



Town of
Shattuck, Oklahoma

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

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2010**

**THE TOWN OF SHATTUCK,
OKLAHOMA**

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

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**TOWN OF SHATTUCK, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2010**

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Town Council
Town of Shattuck, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Shattuck, Oklahoma, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Shattuck, Oklahoma's management. 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 Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, Town of Shattuck, Oklahoma, prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position--modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Shattuck, Oklahoma, as of June 30, 2010, and the respective changes in financial position--modified cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note 1.



In accordance with Government Auditing Standards, we have also issued our report dated June 27, 2011, on our consideration of Town of Shattuck, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a 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 regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Shattuck, Oklahoma's basic financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and Schedule of Expenditures of Federal and State Awards as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and Schedule of Expenditures of Federal and State Awards as listed in the accompanying table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section 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 on provide any assurance on it.

Britton, Kuykendall & Miller

BRITTON, KUYKENDALL & MILLER
Certified Public Accountants

Weatherford, Oklahoma
June 27, 2011

TOWN OF SHATTUCK, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2010

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, 2010. Management of the Town is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The Town reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

FINANCIAL HIGHLIGHTS

- As reported on a modified cash basis, the Town's total net assets decreased by \$10,550, and the assets of the Town exceed its liabilities at June 30, 2010, by \$673,307.
- At June 30, 2010, the Town's governmental funds reported combined ending fund balances on a modified cash basis of a \$600,576.
- At the end of fiscal year 2010, unreserved fund balance on a modified cash basis for the General Fund was a \$42,583 which is 6.4% of General Fund revenues.

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, sanitation and economic development services.

The Town's Financial Reporting Entity

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

The Town's financial reporting entity includes the following separate legal entities.

- **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

For the above public trust, 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.

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

Reporting the Town as a Whole

The Statement of Net Assets and Statement of Activities

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

In the Statement of Net Assets and the Statement of Activities, we divide the Town's primary government into two kinds of activities: *Governmental activities* - Most of the Town's basic services are reported here, including the police, fire, and streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities; and *Business-type activities* - Activities where the Town charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The Town's water, sewer, and sanitation utilities are reported as business-type activities. Also included in business-type activities are certain limited recreation 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* - use different accounting approaches.

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

Proprietary funds - When the Town, through the Municipal Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported on the modified cash basis of accounting and an economic resources measurement focus. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. The Town's proprietary fund is the Shattuck Municipal Authority that accounts for the operation of the water, sewer, and sanitation activities.

Notes to the Financial Statements

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 24-34 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, the Street and Alley Fund, and the Fire Truck Fund, federal and state award schedules, debt service coverage schedule and combining financial statements and schedules.

TOWN OF SHATTUCK, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2010

THE TOWN AS A WHOLE

For the year ended June 30, 2010, net assets on a modified cash basis for the governmental and business-type activities decreased \$10,550.

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

Net Assets (Modified Cash Basis)
June 30, 2010

TABLE 1
NET ASSETS (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2010	2009		2010	2009		2010	2009	
Current assets	\$ 601	\$ 615	-2%	\$ 101	\$ 100	1%	\$ 702	\$ 715	-2%
Total assets	<u>601</u>	<u>615</u>	-2%	<u>101</u>	<u>100</u>	1%	<u>702</u>	<u>715</u>	-2%
Current liabilities	-	3	-100%	28	28	0%	28	31	-10%
Total liabilities	<u>-</u>	<u>3</u>	-100%	<u>28</u>	<u>28</u>	0%	<u>28</u>	<u>31</u>	-10%
Net assets									
Restricted	472	499	-5%	-	-	0%	472	499	-5%
Unrestricted	129	113	14%	73	72	1%	202	185	9%
Total net assets	<u>\$ 601</u>	<u>\$ 612</u>	-2%	<u>\$ 73</u>	<u>\$ 72</u>	1%	<u>\$ 674</u>	<u>\$ 684</u>	-1%

The largest portion of the Town's net assets is restricted for use by the street department. For 2010, the amount restricted for streets was \$458,057. The Town also has \$13,431 restricted for cemetery care.

The remaining balance in unrestricted net assets of \$129,088 is available to meet the government's ongoing obligations to citizens and creditors.

