awards (Modified Cash Basis).....	45

TOWN OF SHATTUCK, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015

Schedule of Debt Service Coverage

Schedule of Debt Service Coverage Requirement.....	46
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Internal Control and Compliance over Financial Reporting

Independent Auditor's Report on Internal Control and Compliance.....	48-49
Schedule of Findings and Responses.....	50

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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, 2015, 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, 2015, and the respective changes in the 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, 2015, and our report thereon, dated May 5, 2016, expressed an unmodified opinion on those financial statements.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Town of Shattuck's basic financial statements. The management's discussion and analysis on pages 9-15, budgetary comparison schedules on pages 39-40, combining fund financial statements on pages 41-44, schedule of expenditures of state awards on page 45, and schedule of debt service coverage requirement on page 46, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2016, 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.
May 5, 2016

**TOWN OF SHATTUCK, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015**

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TOWN OF SHATTUCK, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2015

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, 2015. 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 decreased by \$30,854, and the assets of the Town exceed its liabilities at June 30, 2015, by \$1,426,291.
- At June 30, 2015, the Town's governmental funds reported combined ending fund balances on a modified cash basis of \$708,158.
- At June 30, 2015, the Town's general fund reported an ending fund balance on a modified cash basis of a \$139,339.

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
As of and for the Year Ended June 30, 2015

- **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 included 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 excluded 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.

TOWN OF SHATTUCK, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2015

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, 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, 2015, net position on a modified cash basis for the governmental and business-type activities decreased \$30,854.

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, 2015

TABLE 1
NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2015	2014		2015	2014		2015	2014	
Current assets	\$ 708	\$ 797	-11%	\$ 758	\$ 700	8%	\$ 1,466	\$ 1,497	-2%
Total assets	<u>708</u>	<u>797</u>	-11%	<u>758</u>	<u>700</u>	8%	<u>1,466</u>	<u>1,497</u>	-2%
Current liabilities	-	-	-	40	40	0%	40	40	0%
Total liabilities	<u>-</u>	<u>-</u>	-	<u>40</u>	<u>40</u>	0%	<u>40</u>	<u>40</u>	0%
Net position									
Restricted	597	746	-20%	18	-	0%	615	746	-18%
Unrestricted	111	51	118%	700	660	6%	811	711	14%
Total net position	<u>\$ 708</u>	<u>\$ 797</u>	-11%	<u>\$ 718</u>	<u>\$ 660</u>	9%	<u>\$ 1,426</u>	<u>\$ 1,457</u>	-2%

The largest portion of the Town's governmental activities net position is restricted for use by the street department. For 2015, the amount restricted for streets was \$437,121. The Town also has \$15,021 restricted for community development, \$20,582 restricted for cemetery care, \$109,680 restricted for the fire truck and fire association, and \$14,671 restricted for library.

The remaining balance in governmental activities unrestricted net position of \$111,083 is available to meet the government's ongoing obligations to citizens and creditors.

TOWN OF SHATTUCK, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2015

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, 2015

CHANGES IN NET POSITION (In Thousands)

	Governmental Activities		% Inc. Dec.	Business-Type Activities		% Inc. Dec.	Total		% Inc. Dec.
	2015	2014		2015	2014		2015	2014	
Revenues									
Charges for services	\$ 50	\$ 74	-32%	\$ 657	\$ 650	1%	\$ 707	\$ 724	-2%
Operating grants and contributions	4	5	-20%	-	-	0%	4	5	-20%
Capital grants and contributions	11	16	-31%	47	363	-87%	58	379	-85%
Taxes	785	852	-8%	-	-	0%	785	852	-8%
Intergovernmental revenue	82	80	3%	-	-	0%	82	80	3%
Investment income	3	6	-50%	-	-	0%	3	6	-50%
Miscellaneous	110	113	-3%	3	18	-83%	113	131	-14%
Total revenues	1,045	1,146	-9%	707	1,031	-31%	1,752	2,177	-20%
Expenses									
General government	278	340	-18%	-	-	0%	278	340	-18%
Public safety	191	170	12%	-	-	0%	191	170	12%
Highway and streets	297	252	18%	-	-	0%	297	252	18%
Culture and recreation	279	239	17%	-	-	0%	279	239	17%
Cemetery	2	-	100%	-	-	0%	2	-	100%
Water	-	-	0%	433	707	-39%	433	707	-39%
Sewer	-	-	0%	140	107	31%	140	107	31%
Sanitation	-	-	0%	163	177	-8%	163	177	-8%
Total expenses	1,047	1,001	5%	736	991	-26%	1,783	1,992	-10%
Excess (deficiency) before transfers	(2)	145	-101%	(29)	40	173%	(31)	185	-117%
Transfers	(87)	(123)	29%	87	123	-29%	-	-	-
Change in net position	(89)	22	-505%	58	163	-64%	(31)	185	-117%
Beginning net position	797	775	3%	660	497	33%	1,457	1,272	15%
Ending net position	\$ 708	\$ 797	-11%	\$ 718	\$ 660	9%	\$ 1,426	\$ 1,457	-2%

