

Town of Hulbert, Oklahoma

**Annual Financial Statements and Accompanying
Independent Auditor's Reports**

June 30, 2012

**Samuel S Alexander
Certified Public Accountant**

Town of Hulbert, Oklahoma

June 30, 2012

BOARD OF TRUSTEES

Mayor

Shirley Teague

Members

Ed Beckham

George Truitt

Clerk/Treasurer

Leona Welch

Public Works Superintendent

Ricky Lee

Town Attorney

R. Forney Sandlin

Town of Hulbert, Oklahoma
June 30, 2012

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INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Hulbert, Oklahoma, (the Town) as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

As discussed in Note A, the financial statements referred to above do not include the complete fixed assets for the governmental funds, but, instead include machinery and equipment from the 2004-05 CDBG street project. The amount that should be recorded for buildings and infrastructure is not known. If they had been included, the amount of the adjustments to the financial statements is not known.

In my opinion, except for the omission of the general fixed assets resulting in an incomplete presentation as explained in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 10, 2012, on my consideration of the Town's internal control over financial reporting.

and my tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters, the purpose of this report is to describe the scope of my testing of internal control over financial reporting and compliance, and the results of that testing; not to provide an opinion on the internal control over financial reporting or on compliance.

The budgetary comparison information of pages 25 through 28 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

The Town has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of the basic financial statements. Due to this omission, the usefulness and accessibility of the financial statements are limited to the Town's management. The omission of this information does not affect the opinion expressed on the financial statements taken as a whole.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole, on the basis of accounting described in Note A.

December 10, 2012
Wagoner, Oklahoma

TOWN OF HULBERT, OKLAHOMA
STATEMENT OF NET ASSETS
June 30, 2012

	Governmental Activities	Business -Type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 115,792	\$ 1,087,619	\$ 1,203,411
Accounts receivable	21,928	81,308	103,236
Prepaid insurance	9,948	26,022	35,970
Capital assets:	-		-
Land	-	73,500	73,500
Property, plant & equipment	719,088	3,003,764	3,722,852
Total Assets	866,756	4,272,213	5,138,969
<u>LIABILITIES</u>			
Accounts payable	21,542	88,942	110,484
Customer deposits payable	-	149,390	149,390
Notes payable-current	-	115,000	115,000
Notes payable-long term	-	3,095,000	3,095,000
Total Liabilities	21,542	3,448,332	3,469,874
<u>NET ASSETS</u>			
Unrestricted	89,909	277,919	367,828
Restricted	755,305	545,962	1,301,267
Total Net Assets	\$ 845,214	\$ 823,881	\$ 1,669,095

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

TOWN OF HULBERT, OKLAHOMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business Type Activities	TOTALS
Primary Government:						
General Government	\$ (91,031)	\$ -	\$ 4,413	\$ (86,618)	\$ -	\$ (86,618)
Public Safety	(228,451)	72,773		(155,678)	-	(155,678)
Total government activities	(319,482)	72,773	4,413	(242,296)	-	(242,296)
Business - Type Activities:						
Water, Sewer, Gas & Trash	(1,460,770)	1,533,040	71,000	-	143,270	143,270
Debt Service	(168,128)			-	(168,128)	(168,128)
New Service		6,925		-	6,925	6,925
Penalties		34,268		-	34,268	34,268
Depreciation - unallocated	(225,018)			-	(225,018)	(225,018)
Total business - type activities	(1,853,916)	1,574,233	71,000	-	(208,683)	(208,683)
Totals	\$ (2,173,398)	\$ 1,647,006	\$ 75,413	(242,296)	(208,683)	(450,979)
General revenues						
Taxes:						
Sales tax				143,903		143,903
Gasoline tax				1,093		1,093
Franchise tax				1,841		1,841
Alcoholic beverage tax				4,838		4,838
Commercial vehicle tax				4,368		4,368
Miscellaneous				502	24,357	24,859
Interest				536	4,299	4,835
Prior period adjustment					(44,203)	(44,203)
Transfers - internal activity				100,000	(100,000)	-
Total general revenues and transfers				257,081	(115,547)	141,534
Changes in net assets				14,785	(324,230)	(309,445)
Net assets, beginning of period				830,429	1,148,111	1,978,540
Net assets, end of period				\$ 845,214	\$ 823,881	\$ 1,669,095