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

TOWN OF SHATTUCK, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2010

Changes in Net Assets (Modified Cash Basis)
Year Ended June 30, 2010

TABLE 2
CHANGES IN NET ASSETS (In Thousands)

	Governmental Activities		% Inc. Dec.	Business-Type Activities		% Inc. Dec.	Total		% Inc. Dec.
	2010	2009		2010	2009		2010	2009	
Revenues									
Charges for services	\$ 37	\$ 68	-46%	\$ 459	\$ 451	2%	\$ 496	\$ 519	-4%
Operating grants and contributions	31	78	-60%	-	-	0%	31	78	-60%
Taxes	546	549	-1%	-	-	0%	546	549	-1%
Intergovernmental revenue	55	57	-4%	40	22	82%	95	79	20%
Investment income	-	2	-100%	4	7	-43%	4	9	-56%
Miscellaneous	162	285	-43%	2	4	-50%	164	289	-43%
Total revenues	831	1,039	-20%	505	484	4%	1,336	1,523	-12%
Expenses									
General government	208	184	13%	-	-	0%	208	184	13%
Public safety	250	251	0%	-	-	0%	250	251	0%
Highway and streets	102	140	-27%	-	-	0%	102	140	-27%
Culture and recreation	221	284	-22%	-	-	0%	221	284	-22%
Administration	-	-	0%	44	42	5%	44	42	5%
Water	-	-	0%	357	305	17%	357	305	17%
Sewer	-	-	0%	54	67	-19%	54	67	-19%
Sanitation	-	-	0%	109	117	-7%	109	117	-7%
Total expenses	781	859	-9%	564	531	6%	1,345	1,390	-3%
Excess (deficiency) before transfers	50	180	-72%	(59)	(47)	26%	(9)	133	-107%
Transfers	(60)	(3)	1900%	60	3	1900%	-	-	0%
Change in net assets	(10)	177	-106%	1	(44)	-102%	(9)	133	-107%
Beginning net assets	611	434	41%	72	116	-38%	683	550	24%
Ending net assets	\$ 601	\$ 611	-2%	\$ 73	\$ 72	1%	\$ 674	\$ 683	-1%

Governmental Activities

The Town's governmental activities had a decrease in net assets of \$11,168. This decrease is primarily due to the decrease in charges for services of 45.5% and miscellaneous revenue of 43.2%. The decrease in charges for services was due to a decrease in street assessment fees of approximately \$21,000 or 74.6% and a decrease in RV park fees of approximately \$9,000 or 62.5%. The decrease in miscellaneous revenue of approximately \$123,000 or 43.2% was due in part to a decrease in royalty revenue of approximately \$162,000 and an increase in donations to the fire department of approximately \$34,000. Total expenses also decreased 9.1%.

TOWN OF SHATTUCK, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2010

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

	<u>Total Expense</u> <u>of Services</u>		<u>% Inc.</u> <u>(Dec.)</u>	<u>Net Revenue</u> <u>(Expense)</u> <u>of Services</u>		<u>% Inc.</u> <u>(Dec.)</u>
	<u>2010</u>	<u>2009</u>		<u>2010</u>	<u>2009</u>	
	General government	\$ 208		\$ 184	13%	
Public safety	250	251	0%	(247)	(237)	4%
Highways and streets	102	140	-27%	(85)	(51)	67%
Culture, parks and recreation	221	284	-22%	(190)	(245)	-22%
Cemetery	-	-	0%	9	1	800%
Total	<u>\$ 781</u>	<u>\$ 859</u>	-9%	<u>(\$714)</u>	<u>(\$712)</u>	0%

Business-type Activities

The business-type activities had an increase in net assets of \$618. In reviewing the departmental net (expenses)/revenue, all utility activity charges except for water were sufficient to cover expenses.

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

	<u>Total Expense</u> <u>of Services</u>		<u>% Inc.</u> <u>(Dec.)</u>	<u>Net Revenue</u> <u>(Expense)</u> <u>of Services</u>		<u>% Inc.</u> <u>(Dec.)</u>
	<u>2010</u>	<u>2009</u>		<u>2010</u>	<u>2009</u>	
	Water	\$ 378		\$ 324	17%	
Sewer	64	78	-18%	49	39	26%
Sanitation	121	130	-7%	7	7	0%
Total	<u>\$ 563</u>	<u>\$ 532</u>	6%	<u>\$ (105)</u>	<u>\$ (81)</u>	30%

A FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As the Town completed its 2010 fiscal year, the governmental funds reported a combined fund balance of \$600,576. For the year ended June 30, 2010, the General Fund's total fund balance decreased by \$510 to a fund balance of \$42,583.

The Shattuck Municipal Authority Fund reported net assets of \$72,731.

Budgetary Highlights

For the year ended June 30, 2010, the General Fund reported actual budgetary basis revenues under final estimates by \$55,255 or a 7.6% negative variance. This variance was due mainly to a decrease of tax income. General Fund actual expenditures were under final appropriations by \$89,650 or an 11.7% 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 FY 2011 budget is consistent to the prior year.

