

Town of Stuart, Oklahoma

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

For the Year Ended June 30, 2015

SAUNDERS & ASSOCIATES, PLLC

Certified Public Accountants

630 East 17th Street

P. O. Box 1406

Ada, Oklahoma 74820

(580) 332-8548

FAX: (580) 332-2272

Website: www.saunderscpas.com

TOWN OF STUART, OKLAHOMA

AUDIT REPORT

June 30, 2015

BOARD OF TRUSTEES

Terry Beck

Mayor

Billie Lawrence

Trustee

Donna Watkins

Trustee

City Clerk - Treasurer of Board of Trustees

Lenora Windle

TOWN OF STUART, OKLAHOMA

TABLE OF CONTENTS

June 30, 2015

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	12
Statement of Net Position – Proprietary Funds	13
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	14
Statement of Cash Flows – Proprietary Funds	15
Notes to Financial Statements	16
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	28
SUPPLEMENTAL INFORMATION:	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	30
Schedule of Net Pension Liability and Contributions – Firefighter's Pension	31
Status of Prior Audit Findings	32
Schedule of Findings and Responses	33
Management Letter	34

Saunders & Associates, PLLC

Certified Public Accountants

630 East 17th Street * P. O. Box 1406 * Ada, Oklahoma 74820 * (580) 332-8548 * FAX: (580) 332-2272
Website: www.saunderscpas.com

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Trustees
Town of Stuart, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Stuart, Oklahoma, as of and for the year ended June 30, 2015, 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 26 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 October 1, 2015 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

SAUNDERS & ASSOCIATES, PLLC
Certified Public Accountants
Ada, Oklahoma

October 1, 2015

TOWN OF STUART, OKLAHOMA

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015
(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, 2015. Please read it in conjunction with the Town's financial statements, which begin on page 9.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 9 and 10) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 11. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

Reporting the Town as a Whole

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

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

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

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

TOWN OF STUART, OKLAHOMA

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015
(Unaudited)

Reporting the Town's Most Significant Funds

Our analysis of the Town's major funds begins on page 7. The fund financial statements begin on page 11 and provide detailed information about the funds – not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Town Council can establish other funds, as needed, to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using certain taxes and grants. The Town's two kinds of funds – *governmental and proprietary* – use different accounting approaches.

- *Governmental Funds* – Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.
- *Proprietary Funds* – When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. Additional detail, such as cash flows is provided for the enterprise funds.

THE TOWN AS A WHOLE

Net Position

The Town's combined net position increased 19.4% from \$987,266 to \$1,178,600 (see Table 1). In comparison, last year's net position increased 6.6%

TABLE 1 – NET POSITION

	Governmental Activities		Business-Type Activities		Total Primary Government		Total % Change
	06/30/15	06/30/14	06/30/15	06/30/14	06/30/15	06/30/14	
Capital Assets	\$ 417,869	\$ 266,917	\$ 172,735	\$ 187,028	\$ 590,604	\$ 453,945	30.1%
Current and Other Assets	<u>581,444</u>	<u>510,096</u>	<u>22,741</u>	<u>23,525</u>	<u>604,185</u>	<u>533,621</u>	<u>13.2%</u>
Total Assets	<u>999,313</u>	<u>777,013</u>	<u>195,476</u>	<u>210,553</u>	<u>1,194,789</u>	<u>987,566</u>	<u>21.0%</u>
Total Deferred Outflows Of Resources	<u>1,194</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0%</u>
Long-Term Liabilities	14,858	0	0	0	14,858	0	100.0%
Other Liabilities	<u>0</u>	<u>0</u>	<u>275</u>	<u>300</u>	<u>275</u>	<u>300</u>	<u>-8.3%</u>
Total Liabilities	<u>14,858</u>	<u>0</u>	<u>275</u>	<u>300</u>	<u>15,133</u>	<u>300</u>	<u>98.0%</u>
Total Deferred Inflows of Resources	<u>2,249</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,249</u>	<u>0</u>	<u>100.0%</u>
Net Position:							
Net Investment in Capital Assets	417,869	266,917	172,735	187,028	590,604	463,945	30.1%
Unrestricted	<u>565,531</u>	<u>510,096</u>	<u>22,465</u>	<u>23,225</u>	<u>587,996</u>	<u>533,321</u>	<u>10.3%</u>
Total Net Position	<u>\$ 983,400</u>	<u>\$ 777,013</u>	<u>\$ 195,200</u>	<u>\$ 210,253</u>	<u>\$ 1,178,600</u>	<u>\$ 987,266</u>	<u>19.4%</u>

TOWN OF STUART, OKLAHOMA

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015
(Unaudited)

Net position of the Town's governmental activities increased by 26.6% (from \$777,013 to \$983,400). Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased by 10.9% from \$510,096 to \$565,531.

The net position of our business-type activities decreased by 7.2% from \$210,253 to \$195,200.