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

TOWN OF HULBERT, OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	<u>General Fund</u>	<u>Street and Alley Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and Cash equivalents	\$ 79,868	\$ 30,188	\$ 5,736	\$ 115,792
Accounts receivable	21,011	917		21,928
Prepaid Insurance	<u>9,948</u>	<u>-</u>	<u>-</u>	<u>9,948</u>
Total Assets	<u>\$ 110,827</u>	<u>\$ 31,105</u>	<u>\$ 5,736</u>	<u>147,668</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts payable	<u>\$ 20,918</u>	<u>\$ 624</u>	<u>\$ -</u>	<u>21,542</u>
Fund Balances-				
Unreserved	89,909	-	-	89,909
Reserved for special purpose	-	<u>30,481</u>	<u>5,736</u>	<u>36,217</u>
Total Fund Balance	<u>89,909</u>	<u>30,481</u>	<u>5,736</u>	<u>126,126</u>
Total Liabilities and Fund Balances	<u>\$ 110,827</u>	<u>\$ 31,105</u>	<u>\$ 5,736</u>	
Net Assets of Governmental Activities				126,126
Amounts reported for governmental activities 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. The cost of the assets is \$719,088.				
There is no accumulated depreciation.				
				<u>719,088</u>
Net Assets of Governmental Activities				<u>\$ 845,214</u>

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

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

	<u>General Fund</u>	<u>Street and Alley Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 150,581	\$ 5,462	\$ -	\$ 156,043
License and permits	542			542
Fines and forfeitures	70,731			70,731
Grants	4,413	-	-	4,413
Fire runs	1,500			1,500
Miscellaneous	502			502
Interest earnings	360	152	24	536
Total revenues	<u>\$ 228,629</u>	<u>\$ 5,614</u>	<u>24</u>	<u>\$ 234,267</u>
Expenditures:				
General government	79,173	11,858		91,031
Public safety:				
Police	207,195		-	207,195
Fire	21,256	-	-	21,256
Capital outlay	-		-	-
Total expenditures	<u>307,624</u>	<u>11,858</u>	<u>-</u>	<u>319,482</u>
Excess (deficiency) of revenues over expenditures	(78,995)	(6,244)	-	(85,215)
Other Financing sources (Uses):				
Operating transfers in/(out) - HPWA	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
Excess (deficiency) of revenue over expenditures and other financing sources (uses)	21,005	(6,244)	-	14,785
Fund balances - beginning of year	<u>68,904</u>	<u>36,725</u>	<u>5,712</u>	<u>111,341</u>
Fund balances - end of year	<u>\$ 89,909</u>	<u>\$ 30,481</u>	<u>\$ 5,736</u>	<u>\$ 126,126</u>

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

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

Net change in cash fund balances - governmental funds \$ 14,785

Amounts reported for governmental activities in the statement of revenues, expenditures, and changes in net assets 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 statement and allocated over their estimated useful lives as annual depreciation expenses in the statement of revenues, expenditures, and changes in net assets. This is the amount by which depreciation exceeds capital outlays in the period.

Capital outlay expenditures - 2011-2012

-

Changes in net assets of governmental activities

\$ 14,785

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

TOWN OF HULBERT, OKLAHOMA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2012

	Public Works Authority Enterprise Fund
<u>ASSETS</u>	
Current assets:	
Cash	\$ 541,657
Restricted cash	545,962
Accounts receivable	81,308
Prepaid insurance	26,022
Total current assets	<u>1,194,949</u>
Non-current assets:	
Land	73,500
Property, plant & equipment (net)	3,003,764
Total non-current assets	<u>3,077,264</u>
Total Assets	4,272,213
 <u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	88,942
Customer deposits payable	149,390
Current portion of long-term liabilities	115,000
Total current liabilities	<u>353,332</u>
Noncurrent liabilities:	
Long-term liabilities	<u>3,095,000</u>
Total Liabilities	<u>3,448,332</u>
 <u>NET ASSETS</u>	
Unrestricted	277,919
Restricted for other purposes	214,940
Restricted for debt service	331,022
Total Net Assets	<u><u>\$ 823,881</u></u>