Contacting the Town's Financial Management

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Clerk's office at PO Box 670 or 405 S Main, Shattuck, Oklahoma 73858 or telephone at 580-938-2916.

**TOWN OF SHATTUCK, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2010**

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

**TOWN OF SHATTUCK, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2010**

Statement of Net Assets (Modified Cash Basis) – June 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 600,576	\$ 100,925	\$ 701,501
Total Assets	<u>600,576</u>	<u>100,925</u>	<u>701,501</u>
LIABILITIES			
Deposit liability	-	28,194	28,194
Total Liabilities	<u>-</u>	<u>28,194</u>	<u>28,194</u>
NET ASSETS			
Restricted for cemetery	13,431	-	13,431
Restricted for streets	458,057	-	458,057
Unrestricted	129,088	72,731	201,819
Total Net Assets	<u>\$ 600,576</u>	<u>\$ 72,731</u>	<u>\$ 673,307</u>

See accompanying notes to the basic financial statements.

**TOWN OF SHATTUCK, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2010**

Statement of Activities (Modified Cash Basis)– Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental activities:							
General Government	\$ 208,054	\$ -	\$ 6,877	\$ -	\$ (201,177)	\$ -	\$ (201,177)
Public Safety	221,765	3,133	-	-	(218,632)	-	(218,632)
Highways and Streets	102,090	6,987	10,468	-	(84,635)	-	(84,635)
Culture and Recreation	209,084	17,420	13,470	-	(178,194)	-	(178,194)
Cemetery	15	8,980	-	-	8,965	-	8,965
Capital Outlay	39,675	-	-	-	(39,675)	-	(39,675)
Total governmental activities	780,683	36,520	30,815	-	(713,348)	-	(713,348)
Business-type activities:							
Water	378,172	217,357	-	-	-	(160,815)	(160,815)
Sewer	64,149	112,647	-	-	-	48,498	48,498
Sanitation	121,083	128,483	-	-	-	7,400	7,400
Total business-type activities	563,404	458,487	-	-	-	(104,917)	(104,917)
Total primary government	\$ 1,344,087	\$ 495,007	\$ 30,815	\$ -	(713,348)	(104,917)	(818,265)
General revenues:							
Taxes:							
Sales and use tax					484,493	-	484,493
Franchise and public service taxes					81,561	-	81,561
Intergovernmental revenue not restricted to specific programs					55,208	40,000	95,208
Investment income					53	3,695	3,748
Miscellaneous					160,807	1,898	162,705
Internal transfers					(59,942)	59,942	-
Total general revenues and transfers					702,180	105,535	807,715
Change in net assets					(11,168)	618	(10,550)
Net assets - beginning					611,744	72,113	683,857
Net assets - ending					\$ 600,576	\$ 72,731	\$ 673,307

See accompanying notes to the basic financial statements.

**TOWN OF SHATTUCK, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2010**

BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

**TOWN OF SHATTUCK, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2010**

Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2010

	<u>General Fund</u>	<u>Street and Alley Fund</u>	<u>Fire Truck Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments	\$ 42,583	\$ 458,057	\$ 67,576	\$ 32,360	\$ 600,576
Investments	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total Assets	<u>42,583</u>	<u>458,057</u>	<u>67,576</u>	<u>32,360</u>	<u>600,576</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accrued payroll liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Unreserved	42,583	458,057	67,576	-	568,216
Unreserved, reported in nonmajor special revenue funds	-	-	-	32,360	32,360
Total Fund Balances	<u>42,583</u>	<u>458,057</u>	<u>67,576</u>	<u>32,360</u>	<u>600,576</u>
Total Liabilities and Fund Balances	<u>\$ 42,583</u>	<u>\$ 458,057</u>	<u>\$ 67,576</u>	<u>\$ 32,360</u>	<u>\$ 600,576</u>

See accompanying notes to the basic financial statements.