Changes in Net Position

The Town's total revenues (including special items) increased by 80.6% (\$173,464). Operating grants increased by 100% (\$20,000), capital grants also increased by 100% (\$166,233) while royalty revenue decreased by 31%. Table 2 and the narrative that follows considers the operations of governmental and business-type activities separately.

TABLE 2 – CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>Total</u> <u>% Change</u>
	<u>06/30/15</u>	<u>06/30/14</u>	<u>06/30/15</u>	<u>06/30/14</u>	<u>Primary Government</u> <u>06/30/15</u>	<u>06/30/14</u>	
Program Revenues:							
Charges for Services	\$ 27,108	\$ 19,670	\$ 14,773	\$ 14,309	\$ 41,881	\$ 33,979	23.3%
Operating Grants/ Contributions	20,000	0	0	0	20,000	0	100.0%
Capital Grants/ Contributions	166,233	0	0	0	166,233	0	100.0%
General Revenues							
Franchise Taxes	4,634	4,221	0	0	4,634	4,221	9.8%
Public Service Taxes	97,849	90,012	0	0	97,849	90,012	8.7%
Unrestricted Investment Earnings	904	1,167	10	11	914	1,178	-22.4%
Miscellaneous	2,565	2,117	0	0	2,565	2,117	21.2%
Non Employer Pension Contributions	1,130	0	0	0	1,130	0	100.0%
Royalty Revenues	52,170	75,615	0	0	52,170	75,615	-31.0%
Donations	1,385	6,642	0	0	1,385	6,642	-79.1%
Special Item – Gain on Disposition of Asset	0	1,533	0	0	0	1,533	-100.0%
Total Revenues	<u>373,978</u>	<u>200,977</u>	<u>14,783</u>	<u>14,320</u>	<u>388,761</u>	<u>215,297</u>	<u>80.6%</u>
Program Expenses:							
General Government	151,042	124,605	0	0	151,042	124,605	21.2%
Sewer	0	0	29,836	29,602	29,836	29,602	0.8%
Total Expenses	<u>151,042</u>	<u>124,605</u>	<u>29,836</u>	<u>29,602</u>	<u>180,878</u>	<u>154,207</u>	<u>17.3%</u>
Excess Before Contributions, Etc.	222,936	76,372	(15,053)	(15,282)	207,883	61,090	240.3%
Transfers	0	0	0	0	0	0	0.0%
Change in Net Position	<u>\$ 222,936</u>	<u>\$ 76,372</u>	<u>\$(15,053)</u>	<u>\$(15,282)</u>	<u>\$ 207,883</u>	<u>\$ 61,090</u>	<u>240.3%</u>

TOWN OF STUART, OKLAHOMA

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015
(Unaudited)

Governmental Activities

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

TABLE 3 – GOVERNMENTAL ACTIVITIES

	<u>Total Cost of Services</u>			<u>Net Cost of Services</u>		
	<u>06/30/15</u>	<u>06/30/14</u>	<u>% Change</u>	<u>06/30/15</u>	<u>06/30/14</u>	<u>% Change</u>
General Government	\$ 151,042	\$ 124,605	21.2%	\$(123,934)	\$(104,935)	18.1%
Total	\$ 151,042	\$ 124,605	21.2%	\$(123,934)	\$(104,935)	18.1%

The cost of all governmental activities this year was \$151,042 compared to \$124,605 last year, an increase of \$26,437. Some of the costs were paid by those who directly benefited from the program.

Business-Type Activities

Operating revenues of the Town's business type activities increased by 3.2% (\$14,773 in 2015 compared to \$14,309 in 2014) and expenses increased by .8% (\$29,836 in 2015 compared to \$29,602 in 2014).

THE TOWN'S FUNDS

Governmental Funds

The following schedule presents a summary of general revenues and expenditures for the fiscal year ended June 30, 2015, and the amount and percentage of increases and decreases in relation to the prior year.

	<u>2015</u>	<u>Percent</u>	<u>Increase</u>	<u>Percent</u>
<u>Revenues:</u>	<u>Amount</u>	<u>of Total</u>	<u>(Decrease)</u>	<u>Increase</u>
			<u>From 2014</u>	<u>(Decrease)</u>
Taxes	\$ 102,483	49.6%	\$ 8,250	8.8%
Charges for Services	27,108	13.1%	7,438	37.8%
Interest	904	0.4%	(263)	-22.5%
Other/Miscellaneous	3,950	1.9%	(4,809)	-54.9%
Royalties Revenues	52,170	25.2%	(23,445)	-31.0%
Sale of Property	0	0.0%	(2,000)	-100.0%
Grants	<u>20,000</u>	<u>9.8%</u>	<u>20,000</u>	<u>100.0%</u>
Total Revenues	\$ <u>206,615</u>	<u>100.0%</u>	\$ <u>5,171</u>	<u>38.2%</u>

- Sales tax received by the Town increased \$7,576 or 8.8% from 2014. (\$85,402 received in 2014 and \$92,978 in 2015), due to a change in the tax rate in the prior year. The increase in Grants of \$20,000 was due to the receipt of funds in 2015 that was required to be expended for equipment in 2014.