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

TOWN OF HULBERT, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Public Works Authority Enterprise Fund
	Fund
Operating Revenues:	
Charges for services:	
Utilities - water, sewer, trash, gas	\$ 1,533,040
Penalties	34,268
Miscellaneous	24,357
Cherokee Nation Grant	28,000
New service	6,925
Grants - REAP	43,000
Total revenues collected	1,669,590
 Operating Expenses:	
Personal services	436,863
Materials and supplies	952,115
Other services and charges	71,792
Depreciation	225,018
Total non-current assets	1,685,788
 Operating Income (Loss)	(16,198)
 Non-Operating Revenues (Expenses):	
Investment income	4,299
Interest expense	(168,128)
Total Non-Operating Revenues (Expenses)	(163,829)
 Net Income (Loss) Before Contributions and Transfers	(180,027)
 Transfer out	(100,000)
 Change in net assets	(280,027)
Prior Period Adjustment	(44,203)
 Adjusted change in net assets	(324,230)
 Total net assets - beginning	1,148,111
 Total net assets - ending	\$ 823,881

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

TOWN OF HULBERT, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Public Works Authority Enterprise Fund
	Fund
Cash Flows from Operating Activities:	
Receipts from customers	\$ 1,574,233
Payments to employees	(436,863)
Payments to suppliers	(1,023,907)
Other	22,795
Grants	71,000
Net Cash Provided by Operating Activities	207,258
Cash Flows from Noncapital Financing Activities:	
Prior period adjustment	(44,203)
Transfers to other funds	(100,000)
	(144,203)
Cash Flows from Capital and Related Financing Activities"	
Purchases of capital assets	(125,501)
Principal paid on debt	(110,000)
Interest paid on debt	(168,128)
Net Cash Provided(used by) Capital and Related Financing Activities	(403,629)
Cash Flows from Investing Activities	
Interest on investments	4,299
Net increase (decrease) in cash and cash equivalents	(336,275)
Balance - beginning of period	1,423,894
Balance - end of period	\$ 1,087,619
Reconciliation of operating income (loss) to net cash provided by	
Operating activities:	
Operating income (loss)	\$ (16,198)
Adjustments to reconcile operating income to net cash provided	
(used) by operating activities:	
Depreciation expense	225,018
Change in assets and liabilities:	
Increase in accounts receivable	(23,287)
Decrease in accounts payable	(49,995)
Decrease in prepaids	3,471
Other	68,249
Net cash provided by operating activities	\$ 207,258

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

NOTES TO THE FINANCIAL STATEMENTS

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

Note A – Summary of Significant Accounting Policies

The Town of Hulbert, Oklahoma, is a “Statutory Town Government” under Title 11 of the Oklahoma Statutes.

The Town provides the following services: Public safety (fire and police); streets and highways; public improvements; planning and zoning; and general administrative services.

As discussed further in Note A (2), these financial statements are presented on the accrual basis of accounting. This basis of accounting complies with accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinion issued on or before November 30, 1989, have been applied, to the extent they are applicable to the basis of accounting used, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

The Town of Hulbert is the primary government and the Hulbert Public Works Authority is a blended component unit, both of which comprise the financial reporting entity in conformity with the provisions of Governmental Accounting Standards Board Statement No. 14, “The Financial Reporting Entity.”

A component unit is an organization in which the nature and significance of their relationship with the primary government are such that exclusion of the organization from the reporting entities financial statements would tend for them to be incomplete or misleading. Organizations in which the Town appoints a voting majority of the organization’s board and the Town is either able to impose its will on the organization or a financial benefit or burden relationship exists are considered to be component units.

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Board of Trustees or the component unit provides services entirely to the Town.

The Hulbert Public Works Authority is presented as a blended component unit. The Authority is a public trust created under authority of and pursuant to the provisions of Title 60 Oklahoma Statutes, 2001, Section 176 to 180.03, for the use and benefit of the Town of Hulbert. The authority was created to finance, develop and operate the gas, water, sewer and solid waste activities of the Town. The Authority leases the gas, water and sewer utility system from the Town. The lease rental each year is the revenue remaining after payments have been made to debt service accounts and all operating expenses of the authority have been paid. The Authority is reported as an enterprise fund.

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

Note A – Summary of Significant Accounting Policies - Continued

1. Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements.

