

***Town of Stuart, Oklahoma***

***REPORT ON AUDIT OF FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION***

***For the Year Ended June 30, 2018***

***SAUNDERS & ASSOCIATES, PLLC***

***Certified Public Accountants***

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TOWN OF STUART, OKLAHOMA

AUDIT REPORT

June 30, 2018

BOARD OF TRUSTEES

Chris Rampey

Mayor

Dan Lawrence

Trustee

Donna Watkins

Trustee

City Clerk - Treasurer of Board of Trustees

Lenora Windle

TOWN OF STUART, OKLAHOMA

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# *Saunders & Associates, PLLC*

## *Certified Public Accountants*

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Website: [www.saunderscpas.com](http://www.saunderscpas.com)

### INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Trustees  
Town of Stuart, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Stuart, Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Stuart's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Stuart, Oklahoma as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 30 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 about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2018 on our consideration of the Town of Stuart, 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* in considering the Town of Stuart, Oklahoma's internal control over financial reporting and compliance.



SAUNDERS & ASSOCIATES, PLLC  
Certified Public Accountants  
Ada, Oklahoma

August 23, 2018

## TOWN OF STUART, OKLAHOMA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018  
(Unaudited)

Our discussion and analysis of the Town of Stuart's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the Town's financial statements, which begin on page 9.

#### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 9 and 10) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 11. 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

Our analysis of the Town as a whole begins on page 4. One of the most important questions asked about the Town's finances is, *"Is the Town as a whole better off or worse off as a result of the year's activities?"* The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net position and changes in them. You can think of the Town's net position – the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources – as one way to measure the Town's financial health, or financial position. Over time, changes in the Town's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town's tax base and the condition of the Town's roads, to assess the overall health of the Town.

In the Statement of Net Position and the Statement of Activities, we divide the Town into two kinds of activities:

- **Governmental Activities** – Most of the Town's basic services are reported here, including general administration, and trash service. Sales taxes, franchise fees, trash service fees and state grants finance most of these activities.
- **Business-Type Activities** – The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's sewer services are reported here.

TOWN OF STUART, OKLAHOMA

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018  
(Unaudited)

Reporting the Town's Most Significant Funds

Our analysis of the Town's major funds begins on page 6. The fund financial statements begin on page 11 and provide detailed information about the funds – not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Town Council can establish other funds, as needed, to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using certain taxes and grants. The Town's two kinds of funds – *governmental and proprietary* – use different accounting approaches.

- *Governmental Funds* – Most 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. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. 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 whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.
- *Proprietary Funds* – When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. Additional detail, such as cash flows is provided for the enterprise funds.

THE TOWN AS A WHOLE

Net Position

The Town's combined net position decreased -3.1% from \$1,073,845 to \$1,040,448 (see Table 1). In comparison, last year's net position decreased -4.3%

**TABLE 1 – NET POSITION**

	Governmental Activities		Business-Type Activities		Total Primary Government		Total % Change
	06/30/18	06/30/17	06/30/18	06/30/17	06/30/18	06/30/17	
Capital Assets	\$ 353,499	\$ 399,126	\$ 129,853	\$ 144,147	\$ 483,352	\$ 543,273	-11.0%
Current and Other Assets	<u>557,023</u>	<u>535,405</u>	<u>19,604</u>	<u>18,572</u>	<u>576,627</u>	<u>553,977</u>	<u>4.1%</u>
Total Assets	<u>910,522</u>	<u>934,531</u>	<u>149,457</u>	<u>162,719</u>	<u>1,059,979</u>	<u>1,097,250</u>	<u>-3.4%</u>
Total Deferred Outflows Of Resources	<u>6,088</u>	<u>4,695</u>	<u>0</u>	<u>0</u>	<u>6,088</u>	<u>4,695</u>	<u>29.7%</u>
Long-Term Liabilities	22,757	26,206	0	0	22,757	26,206	-13.2%
Other Liabilities	<u>0</u>	<u>0</u>	<u>200</u>	<u>225</u>	<u>200</u>	<u>225</u>	<u>-11.1%</u>
Total Liabilities	<u>22,757</u>	<u>26,206</u>	<u>200</u>	<u>225</u>	<u>22,957</u>	<u>26,431</u>	<u>-13.1%</u>
Total Deferred Inflows of Resources	<u>2,662</u>	<u>1,669</u>	<u>0</u>	<u>0</u>	<u>2,662</u>	<u>1,669</u>	<u>59.5%</u>
Net Position:							
Net Investment in Capital Assets	353,499	399,126	129,853	144,147	483,352	543,273	-11.0%
Unrestricted	<u>537,692</u>	<u>512,225</u>	<u>19,404</u>	<u>18,347</u>	<u>557,096</u>	<u>530,572</u>	<u>5.0%</u>
Total Net Position	<u>\$ 891,191</u>	<u>\$ 911,351</u>	<u>\$ 149,257</u>	<u>\$ 162,494</u>	<u>\$ 1,040,448</u>	<u>\$ 1,073,845</u>	<u>-3.1%</u>

TOWN OF STUART, OKLAHOMA

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018  
(Unaudited)

Net position of the Town's governmental activities decreased by -2.2% (from \$911,351 to \$891,191). Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased by 5.0% from \$512,225 to \$537,692.

The net position of our business-type activities decreased by -8.1% from \$162,494 to \$149,257.

Changes in Net Position

The Town's total revenues (including special items) increased by 1.4% (\$2,431). Capital grants decreased by 100% (\$18,000) while royalty revenue decreased by -8.1%. Table 2 and the narrative that follows consider the operations of governmental and business-type activities separately.