Governmental Activities

The Town's governmental activities had a decrease in net position of \$88,618. This decrease is primarily due to the fact that, while total revenues decreased by 9%, total expenses increased by 5%.

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

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2015	2014		2015	2014	
General government	\$ 278	\$ 340	-18%	(\$278)	(\$340)	-18%
Public safety	191	170	12%	(183)	(152)	20%
Highways and streets	297	252	18%	(296)	(252)	17%
Culture, parks and recreation	279	239	17%	(224)	(169)	33%
Cemetery	2	-	100%	(1)	7	-114%
Total	\$ 1,047	\$ 1,001	5%	\$ (982)	\$ (906)	8%

TOWN OF SHATTUCK, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2015

Business-type Activities

The business-type activities had an increase in net position of \$57,764. 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.)
	2015	2014		2015	2014	
Water	\$ 433	\$ 707	-39%	\$ (88)	\$ (41)	115%
Sewer	140	107	31%	42	63	-33%
Sanitation	163	177	-8%	13	1	1,200%
Total	\$ 736	\$ 991	-26%	\$ (33)	\$ 23	-243%

A FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As the Town completed its 2015 fiscal year, the governmental funds reported a combined fund balance of \$708,158. For the year ended June 30, 2015, the General Fund's total fund balance decreased by \$13,108 or 8.6% to a total fund balance of \$139,339.

The Street and Alley Fund's total fund balance decreased by \$80,101 to a fund balance of \$533,566. The decrease in fund balance is attributable to capital outlay expenditures during fiscal year 2015.

The Shattuck Municipal Authority Fund reported a net position of \$718,133.

Budgetary Highlights

For the year ended June 30, 2015, the General Fund reported actual budgetary basis revenues under final estimates by \$276,483 or a 29% negative variance. General Fund actual expenditures were under final appropriations by \$272,378 or a 29% 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.
- Effective July 1, 2015, the Town took over the Shattuck Golf Club (now known as the Shattuck Municipal Golf Course). The Town already owned the land and the building; at July 1, 2015 the

TOWN OF SHATTUCK, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2015

Town took over all other golf course assets and responsibility for the golf cart lease. A new Golf Course Fund and bank account were set up and the new fund will be included in the fiscal year 2016 budget.

- Other than the issues noted above, the FY 2016 budget is relatively 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 STATEMENTS
As of and for the Year Ended June 30, 2015**

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

TOWN OF SHATTUCK, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015

Statement of Net Position (Modified Cash Basis) – June 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 708,158	\$ 700,544	\$ 1,408,702
Restricted cash and cash equivalents	-	57,777	57,777
Total Assets	708,158	758,321	1,466,479
LIABILITIES			
Deposit liability	-	40,188	40,188
Total Liabilities	-	40,188	40,188
NET POSITION			
Restricted by:			
Enabling legislation:			
Streets	437,121	-	437,121
Community development	15,021	-	15,021
Statutory requirements:			
Cemetery	20,582	-	20,582
External contracts:			
Fire	109,680	-	109,680
Library	14,671	-	14,671
Debt service	-	17,589	17,589
Unrestricted	111,083	700,544	811,627
Total Net Position	\$ 708,158	\$ 718,133	\$ 1,426,291

See accompanying notes to the basic financial statements.

