

TOWN OF SLICK, OKLAHOMA
ANNUAL FINANCIAL REPORT
JUNE 30, 2012

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INDEPENDENT AUDITORS' REPORT

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

I was engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Slick, Oklahoma as of and for the year ended June 30, 2012, which collectively comprise the Town of Slick, Oklahoma's basic financial statements. These financial statements are the responsibility of Town of Slick, Oklahoma's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

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

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

In accordance with *Government Auditing Standards*, I have also issued my report dated October 16, 2013, on my consideration of Town of Slick, Oklahoma's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Ralph Osborn

Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
October 22, 2013

TOWN OF SLICK, OKLAHOMA
STATEMENT OF NET ASSETS
MODIFIED CASH BASIS
JUNE 30, 2012

	Primary Government		
	Governmental	Business	Total
	Activities	Type Activities	
ASSETS			
Current assets:			
Internal balances	\$ 7,894	\$ 51,656	\$ 59,550
Due from other funds	10,196	(10,196)	-
Deposits	-	3,750	3,750
Total current assets	18,090	45,210	63,300
Non-current assets:			
Capital assets			
Other capital assets net of accumulated depreciation	67,315	177,854	245,169
Total non-current assets	67,315	177,854	245,169
Total assets	85,405	223,064	308,469
LIABILITIES			
Current liabilities:			
Utility deposits	-	15,752	15,752
Notes payable - current	-	16,932	16,932
Total current liabilities	-	32,684	32,684
Non-current liabilities:			
Notes payable - non-current	-	173,058	173,058
Total non-current liabilities	-	173,058	173,058
Total liabilities	-	205,742	205,742
NET ASSETS			
Nonspendable	77,511	(34,334)	43,177
Assigned	-	51,656	51,656
Unassigned	7,894	-	7,894
Total net assets	\$ 85,405	\$ 17,322	\$ 102,727

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

TOWN OF SLICK, OKLAHOMA
STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expenses) Revenue</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Function/Programs					
Governmental activities					
General government	\$ 37,651	\$ -	\$ 13,625	\$ -	\$ (24,026)
Park	1,477	-	4,707	-	3,230
Street	1,093	-	-	-	(1,093)
Total governmental activities	<u>44,221</u>	<u>-</u>	<u>18,332</u>	<u>-</u>	<u>(21,889)</u>
Business-type activities					
Public Works	120,213	165,275	-	-	45,062
Total business-type activities	<u>120,213</u>	<u>165,275</u>	<u>-</u>	<u>-</u>	<u>45,062</u>
Total primary government	<u>\$164,434</u>	<u>\$165,275</u>	<u>\$ 18,332</u>	<u>\$ -</u>	<u>\$ 23,173</u>
Primary Government					
		<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
Changes in net assets:					
Net (expense) revenue		\$ (21,889)	\$ 45,062	\$ 23,173	
General revenues					
Taxes					
Sales tax		18,389	-	18,389	
Franchise		-	2,752	2,752	
Other tax		2,878	-	2,878	
Reimbursement		4,000	-	4,000	
Transfers		(4,000)	4,000	4,000	
Other income		251	-	251	
Interest		3	13	16	
Total general revenue		<u>21,521</u>	<u>6,765</u>	<u>28,286</u>	
Change in net assets		(368)	51,827	51,459	
Net assets - beginning		<u>85,773</u>	<u>(34,505)</u>	<u>51,268</u>	
Net assets - ending		<u>\$ 85,405</u>	<u>\$ 17,322</u>	<u>\$ 102,727</u>	

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

TOWN OF SLICK, OKLAHOMA
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>General Fund</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash and cash equivalents	\$ 7,894	\$ 7,894
Due from other funds	<u>10,196</u>	<u>10,196</u>
TOTAL ASSETS	<u>\$ 18,090</u>	<u>\$ 18,090</u>
LIABILITIES AND FUND BALANCES		
FUND BALANCES		
Unassigned	<u>\$ 18,090</u>	<u>\$ 18,090</u>
TOTAL FUND BALANCES	<u>18,090</u>	<u>18,090</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 18,090</u>	<u>\$ 18,090</u>

