

TOWN OF SLICK, OKLAHOMA
ANNUAL FINANCIAL REPORT
JUNE 30, 2013

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INDEPENDENT AUDITORS' REPORT

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

I have audited the accompanying financial statements of the Town of Slick, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of Slick's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on our audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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 Town of Slick as of June 30, 2013, and the respective changes in financial position - modified cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note A.

Basis of Accounting

I draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated May 19, 2015, on my consideration of Town of Slick'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* in considering Town of Slick, Oklahoma's internal control over financial reporting and compliance.

Ralph Osborn

Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
May 19, 2015

TOWN OF SLICK, OKLAHOMA
STATEMENT OF NET ASSETS
MODIFIED CASH BASIS
JUNE 30, 2013

	Primary Government		Total
	Governmental Activities	Business Type Activities	
ASSETS			
Current assets:			
Internal balances	\$ 11,609	\$ 57,962	\$ 69,571
Due from other funds	10,196	(10,196)	-
Deposits	-	3,750	3,750
Total current assets	21,805	51,516	73,321
Non-current assets:			
Capital assets			
Other capital assets net of accumulated depreciation	64,919	243,939	308,858
Total non-current assets	64,919	243,939	308,858
Total assets	86,724	295,455	382,179
LIABILITIES			
Current liabilities:			
Utility deposits	-	14,834	14,834
Notes payable - current	-	17,798	17,798
Total current liabilities	-	32,632	32,632
Non-current liabilities:			
Notes payable - non-current	-	155,712	155,712
Total non-current liabilities	-	155,712	155,712
Total liabilities	-	188,344	188,344
NET ASSETS			
Nonspendable	75,115	49,149	124,264
Assigned	-	57,962	57,962
Unassigned	11,609	-	11,609
Total net assets	\$ 86,724	\$ 107,111	\$ 193,835

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, 2013

	<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	\$ 22,289	\$ -	\$ -	\$ -	\$ (22,289)
Park	587	-	2,231	-	1,644
Street	1,093	-	-	-	(1,093)
Total governmental activities	<u>23,969</u>	<u>-</u>	<u>2,231</u>	<u>-</u>	<u>(21,738)</u>
Business-type activities					
Public Works	<u>130,454</u>	<u>135,548</u>	<u>-</u>	<u>81,825</u>	<u>86,919</u>
Total business-type activities	<u>130,454</u>	<u>135,548</u>	<u>-</u>	<u>81,825</u>	<u>86,919</u>
Total primary government	<u>\$154,423</u>	<u>\$135,548</u>	<u>\$ 2,231</u>	<u>\$ 81,825</u>	<u>\$ 65,181</u>
Primary Government					
		<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
Changes in net assets:					
Net (expense) revenue		\$ (21,738)	\$ 86,919	\$ 65,181	
General revenues					
Taxes					
Sales tax			19,785	-	19,785
Franchise			2,948	-	2,948
Other tax			1,199	-	1,199
Reimbursement			1,897	-	1,897
Transfers			(2,778)	2,778	-
Interest			5	91	96
Total general revenue		<u>23,056</u>	<u>2,869</u>	<u>25,925</u>	
Change in net assets		1,318	89,788	91,106	
Net assets - beginning		<u>85,406</u>	<u>17,323</u>	<u>102,729</u>	
Net assets - ending		<u>\$ 86,724</u>	<u>\$ 107,111</u>	<u>\$ 193,835</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, 2013

	<u>General Fund</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash and cash equivalents	\$ 11,609	\$ 11,609
Due from other funds	<u>10,196</u>	<u>10,196</u>
TOTAL ASSETS	<u>\$ 21,805</u>	<u>\$ 21,805</u>
LIABILITIES AND FUND BALANCES		
FUND BALANCES		
Unassigned	<u>\$ 21,805</u>	<u>\$ 21,805</u>
TOTAL FUND BALANCES	<u>21,805</u>	<u>21,805</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 21,805</u>	<u>\$ 21,805</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, 2013

Total fund balance \$ 21,805

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>(19,864)</u>	<u>64,919</u>

Total net assets		<u>\$ 86,724</u>
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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, 2013