TOWN OF SHATTUCK, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015

Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2015

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
Primary Government:							
Governmental activities:							
General Government	\$ 277,671	\$ -	\$ -	\$ -	\$ (277,671)	\$ -	\$ (277,671)
Public Safety	190,931	3,908	4,484	-	(182,539)	-	(182,539)
Highways and Streets	296,455	-	-	-	(296,455)	-	(296,455)
Culture and Recreation	279,226	44,847	-	10,711	(223,668)	-	(223,668)
Cemetery	2,315	751	-	-	(1,564)	-	(1,564)
Total governmental activities	<u>1,046,598</u>	<u>49,506</u>	<u>4,484</u>	<u>10,711</u>	<u>(981,897)</u>	<u>-</u>	<u>(981,897)</u>
Business-type activities:							
Water	433,630	298,515	-	47,205	-	(87,910)	(87,910)
Sewer	140,526	182,601	-	-	-	42,075	42,075
Sanitation	162,670	175,507	-	-	-	12,837	12,837
Total business-type activities	<u>736,826</u>	<u>656,623</u>	<u>-</u>	<u>47,205</u>	<u>-</u>	<u>(32,998)</u>	<u>(32,998)</u>
Total primary government	<u>\$1,783,424</u>	<u>\$ 706,129</u>	<u>\$ 4,484</u>	<u>\$ 57,916</u>	<u>(981,897)</u>	<u>(32,998)</u>	<u>(1,014,895)</u>
General revenues:							
Taxes:							
Sales and use tax					709,199	-	709,199
Franchise and public service taxes					76,212	-	76,212
Intergovernmental revenue not restricted to specific programs					81,522	-	81,522
Investment income					3,235	144	3,379
Miscellaneous:							
Royalties					38,020	-	38,020
Other					72,269	3,440	75,709
Internal transfers					(87,178)	87,178	-
Total general revenues and transfers					<u>893,279</u>	<u>90,762</u>	<u>984,041</u>
Change in net position					(88,618)	57,764	(30,854)
Net position - beginning					796,776	660,369	1,457,145
Net position - ending					<u>\$ 708,158</u>	<u>\$ 718,133</u>	<u>\$ 1,426,291</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, 2015**

BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

**TOWN OF SHATTUCK, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015**

Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2015

	<u>General Fund</u>	<u>Street and Alley Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 139,339	\$ 533,566	\$ 35,253	\$ 708,158
Total Assets	<u>139,339</u>	<u>533,566</u>	<u>35,253</u>	<u>708,158</u>
LIABILITIES AND FUND BALANCES				
Liabilities	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted for:				
Fire truck	11,168	-	-	11,168
Fire association	98,512	-	-	98,512
Community Development	15,021	-	-	15,021
Streets and alleys	-	437,121	-	437,121
Library	-	-	14,671	14,671
Cemetery	-	-	20,582	20,582
Assigned to:				
Cemetery	7,788	-	-	7,788
Balance future year's budget	6,850	96,445	-	103,295
Total Fund Balances	<u>139,339</u>	<u>533,566</u>	<u>35,253</u>	<u>708,158</u>
Total Liabilities and Fund Balances	<u>\$ 139,339</u>	<u>\$ 533,566</u>	<u>\$ 35,253</u>	<u>\$ 708,158</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, 2015**

**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance
(Modified Cash Basis) – Year Ended June 30, 2015**

	General Fund	Street and Alley Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 598,260	\$ 187,151	\$ -	\$ 785,411
Intergovernmental	73,125	12,881	10,711	96,717
Charges for services	42,408	-	913	43,321
Fines and forfeitures	3,875	-	-	3,875
Licenses and permits	2,310	-	-	2,310
Investment income	3,184	51	-	3,235
Miscellaneous	106,604	-	3,685	110,289
Total Revenues	829,766	200,083	15,309	1,045,158
Expenditures:				
Current:				
General Government:				
Managerial	147,329	-	-	147,329
City Attorney	6,205	-	-	6,205
City Clerk	96,836	-	-	96,836
General Government	24,401	-	-	24,401
Public Safety:				
Police	92,846	-	-	92,846
Animal Control	2,910	-	-	2,910
Fire	91,459	-	-	91,459
Highways and streets:				
Streets	16,271	221,130	-	237,401
Culture and Recreation:				
Community Development	23,800	-	-	23,800
Parks	154,038	-	-	154,038
Library	69,864	-	10,718	80,582
Cemetery	2,315	-	-	2,315
Capital Outlay	27,422	59,054	-	86,476
Total Expenditures	755,696	280,184	10,718	1,046,598
Excess (deficiency) of revenues over expenditures	74,070	(80,101)	4,591	(1,440)
Other Financing Sources (Uses):				
Transfers in	133,000	-	-	133,000
Transfers out	(220,178)	-	-	(220,178)
Total Other Financing Sources (Uses)	(87,178)	-	-	(87,178)
Net change in fund balances	(13,108)	(80,101)	4,591	(88,618)
Fund balances - beginning	152,447	613,667	30,662	796,776
Fund balances - ending	\$ 139,339	\$ 533,566	\$ 35,253	\$ 708,158

See accompanying notes to the basic financial statements.