**TOWN OF SHATTUCK, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2010**

**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance
(Modified Cash Basis) – Year Ended June 30, 2010**

	General Fund	Street and Alley Fund	Fire Truck Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 431,946	\$ 114,107	\$ -	\$ -	\$ 546,053
Intergovernmental	62,085	10,467	-	13,470	86,022
Charges for services	13,400	6,987	-	9,039	29,426
Fines and forfeitures	3,130	-	-	-	3,130
Licenses and permits	2,876	-	-	-	2,876
Investment income	53	-	-	-	53
Miscellaneous	154,362	-	6,200	1,335	161,897
Total Revenues	667,852	131,561	6,200	23,844	829,457
Expenditures:					
Current:					
General Government:					
Managerial	84,062	-	-	-	84,062
City Attorney	10,473	-	-	-	10,473
City Clerk	50,781	-	-	-	50,781
General Government	62,738	-	-	-	62,738
Public Safety:					
Police	118,684	-	-	-	118,684
Animal Control	4,239	-	-	-	4,239
Fire	92,774	-	6,068	-	98,842
Highways and streets:					
Streets	14,433	87,657	-	-	102,090
Culture and Recreation:					
Community Development	19,489	-	-	-	19,489
Parks	110,865	-	-	-	110,865
Library	65,259	-	-	13,471	78,730
Cemetery	-	-	-	15	15
Capital Outlay	39,675	-	-	-	39,675
Total Expenditures	673,472	87,657	6,068	13,486	780,683
Excess (deficiency) of revenues over expenditures	(5,620)	43,904	132	10,358	48,774
Other Financing Sources (Uses):					
Transfers in	7,392	-	-	16,982	24,374
Transfers out	(2,282)	(71,543)	(132)	(10,359)	(84,316)
Total Other Financing Sources (Uses)	5,110	(71,543)	(132)	6,623	(59,942)
Net change in fund balances	(510)	(27,639)	-	16,981	(11,168)
Fund balances - beginning	43,093	485,696	67,576	15,379	611,744
Fund balances - ending	\$ 42,583	\$ 458,057	\$ 67,576	\$ 32,360	\$ 600,576

See accompanying notes to the basic financial statements.

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BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS

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Proprietary Fund Statement of Net Assets (Modified Cash Basis) – June 30, 2010

	<u>Shattuck Municipal Authority</u>
ASSETS	
Current Assets:	
Cash and investments	\$ 72,731
Restricted cash and cash equivalents	28,194
Total Assets	<u>100,925</u>
LIABILITIES	
Current Liabilities:	
Deposit liability	28,194
Total Liabilities	<u>28,194</u>
NET ASSETS	
Unrestricted	72,731
Total net assets	<u>\$ 72,731</u>

See accompanying notes to the basic financial statements.

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Proprietary Fund Statement of Revenues, Expenses and Changes in Net Assets (Modified Cash Basis) – Year Ended June 30, 2010

	Shattuck Municipal Authority
Operating Revenues:	
Charges for services:	
Water	\$ 212,756
Sewer	110,262
Sanitation	125,763
Late charges	8,940
Reconnection fees	766
Total Operating Revenues	458,487
Operating Expenses:	
Administrative	43,302
Water	258,036
Sewer	53,510
Sanitation	96,115
Total Operating Expenses	450,963
Operating Income (Loss)	7,524
Non-Operating Revenues (Expenses):	
Investment income	3,695
Miscellaneous	1,898
Debt service:	
Principal retirement	(24,051)
Interest expense and fees	(11,204)
Capital Outlay	(77,186)
Total Non-Operating Revenues (Expenses)	(106,848)
Net Income (Loss) Before Contributions and Transfers	(99,324)
Transfer in	59,942
Capital contributions	40,000
Change in net assets	618
Total net assets - beginning	72,113
Total net assets - ending	\$ 72,731

See accompanying notes to the basic financial statements.

TOWN OF SHATTUCK, OKLAHOMA
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Proprietary Fund Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2010

	<u>Shattuck Municipal Authority</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$460,385
Payments to suppliers	(296,674)
Payments to employees	(154,289)
Receipts of customer utility deposits	1,568
Refunds of customer utility deposits	(900)
Interfund receipts/payments	(301,741)
Net Cash Provided by (Used in) Operating Activities	<u>(291,651)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	59,942
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>59,942</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital assets purchased	(77,186)
Capital contributions	40,000
Principal paid on debt	(24,051)
Interest and fiscal agent fees paid on debt	(11,204)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(72,441)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	3,695
Sales of investments	313,390
Net Cash Provided by (Used in) Investing Activities	<u>317,085</u>
Net Increase (Decrease) in Cash and Cash Equivalents	12,935
Balance - beginning of the year	<u>87,990</u>
Balance - end of the year	<u><u>\$100,925</u></u>
Reconciliation to Statement of Net Assets:	
Cash and cash equivalents	72,731
Restricted cash and cash equivalents	<u>28,194</u>
Total cash and cash equivalents	<u><u>\$100,925</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	7,524
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Other receipts	1,898
Change in assets and liabilities:	
Due to other funds	(301,741)
Deposit liability	668
Net cash provided by (used in) operating activities	<u><u>(\$291,651)</u></u>

See accompanying notes to the basic financial statements.

**TOWN OF SHATTUCK, OKLAHOMA
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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 includes the primary government and one discretely-presented component unit as follows.