	<u>General Fund</u>	<u>Total Governmental Funds</u>
Revenue		
Sales tax	\$ 19,785	\$ 19,785
Franchise tax	2,948	2,948
Other tax	1,199	1,199
Donations	2,231	2,231
Interest	5	5
Reimbursement	<u>1,897</u>	<u>1,897</u>
Total revenue	<u>28,065</u>	<u>28,065</u>
Expenditures		
Current		
General government	21,474	21,474
Park	<u>99</u>	<u>99</u>
Total expenditures	<u>21,573</u>	<u>21,573</u>
Excess(deficiency) of revenue over expenditures before other financing sources	6,492	6,492
Other financing sources (uses)		
Transfer to public works	<u>(2,778)</u>	<u>(2,778)</u>
Total other financing sources (uses)	<u>(2,778)</u>	<u>(2,778)</u>
Net change in fund balance	3,714	3,714
Fund balances, beginning	<u>18,091</u>	<u>18,091</u>
Fund balances, ending	<u>\$ 21,805</u>	<u>\$ 21,805</u>

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, 2013

Net changes in fund balances - total governmental funds \$ 3,714

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	(2,396)	
Capital outlay	<u>-</u>	<u>(2,396)</u>

Change in net assets \$ 1,318

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, 2013

	Public Works
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 57,962
Deposits	3,750
Total current assets	61,712
Non-current assets	
Capital assets:	
Capital assets, net of accumulated depreciation	243,939
Total non-current assets	243,939
Total assets	305,651
LIABILITIES	
Current liabilities:	
Utility deposits	14,834
Due to other funds	10,196
Notes payable - current	17,798
Total current liabilities	42,828
Non-current liabilities:	
Notes payable - non-current	155,712
Total non-current liabilities	155,712
Total liabilities	198,540
NET ASSETS	
Nonspendable	49,149
Assigned	57,962
Net assets of business-type activities	\$ 107,111

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, 2013

	<u>Public Works</u>
<u>OPERATING REVENUES</u>	
Charges for services:	
Water	\$ 77,779
Natural gas sales	50,065
Meter Deposits	1,450
Grants	81,825
Other	<u>6,254</u>
Total operating revenues	<u>217,373</u>
<u>OPERATING EXPENSES</u>	
Personal services	14,421
Water purchase	50,846
Natural gas purchase	20,283
Maintenance and supplies	4,605
Utilities	3,906
Other expenses	12,866
Depreciation	<u>14,003</u>
Total operating expenses	<u>120,930</u>
Operating income (loss)	<u>96,443</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>	
Investment income	91
Interest on notes payable	(9,524)
Transfer from general fund	<u>2,778</u>
Total non-operating revenue (expenses)	<u>(6,655)</u>
Change in net assets	89,788
Total net assets, beginning	<u>17,323</u>
Total net assets, ending	<u><u>\$ 107,111</u></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, 2013

	<u>Public Works</u>
Cash flows from operating activities	
Cash received from customers	\$ 216,455
Cash payments to employees	(14,421)
Cash payments to suppliers for goods and services	(92,506)
Net cash provided (used) by operating activities	<u>109,528</u>
Cash flows from capital and related financing activities	
Transfer from General	2,778
Acquisition of fixed assets	(80,088)
Principal paid on notes payable	(16,480)
Interest paid on notes payable and fiscal fees	(9,524)
Net cash used for capital and related financing activities	<u>(103,314)</u>
Cash flows from investing activities	
Interest revenue	<u>91</u>
Net cash provided by investing activities	<u>91</u>
Net increase in cash and cash equivalents	6,305
Cash and cash equivalents, beginning	<u>51,657</u>
Cash and cash equivalents, ending	<u>\$ 57,962</u>
Reconciliation of operating income(loss) to net cash provided by(used) by operating activities	
Operating income (loss)	\$ 96,443
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	14,003
Changes in assets and liabilities:	
Increase in utility deposits	(918)
Net cash provided by operating activities	<u>\$ 109,528</u>

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

TOWN OF SLICK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013

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, 2013

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, 2013

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, 2013 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, 2013

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, 2013

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, 2013, 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 \$69,571 at June 30, 2013. The bank balance of the deposits at June 30, 2013 was approximately \$69,651.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Town did not have fixed income securities at June 30, 2013.