**TOWN OF SHATTUCK, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015**

BASIC FINANCIAL STATEMENTS – PROPRIETARY FUND

TOWN OF SHATTUCK, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015

Proprietary Fund Statement of Net Position (Modified Cash Basis) – June 30, 2015

	<u>Shattuck Municipal Authority</u>
ASSETS	
Current Assets:	
Cash and investments	\$ 700,544
Restricted cash and cash equivalents	57,777
Total Assets	<u>758,321</u>
 LIABILITIES	
Current Liabilities:	
Deposit liability	40,188
Total Liabilities	<u>40,188</u>
 NET POSITION	
Restricted for debt service	17,589
Unrestricted	700,544
Total net position	<u>\$ 718,133</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, 2015

Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended June 30, 2015

	<u>Shattuck Municipal Authority</u>
Operating Revenues:	
Charges for services:	
Water	\$ 291,793
Sewer	178,488
Sanitation	171,554
Late charges	9,371
Reconnection fees	5,417
Total Operating Revenues	<u>656,623</u>
Operating Expenses:	
Administrative	92,563
Water	204,014
Sewer	114,785
Sanitation	137,929
Total Operating Expenses	<u>549,291</u>
Operating Income	107,332
Non-Operating Revenues (Expenses):	
Investment income	144
Miscellaneous	3,440
Debt service:	
Principal retirement	(30,850)
Interest expense and fees	(40,050)
Capital Outlay	(116,635)
Total Non-Operating Revenues (Expenses)	<u>(183,951)</u>
Net Income (Loss) Before Contributions and Transfers	(76,619)
Transfer in	220,178
Transfer out	(133,000)
Capital contributions - grant	<u>47,205</u>
Change in net position	57,764
Total net position - beginning	660,369
Total net position - ending	<u>\$ 718,133</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, 2015

Proprietary Fund Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2015

	Shattuck Municipal Authority
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$660,062
Payments to suppliers	(336,955)
Payments to employees	(212,337)
Receipts of customer utility deposits	462
Net Cash Provided by Operating Activities	111,232
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	220,178
Transfers to other funds	(133,000)
Net Cash Provided by Noncapital Financing Activities	87,178
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital contributions	47,205
Purchases of capital assets	(116,635)
Principal paid on debt	(30,850)
Interest and fiscal agent fees paid on debt	(40,050)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(140,330)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	144
Net Cash Provided by Investing Activities	144
Net Increase in Cash and Cash Equivalents	58,224
Balance - beginning of the year	700,097
Balance - end of the year	\$758,321
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	700,544
Restricted cash and cash equivalents	57,777
Total cash and cash equivalents	\$758,321
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$107,332
Adjustments to reconcile operating income to net cash provided by operating activities:	
Other receipts	3,438
Change in assets and liabilities:	
Deposit liability	462
Net cash provided by operating activities	\$111,232

See accompanying notes to the basic financial statements.

**TOWN OF SHATTUCK, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015**

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, but management has elected to exclude from the financial statements.

- **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. The Authorities are considered separate legal entities, and as such, any or all obligations from operations of these Authorities' are solely the responsibility of the Authorities' and are not considered obligations of, or operations of the Town.

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

**TOWN OF SHATTUCK, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015**

adjusted for modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:

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

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

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

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

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.
- 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 Fund:

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

**TOWN OF SHATTUCK, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015**

expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

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, 2015.

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, 2015, the Town recognized \$3,379 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, 2015, the primary government held the following deposits and investments:

**TOWN OF SHATTUCK, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015**

<u>Primary Government:</u>	<u>Carrying Value</u>
Deposits:	
Demand deposits	\$ 1,074,181
Time deposits	392,298
Total Deposits and Investments	<u>\$ 1,466,479</u>
Reconciliation to Statement of Net Position:	
Cash and investments	\$ 1,466,479
	<u>\$ 1,466,479</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, 2015, 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, 2015, the maturity dates of investments subject to interest rate risk have been disclosed.