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

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

The component unit is 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 assets and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:

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

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

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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
- Streets and facilities maintenance: Gas excise taxes and commercial vehicle taxes
- Culture and recreation: Library fines, operating grants
- Cemetery: Lots sales, opening and closing fees

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

Governmental Funds:

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.
- Fire Truck Fund – Accounts for maintaining and purchasing new fire equipment.
- Street and Alley Fund – Accounts for maintaining town's roadways.

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

- Cemetery Care Fund – Accounts for donations given to the Town in the name of the cemetery.
- Cemetery Reserve Fund – Accounts for 12.5% of cemetery revenue restricted by state law for cemetery capital improvements.
- Library Fund – Accounts for the library activities.

The governmental funds are reported on a modified cash basis of accounting and current financial resources measurement focus. Only current financial assets and liabilities resulting from cash transactions are included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period. The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of the economic resources measurement focus at the government-wide level.

Proprietary Funds:

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

Enterprise Funds:

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

The proprietary funds are reported on a modified cash basis, as defined above, and economic resources measurement focus. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied as applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

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

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, there are no capital assets recorded in the financial statements.

E. Long-Term Debt

Also due to the Town reporting on the modified cash basis of accounting, the Town's long-term debt is disclosed in the commitment section of these notes and not recorded in the financial statements.

F. Compensated Absences

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due to employees upon termination is reported as a commitment in Note 9.

G. Fund Balances and Net Assets

Fund Balances:

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

- a. *Reserved* – Consists of fund balances that are either legally restricted as to use (such as voter-restricted sales taxes), or fund balances that are not available for expenditure in the subsequent year (such as encumbrances).
- b. *Unreserved* – All other fund balances not classified as “reserved”.

At June 30, 2010, there were no governmental fund balance reserves.

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 negative fund balances for the year ended June 30, 2010.

Net Assets:

Net assets are displayed in three components:

- a. *Restricted net assets* - Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- b. *Unrestricted net assets* - All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

H. Internal and Interfund Balances and Transfers

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

I. Use of Estimates

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

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2. Deposits and Investments

For the year ended June 30, 2010, the Town recognized \$3,748 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, 2010, the primary government held the following deposits and investments:

<u>Primary Government:</u>	<u>Carrying Value</u>
Deposits:	
Demand deposits	\$ 301,501
Time deposits	400,000
Total Deposits and Investments	\$ 701,501
Reconciliation to Statement of Net Assets:	
Cash and investments	\$ 701,501
	\$ 701,501

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, 2010, the Town had sufficient collateral pledged to cover its uninsured deposits.

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.

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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, 2010, 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, 2010, the Town had no concentration of credit risk as defined above.

Restricted cash and Investments – The amounts reported as restricted assets on the proprietary fund statement of net assets are comprised of amounts restricted for water deposits. The restricted assets as of June 30, 2010 are as follows:

<u>Type of Restricted Assets</u>	<u>Current Cash and Cash Equivalents</u>
Utility Deposits	\$ 28,194

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.

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.

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5. Transfers

Internal transfers between funds and activities for the year ended June 30, 2010, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Nature of Transfer</u>
General Fund	SMA	\$ 2,282	Sales tax transfer
Street and Alley Fund	SMA	54,562	Expenses paid on beha
Street and Alley Fund	Library Fund	16,982	Expenses paid on beha
Library Fund	General Fund	509	Operating transfer
Library Fund	SMA	638	Operating transfer
Cemeter Reserve Fund	General Fund	6,883	Operating transfer
Cemetery Care Fund	SMA	2,328	Operating transfer
Fire Truck Fund	SMA	132	Operating transfer
		<u>\$ 82,034</u>	

Reconciliation to Statement of Changes in Net Assets:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental	\$ 24,374	\$ (84,316)	\$ (59,942)
Business-Type	59,942	-	59,942
Total	<u>\$ 84,316</u>	<u>\$ (84,316)</u>	<u>\$ -</u>

6. 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.

7. Material Noncompliance

The City's legal level of budgetary control per state statute is at the department level within a fund. Listed below are negative variances at that legal level of control within the specified funds.

In the General Fund the Town had negative budgetary variances in the following departments and for the following amounts:

General Fund – City Attorney	(2,973)
General Fund – City Clerk	(18,781)
General Fund – General Government	(17,738)
General Fund – Parks	(18,865)
General Fund – Library	(7,259)
General Fund – Police	(15,934)

8. Pension Plan Participation

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

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

OFPRS

The Town of Shattuck, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter's Pension and Retirement System (OFPRS) as a result of the employment of full-time firefighters. The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the Town must participate in the plan if they employ fulltime or volunteer firefighters. OFPRS plan members are required to contribute 8% to the plan. The Town is required by state law to contribute 13% per year of covered payroll for paid firefighters. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. For 2010, the Town's annual required contribution was \$1,260 for the OFPRS plan and was equal to the Town's actual contribution.