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental and enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purpose or designated to finance particular functions or activities of the Town. The reporting entity includes the following special revenue funds, all of which are reported as nonmajor funds:

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

Note A – Summary of Significant Accounting Policies - Continued

<i>Fund</i>	<i>Brief Description</i>
Street and Alley Fund	Accounts for gasoline, excise and commercial vehicle taxes legally restricted for street and alley improvements.
Special Projects Fund	Accounts for revenues and expenditures of a State Department of Commerce Grant per the grant agreement.

Proprietary Funds

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise fund that is reported as a major fund:

<i>Fund</i>	<i>Brief Description</i>
Public Works Authority Fund	Accounts for the activities of the public trust in providing gas, water, wastewater, and sanitation services to the public.

Fiduciary Funds

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the Town. Agency funds are generally used to account for assets that the Town holds on the behalf of others as their agent.

2. 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, as defined in item (b) below.

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

Note A – Summary of Significant Accounting Policies - Continued

In the fund financial statement, the “current financial resources” measurement focus or the “economic resources” measurement focus 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 noncurrent, financial, or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental, business-like, and component unit activities are presented using the accrual basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from measurable and awardable transactions without a provision for depreciation in the government-wide statements, but with depreciation in the proprietary fund statements, and the similar discretely presented component unit statements. This basis is in compliance with accounting principles generally accepted in the United States of America.

The Town utilizes the modified accrual basis of accounting for its governmental funds and the proprietary fund types use the accrual basis of accounting. All government-wide financials are presented on the accrual basis of accounting.

3. Investments
All investments, if any, are stated at cost, which approximates market, unless otherwise indicated.
4. Cash and Cash Equivalents
For the purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.
5. Restricted Assets
Under the terms of the loan agreement with Farmers’ Home Administration, the Hulbert Public Works Authority must maintain certain “funds” in restricted accounts. These are not funds in the sense of fiscal and accounting entities with self-balancing sets of accounts, they merely represent mandatory asset segregation.

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

Note A – Summary of Significant Accounting Policies - Continued

6. Total Columns on Combined Statements – Overview
Total columns on the Combined Statements – Overview are captioned Memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

7. Budget
In accordance with 68 O.S. 2001 – 2483, the Board of Trustees and the Hulbert Public Works Authority Board formally adopt annual budgets, which include the general fund, the street and alley fund, CDBG fund and the enterprise fund. These annual budgets are adopted on a basis consistent with guidelines established by the Oklahoma Municipal code. (Section 17-201, Municipal Budget Act). This basis differs from generally accepted accounting principles, since it does not recognize accrued revenue.

Note B – Capital Assets

Capital asset activity, resulting from accrual basis transactions, for the fiscal year ended June 30, 2012, was as follows: (continued)

TOWN OF HULBERT, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note B - Capital Assets - cont'd

	<u>Balance at June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2011</u>
Governmental activities:				
Machinery and equipment	\$ 613,777	\$ -	\$ -	613,777
Streets	<u>105,311</u>	<u>-</u>	<u>-</u>	<u>105,311</u>
Total governmental activities	<u>\$ 719,088</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 719,088</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 73,500	\$ -	\$ -	\$ 73,500
Other capital assets:				
Utility property and improvements	7,328,064	125,501	-	7,453,565
Less accumulated depreciation for:				
Utility property and improvements	<u>(4,224,783)</u>	<u>(225,018)</u>	<u>-</u>	<u>(4,449,801)</u>
Business-type activities capital assets, net	<u>\$ 3,176,781</u>	<u>\$ (99,517)</u>	<u>\$ -</u>	<u>\$ 3,077,264</u>

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

Note C – Sales Tax

The Town is currently receiving a sales tax on each dollar of sales. All sales tax proceeds are deposited into the general fund for the purpose of paying the operation and maintenance costs incurred by the Town.

Note D – Interfund Transactions

During the course of normal operations, the Town has transactions between funds, including expenditures and transfers of resources to provide services, purchase assets and service debt. Transactions which are normal and recurring between funds are recorded as operating transfers. Transactions which are nonrecurring and represent a transfer of equity between funds are recorded as a change in fund balance.

Note E – Enterprise Funds (Hulbert Public Works Authority)

The Hulbert Public Works Authority was created for the benefit of the Town of Hulbert, Oklahoma, for the furtherance of public functions and purposes by the laws of Oklahoma under Title 60 of the Oklahoma Statutes, Sections 176-180.

