

Town of Hulbert, Oklahoma

Annual Financial Statements and Accompanying
Independent Auditor's Reports

June 30, 2013

Samuel S Alexander
Certified Public Accountant

Town of Hulbert, Oklahoma

June 30, 2013

BOARD OF TRUSTEES

Mayor

Shirley Teague

Members

Kenneth Fore

George Truitt

Clerk/Treasurer

Leona Welch

Public Works Superintendent

Ricky Lee

Town Attorney

R. Forney Sandlin

Town of Hulbert, Oklahoma
June 30, 2013

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June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

To Mayor Shirley Teague and
The Board of Trustees
Town of Hulbert
Hulbert, Oklahoma

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the remaining fund information of the Town of Hulbert, 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 Hulbert'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

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. 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 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion on the General Fund

As discussed in Note 1 to the financial statements, management has not recorded capital assets, including general infrastructure assets, in the governmental activities and, accordingly has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that capital assets, including general infrastructure assets, be capitalized and depreciated, which would increase the assets, net assets and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets and expenses of the governmental activities is not reasonably determinable.

Qualified Opinion

In my opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on the General Fund”, the financial statements referred to above present fairly, in all material respects, the financial position of the General Fund of the Town of Hulbert, Oklahoma, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and aggregate remaining fund information of the Town of Hulbert, Oklahoma, as of June 30, 2013, and the respective changes in financial position and cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has elected to omit the Management’s Discussion and Analysis. Accounting principles generally accepted in the United States of America require that a Management’s Discussion and Analysis 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hulbert’s basic financial statements. The combining and individual nonmajor fund financial statements and budgetary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and budgetary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Except for the effects on the combining and individual statements and schedules of revenues, expenditures, and changes in fund balances, statements of revenues, expenses and changes in net assets, and statements of cash flows for management having not recorded capital assets and the related depreciation expense on those assets in the General Fund, the combining and individual nonmajor fund financial statements and budgetary schedules, in my opinion, are fairly stated in all material respects in relation to the basic financial statements as a whole.

Wagoner, Oklahoma
February 20, 2014

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF HULBERT, OKLAHOMA
STATEMENT OF NET ASSETS
JUNE 30, 2013

	<u>Governmental Activities</u>	<u>Business -Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 139,712	\$ 1,415,003	\$ 1,554,715
Accounts receivable	23,834	82,207	106,041
Prepaid insurance	9,948	26,022	35,970
Capital assets:	-	-	-
Land	-	104,500	104,500
Property, plant & equipment	719,088	3,107,288	3,826,376
Total Assets	<u>892,582</u>	<u>4,735,020</u>	<u>5,627,602</u>
<u>LIABILITIES</u>			
Accounts payable	22,632	103,732	126,364
Customer deposits payable	-	138,667	138,667
Notes payable-current	-	120,000	120,000
Notes payable-long term	-	2,975,000	2,975,000
Total Liabilities	<u>22,632</u>	<u>3,337,399</u>	<u>3,360,031</u>
<u>NET ASSETS</u>			
Unrestricted	117,129	849,941	967,070
Restricted	752,821	547,680	1,300,501
Total Net Assets	<u>\$ 869,950</u>	<u>\$ 1,397,621</u>	<u>\$ 2,267,571</u>