TABLE 2 – CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>Total</u> <u>% Change</u>
	<u>06/30/18</u>	<u>06/30/17</u>	<u>06/30/18</u>	<u>06/30/17</u>	<u>Primary Government</u> <u>06/30/18</u>	<u>06/30/17</u>	
Program Revenues:							
Charges for Services	\$ 25,166	\$ 24,920	\$ 14,986	\$ 13,541	\$ 40,152	\$ 38,461	4.4%
Operating Grants/ Contributions	0	0	0	0	0	0	0.0%
Capital Grants/ Contributions	0	18,000	0	0	0	18,000	100.0%
General Revenues							
Franchise Taxes	4,714	5,203	0	0	4,714	5,203	-9.4%
Public Service Taxes	96,781	73,448	0	0	96,781	73,448	31.8%
Unrestricted Investment Earnings	1,816	2,169	8	8	1,824	2,177	-16.2%
Miscellaneous	2,187	2,964	0	0	2,187	2,964	-26.2%
Non Employer Pension Contributions	1,890	2,028	0	0	1,890	2,028	-6.8%
Royalty Revenues	22,694	24,700	0	0	22,694	24,700	-8.1%
Donations	50	880	0	0	50	880	-94.3%
Special Item – Gain on Disposition of Asset	0	0	0	0	0	0	0.0%
Total Revenues	<u>155,298</u>	<u>154,312</u>	<u>14,994</u>	<u>13,549</u>	<u>170,292</u>	<u>167,861</u>	<u>1.4%</u>
Program Expenses:							
General Government	175,458	187,882	0	0	175,458	187,882	-6.6%
Sewer	0	0	28,231	28,717	28,231	28,717	-1.7%
Total Expenses	<u>175,458</u>	<u>187,882</u>	<u>28,231</u>	<u>28,717</u>	<u>203,689</u>	<u>216,599</u>	<u>-6.0%</u>
Excess Before Contributions, Etc.	( 20,160)	( 33,570)	( 13,237)	( 15,168)	( 33,397)	( 48,738)	-31.5%
Transfers	0	0	0	0	0	0	0.0%
Change in Net Position	<u>\$( 20,160)</u>	<u>\$( 33,570)</u>	<u>\$( 13,237)</u>	<u>\$( 15,168)</u>	<u>\$( 33,397)</u>	<u>\$( 48,738)</u>	<u>-31.5%</u>



TOWN OF STUART, OKLAHOMA

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018  
(Unaudited)

Governmental Activities

Table 3 presents the cost of each of the Town's programs, as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

TABLE 3 – GOVERNMENTAL ACTIVITIES

	<u>Total Cost of Services</u>			<u>Net Cost of Services</u>		
	<u>06/30/18</u>	<u>06/30/17</u>	<u>% Change</u>	<u>06/30/18</u>	<u>06/30/17</u>	<u>% Change</u>
General Government	\$ <u>175,458</u>	\$ <u>187,882</u>	<u>-6.6%</u>	\$ <u>150,292</u>	\$ <u>162,962</u>	<u>-7.8%</u>
Total	\$ <u>175,458</u>	\$ <u>187,882</u>	<u>-6.6%</u>	\$ <u>150,292</u>	\$ <u>162,962</u>	<u>-7.8%</u>

The cost of all governmental activities this year was \$175,458 compared to \$187,882 last year, a decrease of \$(12,424) Some of the costs were paid by those who directly benefited from the program.

Business-Type Activities

Operating revenues of the Town's business type activities increased by 10.7% (\$14,986 in 2018 compared to \$13,541 in 2017) and expenses decreased by -1.7% (\$28,231 in 2018 compared to \$28,717 in 2017).

THE TOWN'S FUNDS

Governmental Funds

The following schedule presents a summary of general revenues and expenditures for the fiscal year ended June 30, 2018, and the amount and percentage of increases and decreases in relation to the prior year.

	<u>2018</u>	<u>Percent</u>	<u>Increase</u>	<u>Percent</u>
<u>Revenues:</u>	<u>Amount</u>	<u>of Total</u>	<u>(Decrease)</u>	<u>Increase</u>
			<u>From 2017</u>	<u>(Decrease)</u>
Taxes	\$ <u>101,495</u>	<u>66.2%</u>	\$ <u>22,844</u>	<u>29.0%</u>
Charges for Services	<u>25,166</u>	<u>16.4%</u>	<u>246</u>	<u>1.0%</u>
Interest	<u>1,816</u>	<u>1.2%</u>	<u>( 353)</u>	<u>-16.3%</u>
Other/Miscellaneous	<u>2,237</u>	<u>1.5%</u>	<u>( 1,607)</u>	<u>-41.8%</u>
Royalties Revenues	<u>22,694</u>	<u>14.8%</u>	<u>( 2,006)</u>	<u>-8.1%</u>
Grants	<u>0</u>	<u>0.0%</u>	<u>( 18,000)</u>	<u>100.0%</u>
Total Revenues	\$ <u>153,408</u>	<u>100.0%</u>	\$ <u>1,124</u>	<u>0.7%</u>

- Sales tax received by the Town increased \$18,619 or 25.3% from 2017. (\$73,448 received in 2017 and \$92,067 in 2018), due to a change in the tax rate in the prior year. The decrease in Grants of \$18,000 was due to the receipt of funds that was required to be expended for equipment in 2016.

TOWN OF STUART, OKLAHOMA

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018  
(Unaudited)

	2018 <u>Amount</u>	Percent <u>of Total</u>	Increase (Decrease) <u>From 2017</u>	Percent Increase (Decrease)
<u>Expenditures:</u>				
General Government	\$ <u>131,790</u>	100%	\$ <u>( 4,942)</u>	-3.6%

- General Government expenditures decreased primarily as a result of a decrease in equipment expenditures.

Proprietary Funds

The following schedule presents a summary of business-type activities revenue and expenses for the fiscal year ended June 30, 2018, and the amount and percentage of increases and decreases in relation to the prior year.