Revenue Bonds are summarized as follows:

Utility System Refunding and Revenue Bonds, Series 2009:

RECD:

Interest @ 4.15 -5.6%

\$3,210,000

	<u>Balance at</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at</u> <u>June 30,2012</u>
Total notes payable	<u>\$ 3,320,000</u>	<u>-</u>	<u>110,000</u>	3,210,000
Less current portion				<u>(115,000)</u>
Long-term portion, notes payable				<u>\$3,095,000</u>

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

Note E – Enterprise Funds (Hulbert Public Works Authority) – Cont’d

The following is a detail of the estimated principal payments for all notes payable for the next five (5) years and in (5) year increments thereafter:

	<u>Totals</u>
2013	115,000
2014	120,000
2015	125,000
2016	130,000
2017-2020	600,000
2021-2024	720,000
2025-2029	<u>1,400,000</u>
Totals	<u>\$ 3,210,000</u>

Note F – Litigation

The Town had no known pending lawsuits against it as of June 30, 2012. In the event that the Town is held liable for damages in any lawsuits that arise, the resulting judgments will be paid from ad valorem taxes levied over a three (3) year period through the Town’s Debt Services Fund.

Note G – Collateral Pledged

The Town’s investment policies are governed by statute. Permissible investments include direct obligations of the United States government and agencies; certificates of deposit of savings and loan associations, banks and trust companies; savings accounts or savings certificates of savings and loan associations, banks and trust companies; and warrants, bonds or judgments of the Town. Collateral is required to be pledged with the state treasurer for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance.

Cash – The Town’s cash deposits at June 30, 2012, are categorized to give an indication of the level of risk assumed by the Town at year-end.

Deposit Categories of Credit Risk – Defined

- (A) Insured by Federal Deposit Insurance.
- (B) Collateralized with securities held by the pledging financial institution’s trust department or agent with the Town’s name.
- (C) Uncollateralized.

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

Note G – Collateral Pledged – cont'd

Deposit Categories of Credit Risk

	Category			Bank Balance	Carrying Amount
	(A)	(B)	(C)		
Cash	\$ 250,000	953,411	-	1,088,120	1,203,411

Note: Cash on hand of \$500.00 is not included in these totals.

Note H – Accumulated Unpaid Vacation and Sick Pay

At June 30, 2012, no determination of the aggregate dollar value of vacation or sick pay had been made.

Note I – Employee Retirement System

Fire Pension – The Town makes contributions to the state fire pension board for payment of pensions to retired firemen. The plan does not purport to be actuarially funded and therefore, benefits are limited to assets available. The plan is considered to be defined contributions plan for accounting purposes. The retirement expense for the current year was \$2,400.

Plan Description and Provisions – Substantially all of the town's and PWA's full time general employees participate in a cost-sharing, multiple employer defined benefit pension plan. The payroll for employees covered by the OMRF for the year ended June 30, 2012, was \$ 328,933. The Town's total payroll was \$465,747.

Group	June 30, 2012
Retirees and beneficiaries	
Currently receiving benefits	2
Vested terminated employees	1
Active employees:	
Fully vested	3
Nonvested	8

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

Note J – Risk Management

The Town is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The town purchases commercial insurance to cover these risks. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

Note L – Subsequent Events

Subsequent events have been evaluated through the financial statement issuance date of November 28, 2012, with no items noted for reporting.

Note M - Prior Period Adjustments

Prior period adjustments reflect an overall set of corrections to beginning balances. The details are presented below.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF HULBERT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - GENERAL FUND
 FOR YEAR ENDED JUNE 30, 2012

	GENERAL FUND			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Fund Balance, beginning of year	\$ 80,000	\$ 80,000	\$ 68,904	\$ 11,096
Revenues				
Sales tax	126,000	126,000	143,902	(17,902)
Franchise tax	2,320	2,320	1,841	479
Alcoholic beverage tax	4,500	4,500	4,838	(338)
Licenses and permits	250	250	542	(292)
Fire department grant	4,700	4,700	4,413	287
Cherokee/UKB grant	3,500	3,500	-	3,500
LREC grant	10,000	10,000	-	10,000
Fines and forfeitures	60,000	60,000	70,731	(10,731)
Fire runs	1,500	1,500	1,500	-
Miscellaneous	-	-	502	(502)
Interest	375	375	360	15
Total Revenues	213,145	213,145	228,629	(15,484)
Expenditures				
General government	112,512	112,512	79,173	33,339
Police	227,600	227,600	207,195	20,405
Fire	16,400	16,400	21,256	(4,856)
Total Expenditures	356,512	356,512	307,624	48,888
Excess of revenues over (under) expenditures before other sources (uses) of funds	\$ (143,367)	\$ (143,367)	(78,995)	\$ (64,372)
Other financing sources (uses):				
Operating transfers in-HPWA			100,000	
Total other financing sources (uses)			100,000	
Fund balances - end of period			\$ 89,909	

