

***Town of Stuart, Oklahoma***

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

*For the Year Ended June 30, 2013*

***SAUNDERS & ASSOCIATES, PLLC***  
***Certified Public Accountants***

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TOWN OF STUART, OKLAHOMA

AUDIT REPORT

June 30, 2013

BOARD OF TRUSTEES

Terry Beck

Mayor

Dale Sutterfield

Trustee

Billie Lawrence

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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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Town Trustees  
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, 2013, and the related notes to the financial statements, which collectively comprise the Town of Stuart, Oklahoma'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, 2013, 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 7 and 25 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 September 25, 2013 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's internal control over financial reporting and compliance.

  
SAUNDERS & ASSOCIATES, PLLC  
Certified Public Accountants  
Ada, Oklahoma

September 25, 2013

# TOWN OF STUART, OKLAHOMA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013  
(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, 2013. Please read it in conjunction with the Town's financial statements, which begin on page 8.

### 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 8 and 9) 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 10. 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 and liabilities – 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, sewer, 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, 2013  
(Unaudited)

Reporting the Town's Most Significant Funds

Our analysis of the Town's major funds begins on page 5. The fund financial statements begin on page 10 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

For the year ended June 30, 2013, net position changed as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Beginning Net Position	\$ 611,295	\$ 239,090	\$ 850,385
Prior Period Adjustment (Note 6)	<u>37,079</u>	<u>0</u>	<u>37,079</u>
Beginning Net Position, Restated	648,374	239,090	887,464
Increase (Decrease) in Net Position	<u>52,267</u>	<u>( 13,555)</u>	<u>38,712</u>
Ending Net Position	<u>\$ 700,641</u>	<u>\$ 225,535</u>	<u>\$ 926,176</u>

This reflects a increase of 8.6% for governmental activities and a 5.7% decrease for business type activities and an overall increase of 4.6%.

TOWN OF STUART, OKLAHOMA

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013  
(Unaudited)

Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest, is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the Town's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Some of the individual line item revenues reported for each function are:

General Government

Trash service fees and permits

All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

Business-Type Activities

Operating revenues of the Town's business type activities decreased by 2.5% (\$34,933 in 2013 compared to \$35,829 in 2012) and expenses decreased by 4.1% (\$48,670 in 2013 compared to \$50,771 in 2012).

THE TOWN'S FUNDS

Governmental Funds

The following schedule presents a summary of general revenues and expenditures for the fiscal year ended June 30, 2013, and the amount and percentage of increases and decreases in relation to the prior year.

<u>Revenues:</u>	2013 <u>Amount</u>	Percent <u>of Total</u>	Increase (Decrease) <u>From 2012</u>	Percent Increase (Decrease) <u>(Decrease)</u>
Taxes	\$ 99,844	50.0%	\$( 34,944)	( 25.9%)
Grant	0	0.0%	( 4,413)	( 100.0%)
Charges for Services	19,462	9.7%	( 1,130)	( 5.5%)
Interest	210	0.1%	( 1,375)	( 86.8%)
Other/Miscellaneous	1,046	0.6%	( 1,340)	( 56.2%)
Royalties Revenues	66,957	33.5%	( 8,100)	( 10.8%)
Sale of Property	<u>12,155</u>	<u>6.1%</u>	<u>(12,155)</u>	<u>100.0%</u>
Total Revenues	<u>\$ 199,674</u>	<u>100.0%</u>	<u>\$( 39,147)</u>	<u>( 16.4%)</u>

- Sales tax received by the Town decreased \$33,712 or 27% from 2012. (\$125,027 received in 2012 and \$91,315 in 2013), due to a change in the tax rate in the prior year.

TOWN OF STUART, OKLAHOMA

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013  
(Unaudited)

THE TOWN'S FUNDS, CONTINUED

<u>Expenditures:</u>	2013 <u>Amount</u>	Percent <u>of Total</u>	Increase (Decrease) <u>From 2012</u>	Percent Increase (Decrease)
General Government	\$ <u>170,145</u>	100%	\$( <u>50,220</u> )	41.9%

- General Government expenditures increased as a result of an increase in capital outlay (\$50,000) during the year ended June 30, 2013.

Proprietary Funds

The following schedule presents a summary of business-type activities revenue and expenses for the fiscal year ended June 30, 2013, and the amount and percentage of increases and decreases in relation to the prior year.