	2018 <u>Amount</u>	Percent <u>of Total</u>	Increase (Decrease) <u>From 2017</u>	Percent Increase (Decrease)
<u>Revenues:</u>				
Operating	\$ 14,986	99.95%	\$ 1,445	10.7%
Interest	<u>8</u>	0.05%	<u>0</u>	0.0%
Total Revenues	\$ <u>14,994</u>	<u>100.00%</u>	\$ <u>1,445</u>	<u>10.7%</u>
<u>Expenses:</u>				
Operating	\$ <u>28,231</u>	<u>100.0%</u>	\$ <u>( 486)</u>	<u>-1.7%</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the year, the Town Board of Trustees made no revisions to the budget. Actual revenues were above budgeted revenues by \$30,804 (25.5%) and actual expenditures were below budgeted expenditures by \$53,268 (39.0%).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2018, the Town had \$1,473,621 invested in capital assets, including fire equipment, buildings, and sewer lines. (See table below).

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 33,845	\$ 33,845	\$ 9,078	\$ 9,078	\$ 42,923	\$ 42,923
Buildings	406,416	406,416	30,315	30,315	436,731	436,731
Sewer Improvements	0	0	571,757	571,757	571,757	571,757
Vehicles & Equipment	411,346	411,346	0	0	411,346	411,346
Furniture & Equipment	10,864	10,864	0	0	10,864	10,864
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ <u>862,471</u>	\$ <u>862,471</u>	\$ <u>611,150</u>	\$ <u>611,150</u>	\$ <u>1,473,621</u>	\$ <u>1,473,621</u>

More detailed information about the Town's capital assets is presented in Note 1 and Note 5 of the financial statements.

TOWN OF STUART, OKLAHOMA

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018  
(Unaudited)

Long-Term Liabilities

At the end of June 30, 2018 the Town had \$22,757 in long-term liabilities for the Town's proportionate share of the Firefighter's Pension Plan Net Pension Obligation. (See table below.)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net Pension Obligation	\$ <u>22,757</u>	\$ <u>0</u>	\$ <u>22,757</u>

Net pension obligation decreased by \$3,449 or -13.2% from 2017. More detailed information about the Town's pension plan for firefighter's is presented in Note 1 and Note 8 of the financial statements.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact Town Hall at Stuart, Oklahoma.

Chris Rampey  
Mayor

## BASIC FINANCIAL STATEMENTS

TOWN OF STUART, OKLAHOMA

STATEMENT OF NET POSITION

June 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash	\$ 557,023	\$ 15,259	\$ 572,282
Accounts Receivable:			
Utility Fees	0	4,345	4,345
Total Current Assets	557,023	19,604	576,627
Non-Current Assets:			
Property, Plant and Equipment:			
Land	33,845	9,078	42,923
Buildings	406,416	30,315	436,731
Water and Sewer Improvements	0	571,757	571,757
Vehicles and Equipment	411,346	0	411,346
Construction in Progress	0	0	0
Furniture and Office Equipment	10,864	0	10,864
Less: Accumulated Depreciation	(508,972)	(481,297)	(990,269)
Total Non-Current Assets	353,499	129,853	483,352
Total Assets	910,522	149,457	1,059,979
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Activities	6,088	0	6,088
Total Deferred Outflows of Resources	6,088	0	6,088
<b>LIABILITIES</b>			
Current Liabilities:			
Customer Deposits	0	200	200
Total Current Liabilities	0	200	200
Long Term Liabilities			
Net Pension Liability	22,757	0	22,757
Total Long Term Liabilities	22,757	0	22,757
Total Liabilities	22,757	200	22,957
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Activities	2,662	0	2,662
Total Deferred Inflows of Resources	2,662	0	2,662
<b>NET POSITION</b>			
Net Investment in Capital Assets	353,499	129,853	483,352
Unrestricted	537,692	19,404	557,096
<b>TOTAL NET POSITION</b>	\$ 891,191	\$ 149,257	\$ 1,040,448

\* The accompanying notes are an integral part of the financial statements.

TOWN OF STUART, OKLAHOMA

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business Type Activities	Total
<b>PRIMARY GOVERNMENT:</b>							
Governmental Activities:							
General Government	\$ 175,458	\$ 25,166	\$ 0	\$ 0	\$ (150,292)		\$ (150,292)
Total Governmental Activities	175,458	25,166	0	0	(150,292)		(150,292)
Business-Type Activities:							
Sewer	28,231	14,986	0	0		\$ (13,245)	(13,245)
Total Business-Type Activities	28,231	14,986	0	0		(13,245)	(13,245)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 203,689</b>	<b>\$ 40,152</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>(150,292)</b>	<b>(13,245)</b>	<b>(163,537)</b>
General Revenues:							
Taxes:							
Franchise Taxes					4,714	0	4,714
Public Service Taxes					96,781	0	96,781
Unrestricted Investment Earnings					1,816	8	1,824
Miscellaneous					2,187	0	2,187
Non Employer Pension Contribution					1,890	0	1,890
Royalty Revenues					22,694	0	22,694
Donations					50	0	50
Grant Revenues					0	0	0
Total General Revenues, Special Items and Transfers					130,132	8	130,140
Change in Net Position					(20,160)	(13,237)	(33,397)
Net Position, June 30, 2017					911,351	162,494	1,073,845
Net Position, June 30, 2018					\$ 891,191	\$ 149,257	\$ 1,040,448

\* The accompanying notes are an integral part of the financial statements.