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, 2013

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	\$ (107,145)	\$ -	\$ 24,640	\$ (82,505)	\$ -	\$ (82,505)
Public Safety	(259,222)	80,592		(178,630)	-	(178,630)
Total government activities	(366,367)	80,592	24,640	(261,135)	-	(261,135)
Business - Type Activities:						
Water, Sewer, Gas & Trash	(1,106,910)	1,675,067	-	-	568,157	568,157
Debt Service	(162,503)			-	(162,503)	(162,503)
New Service		7,199		-	7,199	7,199
Penalties		45,045		-	45,045	45,045
Depreciation - unallocated	(240,893)			-	(240,893)	(240,893)
Total business - type activities	(1,510,306)	1,727,311	-	-	217,005	217,005
Totals	\$ (1,876,673)	\$ 1,807,903	\$ 24,640	(261,135)	217,005	(44,130)
General revenues						
Taxes:						
Sales tax				157,172		157,172
Gasoline tax				1,089		1,089
Franchise tax				998		998
Alcoholic beverage tax				5,207		5,207
Commercial vehicle tax				4,250		4,250
Miscellaneous				6,617	10,836	17,453
Interest				502	5,609	6,111
Prior period adjustment				10,000	440,326	450,326
Transfers - internal activity				100,036	(100,036)	-
Total general revenues and transfers				285,871	356,735	642,606
Changes in net assets				24,736	573,740	598,476
Net assets, beginning of period				845,214	823,881	1,669,095
Net assets, end of period				\$ 869,950	\$ 1,397,621	\$ 2,267,571

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

TOWN OF HULBERT, OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	<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	\$ 105,803	\$ 28,158	\$ 5,751	\$ 139,712
Accounts receivable	23,381	453		23,834
Prepaid Insurance	<u>9,948</u>	<u>-</u>	<u>-</u>	<u>9,948</u>
Total Assets	<u>\$ 139,132</u>	<u>\$ 28,611</u>	<u>\$ 5,751</u>	<u>173,494</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts payable	<u>\$ 22,003</u>	<u>\$ 629</u>	<u>\$ -</u>	<u>22,632</u>
Fund Balances-				
Unreserved	117,129	-	-	117,129
Reserved for special purpose	<u>-</u>	<u>27,982</u>	<u>5,751</u>	<u>33,733</u>
Total Fund Balance	<u>117,129</u>	<u>27,982</u>	<u>5,751</u>	<u>150,862</u>
Total Liabilities and Fund Balances	<u>\$ 139,132</u>	<u>\$ 28,611</u>	<u>\$ 5,751</u>	
Net Assets of Governmental Activities				150,862
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>\$ 869,950</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, 2013

	General Fund	Street and Alley Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 163,377	\$ 5,339	\$ -	\$ 168,716
License and permits	49			49
Fines and forfeitures	78,543			78,543
Grants	24,640	-	-	24,640
Fire runs	2,000			2,000
Miscellaneous	6,617			6,617
Interest earnings	353	134	15	502
Total revenues	<u>\$ 275,579</u>	<u>\$ 5,473</u>	<u>15</u>	<u>\$ 281,067</u>
Expenditures:				
General government	99,173	7,972		107,145
Public safety:				
Police	244,991		-	244,991
Fire	14,231	-	-	14,231
Capital outlay	-		-	-
Total expenditures	<u>358,395</u>	<u>7,972</u>	<u>-</u>	<u>366,367</u>
Excess (deficiency) of revenues over expenditures	(82,816)	(2,499)	-	(85,300)
Other Financing sources (Uses):				
Operating transfers in/(out) - HPWA	100,036	-	-	100,036
Total Other Financing Sources (Uses)	<u>100,036</u>	<u>-</u>	<u>-</u>	<u>100,036</u>
Excess (deficiency) of revenue over expenditures and other financing sources (uses)	17,220	(2,499)	-	14,736
Fund balances - beginning of year	89,909	30,481	5,736	126,126
Prior period adjustment	10,000			10,000
Fund balances - end of year	<u>\$ 117,129</u>	<u>\$ 27,982</u>	<u>\$ 5,751</u>	<u>\$ 150,862</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, 2013