<u>Revenues:</u>	2013 <u>Amount</u>	Percent <u>of Total</u>	Increase (Decrease) <u>From 2012</u>	Percent Increase (Decrease)
Operating	\$ 34,933	99.5%	\$( 896)	( 2.5%)
Interest	<u>182</u>	<u>0.5%</u>	<u>151</u>	<u>487.1%</u>
Total Revenues	\$ <u>35,115</u>	<u>100.0%</u>	\$( <u>745</u> )	<u>( 2.1%)</u>
 <u>Expenses:</u>				
Operating	\$ <u>48,670</u>	<u>100.0%</u>	\$( <u>2,101</u> )	<u>( 4.1%)</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the year, the Town Board of Trustees made no revisions to the budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2013, the Town had \$1,152,692 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>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 33,845	\$ 46,000	\$ 9,078	\$ 9,078	\$ 42,923	\$ 55,078
Buildings	297,396	247,396	30,315	30,315	327,711	277,711
Sewer Improvements	0	0	571,757	571,757	571,757	571,757
Vehicles & Equipment	207,316	150,670	0	0	207,316	150,670
Furniture & Equipment	<u>2,985</u>	<u>2,787</u>	<u>0</u>	<u>0</u>	<u>2,985</u>	<u>2,787</u>
Total	\$ <u>541,542</u>	\$ <u>446,853</u>	\$ <u>611,150</u>	\$ <u>611,150</u>	\$ <u>1,152,692</u>	\$ <u>1,058,003</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, 2013  
(Unaudited)

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.

Terry Beck  
Mayor

BASIC FINANCIAL STATEMENTS

TOWN OF STUART, OKLAHOMA

STATEMENT OF NET POSITION

June 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b><u>ASSETS</u></b>			
Current Assets:			
Cash	\$ 464,624	\$ 21,188	\$ 485,812
Accounts Receivable			
Utility Fees	0	3,300	3,300
Total Current Assets	464,624	24,488	489,112
Non-Current Assets:			
Property, Plant and Equipment:			
Land	33,845	9,078	42,923
Buildings	297,396	30,315	327,711
Water and Sewer Improvements	0	571,757	571,757
Vehicles and Equipment	207,316	0	207,316
Furniture and Office Equipment	2,985	0	2,985
Less: Accumulated Depreciation	(305,525)	(409,828)	(715,353)
Total Non-Current Assets	236,017	201,322	437,339
<b>TOTAL ASSETS</b>	<b>\$ 700,641</b>	<b>\$ 225,810</b>	<b>\$ 926,451</b>
<b><u>LIABILITIES AND NET POSITION</u></b>			
<b><u>Liabilities:</u></b>			
Current Liabilities:			
Customer Deposits	\$ 0	\$ 275	\$ 275
Total Current Liabilities	0	275	275
Total Liabilities	0	275	275
<b><u>Net Position:</u></b>			
Net Investment in Capital Assets	236,017	201,322	437,339
Unrestricted	464,624	24,213	488,837
Total Net Position	700,641	225,535	926,176
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 700,641</b>	<b>\$ 225,810</b>	<b>\$ 926,451</b>

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

TOWN OF STUART, OKLAHOMA

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services		Governmental Activities	Business Type Activities		Total
		Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Business Type Activities	
<b>PRIMARY GOVERNMENT:</b>							
Governmental Activities:							
General Government	\$ 142,452	\$ 19,462	\$ 0	\$ (122,990)	\$	\$ (122,990)	
Total Governmental Activities	<u>142,452</u>	<u>19,462</u>	<u>0</u>	<u>(122,990)</u>		<u>(122,990)</u>	
Business-Type Activities:							
Sewer and Trash	0	0	0	0	0	0	0
Total Business-Type Activities	<u>48,670</u>	<u>34,933</u>	<u>0</u>	<u>0</u>	<u>(13,737)</u>	<u>(13,737)</u>	
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 191,122</b>	<b>\$ 54,395</b>	<b>\$ 0</b>	<b>(122,990)</b>	<b>(13,737)</b>	<b>(136,727)</b>	
General Revenues:							
Taxes:							
Franchise Taxes				3,716	0	3,716	
Public Service Taxes				96,128	0	96,128	
Unrestricted Investment Earnings				210	182	392	
Miscellaneous				196	0	196	
Royalty Revenues				66,957	0	66,957	
Transfers				0	0	0	
Donations				8,050	0	8,050	
Total General Revenues, Special Items and Transfers				<u>175,257</u>	<u>182</u>	<u>175,439</u>	
Change in Net Position				52,267	(13,555)	38,712	
Net Position, June 30, 2012				611,295	239,090	850,385	
Prior Period Adjustment (Note 6)				37,079	0	37,079	
Beginning Net Position, Restated				<u>648,374</u>	<u>239,090</u>	<u>887,464</u>	
Net Position, June 30, 2013				\$ <u>700,641</u>	\$ <u>225,535</u>	\$ <u>926,176</u>	