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

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 Clean Water Note, issued in June 1999, original amount \$500,000, due in semi-annual installments each March 15 and August 15, final installment due March 15, 2020, fixed interest rate of 3.041%. Issued by the SMA and secured by pledged sales tax. \$ 293,980

Year Ended June 30,	Notes Payable	
	Principal	Interest
2012	\$ 25,800	\$ 8,122
2013	26,759	7,298
2014	27,729	6,466
2015	28,733	5,603
2016	29,760	4,721
2017-2020	130,277	9,235
Total	\$ 269,058	\$ 41,445

Pledge of Future Revenues

Sales Tax and Utility Net Revenues Pledge - The Town has pledged one cent (or 33.3%) of future sales tax revenues and net water and sewer revenues to repay the \$500,000 of the OWRB 1999 Small Community Clean Water SRF Promissory Note. Proceeds from the note provided financing for construction improvements to capital assets. The note is payable from pledged sales tax revenues and net water and sewer revenues of the SMA and are payable through 2020. The total principal and interest payable for the remainder of the life of this note is \$344,352. Pledged sales taxes and net water and sewer revenues received in the current year were \$139,882. Debt service payments of \$35,255 for the current fiscal year were 26.5% of pledged sales taxes and net water and sewer revenues.

Compensated Absences:

As a result of the Town's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation, sick and comp leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2010 is \$17,423.

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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 2010, 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.

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REQUIRED SUPPLEMENTARY INFORMATION

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Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended June 30, 2010

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 115,561	\$ 115,561	\$ 43,093	\$ (72,468)
Resources (Inflows):				
Taxes	421,538	620,994	431,946	(189,048)
Intergovernmental	54,494	16,300	62,085	45,785
Charges for services	15,179	12,400	13,400	1,000
Fines and Forfeitures	9,780	9,840	3,130	(6,710)
Licenses and Permits	2,852	2,852	2,876	24
Investment Income	65,000	62,800	53	(62,747)
Miscellaneous	91,000	5,313	154,362	149,049
Other Financing Sources - Transfers In	-	-	7,392	7,392
Total Resources	<u>659,843</u>	<u>730,499</u>	<u>675,244</u>	<u>(55,255)</u>
Amounts available for appropriation	<u>775,404</u>	<u>846,060</u>	<u>718,337</u>	<u>(127,723)</u>
Charges to Appropriations (Outflows):				
Managerial	94,623	94,623	84,062	10,561
City Attorney	7,200	7,500	10,473	(2,973)
City Clerk	27,838	32,000	50,781	(18,781)
General Government	42,000	45,000	62,738	(17,738)
Police	120,051	130,400	146,334	(15,934)
Animal Control	4,600	4,600	4,239	361
Fire	127,000	128,000	92,774	35,226
Streets	141,281	141,281	14,433	126,848
Community Development	24,600	32,000	31,514	486
Parks	100,604	92,000	110,865	(18,865)
Library	65,607	58,000	65,259	(7,259)
Cemetery	20,000	-	-	-
Other Financing Uses - Transfers Out	-	-	2,282	(2,282)
Total Charges to Appropriations	<u>775,404</u>	<u>765,404</u>	<u>675,754</u>	<u>89,650</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ 80,656</u>	<u>\$ 42,583</u>	<u>\$ (38,073)</u>

See accompanying notes to budgetary comparison schedules.

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Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended June 30, 2010, (Cont.)

	STREET AND ALLEY FUND			
	Budgeted Amounts		Actual Amounts	Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 82,970	\$ 352,787	\$ 485,696	\$ 132,909
Resources (Inflows):				
Taxes	175,030	174,500	114,107	(60,393)
Intergovernmental	-	-	10,467	10,467
Charges for services	-	-	6,987	6,987
Investment Income	-	500	-	(500)
Total Resources	175,030	175,000	131,561	(43,439)
Amounts available for appropriation	258,000	527,787	617,257	89,470
Charges to Appropriations (Outflows):				
Streets	258,000	281,254	87,657	193,597
Other Financing Uses - Transfers Out	-	-	71,543	(71,543)
Total Charges to Appropriations	258,000	281,254	159,200	122,054
Ending Budgetary Fund Balance	\$ -	\$ 246,533	\$ 458,057	\$ 211,524

See accompanying notes to budgetary comparison schedules.