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

TOWN OF SLICK, OKLAHOMA
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
WITH THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

Total fund balance \$ 18,090

Amounts reported in the statement of net assets
are different because:

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

Capital assets	84,783	
Accumulated depreciation	<u>(17,468)</u>	<u>67,315</u>
Total net assets		<u>\$ 85,405</u>

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

TOWN OF SLICK, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Total Governmental Funds
Revenue		
Sales tax	\$ 18,389	\$ 18,389
Other tax	2,878	2,878
Donations	4,707	4,707
Interest	3	3
Reimbursement	4,000	4,000
INCOG	13,625	13,625
Other	251	251
Total revenue	43,853	43,853
Expenditures		
Current		
General government	36,740	36,740
Park	988	988
Total expenditures	37,728	37,728
Excess(deficiency) of revenue over expenditures before other financing sources	6,125	6,125
Other financing sources (uses)		
Transfer to public works	(4,000)	(4,000)
Total other financing sources (uses)	(4,000)	(4,000)
Net change in fund balance	2,125	2,125
Fund balances, beginning	15,965	15,965
Fund balances, ending	\$ 18,090	\$ 18,090

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

TOWN OF SLICK, OKLAHOMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Net changes in fund balances - total governmental funds \$ 2,125

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the combined statement of net assets and allocated over their estimated useful lives as annual depreciation in the statement of activities. This is the amount by which capital outlay exceeds depreciation outlay in the period.

Depreciation expense	(2,493)	
Capital outlay	<u>-</u>	<u>(2,493)</u>

Change in net assets \$ (368)

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

TOWN OF SLICK, OKLAHOMA
STATEMENT OF FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
JUNE 30, 2012

	Public Works
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 51,656
Deposits	3,750
Total current assets	55,406
Non-current assets	
Capital assets:	
Capital assets, net of accumulated depreciation	177,854
Total non-current assets	177,854
Total assets	233,260
LIABILITIES	
Current liabilities:	
Utility deposits	15,752
Due to other funds	10,196
Notes payable - current	16,932
Total current liabilities	42,880
Non-current liabilities:	
Notes payable - non-current	173,058
Total non-current liabilities	173,058
Total liabilities	215,938
NET ASSETS	
Nonspendable	(34,334)
Assigned	51,656
Net assets of business-type activities	\$ 17,322

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

TOWN OF SLICK, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
MODIFIED CASH BASIS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Public Works</u>
<u>OPERATING REVENUES</u>	
Charges for services:	
Water	\$ 84,747
Natural gas sales	46,063
Rock Creek	29,033
Franchise tax	2,752
Other	<u>5,432</u>
Total operating revenues	<u>168,027</u>
<u>OPERATING EXPENSES</u>	
Personal services	11,105
Water purchase	39,735
Natural gas purchase	17,762
Maintenance and supplies	14,602
Utilities	5,205
Insurance	835
Other expenses	8,487
Depreciation	<u>12,543</u>
Total operating expenses	<u>110,274</u>
Operating income (loss)	<u>57,753</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>	
Investment income	13
Interest on notes payable	(9,939)
Transfer from general fund	<u>4,000</u>
Total non-operating revenue (expenses)	<u>(5,926)</u>
Change in net assets	51,827
Total net assets, beginning	<u>(34,505)</u>
Total net assets, ending	<u>\$ 17,322</u>