TOWN OF STUART, OKLAHOMA

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015
(Unaudited)

<u>Expenditures:</u>	2015 <u>Amount</u>	Percent <u>of Total</u>	Increase (Decrease) <u>From 2014</u>	Percent Increase (Decrease)
General Government	\$ <u>135,267</u>	100%	\$ <u>(20,705)</u>	(13.3%)

- General Government expenditures decreased primarily as a result of a decrease in maintenance and operation expenditures.

Proprietary Funds

The following schedule presents a summary of business-type activities revenue and expenses for the fiscal year ended June 30, 2015, and the amount and percentage of increases and decreases in relation to the prior year.

<u>Revenues:</u>	2015 <u>Amount</u>	Percent <u>of Total</u>	Increase (Decrease) <u>From 2014</u>	Percent Increase (Decrease)
Operating	\$ 14,773	99.9%	\$ 464	3.2%
Interest	<u>10</u>	<u>0.1%</u>	<u>(1)</u>	<u>-9.1%</u>
Total Revenues	\$ <u>14,783</u>	<u>100.0%</u>	\$ <u>(463)</u>	<u>-5.8%</u>
<u>Expenses:</u>				
Operating	\$ <u>29,836</u>	<u>100.0%</u>	\$ <u>234</u>	<u>0.8%</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the year, the Town Board of Trustees made no revisions to the budget. Actual revenues were above budgeted revenues by \$3,305 (1.6%) and actual expenditures were below budgeted expenditures by \$102,233 (43.0%).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2015, the Town had \$1,392,170 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>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 33,845	\$ 33,845	\$ 9,078	\$ 9,078	\$ 42,923	\$ 42,923
Buildings	333,745	296,396	30,315	30,315	364,060	326,711
Sewer Improvements	0	0	571,757	571,757	571,757	571,757
Vehicles & Equipment	404,570	235,436	0	0	404,570	235,436
Furniture & Equipment	8,860	8,860	0	0	8,860	8,860
Construction in Progress	<u>0</u>	<u>16,976</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>16,976</u>
Total	\$ <u>781,020</u>	\$ <u>591,513</u>	\$ <u>611,150</u>	\$ <u>611,150</u>	\$ <u>1,392,170</u>	\$ <u>1,202,663</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, 2015
(Unaudited)

Long-Term Liabilities

At the end of June 30, 2015 the Town had \$14,858 in long-term liabilities for the Town's proportionate share of the Firefighter's Pension Plan Net Pension Obligation. (See table below.)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net Pension Obligation	\$ <u>14,858</u>	\$ <u>0</u>	\$ <u>14,858</u>

The fiscal year ended June 30, 2015 is the first year the net pension obligation is displayed in the financial statements. More detailed information about the Town's pension plan for firefighter's is presented in Note 1, Note 8 and Note 9 of the financial statements.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

Terry Beck
Mayor

BASIC FINANCIAL STATEMENTS

TOWN OF STUART, OKLAHOMA

STATEMENT OF NET POSITION

June 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash	\$ 581,444	\$ 18,940	\$ 600,384
Accounts Receivable:			
Utility Fees	0	3,800	3,800
Total Current Assets	581,444	22,740	604,184
Non-Current Assets:			
Property, Plant and Equipment:			
Land	33,845	9,078	42,923
Buildings	333,745	30,315	364,060
Water and Sewer Improvements	0	571,757	571,757
Vehicles and Equipment	404,570	0	404,570
Construction in Progress	0	0	0
Furniture and Office Equipment	8,860	0	8,860
Less: Accumulated Depreciation	(363,151)	(438,415)	(801,566)
Total Non-Current Assets	417,869	172,735	590,604
Total Assets	999,313	195,475	1,194,788
 DEFERRED OUTFLOWS OF RESOURCES			
Pension Activities	1,194	0	1,194
Total Deferred Outflows of Resources	1,194	0	1,194
 LIABILITIES			
Current Liabilities:			
Customer Deposits	0	275	275
Total Current Liabilities	0	275	275
Long Term Liabilities			
Net Pension Liability	14,858	0	14,858
Total Long Term Liabilities	14,858	0	14,858
Total Liabilities	14,858	275	15,133
 DEFERRED INFLOWS OF RESOURCES			
Pension Activities	0	0	0
Total Deferred Inflows of Resources	2,249	0	2,249
 NET POSITION			
Net Investment in Capital Assets	417,869	172,735	590,604
Unrestricted	565,531	22,465	587,996
TOTAL NET POSITION	\$ 983,400	\$ 195,200	\$ 1,178,600