TOWN OF STUART, OKLAHOMA

BALANCE SHEET -  
GOVERNMENTAL FUNDS

June 30, 2018

	<u>General Fund</u>	<u>Total Governmental Funds</u>
ASSETS:		
Cash	\$ 557,023	\$ 557,023
Accounts Receivable	0	0
Total Assets	<u>557,023</u>	<u>557,023</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>0</u>	<u>0</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 557,023</u>	<u>\$ 557,023</u>
LIABILITIES:		
Total Liabilities	\$ 0	\$ 0
DEFERRED INFLOWS OF RESOURCES	<u>0</u>	<u>0</u>
FUND EQUITY:		
Fund Balances -		
Assigned	63,506	63,506
Unassigned	493,517	493,517
Total Fund Equity	<u>557,023</u>	<u>557,023</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY	<u>\$ 557,023</u>	<u>\$ 557,023</u>
 Fund equity - total governmental funds		 \$ 557,023
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		353,499
Net pension obligation in governmental activities is not due and payable in current period and therefore is not reported in the funds.		(22,757)
Deferred outflows of resources - pension activities apply to future periods and therefore are not reported in the funds.		6,088
Deferred inflows of resources - pension activities apply to future periods and therefore are not reported in the funds.		<u>(2,662)</u>
Net position of governmental activities		<u>\$ 891,191</u>

\* The accompanying notes are an integral part of the financial statements.

TOWN OF STUART, OKLAHOMA

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2018

	General Fund	Total Governmental Funds
REVENUES:		
Sales Tax	\$ 92,067	\$ 92,067
Gas Tax	324	324
Alcoholic Beverage Tax	2,178	2,178
Motor Vehicle Tax	1,201	1,201
Franchise Tax	4,714	4,714
Cigarette Tax	1,012	1,012
Trash Service	25,165	25,165
Interest	1,816	1,816
Miscellaneous	2,187	2,187
Donations	50	50
Royalty Revenue	22,694	22,694
Grant Revenue	0	0
Total Revenues	<u>153,408</u>	<u>153,408</u>
EXPENDITURES:		
Personnel Services	20,933	20,933
Maintenance and Operation	110,857	110,857
Capital Outlay	0	0
Total Expenditures	<u>131,790</u>	<u>131,790</u>
Excess of Revenues Over (Under) Expenditures	21,618	21,618
Fund Balance, June 30, 2017	<u>535,405</u>	<u>535,405</u>
FUND BALANCE, JUNE 30, 2018	<u>\$ 557,023</u>	<u>\$ 557,023</u>
Net change in fund balances - total governmental funds		\$ 21,618
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital additions of \$0 were exceeded by depreciation (\$45,627) in the current period.		(45,627)
Pension obligation is not reported in the funds. This amount represents the current year change.		<u>3,849</u>
Change in net position of governmental activities		<u>\$ (20,160)</u>

\* The accompanying notes are an integral part of the financial statements.



TOWN OF STUART, OKLAHOMA

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2018

	Enterprise Fund PWA Fund	Total
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 15,259	\$ 15,259
Accounts Receivable	4,345	4,345
Total Current Assets	19,604	19,604
Non-Current Assets:		
Property, Plant and Equipment:		
Land	9,078	9,078
Buildings	30,315	30,315
Water and Sewer Improvements	571,757	571,757
Less: Accumulated Depreciation	(481,297)	(481,297)
Total Non-Current Assets	129,853	129,853
Total Assets	149,457	149,457
DEFERRED OUTFLOWS OF RESOURCES		
	0	0
<b>LIABILITIES</b>		
Current Liabilities:		
Customer Deposits	200	200
Total Current Liabilities	200	200
Total Liabilities	200	200
DEFERRED INFLOWS OF RESOURCES		
	0	0
<b>NET POSITION</b>		
Net Investment in Capital Assets	129,853	129,853
Unreserved	19,404	19,404
<b>TOTAL NET POSITION</b>	\$ 149,257	\$ 149,257

\* The accompanying notes are an integral part of the financial statements.

TOWN OF STUART, OKLAHOMA  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

For the Year Ended June 30, 2018

	Enterprise Fund		PWA Fund	Total
Operating Revenues:				
Charges for Services	\$ 14,986	\$	14,986	14,986
Total Operating Revenues	14,986		14,986	14,986
Operating Expenses:				
Personnel Services	10,080		10,080	10,080
Maintenance and Operation	3,857		3,857	3,857
Depreciation	14,294		14,294	14,294
Total Operating Expenses	28,231		28,231	28,231
Net Operating Income (Loss)	(13,245)		(13,245)	(13,245)
Non-Operating Revenue (Expense):				
Interest Revenue	8		8	8
Total Non-Operating Revenues (Expense)	8		8	8
Net Income Before Other Financing Sources and (Uses)	(13,237)		(13,237)	(13,237)
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	0		0	0
Change in Net Position	(13,237)		(13,237)	(13,237)
Net Position, June 30, 2017	162,494		162,494	162,494
NET POSITION, JUNE 30, 2018	\$ 149,257	\$	149,257	149,257

\* The accompanying notes are an integral part of the financial statements.

TOWN OF STUART, OKLAHOMA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended June 30, 2018

	<u>Enterprise Fund PWA Fund</u>	<u>Total</u>
Cash Flows From Operating Activities:		
Receipts from customers	\$ 14,097	\$ 14,097
Payments to suppliers	(3,857)	(3,857)
Payments to employees	(10,080)	(10,080)
Other receipts (payments)	0	0
Net Cash Provided (Used) by Operating Activities	<u>160</u>	<u>160</u>
Cash Flows From Non-Capital Financing Activities:		
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>0</u>	<u>0</u>
Cash Flows From Capital and Related Financing Activities:		
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>0</u>	<u>0</u>
Cash Flows Provided by Investing Activities:		
Interest and dividends	<u>8</u>	<u>8</u>
Net Cash Provided (Used) by Investing Activities	<u>8</u>	<u>8</u>
Net Increase (Decrease) in Cash and Cash Equivalents	168	168
Cash and Cash Equivalents, June 30, 2017	<u>15,091</u>	<u>15,091</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2018	<u>\$ 15,259</u>	<u>\$ 15,259</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (13,245)	\$ (13,245)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	14,294	14,294
Change in assets and liabilities:		
Increase in Accounts Receivable	(864)	(864)
Decrease in Customer Deposits	<u>(25)</u>	<u>(25)</u>
Net Cash Provided by Operating Activities	<u>\$ 160</u>	<u>\$ 160</u>

\* The accompanying notes are an integral part of the financial statements.