**TOWN OF SHATTUCK, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015**

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, 2015, 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, 2015 are as follows:

<u>Type of Restricted Assets</u>	<u>Current Cash and Cash Equivalents</u>
Utility Deposits	\$ 40,188
SMA OWRB Loan Account	<u>17,589</u>
	<u>\$ 57,777</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, 2015, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Nature of Transfer</u>
General Fund	SMA	\$ 220,178	Sales tax transfer
SMA	General Fund	<u>133,000</u>	Operating transfer
		<u>\$ 353,178</u>	

Reconciliation to Statement of Changes in Net Position:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental	\$ 133,000	\$ 220,178	\$ (87,178)
Business-Type	<u>220,178</u>	<u>133,000</u>	<u>87,178</u>
Total	<u>\$ 353,178</u>	<u>\$ 353,178</u>	<u>\$ -</u>

**TOWN OF SHATTUCK, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015**

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 truck	\$ 11,168	\$ -	\$ -	\$ 11,168
Fire association	98,512	-	-	98,512
Community development	15,021	-	-	15,021
Streets and alleys	-	437,121	-	437,121
Library	-	-	14,671	14,671
Cemetery	-	-	20,582	20,582
Sub-total Restricted	<u>124,701</u>	<u>437,121</u>	<u>35,253</u>	<u>597,075</u>
Assigned to:				
Cemetery	7,788	-	-	7,788
Balance future year's budget	6,850	96,445	-	103,295
Sub-total Assigned	<u>14,638</u>	<u>96,445</u>	<u>-</u>	<u>111,083</u>
Total Fund Balance	<u>\$ 139,339</u>	<u>\$ 533,566</u>	<u>\$ 35,253</u>	<u>\$ 708,158</u>

Restricted Net Position – Governmental Activities:

The town has restricted fund balances of \$597,075. Of that amount, \$437,121 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.

**TOWN OF SHATTUCK, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015**

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 2015, the Town's annual required contribution was \$1,320 for the OFPRS plan and was equal to the Town's actual contribution.

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2013	2,700	100%
2014	1,260	100%
2015	1,320	100%

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

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

Employee Plan:

The City provides a defined-contribution pension benefit for all of its full-time employees with the exception of the fire departments, through the Oklahoma Public Employees Retirement System (OPERS). The employee's contribution rate is 3.5%. The City's contribution is 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>
2013	55,203	100%
2014	60,201	100%
2015	68,951	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.

**TOWN OF SHATTUCK, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015**

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. \$ 1,319,907

Year Ended June 30,	Notes Payable	
	Principal	Interest
2016	31,658	40,730
2017	32,701	39,734
2018	33,669	38,709
2019	34,667	37,654
2020	35,599	36,567
2021-2025	194,867	165,388
2026-2030	225,498	133,017
2031-2035	260,946	95,602
2036-2040	301,950	52,357
2041-2042	168,352	7,895
Total	\$ 1,319,907	\$ 647,653

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 \$2,054,172. Pledged sales taxes and net water and sewer revenues received in the current year were \$371,660. Debt service payments of \$70,900 for the current fiscal year were 19% 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, 2015 is \$26,993.

**TOWN OF SHATTUCK, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015**

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 2015, 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, 2015, the City of Shattuck expenditures did not exceed fund/departmental appropriations in any department.