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

TOWN OF STUART, OKLAHOMA

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	Primary Government		
					<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
PRIMARY GOVERNMENT:							
Governmental Activities:							
General Government	\$ 151,042	\$ 27,108	\$ 0	\$ 166,233	\$ 42,299		\$ 42,299
Total Governmental Activities	<u>151,042</u>	<u>27,108</u>	<u>0</u>	<u>166,233</u>	<u>42,299</u>		<u>42,299</u>
Business-Type Activities:							
Sewer	29,836	14,773	0	0		\$ (15,063)	(15,063)
Total Business-Type Activities	<u>29,836</u>	<u>14,773</u>	<u>0</u>	<u>0</u>		<u>(15,063)</u>	<u>(15,063)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 180,878</u>	<u>\$ 41,881</u>	<u>\$ 0</u>	<u>\$ 166,233</u>	<u>42,299</u>	<u>(15,063)</u>	<u>27,236</u>
General Revenues:							
Taxes:							
Franchise Taxes					4,634	0	4,634
Public Service Taxes					97,849	0	97,849
Unrestricted Investment Earnings					904	10	914
Miscellaneous					2,565	0	2,565
Non Employer Pension Contribution					1,130	0	1,130
Royalty Revenues					52,170	0	52,170
Donations					1,385	0	1,385
Grant Revenues					20,000	0	20,000
Total General Revenues, Special Items and Transfers					<u>180,637</u>	<u>10</u>	<u>180,647</u>
Change in Net Position					222,936	(15,053)	207,883
Net Position, June 30, 2014, as restated					<u>760,464</u>	<u>210,253</u>	<u>970,717</u>
Net Position, June 30, 2015					<u>\$ 983,400</u>	<u>\$ 195,200</u>	<u>\$ 1,178,600</u>

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

TOWN OF STUART, OKLAHOMA

BALANCE SHEET -
GOVERNMENTAL FUNDS

June 30, 2015

	<u>General Fund</u>	<u>Total Governmental Funds</u>
ASSETS:		
Cash	\$ 581,444	\$ 581,444
Accounts Receivable	0	0
Total Assets	<u>581,444</u>	<u>581,444</u>
DEFERRED OUTFLOWS OF RESOURCES		
	<u>0</u>	<u>0</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 581,444</u>	<u>\$ 581,444</u>
LIABILITIES:		
Total Liabilities	\$ 0	\$ 0
DEFERRED INFLOWS OF RESOURCES		
	<u>0</u>	<u>0</u>
FUND EQUITY:		
Fund Balances -		
Assigned	81,029	81,029
Unassigned	<u>500,415</u>	<u>500,415</u>
Total Fund Equity	<u>581,444</u>	<u>581,444</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY	<u>\$ 581,444</u>	<u>\$ 581,444</u>
Fund equity - total governmental funds		\$ 581,444
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.		417,869
Net pension obligation in governmental activities is not due and payable in current period and therefore is not reported in the funds.		(14,858)
Deferred outflows of resources - pension activities apply to future periods and therefore are not reported in the funds.		(2,249)
Deferred inflows of resources - pension activities apply to future periods and therefore are not reported in the funds.		<u>1,194</u>
Net position of governmental activities		<u>\$ 983,400</u>

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

TOWN OF STUART, OKLAHOMA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2015

	<u>General Fund</u>	<u>Total Governmental Funds</u>
REVENUES:		
Sales Tax	\$ 92,978	\$ 92,978
Gas Tax	328	328
Alcoholic Beverage Tax	2,065	2,065
Motor Vehicle Tax	1,336	1,336
Franchise Tax	4,634	4,634
Cigarette Tax	1,142	1,142
Trash Service	27,108	27,108
Interest	904	904
Miscellaneous	2,565	2,565
Donations	1,385	1,385
Royalty Revenue	52,170	52,170
Grant Revenue	20,000	20,000
Total Revenues	<u>206,615</u>	<u>206,615</u>
EXPENDITURES:		
Personnel Services	20,127	20,127
Maintenance and Operation	96,672	96,672
Capital Outlay	18,468	18,468
Total Expenditures	<u>135,267</u>	<u>135,267</u>
Excess of Revenues Over (Under) Expenditures	71,348	71,348
Fund Balance, June 30, 2014	<u>510,096</u>	<u>510,096</u>
FUND BALANCE, JUNE 30, 2015	<u>\$ 581,444</u>	<u>\$ 581,444</u>
Net change in fund balances - total governmental funds		\$ 71,348
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital additions of (\$189,507) exceeded depreciation (\$38,555) in the current period.		150,952
Pension obligation is not reported in the funds. This amount represents the current year change.		<u>636</u>
Change in net position of governmental activities		<u>\$ 222,936</u>

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

TOWN OF STUART, OKLAHOMA

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2015

	Enterprise Fund PWA Fund	Total
ASSETS		
Current Assets:		
Cash	\$ 18,940	\$ 18,940
Accounts Receivable	3,801	3,801
Total Current Assets	22,741	22,741
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	(438,415)	(438,415)
Total Non-Current Assets	172,735	172,735
Total Assets	195,476	195,476
 DEFERRED OUTFLOWS OF RESOURCES		
	0	0
 LIABILITIES		
Current Liabilities:		
Customer Deposits	275	275
Total Current Liabilities	275	275
Total Liabilities	275	275
 DEFERRED INFLOWS OF RESOURCES		
	0	0
 NET POSITION		
Net Investment in Capital Assets	172,735	172,735
Unreserved	22,465	22,465
 TOTAL NET POSITION	 \$ 195,200	 \$ 195,200