TOWN OF STUART, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Stuart was formed in accordance with the laws of the State of Oklahoma. Its formation was in accordance with Oklahoma Statute 11 O.S. Section 12-101, Town form of government. The Town is governed by a Board of Trustees who elect among each other a Mayor. The Town provides the following services: public safety (fire), highways and streets, sanitation, public improvements, planning and zoning, and general administrative services. The following is a summary of the more significant accounting policies of the Town.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (*Statements and Interpretations*). The more significant accounting policies in GAAP and used by the Town are discussed in subsequent sections.

Reporting Entity - For financial reporting purposes, the Town complies with *Governmental Accounting Standards Board (GASB) Cod. Sec. 2100*, in defining the Town's financial reporting entity. All of the officials and activities described above are included in the Town's reporting entity. The public trust listed below was determined to be part of the Town of Stuart's reporting entity based on the degree of oversight responsibility which includes, but is not limited to (1) selection of governing authority, (2) designation of management, (3) ability to significantly influence operations, (4) accountability for fiscal matters and (5) scope of public service.

Stuart Public Works Authority - Pursuant to Title 60 of Oklahoma Statutes, the Town provides sewer services through the Stuart Public Works Authority. The Authority is a public trust with the Town of Stuart as beneficiary. The members of the Town of Stuart Board of Trustees serve as trustees of the Authority.

Due to the significance of the scope of public service and the relationship of the governing body of the Authority to the Town Council, the Public Works Authority is considered a component unit of the Town's reporting entity and is included in this financial report.

Basic Financial Statements – Government-Wide Statements - The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town's fire department, street and alley, trash service, grants, and general administrative services are classified as governmental activities. The Town's sewer services are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position is reported in three parts: net investment in capital assets; restricted net position; and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

TOWN OF STUART, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities (general government, grant, public works, etc.). The functions are also supported by general government revenues (sales and use taxes, certain intergovernmental revenues, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (trash, fire, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grant.

The net costs (by function or business-type activity) are normally covered by general revenue (sales or gas taxes, intergovernmental revenues, interest income, etc.).

This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

Basic Financial Statements - Fund Financial Statements - The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Town:

**Governmental Funds** – The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

**General Fund** is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

**Proprietary Funds** – The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary fund of the Town.

**Enterprise Funds** are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues. (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The Town's Enterprise Fund is the Stuart Public Works Authority (sewer) fund.

**Fiduciary Funds** – Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support the Town programs. The Town currently has no fiduciary funds.

TOWN OF STUART, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

**Agency Funds** – Agency Funds account for assets held by the Town in a purely custodial capacity. Since agency funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations. The Town currently has no agency funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activity categories. Non-major funds by category are summarized into a single column. *GASB Statement No. 34* sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

Basis of Accounting - Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

**Accrual** - Both governmental and business-type activities in the governmental-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**Modified Accrual** – The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Encumbrances - Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are reported to reserve that portion of the applicable appropriation, is used in the general fund. For budgetary purposes, appropriations lapse at fiscal year end, except for the portion related to encumbered amounts. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitment will be honored during the subsequent year.

Financial Statement Amounts:

Cash – For purposes of the Statement of Cash Flows, the enterprise fund considers all highly liquid investments (including restricted assets) to be cash equivalents. All time deposits are considered cash equivalents.

TOWN OF STUART, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Deferred Inflows/Outflows of Resources – In addition to assets, the statements of net position and governmental fund balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. Additionally, the statements of net position and governmental fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The only deferred outflows of resources and deferred inflows of resources reported in this year's financial statements are related to pension activities. See related Note 8 – Pension Plan – Volunteer Firefighters for the components of deferred inflows/outflows of resources related to pension activities.

Revenues – Substantially all governmental revenues are accrued. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASB 33. In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

Proprietary Fund – Operating Revenues and Expenses – Operating revenues and expenses consist of charges for services and the cost of providing those services, including depreciation. All other revenues and expenses are reported as non-operating.

Expenditures – Expenditures are recognized when the related fund liability is incurred.

Capital Assets – Capital assets purchased or acquired with a useful life in excess of one year are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives.

Buildings	15 - 30 years
Water and sewer system	40 years
Vehicles and Equipment	5 - 7 years
Furniture and Equipment	5 years

GASB Statement 34 requires the Town to report and depreciate new infrastructure assets effective beginning of June 30, 2004. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is not required; therefore, the Town has elected to report infrastructure assets prospectively.

Compensated Absences – The Town does not accrue a liability for compensated absences, but it is not believed that the amount would be material to the financial statements as a whole.

TOWN OF STUART, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Receivables – Receivables at June 30, 2018 were as follows:

	<u>Customers</u>	<u>Taxes</u>	<u>Grants</u>	<u>Accounts</u>	<u>Total Receivables</u>
<b>Governmental Activities:</b>					
Total Governmental Activities	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
<b>Business-Type Activities:</b>					
Sewer	\$ <u>4,345</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>4,345</u>
Total Business-Type Activities	\$ <u>4,345</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>4,345</u>

Government-Wide and Proprietary Fund Net Position – Government-wide and proprietary fund net position are divided into three components:

- Net Investment in Capital Assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted Net Position – consists of assets that are restricted by the Town’s creditors (for example, through debt covenants), by state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors (including those who have donated to the Town less related liabilities and deferred inflows of resources).
- Unrestricted – all other net position is reported in this category.