	FIRE TRUCK FUND			
	Budgeted Amounts		Actual Amounts	Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ -	\$ 36,629	\$ 67,576	\$ 30,947
Resources (Inflows):				
Miscellaneous	23,000	8,500	6,200	(2,300)
Total Resources	23,000	8,500	6,200	(2,300)
Amounts available for appropriation	23,000	45,129	73,776	28,647
Charges to Appropriations (Outflows):				
Fire	23,000	34,504	6,068	28,436
Other Financing Uses - Transfers Out	-	-	132	(132)
Total Charges to Appropriations	23,000	34,504	6,200	28,304
Ending Budgetary Fund Balance	\$ -	\$ 10,625	\$ 67,576	\$ 56,951

See accompanying notes to budgetary comparison schedules.

**TOWN OF SHATTUCK, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2010**

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 of and supplemental appropriations require Town Council approval.
3. In the General Fund the Town had negative variances in the following departments and for the following amounts:

General Fund – City Attorney	(2,973)
General Fund – City Clerk	(18,781)
General Fund – General Government	(17,738)
General Fund – Parks	(18,865)
General Fund – Library	(7,259)
General Fund – Parks	(15,934)

**TOWN OF SHATTUCK, OKLAHOMA
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SUPPLEMENTARY INFORMATION

**TOWN OF SHATTUCK, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2010**

Non-Major Governmental Funds Combining Balance Sheet (Modified Cash Basis) – June 30, 2010

	Special Revenue Funds			Total
	Cemetery Care Fund	Cemetery Reserve Fund	Library Fund	
ASSETS				
Cash and investments	\$ 18,929	\$ 13,431	\$ -	\$ 32,360
Total Assets	18,929	13,431	-	32,360
LIABILITIES AND FUND BALANCES				
Due to other funds	-	-	-	-
Total Liabilities	-	-	-	-
Fund Balances:				
Unreserved	18,929	13,431	-	32,360
Total Fund Balances	18,929	13,431	-	32,360
Total Liabilities and Fund Balances	\$ 18,929	\$ 13,431	\$ -	\$ 32,360

**TOWN OF SHATTUCK, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Non-Major Governmental Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis) – Year Ended June 30, 2010

	<u>Special Revenue Funds</u>			<u>Total</u>
	<u>Cemetery Care Fund</u>	<u>Cemetery Reserve Fund</u>	<u>Library Fund</u>	
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 13,470	\$ 13,470
Charges for services	2,097	6,683	259	9,039
Miscellaneous	246	200	889	1,335
Total Revenues	<u>2,343</u>	<u>6,883</u>	<u>14,618</u>	<u>23,844</u>
Expenditures:				
Current:				
Cemetery	15	-	-	15
Library	-	-	13,471	13,471
Total Expenditures	<u>15</u>	<u>-</u>	<u>13,471</u>	<u>13,486</u>
Excess (deficiency) of revenues over expenditures	2,328	6,883	1,147	10,358
Other Financing Sources (Uses):				
Transfers in	-	-	16,982	16,982
Transfers out	(2,328)	(6,883)	(1,148)	(10,359)
Total Other Financing Sources (Uses)	<u>(2,328)</u>	<u>(6,883)</u>	<u>15,834</u>	<u>6,623</u>
Net change in fund balances	-	-	16,981	16,981
Fund balances, beginning	18,929	13,431	(16,981)	15,379
Fund balances, ending	<u>\$ 18,929</u>	<u>\$ 13,431</u>	<u>\$ -</u>	<u>\$ 32,360</u>

**TOWN OF SHATTUCK, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2010**

**Schedule of Expenditures of Federal and State Awards (Modified Cash Basis) – Year Ended
June 30, 2010**

Federal/State Grantor/Pass through agency Grantor/Program Title	Grant #	Award Amount	Expenditures
<hr/>			
ASSOCIATION OF SOUTH CENTRAL OKLAHOMA GOVERNMENTS:			
REAP Grant	N/A	40,000	-
TOTAL STATE AWARDS		\$ 40,000	-

TOWN OF SHATTUCK, OKLAHOMA
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Schedule of Debt Service Coverage Requirement – Year Ended June 30, 2010

	OWRB NOTE
GROSS REVENUE AVAILABLE:	
Charges for services (water and sewer systems)	\$331,958
Investment income	3,695
Pledged sales tax	139,882
Total Gross Revenue Available	475,535
OPERATING EXPENDITURES:	
Water	278,564
Sewer	64,149
Total Operating Expenditures	342,713
Net Revenue Available for Debt Service	\$132,822
Maximum Annual Debt Service on all Long-Term Debt Payable From Revenues of the System	\$35,258
Computed Coverage	377%
Coverage Requirement	125%

**TOWN OF SHATTUCK, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2010**

INTERNAL CONTROL AND COMPLIANCE



BRITTON, KUYKENDALL & MILLER
CERTIFIED PUBLIC ACCOUNTANTS

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

The Honorable Mayor and Town Council
Town of Shattuck, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Shattuck, Oklahoma, as of and for the year ended June 30, 2010, which collectively comprise the Town of Shattuck, Oklahoma's basic financial statements and have issued our report thereon dated June 27, 2011. As stated in our report, the financial statements were prepared in compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Shattuck, Oklahoma's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

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

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



Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Shattuck, Oklahoma's financial statements 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* in the United States of America.