**TOWN OF SHATTUCK, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015**

SUPPLEMENTARY AND OTHER INFORMATION

**TOWN OF SHATTUCK, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015**

Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended June 30, 2015

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 84,128	\$ 84,128	\$ 129,701	\$ 45,573
Resources (Inflows):				
Taxes	864,000	864,000	598,260	(265,740)
Intergovernmental	59,000	59,000	68,641	9,641
Charges for services	68,100	84,600	42,408	(42,192)
Fines and Forfeitures	3,950	3,950	3,875	(75)
Licenses and Permits	2,729	2,729	2,310	(419)
Investment Income	1,300	100	3,184	3,084
Miscellaneous	224,510	75,010	94,228	19,218
Other Financing Sources - Transfers In	-	133,000	133,000	-
Total Resources	<u>1,223,589</u>	<u>1,222,389</u>	<u>945,906</u>	<u>(276,483)</u>
Amounts available for appropriation	<u>1,307,717</u>	<u>1,306,517</u>	<u>1,075,607</u>	<u>(230,910)</u>
Charges to Appropriations (Outflows):				
Managerial	151,310	151,310	147,329	3,981
City Attorney	8,860	8,860	6,205	2,655
City Clerk	99,614	103,614	99,736	3,878
General Government	24,200	28,200	24,401	3,799
Police	146,380	97,780	92,846	4,934
Animal Control	3,040	3,340	2,910	430
Fire	55,750	87,350	73,587	13,763
Streets	17,810	23,010	16,271	6,739
Community Development	16,500	30,000	23,800	6,200
Parks	146,600	161,600	159,798	1,802
Library	86,600	86,600	84,910	1,690
Cemetery	15,000	5,000	2,315	2,685
Other Financing Uses - Transfers Out	455,000	440,000	220,178	219,822
Total Charges to Appropriations	<u>1,226,664</u>	<u>1,226,664</u>	<u>954,286</u>	<u>272,378</u>
Ending Budgetary Fund Balance	<u>\$ 81,053</u>	<u>\$ 79,853</u>	<u>\$ 121,321</u>	<u>\$ 41,468</u>

See accompanying notes to budgetary comparison schedules.

**TOWN OF SHATTUCK, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015**

Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended June 30, 2015, (Cont.)

	STREET AND ALLEY FUND			
	Budgeted Amounts		Actual Amounts	Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 600,111	\$ 600,111	\$ 613,667	\$ 13,556
Resources (Inflows):				
Taxes	209,000	209,000	187,151	(21,849)
Intergovernmental	14,200	14,200	12,881	(1,319)
Investment income	-	-	51	51
Total Resources	223,200	223,200	200,083	(23,117)
Amounts available for appropriation	823,311	823,311	813,750	(9,561)
Charges to Appropriations (Outflows):				
Streets	324,070	324,070	280,184	43,886
Total Charges to Appropriations	324,070	324,070	280,184	43,886
Ending Budgetary Fund Balance	\$ 499,241	\$ 499,241	\$ 533,566	\$ 34,325

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	\$ 945,906
fire truck account revenue	16,860
Revenue - Statement of Revenues, Expenditures, and Changes in Fund Balance	<u>\$ 962,766</u>
Charges to appropriations - Budgetary Comparison Schedule	\$ 954,286
fire truck account expenditures	21,588
Expenditures - Statement of Revenues, Expenditures, and Changes in Fund Balance	<u>\$ 975,874</u>

TOWN OF SHATTUCK, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015

Combining Balance Sheet – General Fund Accounts

	General Fund	Fire Truck Account	Total General Fund
ASSETS			
Cash and investments	\$ 121,321	\$ 18,018	\$ 139,339
Total Assets	121,321	18,018	139,339
LIABILITIES AND FUND BALANCES			
Liabilities	-	-	-
Total Liabilities	-	-	-
Fund Balances:			
Restricted for:			
Fire Truck	-	11,168	11,168
Fire Association	98,512	-	98,512
Community Development	15,021	-	15,021
Assigned to:			
Cemetery	7,788	-	7,788
Balance future year's budget	-	6,850	6,850
Total Fund Balances	121,321	18,018	139,339
Total Liabilities and Fund Balances	\$ 121,321	\$ 18,018	\$ 139,339

**TOWN OF SHATTUCK, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015**

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund
Accounts (Modified Cash Basis) – Year Ended June 30, 2015**