Fund Equity – Fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

- Non-spendable Fund Balance – Amounts constrained to specific purposes by their providers (such as inventory) or are required to be maintained intact.
- Restricted Fund Balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions or by enabling legislation.
- Committed Fund Balance – Amounts constrained to specific purposes by the Town itself, using its highest level of decision-making authority (i.e. Ordinance). To be reported as committed, amounts cannot be used for any other purpose unless the Town takes the same highest level action to remove or change the constraint.
- Assigned Fund Balance – Amounts the Town intends to use for a specific purpose. Intent can be expressed by the Town Council or by an official or body to which the Town Council delegates the authority.
- Unassigned fund balance – Amounts that are available for any purpose. Positive amounts are reported only in the general fund.



TOWN OF STUART, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The Town would typically use restricted fund balances first. Followed by committed resources, then assigned resources, then unassigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

The general fund has assigned fund balance of \$63,506 at June 30, 2018, which represents the portion of current year fund balance appropriated to meet budgeted expenditures for fiscal year 2018/2019.

NOTE 2: BUDGETARY ACCOUNTING AND CONTROL

The Board of Trustees adheres to these general procedures for budget development:

1. Board of Trustees develop a proposed operating budget for the fiscal year commencing on July.
2. The budget is published in a newspaper with general circulation in the area.
3. Public hearings are conducted as and when required to obtain taxpayer comments.
4. The budget is adopted and approved by the Board of Trustees.
5. The adopted budget is presented to the county excise board for final review and approval.
6. A final budget is approved by the county excise board.
7. Appropriations lapse at the end of each fiscal year.
8. The Board of Trustees may authorize supplemental appropriations during the year.

NOTE 3: DEPOSITS AND COLLATERAL

Oklahoma statutes authorize the Town to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure these funds. In addition, the Town can invest in direct debt securities of the United States of America unless law expressly prohibits such an investment.

During the year ended June 30, 2018, the Town's deposits were limited to insured checking accounts and a certificate of deposit. At June 30, 2018, the amount of total bank deposits did not exceed the amount of insurance coverage and pledged collateral.

TOWN OF STUART, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 3: DEPOSITS AND COLLATERAL, CONTINUED

Bank balances at year-end are categorized as follows to give an indication of the level of risk assumed by the organization.

Unreconciled

<u>Category</u>	<u>Carrying Amount</u>
1) Insured or collateralized with securities held by the organization or by its agent in the organization's name.	\$ 250,000
2) Collateralized with securities held by the pledging financial institution's trust department.	322,282
3) Uncollateralized	<u>0</u>
TOTAL	<u>\$ 572,282</u>

NOTE 4: LEASE

On December 3, 2001, the Town of Stuart Fire Department entered into a 99 year lease with the Stuart School District for real property at a cost of \$1.

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows.

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2018</u>
<u>Governmental Activities:</u>				
Land	\$ 33,845	\$ 0	\$ 0	\$ 33,845
Buildings	406,416	0	0	406,416
Vehicles and Equipment	411,346	0	0	411,346
Furniture and Equipment	10,864	0	0	10,864
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	862,471	0	0	862,471
Accumulated Depreciation	<u>( 463,345)</u>	<u>( 45,627)</u>	<u>0</u>	<u>( 508,972)</u>
Net Governmental Activities Capital Assets	<u>\$ 399,126</u>	<u>\$( 45,627)</u>	<u>\$ 0</u>	<u>\$ 353,499</u>
<u>Business Type Activities:</u>				
Sewer Improvements	\$ 571,757	\$ 0	\$ 0	\$ 571,757
Buildings	30,315	0	0	30,315
Land	<u>9,078</u>	<u>0</u>	<u>0</u>	<u>9,078</u>
Total	611,150	0	0	611,150
Accumulated Depreciation	<u>( 467,003)</u>	<u>( 14,294)</u>	<u>0</u>	<u>( 481,297)</u>
Net Business Type Activities Capital Assets	<u>\$ 144,147</u>	<u>\$( 14,294)</u>	<u>\$ 0</u>	<u>\$ 129,853</u>

TOWN OF STUART, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 5: CAPITAL ASSETS, CONTINUED

Depreciation expense was charged as follows:

<u>General Government</u>	
Administration	\$ <u>45,627</u>
<u>Business-Type Activities</u>	
Operations	\$ <u>14,294</u>

NOTE 6: LITIGATION

At June 30, 2018, the Town of Stuart was not involved in any pending or threatened litigation, which would have a material impact on these financial statements.

NOTE 7: RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town manages these various risks of loss as follows:

<b>Type of Loss</b>	<b>Method Managed</b>
a. Torts, errors and omissions	Purchased policy with the National Casualty Insurance Company
b. Injuries to employees (Workers' Compensation)	Purchased policy with the Oklahoma Employers Safety Association
c. Physical property loss and natural disasters	Purchased policy with the National Casualty Insurance Company

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town.

TOWN OF STUART, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 8: PENSION PLAN – VOLUNTEER FIREFIGHTERS

Plan Description – The Town contributes to the Oklahoma Firefighters Pension and Retirement Plan (“Plan”) which is a cost sharing multiple employer defined benefit pension plan covering members who have actively participated in firefighting activities. The plan is administered by the Oklahoma Firefighters Pension and Retirement System. The Plan provides defined retirement benefits based on member’s final average compensation, age, and term of service; benefits upon disability, and survivor’s benefits upon death of eligible members. The Plan benefits are established and amended by State statute. The Plan issues a publicly available financial report which includes financial statements and required supplementary information. That report may be obtained by writing to the Oklahoma Firefighters Pension and Retirement System, 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, Oklahoma 73105-3414.