* 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, 2015

	Enterprise Fund PWA Fund	Total
Operating Revenues:		
Charges for Services	\$ 14,773	\$ 14,773
Total Operating Revenues	14,773	14,773
Operating Expenses:		
Personnel Services	12,092	12,092
Maintenance and Operation	3,450	3,450
Depreciation	14,294	14,294
Total Operating Expenses	29,836	29,836
Net Operating Income (Loss)	(15,063)	(15,063)
Non-Operating Revenue (Expense):		
Interest Revenue	10	10
Total Non-Operating Revenues (Expense)	10	10
Net Income Before Other Financing Sources and (Uses)	(15,053)	(15,053)
Other Financing Sources (Uses):		
Total Other Financing Sources (Uses)	0	0
Change in Net Position	(15,053)	(15,053)
Net Position, June 30, 2014	210,253	210,253
NET POSITION, JUNE 30, 2015	\$ 195,200	\$ 195,200

* 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, 2015

	Enterprise Fund <u>PWA Fund</u>	<u>Total</u>
Cash Flows From Operating Activities:		
Receipts from customers	\$ 14,386	\$ 14,386
Payments to suppliers	(3,450)	(3,450)
Payments to employees	(12,092)	(12,092)
Other receipts (payments)	0	0
Net Cash Provided (Used) by Operating Activities	<u>(1,156)</u>	<u>(1,156)</u>
Cash Flows From Non-Capital Financing Activities:		
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>0</u>	<u>0</u>
Cash Flows From Capital and Related Financing Activities:		
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>0</u>	<u>0</u>
Cash Flows Provided by Investing Activities:		
Interest and dividends	<u>10</u>	<u>10</u>
Net Cash Provided (Used) by Investing Activities	<u>10</u>	<u>10</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,146)	(1,146)
Cash and Cash Equivalents, June 30, 2014	<u>20,086</u>	<u>20,086</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2015	<u>\$ 18,940</u>	<u>\$ 18,940</u>
Reconciliation of operating income (loss) to net cash provided (used) <u>by operating activities:</u>		
Operating income (loss)	\$ (15,063)	\$ (15,063)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	14,294	14,294
Change in assets and liabilities:		
Increase in Accounts Receivable	(362)	(362)
Decrease in Customer Deposits	<u>(25)</u>	<u>(25)</u>
Net Cash Provided by Operating Activities	<u>\$ (1,156)</u>	<u>\$ (1,156)</u>

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

TOWN OF STUART, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

TOWN OF STUART, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

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

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

The following fund types are used by the Town:

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

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

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

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

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

TOWN OF STUART, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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.

Recent Accounting Pronouncements – In June 2012, GASBY issued *Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 (GASB 68)*. The objective of GASB 68 is to improve accounting and financial reporting for pensions by state and local governments and to improve information where support for pensions has been provided by other entities. This statement establishes standards for measuring and recognizing liabilities, deferred inflows and outflows of resources, and expenses. For defined benefit pensions, it identifies methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their present value and attribute that value to periods of employee service. The Town adopted this statement effective July 1, 2014.

TOWN OF STUART, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Deferred Inflows/Outflows of Resources – In addition to assets, the statements of net position and governmental fund balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. Additionally, the statements of net position and governmental fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The only deferred outflows of resources and deferred inflows of resources reported in this year's financial statements are related to pension activities. See related Note 9 – Pension Plan – Volunteer Firefighters for the components of deferred inflows/outflows of resources related to pension activities.

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

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

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

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

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

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

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

TOWN OF STUART, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Receivables – Receivables at June 30, 2015 were as follows:

	<u>Customers</u>	<u>Taxes</u>	<u>Grants</u>	<u>Accounts</u>	<u>Total Receivables</u>
Governmental Activities:					
Total Governmental Activities	\$ <u> 0</u>	\$ <u> 0</u>	\$ <u> 0</u>	\$ <u> 0</u>	\$ <u> 0</u>
Business-Type Activities:					
Sewer	\$ <u>3,801</u>	\$ <u> 0</u>	\$ <u> 0</u>	\$ <u> 0</u>	\$ <u>3,801</u>
Total Business-Type Activities	\$ <u>3,801</u>	\$ <u> 0</u>	\$ <u> 0</u>	\$ <u> 0</u>	\$ <u>3,801</u>

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

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

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

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

TOWN OF STUART, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

The general fund has assigned fund balance of \$81,029 at June 30, 2015, which represents the portion of current year fund balance appropriated to meet budgeted expenditures for fiscal year 2015/2016.