Net change in cash fund balances - governmental funds \$ 24,736

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 - 2012-2013

-

Changes in net assets of governmental activities

\$ 24,736

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, 2013

	Public Works Authority Enterprise Fund
<u>ASSETS</u>	
Current assets:	
Cash	\$ 590,001
Restricted cash	547,681
Investment - Certificates of Deposit	277,321
Accounts receivable	82,207
Prepaid insurance	26,022
Total current assets	1,523,232
Non-current assets:	
Land	104,500
Property, plant & equipment (net)	3,107,288
Total non-current assets	3,211,788
Total Assets	4,735,020
 <u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	103,732
Customer deposits payable	138,667
Current portion of long-term liabilities	120,000
Total current liabilities	362,399
Noncurrent liabilities:	
Long-term liabilities	2,975,000
Total Liabilities	3,337,399
 <u>NET ASSETS</u>	
Unrestricted	849,941
Restricted for other purposes	196,064
Restricted for debt service	351,616
Total Net Assets	\$ 1,397,621

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, 2013

	Public Works Authority Enterprise Fund
Operating Revenues:	
Charges for services:	
Utilities - water, sewer, trash, gas	\$ 1,675,067
Penalties	45,045
Miscellaneous	10,836
New service	7,199
Total revenues collected	1,738,147
 Operating Expenses:	
Personnel compensation and burden	421,222
Materials and supplies	629,795
Other services and charges	55,893
Depreciation	240,893
Total non-current assets	1,347,803
 Operating Income (Loss)	390,344
 Non-Operating Revenues (Expenses):	
Investment income	5,609
Interest expense	(162,503)
Total Non-Operating Revenues (Expenses)	(156,894)
 Net Income (Loss) Before Contributions and Transfers	233,450
 Transfer out	(100,036)
 Change in net assets	133,414
Prior Period Adjustment	440,326
 Adjusted change in net assets	573,740
 Total net assets - beginning	823,881
 Total net assets - ending	\$ 1,397,621

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, 2013

	Public Works Authority Enterprise Fund
Cash Flows from Operating Activities:	
Receipts from customers	\$ 1,726,412
Payments to employees	(421,222)
Payments to suppliers	(670,898)
Other	10,836
Net Cash Provided by Operating Activities	645,128
Cash Flows from Noncapital Financing Activities:	
Decrease in customer deposits	(10,723)
Prior period adjustment	440,326
Transfers to other funds	(100,036)
	329,567
Cash Flows from Capital and Related Financing Activities"	
Purchases of capital assets	(375,417)
Principal paid on debt	(115,000)
Interest paid on debt	(162,503)
Net Cash Provided(used by) Capital and Related Financing Activities	(652,920)
Cash Flows from Investing Activities	
Interest on investments	5,609
Net increase (decrease) in cash and cash equivalents	327,384
Balance - beginning of period	1,087,619
Balance - end of period	\$ 1,415,003
Reconciliation of operating income (loss) to net cash provided by	
Operating activities:	
Operating income (loss)	\$ 390,344
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	240,893
Change in assets and liabilities:	
Increase in accounts receivable	(899)
Increase in accounts payable	14,790
Net cash provided by operating activities	\$ 645,128

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, 2013

Note A – Summary of Significant Accounting Policies

The Town of Hulbert, Oklahoma, is a “Statutory Town Government” under Title 11 of 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) opinions 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 entity’s 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 an enterprise fund.

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

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, 2013

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, 2013

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 debt agreement, 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, 2013

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, 2013, was as follows: (continued)

TOWN OF HULBERT, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note B - Capital Assets - cont'd

	<u>Balance at June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2013</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	\$ 31,000	\$ -	\$ 104,500
Other capital assets:				
Utility property and improvements	7,453,565	344,417	-	7,797,982
Less accumulated depreciation for:				
Utility property and improvements	<u>(4,449,801)</u>	<u>(240,893)</u>	<u>-</u>	<u>(4,690,694)</u>
Business-type activities capital assets, net	<u>\$ 3,077,264</u>	<u>\$ 134,524</u>	<u>\$ -</u>	<u>\$ 3,211,788</u>

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

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 Bond debt is summarized as follows:

Utility System Refunding and Revenue Bonds, Series 2009:

RECD:

Interest @ 4.15 -5.6%

\$3,095,000

	<u>Balance at</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at</u> <u>June 30,2013</u>
Total notes payable	<u>\$ 3,310,000</u>	<u>-</u>	<u>115,000</u>	3,095,000
Less current portion				<u>(120,000)</u>
Long-term portion, notes payable				<u>\$2,975,000</u>

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

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>
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>\$ 3,095,000</u>

Note F – Litigation

The Town had no known pending litigation as of June 30, 2013. In the event that 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, 2013, 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, 2013

Note G – Collateral Pledged – cont'd

Deposit Categories of Credit Risk

	Category			Bank Balance	Carrying Amount
	(A)	(B)	(C)		
Cash	\$ 250,000	1,304,015	-	1,570,613	1,554,015

Cash on hand of \$700.00 is not included in these totals.

Note H – Accumulated Unpaid Vacation and Sick Pay

At June 30, 2013, 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 Town's total payroll was \$488,221.

Group	June 30, 2013
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, 2013

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, 2013, with no items noted for reporting.

Note M - Prior Period Adjustments

Regarding the General Fund and Enterprise Fund (PWA), beginning cash representing investments in certificates of deposit was understated by \$10,000 and \$440,326 respectively in the prior year. The pertinent cash account was corrected in the current period, with the error correction treated and reported as a prior period adjustment.

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, 2013

	GENERAL FUND			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Fund Balance, beginning of year	\$ 74,800	\$ 74,800	\$ 89,909	\$ (15,109)
Revenues				
Sales tax	132,000	132,000	157,172	25,172
Franchise tax	2,150	2,150	998	(1,152)
Alcoholic beverage tax	4,200	4,200	5,207	1,007
Licenses and permits	500	500	49	(451)
Fire department grant	4,500	4,500	-	(4,500)
Cherokee/UKB grant	3,500	3,500	24,640	21,140
LREC grant	10,000	10,000	-	(10,000)
Fines and forfeitures	54,500	54,500	78,543	24,043
Fire runs	2,000	2,000	2,000	-
Miscellaneous	300	300	6,617	6,317
Interest	300	300	353	53
Operating transfers in-HPWA	100,000	100,000	100,036	36
Total Revenues	313,950	313,950	375,615	61,665
Expenditures				
General government	110,707	110,707	99,173	11,534
Police	241,335	241,335	244,991	(3,656)
Fire	18,850	18,850	14,231	4,619
Total Expenditures	370,892	370,892	358,395	12,497
Excess of revenues over (under) expenditures before other sources (uses) of funds	\$ (56,942)	\$ (56,942)	17,220	\$ 74,162
Other adjustment: Prior period adjustment			10,000	
Fund balances - end of period			\$ 117,129	

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, 2013

STREET AND ALLEY FUND				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Fund Balance, beginning of year	\$ 34,000	\$ 34,000	\$ 30,481	\$ 3,519
Revenues				
Commercial vehicle tax	3,800	3,800	4,250	450
Gasoline excise tax	1,150	1,150	1,089	(61)
Interest	140	140	134	(6)
Total Revenues	<u>5,090</u>	<u>5,090</u>	<u>5,473</u>	<u>383</u>
Expenditures paid:				
Maintenance and operation	<u>18,110</u>	<u>18,110</u>	<u>7,972</u>	<u>10,138</u>
Total Expenditures	<u>18,110</u>	<u>18,110</u>	<u>7,972</u>	<u>10,138</u>
Excess of revenues over/(under) expenses before adjustments to prior year encumbrances	<u>\$ (13,020)</u>	<u>\$ (13,020)</u>	<u>(2,499)</u>	<u>\$ 10,521</u>
Fund balances, end of period			<u>\$ 27,982</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 - BUDGETED SPECIAL REVENUE FUNDS
 FOR YEAR ENDED JUNE 30, 2013