	General Fund	Fire Truck Account	Total General Fund
Revenues:			
Taxes	\$ 598,260	\$ -	\$ 598,260
Intergovernmental	68,641	4,484	73,125
Charges for services	42,408	-	42,408
Fines and forfeitures	3,875	-	3,875
Licenses and permits	2,310	-	2,310
Investment income	3,184	-	3,184
Miscellaneous	94,228	12,376	106,604
Total Revenues	812,906	16,860	829,766
Expenditures:			
Current:			
General Government:			
Managerial	147,329	-	147,329
City Attorney	6,205	-	6,205
City Clerk	96,836	-	96,836
General Government	24,401	-	24,401
Public Safety:			
Police	92,846	-	92,846
Animal Control	2,910	-	2,910
Fire	69,871	21,588	91,459
Highways and streets:			
Streets	16,271	-	16,271
Culture and Recreation:			
Community Development	23,800	-	23,800
Parks	154,038	-	154,038
Library	69,864	-	69,864
Cemetery	2,315	-	2,315
Capital Outlay	27,422	-	27,422
Total Expenditures	734,108	21,588	755,696
Excess (deficiency) of revenues over expenditures	78,798	(4,728)	74,070
Other Financing Sources (Uses):			
Transfers in	133,000	-	133,000
Transfers out	(220,178)	-	(220,178)
Total Other Financing Sources (Uses)	(87,178)	-	(87,178)
Net change in fund balances	(8,380)	(4,728)	(13,108)
Fund balances, beginning	129,701	22,746	152,447
Fund balances, ending	\$ 121,321	\$ 18,018	\$ 139,339

TOWN OF SHATTUCK, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015

Combining Balance Sheet – Non-Major Governmental Funds – June 30, 2015

	Special Revenue Funds		
	Cemetery	Library	Total
ASSETS	Care	Fund	Fund
Cash and investments	\$ 20,582	\$ 14,671	\$ 35,253
Total Assets	20,582	14,671	35,253
LIABILITIES AND FUND BALANCES			
Liabilities	-	-	-
Total Liabilities	-	-	-
Fund Balances:			
Restricted for:			
Cemetery	20,582	-	20,582
Library	-	14,671	14,671
Total Fund Balances	20,582	14,671	35,253
Total Liabilities and Fund Balances	\$ 20,582	\$ 14,671	\$ 35,253

**TOWN OF SHATTUCK, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015**

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Non-Major Governmental Funds (Modified Cash Basis) – Year Ended June 30, 2015

	Special Revenue Funds		
	Cemetery Care Fund	Library Fund	Total
Revenues:			
Intergovernmental	\$ -	\$ 10,711	\$ 10,711
Charges for services	188	725	913
Miscellaneous	740	2,945	3,685
Total Revenues	928	14,381	15,309
Expenditures:			
Current:			
Library	-	10,718	10,718
Total Expenditures	-	10,718	10,718
Net change in fund balances	928	3,663	4,591
Fund balances, beginning	19,654	11,008	30,662
Fund balances, ending	\$ 20,582	\$ 14,671	\$ 35,253

TOWN OF SHATTUCK, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015

Schedule of Debt Service Coverage Requirement – Year Ended June 30, 2015

	OWRB NOTE
GROSS REVENUE AVAILABLE:	
Charges for services (water, sewer, sanitation systems)	\$656,623
Investment income	144
Pledged sales tax	220,178
Total Gross Revenue Available	876,945
OPERATING EXPENDITURES:	
Water	245,667
Sewer	137,926
Sanitation	165,698
Total Operating Expenditures	549,291
Net Revenue Available for Debt Service	\$327,654
Maximum Annual Debt Service on all Long-Term Debt Payable From Revenues of the System	\$74,622
Computed Coverage	439%
Coverage Requirement	125%

**TOWN OF SHATTUCK, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015**

INTERNAL CONTROL AND COMPLIANCE

**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, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Town's primary government, and have issued our report thereon dated May 5, 2016.

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 in the accompanying schedule of findings and responses as finding 2015-1 that we consider to be a significant deficiency.

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 in the accompanying schedule of findings and responses. 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.

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.
May 5, 2016

Schedule of Findings and Responses

2015-1 (Repeat finding)

Criteria: The town should have established policies and procedures relating to the proper recording and review of capital asset purchases.

Condition: Capital assets are not always being recorded in the correct account or fund and are not being reconciled to the insurance schedules at least annually.

Cause: The town does not have established policies and procedures relating to the proper recording and review of capital asset purchases.

Effect: Because the town does not have established policies and procedures relating to the proper recording and review of capital asset purchases, capital purchases are not always recorded correctly in the general ledger and insurance schedules are not always up to date.

Recommendation: 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; and that insurance schedules are reconciled to capital asset purchases and disposals at least annually so that they are always up to date.

Response: We will establish policies and procedures for the correct recording and subsequent review of capital asset purchases and disposals so that they are correctly recorded in the general ledger and reconciled to insurance schedules at least annually.