NOTE 2: BUDGETARY ACCOUNTING AND CONTROL

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

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

NOTE 3: DEPOSITS AND COLLATERAL

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

During the year ended June 30, 2015, the Town's deposits were limited to insured checking accounts and a certificate of deposit. At June 30, 2015, the amount of total bank deposits exceeded the amount of insurance coverage.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. As of June 30, 2015, \$350,384 of the Town's bank balance of \$600,384 was exposed to custodial credit risk.

TOWN OF STUART, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 3: DEPOSITS AND COLLATERAL, CONTINUED

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

Unreconciled

<u>Category</u>	<u>Carrying Amount</u>
1) Insured or collateralized with securities held by the organization or by its agent in the organization's name.	\$ 250,000
2) Collateralized with securities held by the pledging financial institution's trust department.	0
3) Uncollateralized	<u>350,384</u>
TOTAL	<u>\$ 600,384</u>

NOTE 4: LEASE

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

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows.

	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2015</u>
<u>Governmental Activities:</u>				
Land	\$ 33,845	\$ 0	\$ 0	\$ 33,845
Buildings	296,396	37,349	0	333,745
Vehicles and Equipment	235,436	169,134	0	404,570
Furniture and Equipment	8,860	0	0	8,860
Construction in Progress	<u>16,976</u>	<u>(16,976)</u>	<u>0</u>	<u>0</u>
Total	591,513	189,507	0	781,020
Accumulated Depreciation	<u>(324,596)</u>	<u>(38,555)</u>	<u>0</u>	<u>(363,151)</u>
Net Governmental Activities Capital Assets	<u>\$ 266,917</u>	<u>\$ 150,952</u>	<u>\$ 0</u>	<u>\$ 417,869</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>(424,122)</u>	<u>(14,294)</u>	<u>0</u>	<u>(438,416)</u>
Net Business Type Activities Capital Assets	<u>\$ 187,028</u>	<u>\$(14,294)</u>	<u>\$ 0</u>	<u>\$ 172,734</u>

TOWN OF STUART, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 5: CAPITAL ASSETS, CONTINUED

Depreciation expense was charged as follows:

<u>General Government</u>	
Administration	\$ <u>38,555</u>
<u>Business-Type Activities</u>	
Operations	\$ <u>14,294</u>

NOTE 6: LITIGATION

At June 30, 2015, the Town of Stuart was not involved in any pending or threatened litigation, which would have a material impact on these financial statements.

NOTE 7: RISK MANAGEMENT

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

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

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

TOWN OF STUART, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 8: CHANGES IN BEGINNING NET POSITION

The adoption of GASB 68 resulted in prior period adjustment to reflect beginning net pension obligation and deferred inflows and outflows of resources related to pension obligation (see related Note 1 – Recent accounting Pronouncements).

Net Pension Liability, June 30, 2014		\$(17,089)
Deferred Outflows of Resources – Pension Activities, June 30, 2014		<u>540</u>
Prior Period Adjustment		<u>\$(16,549)</u>

Beginning net position was restated to reflect this prior period adjustment as follows:

Net Position, June 30, 2014, as previously stated	\$ 777,013	\$ 210,253
Decrease due to adoption of GASBY 68	<u>(16,549)</u>	<u>0</u>
Net Assets, June 30, 2014, as restated	<u>\$ 760,464</u>	<u>\$ 210,253</u>

NOTE 9: PENSION PLAN – VOLUNTEER FIREFIGHTERS

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

Contributions – The contribution requirements of the Plan are at an established rate determined by Oklahoma statute and are not based on actuarial calculations. The Town is required by State statute to contribute annually \$60 per volunteer firefighter. The Town’s contributions to the Plan for the year ended June 30, 2015 were \$840 which represents 100% of required contributions for the current fiscal year. Additionally, the State, a non-employer contributing entity, contributes a portion of the insurance premium tax collected through its taxing authority. For the fiscal year ended June 30, 2015 the Town’s proportionate share of non-employer contributions to the plan were \$1,130.

Net Pension Liability – At June 30, 2015 the Town reported a liability of \$14,858 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town’s proportion of the net pension liability was based on projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015 the Town’s proportion was 0.0014%. The employer allocation percentage represents the portion of the Town’s actual cash contributions divided by the total of all employer contributions for the year.

TOWN OF STUART, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 9: PENSION PLAN – VOLUNTEER FIREFIGHTERS, CONTINUED

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 are summarized in the following table.