Contributions – The contribution requirements of the Plan are at an established rate determined by Oklahoma statute and are not based on actuarial calculations. The Town is required by State statute to contribute annually \$60 per volunteer firefighter. The Town’s contributions to the Plan for the year ended June 30, 2018 were \$1,020 which represents 100% of required contributions for the current fiscal year. Additionally, the State, a non-employer contributing entity, contributes a portion of the insurance premium tax collected through its taxing authority. For the fiscal year ended June 30, 2018 the Town’s proportionate share of non-employer contributions to the plan were \$1,890.

Net Pension Liability – At June 30, 2018 the Town reported a liability of \$22,757 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town’s proportion of the net pension liability was based on projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018 the Town’s proportion was 0.002145%. The employer allocation percentage represents the portion of the Town’s actual cash contributions divided by the total of all employer contributions for the year.

TOWN OF STUART, OKLAHOMA  
 NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 8: PENSION PLAN – VOLUNTEER FIREFIGHTERS, CONTINUED

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	3.5% to 9.0% average, including inflation
Investment rate of	7.5% net of pension plan investment expense

Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for healthy lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2017 are summarized in the following table.

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	5.18%
Domestic equity	8.70%
International equity	10.87%
Real estate	7.23%
Other assets	6.24%

Discount Rate – The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at the contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 36% of the insurance premium, as established by statute. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF STUART, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 8: PENSION PLAN – VOLUNTEER FIREFIGHTERS, CONTINUED

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following pension liability presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

<u>Discount Rate</u>		<u>City's proportionate share of net pension Liability</u>
1% decrease	6.5%	\$35,391
Current discount rate	7.5%	\$26,978
1% increase	8.5%	\$19,848

Plan Fiduciary Net Position – Detailed information about the Plan's fiduciary net position is available in a separately issued Oklahoma Firefighters Pension and Retirement Plan financial report.

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the fiscal year ended June 30, 2018 the Town recognized pension expense of \$2,515 plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, (\$3,454) for a total of (\$1,959). At June 30, 2018 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual plan experience	\$ 3,040	\$ 0
Net difference between projected and actual earnings on plan investments	2,028	2,662
Changes in assumptions	0	0
Changes in proportion and differences between Town's contributions and proportionate share of contributions	0	0
Town's contributions subsequent to the measurement date	<u>1,020</u>	<u>0</u>
Total	<u>\$ 6,088</u>	<u>\$ 2,662</u>

The \$1,020 of deferred outflows of resources resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Fiscal year ending June 30,	
2019	\$ 460
2020	\$ 460
2021	\$ 460
2022	\$ 460
2023	\$ 460
Thereafter	\$ 106

TOWN OF STUART, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 9: SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 23, 2018, which is the date the financial statements were available to be issued.

# *Saunders & Associates, PLLC*

## *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*

To the Board of Directors  
Town of Stuart, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Stuart, Oklahoma as of and for the year ended June 30, 2018, which collectively comprise the Town of Stuart's basic financial statements and have issued our report thereon dated August 23, 2018. 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 of America.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Town of Stuart'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 Town of Stuart's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Stuart'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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses as items 08-2 that we consider to be significant deficiencies in internal control over financial reporting. 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.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Stuart'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*.



However, we noted certain matters that we reported to management of the Town of Stuart in a separate letter dated August 23, 2018.

### **Town of Stuart's Response to Findings**

Town of Stuart, Oklahoma's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Town of Stuart, Oklahoma's response and, accordingly, we express no opinion on it.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance with applicable provisions of laws, regulations, contracts, and grant agreements and the results of our testing, and to provide an opinion on the Town of Stuart's compliance but not to provide an opinion on the effectiveness of the Town of Stuart's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Stuart, Oklahoma's compliance and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.



SAUNDERS & ASSOCIATES, PLLC  
Certified Public Accountants  
Ada, Oklahoma

August 23, 2018

SUPPLEMENTAL INFORMATION

TOWN OF STUART, OKLAHOMA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2018  
(Unaudited)

	Budgeted Amounts		Actual Amounts Budgetary	Budget to GAAP Differences	Actual Amounts GAAP	Variance With Final Budget Favorable (Unfavorable)
	Original	Final	Basis	Over (Under)	Basis	
<b>REVENUES</b>						
Sales Tax	\$ 62,065	\$ 62,065	\$ 92,067	\$ 0	\$ 92,067	\$ 30,002
Gas Tax	284	284	324	0	324	40
Alcoholic Beverage Tax	1,945	1,945	2,178	0	2,178	233
Motor Vehicle Tax	1,066	1,066	1,201	0	1,201	135
Cigarette Tax	743	743	1,012	0	1,012	269
Franchise Tax	4,683	4,683	4,714	0	4,714	31
Trash Service	22,428	22,428	25,165	0	25,165	2,737
Interest	1,952	1,952	1,816	0	1,816	(136)
Miscellaneous/Other	2,668	2,668	2,187	0	2,187	(481)
Property Sale	0	0	0	0	0	0
Donations	792	792	50	0	50	(742)
Fire Dept. Grant-Equip	0	0	0	0	0	0
Royalty Revenue	22,230	22,230	22,694	0	22,694	464
Total Revenues	120,856	120,856	153,408	0	153,408	32,552
<b>EXPENDITURES</b>						
General Government:						
Personnel Services	30,000	30,000	20,933	0	20,933	9,067
Maintenance and Operation	120,000	120,000	110,857	0	110,857	9,143
Capital Outlay	35,000	35,000	0	0	0	35,000
Transfer to PWA	5,000	5,000	0	0	0	5,000
Fire Dept. Grant Exp.	0	0	0	0	0	0
Total Expenditures	190,000	190,000	131,790	0	131,790	58,210
Excess of Revenues Over (Under) Expenditures	(69,144)	(69,144)	21,618	0	21,618	90,762
Other Financing Sources (Uses):						
Operating Transfers In (Out)	(5,000)	(5,000)	0	0	0	5,000
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(74,144)	(74,144)	21,618	0	21,618	95,762
Fund Balance, June 30, 2017	535,405	535,405	535,405	0	535,405	0
<b>FUND BALANCE, JUNE 30, 2018</b>	<b>\$ 461,261</b>	<b>\$ 461,261</b>	<b>\$ 557,023</b>	<b>\$ 0</b>	<b>\$ 557,023</b>	<b>\$ 95,762</b>