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

TOWN OF SLICK, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Public Works</u>
Cash flows from operating activities	
Cash received from customers	\$ 167,848
Cash payments to employees	(11,105)
Cash payments to suppliers for goods and services	(86,626)
Net cash provided (used) by operating activities	<u>70,117</u>
Cash flows from capital and related financing activities	
Transfer from General	4,000
Acquisition of fixed assets	(22,921)
Principal paid on notes payable	(16,065)
Interest paid on notes payable and fiscal fees	(9,939)
Net cash used for capital and related financing activities	<u>(44,925)</u>
Cash flows from investing activities	
Interest revenue	<u>13</u>
Net cash provided by investing activities	<u>13</u>
Net increase in cash and cash equivalents	25,205
Cash and cash equivalents, beginning	<u>26,451</u>
Cash and cash equivalents, ending	<u>\$ 51,656</u>
Reconciliation of operating income(loss) to net cash provided by(used) by operating activities	
Operating income (loss)	\$ 57,753
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	12,543
Changes in assets and liabilities:	
Increase in utility deposits	<u>(179)</u>
Net cash provided by operating activities	<u>\$ 70,117</u>

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

TOWN OF SLICK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Town as a whole excluding fiduciary activities such as employee pension plans. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A functional program is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which

TOWN OF SLICK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

Fund Financial Statements

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

Measurement Focus and Basis of Accounting

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

Measurement Focus

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

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

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

TOWN OF SLICK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Basis of Accounting

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

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

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

FUND TYPES AND MAJOR FUNDS

The Town reports the following major governmental funds:

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

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

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

Budgetary Accounting and Control

The Mayor submits an annual budget to the Board of Trustees in accordance with the Oklahoma Municipal Budget Act. The budget is presented to the Board of Trustees for review, and public hearings are held to address priorities and allocation of resources. In June, the Board of Trustees adopts the annual fiscal year budgets for the Town operating funds. Once approved, the Board of Trustees may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Public trusts submit budget and other planning documents to their respective governing bodies.

TOWN OF SLICK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

The budgets for the governmental funds and proprietary fund operations are prepared on the cash basis. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be paid. The budget and actual financial statements are reported on this basis. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

Investments

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

Encumbrances

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

Inventories and Prepaids

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. Proprietary funds and similar component unit inventories are recorded at the lower of cost or market on a first-in, first-out basis. The Town has not maintained inventory records, however, the value of inventory on hand at June 30, 2012 is not believed to be material.

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

TOWN OF SLICK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Capital Assets, Depreciation, and Amortization

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

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

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

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

Compensated Absences

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

Reserves and Designations

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

Use of Estimates

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

TOWN OF SLICK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE B - CASH AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of counterparty, the Town will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Town, and are held by counterparty or the counterparty's trust department but not in the name of the Town. The Town's policy requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits or investments. As of June 30, 2012, all of the Towns deposits and investments were either covered by federal deposit insurance or were fully collateralized.

Deposits

The Town had deposits at financial institutions with a carrying amount of approximately \$59,550 at June 30, 2012. The bank balance of the deposits at June 30, 2012 was approximately \$59,755.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Town did not have fixed income securities at June 30, 2012.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board of Directors monitor's the investment performance on an ongoing basis to limit the Town's interest rate risk. As of June 30, 2012, the Town's deposits consisted of demand deposits and certificates of deposit with a maturity of 12 months or less.

NOTE C - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at June 30, 2012 are as follows:

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

TOWN OF SLICK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE D - CAPITAL ASSETS

Changes in capital assets.