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	5.48%
Domestic equity	9.61%
International equity	9.24%
Real estate	7.76%
Other assets	6.88%

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

TOWN OF STUART, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 9: PENSION PLAN – VOLUNTEER FIREFIGHTERS, CONTINUED

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

<u>Discount Rate</u>		<u>City's proportionate share of net pension Liability</u>
1% decrease	6.5%	\$18,799
Current discount rate	7.5%	\$14,858
1% increase	8.5%	\$10,706

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

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the fiscal year ended June 30, 2015 the Town recognized pension expense of \$1,334. At June 30, 2015 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual plan experience	\$ 354	\$ 0
Net difference between projected and actual earnings on plan investments	0	2,249
Changes in assumptions	0	0
Changes in proportion and differences between Town's contributions and proportionate share of contributions	0	0
Town's contributions subsequent to the measurement date	<u>840</u>	<u>0</u>
Total	<u>\$ 1,194</u>	<u>\$ 2,249</u>

The \$840 of deferred outflows of resources resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net position liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Fiscal year ending June 30,	
2016	\$(506)
2017	\$(506)
2018	\$(506)
2019	\$(507)
2020	\$ 56
Thereafter	\$ 74

TOWN OF STUART, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 10: SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 1, 2015, which is the date the financial statements were available to be issued.

Saunders & Associates, PLLC

Certified Public Accountants

630 East 17th Street * P. O. Box 1406 * Ada, Oklahoma 74820 * (580) 332-8548 * FAX: (580) 332-2272
Website: www.saunderscpas.com

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
Town of Stuart, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of the Town of Stuart, Oklahoma as of and for the year ended June 30, 2015, which collectively comprise the Town of Stuart, Oklahoma's basic financial statements and have issued our report thereon dated October 1, 2015. 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 of the financial statements, we considered the Town of Stuart, Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Stuart, Oklahoma's internal control.

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 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.

We also noted certain other matters that we reported to management of the Town of Stuart, Oklahoma in a separate letter dated October 1, 2015.

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 are described in the accompanying schedule of findings and responses as items 13-1 and 14-1.

Town of Stuart's Response to Findings

The Town of Stuart's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town of Stuart, Oklahoma's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of our testing, and not to provide an opinion on the effectiveness of the Town of Stuart, Oklahoma's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Stuart, Oklahoma's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Saunders + Associates, PLLC

SAUNDERS & ASSOCIATES, PLLC
Certified Public Accountants
Ada, Oklahoma

October 1, 2015

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, 2015
(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				
	REVENUES					
Sales Tax	\$ 76,862	\$ 76,862	\$ 92,978	\$ 0	\$ 92,978	\$ 16,116
Gas Tax	287	287	328	0	328	41
Alcoholic Beverage Tax	1,802	1,802	2,065	0	2,065	263
Motor Vehicle Tax	1,218	1,218	1,336	0	1,336	118
Cigarette Tax	841	841	1,142	0	1,142	301
Franchise Tax	3,799	3,799	4,634	0	4,634	835
Trash Service	17,704	17,704	27,108	0	27,108	9,404
Interest	134	134	904	0	904	770
Miscellaneous/Other	1,905	1,905	2,565	0	2,565	660
Property Sale	0	0	0	0	0	0
Donations	10,005	10,005	1,385	0	1,385	(8,620)
Fire Dept. Grant-Equip	20,700	20,700	20,000	0	20,000	(700)
Royalty Revenue	68,053	68,053	52,170	0	52,170	(15,883)
Total Revenues	<u>203,310</u>	<u>203,310</u>	<u>206,615</u>	<u>0</u>	<u>206,615</u>	<u>3,305</u>
EXPENDITURES						
General Government:						
Personnel Services	20,500	20,500	20,127	0	20,127	373
Maintenance and Operation	162,000	162,000	96,672	0	96,672	65,328
Capital Outlay	50,000	50,000	18,468	0	18,468	31,532
Transfer to PWA	5,000	5,000	0	0	0	5,000
Fire Dept. Grant Exp.	0	0	0	0	0	0
Total Expenditures	<u>237,500</u>	<u>237,500</u>	<u>135,267</u>	<u>0</u>	<u>135,267</u>	<u>102,233</u>
Excess of Revenues Over (Under) Expenditures	(34,190)	(34,190)	71,348	0	71,348	105,538
Other Financing Sources (Uses):						
Operating Transfers In (Out)	<u>(5,000)</u>	<u>(5,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,000</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(39,190)	(39,190)	71,348	0	71,348	110,538
Fund Balance, June 30, 2014	<u>458,217</u>	<u>458,217</u>	<u>510,096</u>	<u>0</u>	<u>510,096</u>	<u>51,879</u>
FUND BALANCE, JUNE 30, 2015	<u>\$ 419,027</u>	<u>\$ 419,027</u>	<u>\$ 581,444</u>	<u>\$ 0</u>	<u>\$ 581,444</u>	<u>\$ 162,417</u>

TOWN OF STUART, OKLAHOMA

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

For the Year Ended June 30, 2015
(Unaudited)

Fiscal Year Ending June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Town's Proportionate Share of Collective Net Pension Liability	\$ 14,858									
Town's Porportion of Collective Net Pension Liability	% 0.0014%									
Plan's Fiduciary Net Position % of Total Pension Liability	% 68.12%									
Required Employer Contributions	\$ 540									
Contributions in relation to Required Contributions	\$ 540									
Contribution Deficiency (Excess)	\$ <u>0</u>									

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

Notes to Required Supplementary Information

Note 1 - Employer Contributions: Contributions represent the Town's actual contributions received by the Plan between July 1, 2013 and June 30, 2014. Contribution requirements are at an established rate determined by Oklahoma statute and are not based on actuarial calculations. The Town is required by State statute to contribute annually \$60 per volunteer firefighter.