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

TOWN OF STUART, OKLAHOMA

BALANCE SHEET -  
GOVERNMENTAL FUNDS

June 30, 2013

	<u>General Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>		
Cash	\$ 464,624	\$ 464,624
Accounts Receivable	0	0
<b>TOTAL ASSETS</b>	<b>\$ 464,624</b>	<b>\$ 464,624</b>
 <u>LIABILITIES</u>		
Total Liabilities	\$ 0	\$ 0
 <u>FUND EQUITY</u>		
Fund Balances:		
Unassigned	464,624	464,624
Total Fund Equity	464,624	464,624
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 464,624</b>	<b>\$ 464,624</b>
Fund equity - total governmental funds		\$ 464,624
 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.		
		236,017
Net position of governmental activities		<b>\$ 700,641</b>

\* 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, 2013

	<u>General Fund</u>	<u>Total Governmental Funds</u>
<b><u>REVENUES</u></b>		
Sales Tax	\$ 91,315	\$ 91,315
Gas Tax	329	329
Alcoholic Beverage Tax	1,925	1,925
Motor Vehicle Tax	1,261	1,261
Franchise Tax	3,716	3,716
Cigarette Tax	1,298	1,298
Trash Service	19,462	19,462
Interest	210	210
Miscellaneous	21	21
Donations	850	850
Hotel Rent	175	175
Royalty Revenue	66,957	66,957
Property Sale	12,155	12,155
Total Revenues	<u>199,674</u>	<u>199,674</u>
<b><u>EXPENDITURES</u></b>		
Personnel Services	15,680	15,680
Maintenance and Operation	104,465	104,465
Capital Outlay	50,000	50,000
Total Expenditures	<u>170,145</u>	<u>170,145</u>
Excess of Revenues Over (Under) Expenditures	29,529	29,529
Fund Balance, June 30, 2012	<u>435,095</u>	<u>435,095</u>
<b>FUND BALANCE, JUNE 30, 2013</b>	<b><u>\$ 464,624</u></b>	<b><u>\$ 464,624</u></b>
Net change in fund balances - total governmental funds		\$ 29,529
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 net capital additions of (\$47,446) exceeded depreciation (\$24,708) in the current period.		<u>22,738</u>
Change in net position of governmental activities		<b><u>\$ 52,267</u></b>

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

TOWN OF STUART, OKLAHOMA

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2013

	<u>Enterprise Fund PWA Fund</u>	<u>Total</u>
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 21,188	\$ 21,188
Accounts Receivable	3,300	3,300
Total Current Assets	<u>24,488</u>	<u>24,488</u>
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	<u>(409,828)</u>	<u>(409,828)</u>
Total Non-Current Assets	<u>201,322</u>	<u>201,322</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>225,810</u></b>	<b>\$ <u>225,810</u></b>
<b>LIABILITIES AND NET POSITION</b>		
<u>Liabilities:</u>		
Current Liabilities:		
Customer Deposits	\$ 275	\$ 275
Total Current Liabilities	<u>275</u>	<u>275</u>
Total Liabilities	<u>275</u>	<u>275</u>
<u>Net Position:</u>		
Net Investment in Capital Assets	201,322	201,322
Unreserved	<u>24,213</u>	<u>24,213</u>
Total Net Position	<u>225,535</u>	<u>225,535</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ <u>225,810</u></b>	<b>\$ <u>225,810</u></b>

\* 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, 2013

	Enterprise Fund PWA Fund	Total
<u>Operating Revenues:</u>		
Charges for Services	\$ 34,933	\$ 34,933
Total Operating Revenues	34,933	34,933
<u>Operating Expenses:</u>		
Personnel Services	11,508	11,508
Maintenance and Operation	3,406	3,406
Trash Transfers to Town	19,462	19,462
Depreciation	14,294	14,294
Total Operating Expenses	48,670	48,670
Net Operating Income (Loss)	(13,737)	(13,737)
<u>Non-Operating Revenue (Expense):</u>		
Interest Revenue	182	182
Total Non-Operating Revenues (Expense)	182	182
Net Income Before Other Financing Sources and (Uses)	(13,555)	(13,555)
<u>Other Financing Sources (Uses):</u>		
Total Other Financing Sources (Uses)	0	0
Change in Net Position	(13,555)	(13,555)
Net Position, June 30, 2012	239,090	239,090
<b>NET POSITION, JUNE 30, 2013</b>	<b>\$ 225,535</b>	<b>\$ 225,535</b>