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

TOWN OF HULBERT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - BUDGETED SPECIAL REVENUE FUNDS
 FOR YEAR ENDED JUNE 30, 2012

	STREET AND ALLEY FUND			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Fund Balance, beginning of year	\$ 37,600	\$ 37,600	\$ 36,725	\$ 875
Revenues				
Commercial vehicle tax	3,865	3,865	4,368	(503)
Gasoline excise tax	1,367	1,367	1,094	273
Interest	20	20	152	(132)
Total Revenues	5,252	5,252	5,614	(362)
Expenditures paid:				
Maintenance and operation	6,280	6,280	11,858	(5,578)
Total Expenditures	6,280	6,280	11,858	(5,578)
Excess of revenues over/(under) expenses before adjustments to prior year encumbrances	\$ (1,028)	\$ (1,028)	(6,244)	\$ (5,940)
Fund balances, end of period			\$ 30,481	

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

TOWN OF HULBERT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - BUDGETED SPECIAL REVENUE FUNDS
 FOR YEAR ENDED JUNE 30, 2012

	SPECIAL PROJECTS - CDBG FUND			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Fund Balance, beginning of year	\$ 5,712	\$ 5,712	\$ 5,712	\$ -
Revenues				
Taxes				
Interest	-	-	24	24
Total Revenues	-	-	24	24
Expenditures paid:				
Personal services				
Maintenance and operation				
Capital outlay				
Total Expenditures	-	-	-	-
Excess of revenues over (under) expenses before adjustments to prior year encumbrances	\$ -	\$ -	24	24
Fund balances, end of period			\$ 5,736	

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

TOWN OF HULBERT
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL PROJECTS - 2010 CDBG FUND
 FOR YEAR ENDED JUNE 30, 2012

	2010 SPECIAL PROJECTS - CDBG FUND			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Fund Balance, beginning of year	\$ -	\$ -	\$ -	\$ -
Revenues				
Grant proceeds	-	-	-	-
Interest	-	-	-	-
Total Revenues	-	-	-	-
Expenditures paid:				
Capital outlay	-	-	-	-
Total Expenditures	-	-	-	-
Excess of revenues over (under) expenses before adjustments to prior year encumbrances	\$ -	\$ -	-	\$ -
Lease purchase proceeds			-	
Other financing sources (uses)			-	
Total other financing sources (uses)			-	
			\$ -	
Fund balances, end of period				

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

OTHER SUPPLEMENTARY INFORMATION

TOWN OF HULBERT
 COMBINED BALANCE SHEET -SPECIAL REVENUE FUNDS
 BUDGET AND ACTUAL
 FOR YEAR ENDED JUNE 30, 2012

	<u>SPECIAL PROJECTS CDBG</u>	<u>2010 CDBG</u>	<u>STREET AND ALLEY</u>	<u>TOTALS</u>
<u>ASSETS</u>				
Cash and cash	\$ 5,736	\$ -	\$ 30,188	\$ 42,932
Accounts receivable	<u>-</u>	<u>-</u>	<u>917</u>	<u>135</u>
Total Assets	<u>\$ 5,736</u>	<u>\$ -</u>	<u>\$ 31,105</u>	<u>\$ 43,067</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 624</u>	<u>\$ 630</u>
Fund Balances				
Reserved for special purpose	-	-	30,481	36,725
Unreserved	<u>5,736</u>	<u>-</u>	<u>-</u>	<u>5,712</u>
Total fund balances	<u>5,736</u>	<u>-</u>	<u>30,481</u>	<u>42,437</u>
Total Liabilities and Fund Balances	<u>\$ 5,736</u>	<u>\$ -</u>	<u>\$ 31,105</u>	<u>\$ 43,067</u>

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

TOWN OF HULBERT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR YEAR ENDED JUNE 30, 2012