	SPECIAL PROJECTS - CDBG FUND			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Fund Balance, beginning of year	\$ 5,736	\$ 5,736	\$ 5,736	\$ -
Revenues				
Taxes				
Interest	-	-	15	15
Total Revenues	-	-	15	15
Expenditures paid:				
Personal services				
Maintenance and operation				
Capital outlay	-	-	-	-
Total Expenditures	-	-	-	-
Excess of revenues over (under) expenses before adjustments to prior year encumbrances	\$ -	\$ -	15	15
Fund balances, end of period			\$ 5,751	

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
 FOR YEAR ENDED JUNE 30, 2013

	SPECIAL PROJECTS CDBG	STREET AND ALLEY	TOTALS
ASSETS			
Cash and cash equivalents	\$ 5,751	\$ 28,158	\$ 33,909
Accounts receivable	-	453	453
Total Assets	\$ 5,751	\$ 28,611	\$ 34,362
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	-	629	629
Fund Balances			
Reserved for special purpose	5,751	27,982	33,733
Unreserved	-	-	-
Total fund balances	5,751	27,982	33,733
Total Liabilities and Fund Balances	\$ 5,751	\$ 28,611	\$ 34,362

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
 FOR YEAR ENDED JUNE 30, 2013

	<u>SPECIAL PROJECTS CDBG</u>	<u>STREET AND ALLEY</u>	<u>TOTALS</u>
Revenues			
Taxes	\$ -	\$ 5,339	\$ 5,339
Interest earnings	<u>15</u>	<u>134</u>	<u>149</u>
Total revenues	<u>15</u>	<u>5,473</u>	<u>5,488</u>
Expenditures			
Maintenance and operation	-	7,972	7,972
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>7,972</u>	<u>7,972</u>
Excess (deficiency) of revenues over expenses	15	(2,499)	(2,484)
Other financing sources (uses)			
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	15	(2,499)	(2,484)
Fund balances, beginning of year	<u>5,736</u>	<u>30,481</u>	<u>36,217</u>
Fund balances, end of year	<u>\$ 5,751</u>	<u>\$ 27,982</u>	<u>\$ 33,733</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, 2013

ASSETS

Cash and demand deposits	<u>\$ 17,489</u>
Total Assets	<u><u>\$ 17,489</u></u>

LIABILITIES AND FUND EQUITY

Liabilities	<u>\$ -</u>
Fund equity	
Cash Fund Balance - Restricted	<u>17,489</u>
Total Fund Equity	<u>17,489</u>
Total Liabilities and Fund Equity	<u><u>\$ 17,489</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, 2013

<u>REVENUES</u>	
Bond refunds	\$ 90,354
Interest Income	<u>82</u>
Total revenues	<u>90,436</u>
<u>EXPENDITURES</u>	
CLEET	6,491
Fingerprint fee	7,305
Fines and bonds refunded	74,515
Miscellaneous	<u>826</u>
Total expenditures	<u>89,137</u>
Excess of revenue over/(under) expenses	1,299
Fund balance - beginning of year	<u>16,190</u>
Fund balance - end of year	<u><u>\$ 17,489</u></u>

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, 2013, and have issued my report thereon dated February 20, 2014. 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 February 20, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered 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. 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.

February 20, 2014
Wagoner, Oklahoma

TOWN OF HULBERT, OKLAHOMA
DISPOSITION OF PRIOR YEAR'S REPORTABLE CONDITIONS
JUNE 30, 2013

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.

Disposition of Reportable Condition-Segregation of Duties

The Town of Hulbert acknowledges the circumstance and has taken the following measures. The Town has become familiar with and has engaged an experienced accountant to assist with posting auditor's adjustments and other necessary accounting duties. In the future, the Town will analyze and develop methods to provide a better segregation of accounting functions and duties where possible. This will include involving Board of Trustee participation on a limited basis for supervision and oversight.

TOWN OF HULBERT, OKLAHOMA
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013

Section 1 – Summary of Auditor’s Results

1. A qualified opinion was issued on the financial statements with respect to generally accepted accounting principles.
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.