\* 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, 2013

	Enterprise Fund	
	<u>PWA Fund</u>	<u>Total</u>
<u>Cash Flows From Operating Activities:</u>		
Receipts from customers	\$ 34,887	\$ 34,887
Payments to suppliers	(22,868)	(22,868)
Payments to employees	(11,508)	(11,508)
Other receipts (payments)	0	0
Net Cash Provided (Used) by Operating Activities	<u>511</u>	<u>511</u>
<u>Cash Flows From Non-Capital Financing Activities:</u>		
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>0</u>	<u>0</u>
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>0</u>	<u>0</u>
<u>Cash Flows Provided by Investing Activities:</u>		
Interest and dividends	<u>182</u>	<u>182</u>
Net Cash Provided (Used) by Investing Activities	<u>182</u>	<u>182</u>
Net Increase (Decrease) in Cash and Cash Equivalents	693	693
Cash and Cash Equivalents, June 30, 2012	<u>20,495</u>	<u>20,495</u>
<b>CASH AND CASH EQUIVALENTS, JUNE 30, 2013</b>	<b>\$ <u>21,188</u></b>	<b>\$ <u>21,188</u></b>
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</u>		
Operating income (loss)	\$ (13,737)	\$ (13,737)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	14,294	14,294
Change in assets and liabilities:		
Decrease in Accounts Receivable	79	79
Decrease in Customer Deposits	<u>(125)</u>	<u>(125)</u>
Net Cash Provided by Operating Activities	<u>\$ 511</u>	<u>\$ 511</u>

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

TOWN OF STUART, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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 police, 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, 2013

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, liabilities, 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, 2013

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, 2013

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**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.

**Receivables** – Receivables at June 30, 2013 were as follows:

	Customers	Taxes	Grants	Accounts	Total Receivables
<b>Governmental Activities:</b>					
Total Governmental Activities	\$ <u>    0</u>				
<b>Business-Type Activities:</b>					
Trash/Sewer	\$ <u>3,300</u>	\$ <u>    0</u>	\$ <u>    0</u>	\$ <u>    0</u>	\$ <u>3,300</u>
Total Business-Type Activities	\$ <u>3,300</u>	\$ <u>    0</u>	\$ <u>    0</u>	\$ <u>    0</u>	\$ <u>3,300</u>

TOWN OF STUART, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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.

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.

TOWN OF STUART, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 2: BUDGETARY ACCOUNTING AND CONTROL, CONTINUED

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: CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits and time deposits maintained at financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Deposits are carried at cost. 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.	236,801
3) Uncollateralized	<u>0</u>
TOTAL	<u>\$ 486,801</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.

TOWN OF STUART, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows. Beginning balances were restated to record prior period adjustment (See Note 6).

	Balance June 30, 2012	Additions	Disposals	Balance June 30, 2013
<u>Governmental Activities:</u>				
Land	\$ 46,000	\$ 0	\$( 12,155)	\$ 33,845
Buildings	247,396	50,000	0	297,396
Vehicles and Equipment	197,912	9,404	0	207,316
Furniture and Equipment	<u>2,787</u>	<u>198</u>	<u>0</u>	<u>2,985</u>
Total	494,095	59,602	( 12,155)	541,542
Accumulated Depreciation	<u>( 280,817)</u>	<u>( 24,708)</u>	<u>0</u>	<u>( 305,525)</u>
Net Governmental Activities Capital Assets	<u>\$ 213,278</u>	<u>\$ 34,894</u>	<u>\$( 12,155)</u>	<u>\$ 236,017</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>( 395,534)</u>	<u>( 14,294)</u>	<u>0</u>	<u>( 409,828)</u>
Net Business Type Activities Capital Assets	<u>\$ 215,616</u>	<u>\$( 14,294)</u>	<u>\$ 0</u>	<u>\$ 201,322</u>

Depreciation expense was charged as follows:

<u>General Government</u>	
Administration	<u>\$ 24,708</u>
<u>Business-Type Activities</u>	
Operations	<u>\$ 14,294</u>

NOTE 6: PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$37,079 was recorded to restate beginning balances for property plant, equipment and accumulated depreciation. Vehicles (\$47,242) and accumulated depreciation (\$10,163) was previously omitted from the governmental activities.