We noted certain matters that we have reported to the Town Council and administrative employees of Town of Shattuck, Oklahoma, in a separate statement of audit comments included with this report.

This report is intended solely for the information and use of the Town Council and administrative employees, and all applicable county, state and federal agencies and is not intended to be and should not be used by anyone other than these specified parties.

Britton, Kuykendall & Miller

BRITTON, KUYKENDALL AND MILLER
Certified Public Accountants

Weatherford, Oklahoma
June 27, 2011

**TOWN OF SHATTUCK, OKLAHOMA
AUDIT COMMENTS
JUNE 30, 2010**

CURRENT YEAR

1. During our audit, we noted multiple instances where invoices were dated before the purchase orders were approved. All purchase orders must be approved and issued by the purchasing agent to allow any purchase to be made or any order placed. Funds are not to be obligated without authorization by the purchasing agent. The person obligating these funds without approval can be held liable to pay for the purchases.
2. During our audit, we noted multiple instances where invoices were not signed to verify receipt of goods or services. The person receiving goods or services should sign the invoice, statement, or delivery ticket to indicate that the goods or services were received and in good condition.
3. During our audit, we noted several instances where the Town exceeded their budgeted appropriations at the department level for several funds. The Town's legal level of budgetary control per state statute is at the department level within a fund. Listed below are negative variances at that legal level of control within the specific funds.

In the General Fund the Town had negative budgetary variances in the following departments and for the following amounts:

General Fund – City Attorney	\$(2,973)
General Fund – City Clerk	\$(18,781)
General Fund – General Government	\$(17,738)
General Fund – Police	\$(15,934)
General Fund – Parks	\$(18,865)
General Fund – Library	\$(7,259)
General Fund – Transfers Out	\$(2,282)

In the Street and Alley Fund the Town had negative budgetary variances in the following departments and for the following amounts:

Street and Alley Fund – Transfers Out	\$(71,543)
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In the Fire Truck Fund the Town had negative budgetary variances in the following departments and for the following amounts:

Fire Truck Fund – Transfers Out	\$(132)
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The Town must continually monitor expenditures and compare them to budgeted appropriations to ensure the Town does not go over budget. A supplemental appropriation should be prepared, if the funds are available, before the Town exceeds their appropriations as required by law.

**TOWN OF SHATTUCK, OKLAHOMA
AUDIT COMMENTS, (CONTINUED)
JUNE 30, 2010**

PRIOR YEAR

1. During our audit, we noted multiple instances where invoices were dated before the purchase orders were approved. All purchase orders must be approved and issued by the purchasing agent to allow any purchase to be made or any order placed. Funds are not to be obligated without authorization by the purchasing agent. The person obligating these funds without approval can be held liable to pay for the purchases.
2. During our audit, we noted multiple instances where invoices were not signed to verify receipt of goods or services. The person receiving goods or services should sign the invoice, statement, or delivery ticket to indicate that the goods or services were received and in good condition.
3. During our audit, we noted where the Library Fund had a fund balance deficit of \$16,981 at June 30, 2009. Title 11, §17-211 of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund (excluding public trusts).
4. During our audit, we noted several instances where the Town exceeded their budgeted appropriations at the department level for several funds. The Town's legal level of budgetary control per state statute is at the department level within a fund. Listed below are negative variances at that legal level of control within the specific funds.

In the General Fund the Town had negative budgetary variances in the following departments and for the following amounts:

General Fund – Managerial	\$ (51,131)
General Fund – City Clerk	\$ (790)
General Fund – General Government	\$ (31,905)
General Fund – Streets	\$ (26,239)
General Fund – Community Development	\$ (14,517)
General Fund – Parks	\$ (80,461)
General Fund – Library	\$ (2,461)
General Fund – Cemetery	\$ (95)

In the Street and Alley Fund the Town had negative budgetary variances in the following departments and for the following amounts:

Street and Alley Fund – Transfers Out	\$ (67,688)
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In the Fire Truck Fund the Town had negative budgetary variances in the following departments and for the following amounts:

Fire Truck Fund – Fire	\$ (15,542)
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The Town must continually monitor expenditures and compare them to budgeted appropriations to ensure the Town does not go over budget. A supplemental appropriation should be prepared, if the funds are available, before the Town exceeds their appropriations as required by law.