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, 2013, 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, 2013 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, 2013

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, 2012	\$ 13,244	\$ 63,254	\$ 8,285	\$ 84,783	\$ -
Increases	-	-	-	-	-
Decreases	-	-	-	-	-
Balance, June 30, 2013	<u>13,244</u>	<u>63,254</u>	<u>8,285</u>	<u>84,783</u>	<u>-</u>
Accumulated Depreciation					
Balance, June 30, 2012	1,876	10,394	5,198	17,468	
Increase	221	1,581	594	2,396	
Decreases	-	-	-	-	
Balance, June 30, 2013	<u>2,097</u>	<u>11,975</u>	<u>5,792</u>	<u>19,864</u>	
Governmental activities Capital Assets, Net	<u>\$ 11,147</u>	<u>\$ 51,279</u>	<u>\$ 2,493</u>	<u>\$ 64,919</u>	<u>\$ -</u>
Business-type activities					
Balance, June 30, 2012	\$ 9,120	\$ 495,959	\$ 4,288	\$ 509,367	\$ -
Increases	-	80,088	-	80,088	-
Decreases	-	-	-	-	-
Balance, June 30, 2013	<u>9,120</u>	<u>576,047</u>	<u>4,288</u>	<u>589,455</u>	<u>-</u>
Accumulated Depreciation					
Balance, June 30, 2012	1,292	326,519	3,702	331,513	
Increase	152	13,744	107	14,003	
Decreases	-	-	-	-	
Balance, June 30, 2013	<u>1,444</u>	<u>340,263</u>	<u>3,809</u>	<u>345,516</u>	
Business-type Activities Capital Assets, Net	<u>\$ 7,676</u>	<u>\$ 235,784</u>	<u>\$ 479</u>	<u>\$ 243,939</u>	<u>\$ -</u>
PRIMARY GOVERNMENT Capital Assets, Net	<u>\$ 18,823</u>	<u>\$ 287,063</u>	<u>\$ 2,972</u>	<u>\$ 308,858</u>	<u>\$ -</u>

DEPRECIATION EXPENSE

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

GOVERNMENT ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
General Government	\$ 815	Public Works	\$ 14,003
Street	1,093		
Park	488		

TOWN OF SLICK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013.

	Payable at July 1, 2012	Retirements	Balance at June 30, 2013
USDA, Rural Development	\$ 58,060	\$ (5,801)	\$ 52,259
USDA, Rural Development	4,695	(699)	3,996
USDA, Rural Development	4,095	(576)	3,519
USDA, Rural Development	123,140	(9,404)	113,736
Total	<u>\$ 189,990</u>	<u>\$ (16,480)</u>	<u>\$ 173,510</u>

A brief description of the outstanding notes payable at June 30, 2013 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.	\$ 52,259
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.	3,996
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.	3,519
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.	<u>113,736</u>
Total	<u>\$ 173,510</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, 2013, the loan reserve was \$17,949. The required reserve is \$26,004.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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	20,722	5,282	26,004
2019-2023	<u>75,943</u>	<u>13,783</u>	<u>89,726</u>
Total	<u>\$ 173,510</u>	<u>\$ 46,236</u>	<u>\$ 219,746</u>

TOWN OF SLICK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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.

Note J - SUBSEQUENT EVENTS

Management has evaluated subsequent events and contingencies through May 19, 2015, the date which financial statements were available. The Town believes there are no events requiring disclosure

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 have audited the accompanying financial statements, modified cash basis, 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, 2013, 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.

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 opinions 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 of the effectiveness of Town of Slick, Oklahoma's internal control over financial reporting.

My 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. I identified deficiencies in internal control over financial reporting that I consider to be material weaknesses.

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. I consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2013-1 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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-1 to be a significant deficiency.

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 items 2013-1.

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,

A handwritten signature in cursive script that reads "Ralph Osborn".

Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
May 19, 2015

TOWN OF SLICK, OKLAHOMA
SLICK, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2013

2013-01 Public Official paid by Trust

Condition - A trustee of the trust was paid for services by the trust.

Criteria - Title 60, section 178 states that trustees who are public officers, shall serve without compensation, but may be reimbursed for actual expenses incurred in the performance of their duties as trustees.

Cause - Slick Public Works Authority paid employee clerk/clerical services from the Authority. The clerk, who is a member of the board of the Slick Public Works Authority board of trustees, also received payment from the Town of Slick. The Town of Slick was doing this in accordance with the Town's legal council based on OK status.

Effect - Authority paid a trustee for services in violation of state statute.