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

	<u>CAPITAL ASSETS, DEPRECIATED</u>				<u>Capital Assets Not Depreciated Land</u>
	<u>Buildings</u>	<u>Infrastructure & Furniture, Improvements Other Than Buildings</u>	<u>Machinery, And Equipment</u>	<u>Totals</u>	
PRIMARY GOVERNMENT					
Governmental activities					
Balance, June 30, 2011	\$ 13,244	\$ 63,254	\$ 8,285	\$ 84,783	\$ -
Increases	-	-	-	-	-
Decreases	-	-	-	-	-
Balance, June 30, 2012	<u>13,244</u>	<u>63,254</u>	<u>8,285</u>	<u>84,783</u>	<u>-</u>
Accumulated Depreciation					
Balance, June 30, 2011	1,655	8,812	4,508	14,975	
Increase	221	1,582	690	2,493	
Decreases	-	-	-	-	
Balance, June 30, 2012	<u>1,876</u>	<u>10,394</u>	<u>5,198</u>	<u>17,468</u>	
Governmental activities Capital Assets, Net	<u>\$ 11,368</u>	<u>\$ 52,860</u>	<u>\$ 3,087</u>	<u>\$ 67,315</u>	<u>\$ -</u>
Business-type activities					
Balance, June 30, 2011	\$ 9,120	\$ 473,038	\$ 4,288	\$ 486,446	\$ -
Increases	-	22,921	-	22,921	-
Decreases	-	-	-	-	-
Balance, June 30, 2012	<u>9,120</u>	<u>495,959</u>	<u>4,288</u>	<u>509,367</u>	<u>-</u>
Accumulated Depreciation					
Balance, June 30, 2011	1,140	314,235	3,595	318,970	
Increase	152	12,284	107	12,543	
Decreases	-	-	-	-	
Balance, June 30, 2012	<u>1,292</u>	<u>326,519</u>	<u>3,702</u>	<u>331,513</u>	
Business-type Activities Capital Assets, Net	<u>\$ 7,828</u>	<u>\$ 169,440</u>	<u>\$ 586</u>	<u>\$ 177,854</u>	<u>\$ -</u>
PRIMARY GOVERNMENT Capital Assets, Net	<u>\$ 19,196</u>	<u>\$ 222,300</u>	<u>\$ 3,673</u>	<u>\$ 245,169</u>	<u>\$ -</u>

DEPRECIATION EXPENSE

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

GOVERNMENT ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
General Government	\$ 911	Public Works	\$ 12,543
Street	1,093		
Park	489		

TOWN OF SLICK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE E - PROPRIETARY FUND NOTES PAYABLE

The Authority has incurred indebtedness for the expansion of system facilities. The following is a summary of note payable transactions for the year ended June 30, 2012.

	Payable at July 1, 2011	Retirements	Balance at June 30, 2012
USDA, Rural Development	\$ 64,018	\$ (5,958)	\$ 58,060
USDA, Rural Development	5,308	(613)	4,695
USDA, Rural Development	4,643	(548)	4,095
USDA, Rural Development	132,086	(8,946)	123,140
Total	<u>\$ 206,055</u>	<u>\$ (16,065)</u>	<u>\$ 189,990</u>

A brief description of the outstanding notes payable at June 30, 2012 is set forth below:

USDA, Rural Development loan dated May 7, 1980, in the original loan amount of \$153,000, interest rate of 5%, term of 40 years, monthly installment of \$752 until May 2020.	\$ 58,060
USDA, Rural Development loan dated May 7, 1980, in the original loan amount of \$14,500, interest rate of 5%, term of 40 years, monthly installment of \$72 until May 2020.	4,695
USDA, Rural Development loan dated June 17, 1981, in the original loan amount of \$13,000, interest rate of 5%, term of 40 years, monthly installment of \$64 until June 2021.	4,095
USDA, Rural Development loan dated November 3, 1982, in the original loan amount of \$260,300, interest rate of 5%, term of 40 years, monthly installment of \$1,279 until November 2022.	123,140
Total	<u>\$ 189,990</u>

The annual debt service requirement for these loans as shown below includes principal and interest payments. These loan agreements require the Authority maintain a loan reserve equal to the total annual payment on the loans. The authority does not have the required loan reserve. At June 30, 2012, the loan reserve was \$15,341. The required reserve is \$26,004.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2013	\$ 16,932	\$ 9,072	\$ 26,004
2014	17,798	8,206	26,004
2015	18,709	7,295	26,004
2016	19,666	6,338	26,004
2017	20,672	5,332	26,004
2018-22	92,243	11,905	104,148
2023	3,970	7,160	11,130
Total	<u>\$ 189,990</u>	<u>\$ 55,308</u>	<u>\$ 245,298</u>

TOWN OF SLICK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE F - CONTRACTS

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

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

NOTE G - COMPENSATED ABSENCES

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

NOTE H - RISK MANAGEMENT

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

NOTE I - FEDERAL AND STATE GRANTS

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

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

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

I was engaged to audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Slick, Oklahoma, as of and for the year ended June 30, 2012, and have issued my report thereon dated October 22, 2013 which did not include Management's Discussion and Analysis or budgetary comparison. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Town of Slick, Oklahoma is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered Town of Slick, Oklahoma's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Slick, Oklahoma's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Town of Slick, Oklahoma's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, I have identified certain deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2012-1 through 2012-7 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-1 through 2017-7 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Slick, Oklahoma's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and question costs as item 2012-01 and 2012-7.