TOWN OF STUART, OKLAHOMA

STATUS OF PRIOR AUDIT FINDINGS

June 30, 2015

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.

13-1 BUDGET AND APPROPRIATIONS

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

Current Status: This finding can be cleared.

14-1 DEPOSITS EXCEEDING FDIC COVERAGE

Condition: The Town's deposits exceeded the \$250,000 of FDIC coverage at year end.

Current Status: See current audit finding 14-1.

TOWN OF STUART, OKLAHOMA

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2015

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 Clerk-Treasurer reads aloud the Financial Report at each Council Meeting and the report must be approved by all Council Members. Two Council Members sign all checks. Purchase orders are approved and signed by all Council Members. All purchase orders are marked paid. The Clerk will be more careful to mark all invoices paid also.

14-1 DEPOSITS EXCEEDING FDIC COVERAGE

Criteria: Oklahoma Statutes, Title 62 Section 511-516 state deposits may not exceed the federal insurance limit unless secured by acceptable collateral. Currently, the Federal Deposit Insurance Corporation (FDIC) insures balances up to \$250,000.

Condition: The Town's deposits exceeded the \$250,000 of FDIC coverage at year end. At 9/10/2015 the Town obtained a Letter of Credit from First United Bank & Trust pledging \$550,000 of additional coverage for a total of \$800,000.

Cause/Effect: The Town is exposed to custodial credit risk and is in violation of state statutes

Recommendation: SAUNDERS & ASSOCIATES, PLLC recommends the Town contact their bank to obtain a pledge in the amount sufficient to cover their unprotected balance.

Response: The Town will maintain the pledge in an amount sufficient to cover the entire balance.

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

Town of Stuart, Oklahoma

For the Year Ended June 30, 2015

*Contact Person
G. B. Saunders*

October 1, 2015

*SAUNDERS & ASSOCIATES, PLLC
Certified Public Accountants
630 East 17th Street
P. O. Box 1406
Ada, Oklahoma 74820
(580) 332-8548
FAX: (580) 332-2272
Website: www.saunderscpas.com*

Saunders & Associates, PLLC

Certified Public Accountants

630 East 17th Street * P. O. Box 1406 * Ada, Oklahoma 74820 * (580) 332-8548 * FAX: (580) 332-2272
Website: www.saunderscpas.com

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

The accompanying Management Letter includes suggestions for improvement of accounting procedures and internal accounting controls that came to our attention as a result of our examination of the financial statements of the Town of Stuart, Oklahoma, for the year ended June 30, 2015. The matters discussed herein were considered by us during our examination and do not modify the opinion expressed in our auditor's report dated October 1, 2015 on such financial statements.

In accordance with auditing standards generally accepted in the United States of America, we made a review of Town of Stuart, Oklahoma's system of internal accounting controls for the purpose of providing a basis for reliance thereon, in determining the nature, timing and extent of substantive testing of the June 30, 2015 financial statements. While certain matters that came to our attention during the review are presented in the accompanying Management Letter for the consideration of the Trustees, our review did not encompass all control procedures and techniques and was not designed for the purpose of making detailed recommendations.

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

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

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

Sincerely,

Saunders & Associates, PLLC

SAUNDERS & ASSOCIATES, PLLC
Certified Public Accountants
Ada, Oklahoma

October 1, 2015

TOWN OF STUART, OKLAHOMA

MANAGEMENT LETTER

June 30, 2015

1. INVOICES NOT PROPERLY DEFACED

Condition: During the course of the audit, we noted that invoices were not being defaced in any manner once payment had been made. Invoices could inadvertently be paid more than once and not be detected during the normal course of business or in a short period of time.

Recommendation: SAUNDERS & ASSOCIATES, PLLC recommends that invoices be defaced once payment has been made. Defacing invoices can be accomplished in many ways, but the most common method is to stamp the invoice "PAID".

2. PURCHASE ORDER NOT APPROVED BY APPROPRIATE PARTY

Condition: During the course of the audit, we noted that one purchase order did not contain the appropriate approval signatures.

Recommendation: SAUNDERS & ASSOCIATES, PLLC recommends that purchase orders be reviewed by the Board of Trustees periodically.

3. QUARTERLY PAYROLL REPORTS DO NOT AGREE WITH ANNUAL PAYROLL REPORTS

Condition: During the course of the audit, we noted that the quarterly payroll report form 941 total does not agree with the amount reported on the annual form W-3 and W-2s.

Recommendation: SAUNDERS & ASSOCIATES, PLLC recommends that the payroll reports are reconciled before submission to tax authorities.