Beginning balance for vehicles and equipment (\$150,670) was restated to include the cost basis of the vehicles (\$47,242) to \$197,912.

The beginning balance of accumulated depreciation (\$270,654) was restated to include the retroactive depreciation (\$10,163) to \$280,817.

TOWN OF STUART, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 7: LITIGATION

At June 30, 2013, the Town of Stuart was not involved in any pending or threatened litigation, which would have a material impact on these financial statements.

NOTE 8: 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.

NOTE 9: SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 25, 2013, 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

Honorable Mayor and Town Trustees  
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, 2013, which collectively comprise the Town of Stuart's basic financial statements and have issued our report thereon dated September 25, 2013. 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, Oklahoma's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 item 08-2 that we consider to be a significant deficiency 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, Oklahoma's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and responses as item 13-1.

The Town of Stuart'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's response and, accordingly, we express no opinion on them.

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's compliance and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

*Saunders & Associates PLLC*

SAUNDERS & ASSOCIATES, PLLC  
Certified Public Accountants

September 25, 2013

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, 2013  
(Unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis	Variance With Final Budget Favorable (Unfavorable)
	Original	Final				
<b>REVENUES</b>						
Sales Tax	\$ 117,445	\$ 117,445	\$ 91,315	\$ 0	\$ 91,315	\$ (26,130)
Gas Tax	306	306	329	0	329	23
Alcoholic Beverage Tax	1,707	1,707	1,925	0	1,925	218
Motor Vehicle Tax	1,127	1,127	1,261	0	1,261	134
Cigarette Tax	1,645	1,645	1,298	0	1,298	(347)
Franchise Tax	4,426	4,426	3,716	0	3,716	(710)
Trash Service	18,533	18,533	19,462	0	19,462	929
Interest	221	221	210	0	210	(11)
Miscellaneous/Other	2,262	2,262	1,046	0	1,046	(1,216)
Property Sale	0	0	12,155	0	12,155	12,155
Royalty Revenue	67,551	67,551	66,957	0	66,957	(594)
Total Revenues	<u>215,223</u>	<u>215,223</u>	<u>199,674</u>	<u>0</u>	<u>199,674</u>	<u>(15,549)</u>
<b>EXPENDITURES</b>						
General Government:						
Personnel Services	15,000	15,000	15,680	0	15,680	(680)
Maintenance and Operation	120,500	120,500	104,465	0	104,465	16,035
Capital Outlay	70,000	70,000	50,000	0	50,000	20,000
Total Expenditures	<u>205,500</u>	<u>205,500</u>	<u>170,145</u>	<u>0</u>	<u>170,145</u>	<u>35,355</u>
Excess of Revenues Over (Under) Expenditures	9,723	9,723	29,529	0	29,529	19,806
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	4,723	4,723	29,529	0	29,529	24,806
Fund Balance, June 30, 2012	435,095	435,095	435,095	0	435,095	0
<b>FUND BALANCE, JUNE 30, 2013</b>	<u>\$ 439,818</u>	<u>\$ 439,818</u>	<u>\$ 464,624</u>	<u>\$ 0</u>	<u>\$ 464,624</u>	<u>\$ 24,806</u>

TOWN OF STUART, OKLAHOMA  
STATUS OF PRIOR AUDIT FINDINGS

June 30, 2013

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 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, 2013

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 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's checks are signed by two Council Members. All members of the Council sign the purchase orders. The Financial Statement is read at all Council Meetings.

13-1 BUDGET AND APPROPRIATIONS

Criteria: Oklahoma Statutes, Title 62, Section 17-215 states "No encumbrance or expenditure may be authorized or made by any officer or employee, which exceeds the available appropriation for each classification level defined by Section 17-213..."

Condition: The Town of Stuart's expenditures in certain departments and accounts within departments exceeded the budget appropriation for the year.

Cause/Effect: Illegal expenditures can be made when budget appropriations are exceeded.

Recommendation: We recommend the Town of Stuart make adjustments to budget appropriation accounts to ensure that all expenditures are made within the available appropriations.

Response: The Town Council realizes they overspent the budget; however they paid all of bills. There had been a flood in the Senior Citizen Building; mold had developed so they had to move. The Town had an opportunity to purchase a building, renovate it and move them into it. The necessary motions to make this purchase was made in the regular Council Meeting and was approved by all Council Members.