	SPECIAL PROJECTS CDBG	SPECIAL PROJECTS 2010 CDBG	STREET AND ALLEY	TOTALS
Revenues				
Taxes	\$ -	\$ -	\$ 5,462	\$ 5,462
Interest earnings	24	-	152	176
Total revenues	<u>24</u>	<u>-</u>	<u>5,614</u>	<u>5,638</u>
Expenditures				
Maintenance and operation	-	-	11,858	11,858
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>11,858</u>	<u>11,858</u>
Excess (deficiency) of revenues over expenses	24	-	(6,244)	(6,220)
Other financing sources (uses)				
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	24	-	(6,244)	(6,220)
Fund balances, beginning of year	<u>5,712</u>	<u>-</u>	<u>36,725</u>	<u>42,437</u>
Fund balances, end of year	<u>\$ 5,736</u>	<u>\$ -</u>	<u>\$ 30,481</u>	<u>\$ 36,217</u>

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

TOWN OF HULBERT, OKLAHOMA
STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY
FIDUCIARY FUND - MUNICIPAL COURT
June 30, 2012

ASSETS

Cash and demand deposits		\$ 16,190
		<u> </u>
Total Assets		<u><u> </u></u>

LIABILITIES AND FUND EQUITY

Liabilities		\$ -
		<u> </u>
Fund equity		
Cash Fund Balance - Restricted		<u>16,190</u>
		<u> </u>
Total Fund Equity		<u>16,190</u>
		<u> </u>
Total Liabilities and Fund Equity		<u><u> </u></u>

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

TOWN OF HULBERT, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
FIDUCIARY FUND - MUNICIPAL COURT
FOR THE YEAR ENDED JUNE 30, 2012

<u>REVENUES</u>	
Bond refunds	\$ 81,637
Interest Income	93
	81,730
Total revenues	81,730
<u>EXPENDITURES</u>	
Cleet	5,785
Fingerprint fee	6,239
Fines and bonds refunded	68,955
Miscellaneous	1,031
	82,010
Total expenditures	82,010
Excess of revenue over/(under) expenses	(280)
Fund balance - beginning of year	16,470
	16,470
Fund balance - end of year	\$ 16,190

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

SAMUEL S. ALEXANDER

Certified Public Accountant

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

Town of Hulbert
Hulbert, Oklahoma

I have audited the financial statements of the Town of Hulbert, Oklahoma (the Town) as of and for the year ended June 30, 2012, and have issued my report thereon dated December 10, 2012. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, I performed test of its compliance with certain provisions of laws, regulations, contracts and grants, 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 opinion. The results of my tests disclosed no instances on noncompliance that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of noncompliance that I have reported to the management of the Town in a separate letter dated December 10, 2012.

Internal Control Over Financial Reporting

In planning and performing my audit, I consider the Town's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted a certain matter involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Town's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. This reportable condition is described in the accompanying schedule of audit results as item 11-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weakness. However, I believe that item 11-1 is not a material weakness.

This report is intended solely for the information of the Board of Trustees and management of the Town of Hulbert, Oklahoma, and is not intended to be, and should not be, used by anyone other than these specified parties.

December 10, 2012
Wagoner, Oklahoma

TOWN OF HULBERT, OKLAHOMA
DISPOSITION OF PRIOR YEAR'S REPORTABLE CONDITIONS
JUNE 30, 2012

Lack of Segregation of Duties

The inherent limitations resulting from a small number of employees performing functions that would normally be divided among employees were a larger number available prevent a proper segregation of accounting functions necessary to assure adequate internal controls continued in the current fiscal year.

TOWN OF HULBERT, OKLAHOMA
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012

Section 1 – Summary of Auditor’s Results

1. A qualified opinion was issued on the financial statements with respect to generally accepted accounting standards.
2. The audit disclosed a reportable condition in the internal controls that was not considered to be a material weakness.
3. The audit disclosed no instances of noncompliance which are material to the financial statements.
4. The auditee was determined not to be a low-risk auditee.

Section 2 – Findings relating to the financial statements required to be reported in compliance with GAGAS.

11-1 – Lack of Segregation of Duties

The inherent limitations resulting from a small number of employees performing functions that would normally be divided among employees were a larger number available prevent a proper segregation of accounting functions which is necessary in order to assure adequate internal accounting controls.