This report is intended solely for the information and use of management, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Ralph Osborn

Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
October 22, 2013

TOWN OF SLICK, OKLAHOMA
SLICK, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2012

2012-1 Franchise Tax

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

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

2012-2 Water and Natural Gas Sales

Finding: Water and natural gas utility revenue combined totaled \$106,424 for the year ending June 30, 2011. Revenue from the same two sources totaled \$130,393 for the year ended June 30, 2012. The Authority purchases water and natural gas from suppliers for resale to customers. Water and natural gas purchases totaled \$69,602 for the year ending June 30, 2011. Water and natural gas purchases for the year ended June 30, 2012 totaled \$57,635. The Authority has not been able to explain the reason purchases from suppliers decreased while the revenue from sales increased. Cash deposits from payments totaled \$1,284.04 in 2011-12 and \$6,015.27 in 2010-11. There was no explanation for the variance.

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

2012-3 Tom Slick Day Checking

Finding: The Town made payments from its Tom Slick Day checking account without the use of purchase orders. One unnumbered check dated October 20, 2011 in the amount of \$427.42 was payable to the former Town Clerk. The check was signed by the former Town Clerk without a second signature. The memo indicates the payment is a reimbursement. No proof of the expenditure was provided.

Recommendation: The Town should not make payments without proof of the expenditure and a purchase order. The Town should not have single signature checking accounts. The Town should request the former clerk provide proof of the expenditure or repay the amount.

2012-4 Repairs

Finding: The Town paid a relative of the former clerk \$1,600 in two payments for repairs made and supplies purchased for two projects. Neither invoice shows the number of hours involved. Supply invoices which appear to be related to these projects were paid by the Town.

Recommendation: The Town should request additional proof of these expenses or seek reimbursement.

TOWN OF SLICK, OKLAHOMA
SLICK, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2012

2012-5 Contract Labor

Finding: The Town paid the former Town Clerk \$1,980.55 for contract labor including mowing and maintaining grounds. Payment was made based on a time sheet provided by the Clerk. The Clerk used Town equipment to perform these tasks. Payroll taxes were not withheld. Matching payroll taxes were not paid. There were other payments to independent contractors during this period for similar activity. Since the Town Clerk was an employee and was using Town equipment, payments to her would be subject to payroll taxes.

Recommendation: The Town should review these payments to determine if they appear reasonable. The Town should withhold and match payroll taxes on employees of the Town.

2012-6 Town Credit Card

Finding: The Town has a charge card at Walmart. During the year, the Town wrote three checks totaling \$1,410.28 to pay for merchandise. This included \$315 for an air conditioner. The balance of one check was shown as payment for a second air conditioner. The invoices were not attached to the purchase order. Invoices obtained from Walmart show the balance of the purchases, which is approximately \$1,095, was for groceries.

Recommendation: The Town should consult with legal authorities to determine any action to be taken to recover money paid for these purchases.

2012-7 Slick Public Works Authority Purchase

Finding: Slick Public Works Authority check number 3988 dated July 28, 2011 in the amount of \$2,000 was issued to a relative of the former Town Clerk. The finance report for July 2011 does not include check 3988. Check 3982 on the finance report is shown as paying an electric bill in the amount of \$2,064.57. The actual check was for \$182.99. There is not a purchase order for the \$2,000 payment. The name of the payee on check number 3988 appears to have been altered.

Recommendation: The Town should consult legal authorities concerning recovery of any money. Original bank statements should be reviewed and reconciled by an official other than the Town Clerk.