TOWN OF STUART, OKLAHOMA

SCHEDULE OF NET PENSION LIABILITY AND CONTRIBUTIONS - FIREFIGHTER'S PENSION

For the Year Ended June 30, 2018  
(Unaudited)

Fiscal Year Ending June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Town's Proportionate Share of Collective Net Pension Liability	\$ 22,757	26,206	23,309	14,858						
Town's Porportion of Collective Net Pension Liability	%	0.0021%	0.0021%	0.0022%	0.0014%					
Plan's Fiduciary Net Position % of Total Pension Liability	%	66.61%	64.87%	68.27%	68.12%					
Required Employer Contributions	\$ 1020	720	840	540						
Contributions in relation to Required Contributions	\$ 1020	720	840	540						
Contribution Deficiency (Excess)	\$ 0	0	0	0						

\* Information to present a 10 year history is not readily available.

Notes to Required Supplementary Information

Note 1 - Employer Contributions: Contributions represent the Town's actual contributions received by the Plan between July 1, 2016 and June 30, 2017. Contribution requirements are at an established rate determined by Oklahoma statute and are not based on actuarial calculations. The Town is required by State statute to contribute annually \$60 per volunteer firefighter.

TOWN OF STUART, OKLAHOMA

STATUS OF PRIOR AUDIT FINDINGS

June 30, 2018

08-2 SEGREGATION OF DUTIES

Condition: Due to the limited number of personnel involved in the operating of the fiscal office, most of those aspects of internal accounting control, which rely upon an adequate segregation of duties are, for all practical purposes, missing in the organization. However, we recognize that the organization's administration is not large enough to make the employment of additional persons, for the purpose of segregating duties, practical from a cost-benefit standpoint.

Current Status: See current audit finding 08-2.

TOWN OF STUART, OKLAHOMA

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2018

08-2 SEGREGATION OF DUTIES

Criteria: Effective internal controls rely upon proper segregation of duties to detect and prevent possible fraudulent activities.

Condition: Due to the limited number of personnel involved in the operating of the fiscal office, most of those aspects of internal accounting control, which rely upon an adequate segregation of duties are, for all practical purposes, missing in the organization. However, we recognize that the organization's administration is not large enough to make the employment of additional persons, for the purpose of segregating duties, practical from a cost-benefit standpoint.

Cause/Effect: Fraudulent activities could go undetected.

Recommendation: SAUNDERS & ASSOCIATES, PLLC recommends increased oversight by the Trustees over all financial activities.

Response: The Town of Stuart has two Council Members sign each check. Each check states what it was written for and the Purchase Order number. All Purchase Orders have to be approved and signed by all Council Members. The Financial Statement is read aloud at each monthly Council Meeting.

*Memorandum of Suggestions on Accounting  
Procedures and System of Internal Controls*

*Town of Stuart, Oklahoma*

*For the Year Ended June 30, 2018*

*Contact Person  
G. B. Saunders*

*August 23, 2018*

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To the Honorable Mayor and Town Trustees  
Town of Stuart, Oklahoma

The accompanying Management Letter includes suggestions for improvement of accounting procedures and internal accounting controls that came to our attention as a result of our examination of the financial statements of the Town of Stuart, Oklahoma, for the year ended June 30, 2018. The matters discussed herein were considered by us during our examination and do not modify the opinion expressed in our auditor's report dated August 23, 2018 on such financial statements.

In accordance with auditing standards generally accepted in the United States of America, we made a review of Town of Stuart, Oklahoma's system of internal accounting controls for the purpose of providing a basis for reliance thereon, in determining the nature, timing and extent of substantive testing of the June 30, 2018 financial statements. Our review did not encompass all control procedures and techniques and was not designed for the purpose of making detailed recommendations.

The accompanying Management Letter includes comments and suggestions with respect to other financial and administrative matters that came to our attention during the course of our examination. These matters are offered as constructive suggestions for the consideration of management as part of the ongoing process of modifying and improving accounting control and other financial and administrative practices and procedures.

This Management Letter is intended solely for the benefit of management and the trustees, and is not to be used for any other purpose.

We wish to express our appreciation for the courtesies and cooperation extended to our representatives during the course of their work. We would be pleased to discuss these suggestions and comments in greater detail or otherwise assist in their implementation.

Sincerely,

*Saunders & Associates, PLLC*

SAUNDERS & ASSOCIATES, PLLC  
Certified Public Accountants  
Ada, Oklahoma

August 23, 2018



TOWN OF STUART, OKLAHOMA

MANAGEMENT LETTER

June 30, 2018

1. ANNUAL REVIEW OF PAYROLL RECORDS:

Condition: During the course of the audit, we noted that the total wages paid to each employee does not agree with the amount reported on the annual form W-2 and W-3 or Form 1099 and 1096 resulting in unreported wages.

Recommendation: SAUNDERS & ASSOCIATES, PLLC recommends that at least annually, typically with the preparation of the W-2 and Form 1099 income forms for the employees, the payroll reports are reconciled to the financial records before submission to tax authorities.