

**Town of Hallett**  
Hallett, Oklahoma

**Audit Report**  
For the year ended June 30, 2017

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**INDEPENDENT AUDITOR'S REPORT**

The Honorable Town Commissioners  
Town of Hallett  
Hallett, Oklahoma, 74034

**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 aggregate remaining fund information of the Town of Hallett, State of Oklahoma, (Town) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town'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 an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 controls 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 qualified and unmodified audit opinions.

**Basis for Qualified Opinion**

As discussed in Note 1 to the financial statements, the Town has not maintained complete capital asset records to support the historical cost of past capital asset purchase. Accounting principles general accepted in the United States of America require that capital assets be recorded at historical cost net of accumulated depreciation. Documentation supporting historical cost was not readily available for my review. The amount by which this departure would affect the assets, net assets, and expenses of the governmental and business-type Activities is not readily determinable.

### **Qualified Opinions**

In my opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental and business-type activities of the Town of Hallett, State of Oklahoma, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major governmental and the aggregate remaining fund information of the Town of Hallett, State of Oklahoma, as of June 30, 2017, and the respective changes in financial position 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 budgetary comparison information on page 29 and the notes on page 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

The Town has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, (GASB) 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. My opinion on the basic financial statements is not affected by this missing information.

#### *Other Supplementary Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hallett, State of Oklahoma's basic financial statements. The schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was 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. In my opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated December 22, 2017, on my consideration of the Town's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and 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's internal control over financial reporting and compliance.



Linda S. Woodruff, CPA, A Professional Corporation

Oklahoma City, Oklahoma 73172  
December 22, 2017

**Town of Hallett**  
Hallett, Oklahoma

Basic Financial Statement  
June 30, 2017

**TOWN OF HALLETT**  
**STATEMENT OF NET POSITION**  
June 30, 2017

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
<b>Assets:</b>			
Cash and investments:			
Cash & cash equivalents (Note 1)	\$ 81,777	\$ 38,078	\$ 119,855
Cash on hand	28	50	78
Receivables (net of allowance for uncollectibles):			
Accounts receivable	-	10,455	10,455
Unbilled revenues	-	-	-
Taxes	7,846	-	7,846
Grant receivable	-	-	-
Prepaid insurance	2,554	-	2,554
Accrued interest receivable	-	-	-
Restricted assets:			
Cash and investments (Note 1)	-	16,970	16,970
<b>Capital assets:</b>			
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 2)	130,478	1,152,954	1,283,432
<b>Total assets</b>	<u>222,682</u>	<u>1,218,507</u>	<u>1,441,189</u>
<b>Deferred outflows of resources:</b>			
Deferred amounts related to pensions	-	-	-
<b>Total deferred outflows</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	360	1,526	1,886
Sales tax payable	-	-	-
Payroll liabilities	692	783	1,475
Accrued compensated absences payable (Note 1)	-	-	-
Payable from restricted assets:			
Interest payable	-	13,135	13,135
Notes payable (Note 2)	-	10,765	10,765
Revenue bonds payable	-	-	-
Non-current liabilities:			
Net pension liability	-	-	-
Notes payable (Note 2)	-	197,328	197,328
Revenue bonds payable	-	-	-
<b>Total liabilities</b>	<u>1,052</u>	<u>223,537</u>	<u>224,589</u>
<b>Deferred inflows of resources:</b>			
Deferred amounts related to pensions	-	-	-
<b>Total deferred inflows</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net position:</b>			
Net investment in capital assets	130,478	944,861	1,075,339
Restricted	-	24,583	24,583
Unrestricted	91,152	25,524	116,676
<b>Total net position</b>	<u>\$ 221,630</u>	<u>\$ 994,968</u>	<u>\$ 1,216,598</u>

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

**TOWN OF HALLETT**  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
General government:					
City clerk	\$ 31,736	\$ -	\$ -	\$ -	\$ (31,736)
City treasurer	-	-	-	-	-
General government	-	-	-	-	-
Total general government	<u>31,736</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,736)</u>
Public safety and judiciary:					
Fire and ambulance	-	-	-	-	-
City attorney	1,875	-	-	-	(1,875)
Municipal court	-	-	-	-	-
Total public safety and judiciary	<u>1,875</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,875)</u>
Transportation:					
Streets	<u>2,278</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,278)</u>
Total transportation	<u>2,278</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,278)</u>
Cultural, parks and recreation:					
Parks	-	-	-	-	-
Total cultural, parks and recreation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unallocated depreciation*	<u>4,521</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,521)</u>
<b>Total governmental activities</b>	<u>40,410</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,410)</u>
<b>Business-type activities</b>					
	-	-	-	-	-
General and administrative	-	-	-	-	-
Water service	41,681	27,363	-	-	(14,318)
Electric service	-	1,340	-	-	1,340
Sanitation service	13,539	14,142	-	-	603
Sewer service	910	14,166	-	-	13,256
Unallocated depreciation*	<u>41,289</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(41,289)</u>
<b>Total business-type activities</b>	<u>97,419</u>	<u>57,011</u>	<u>-</u>	<u>-</u>	<u>(40,408)</u>
<b>Total</b>	<u>\$ 137,829</u>	<u>\$ 57,011</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (80,818)</u>

\* - This amount does not include the depreciation that is included in the direct expenses of various programs.

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



**TOWN OF HALLETT**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2017**

	<b>Net (Expense) Revenue and Changes in Position</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Net (expense)/revenue</b>	(40,410)	(40,408)	(80,818)
<b>General revenues:</b>			
Taxes:			
Sales and use taxes	39,926	-	39,926
Franchise taxes	3,379	-	3,379
Cigarette taxes	565	-	565
Gasoline excise and vehicle tax	1,068	-	1,068
Alcohol beverage tax	1,571	-	1,571
Investment earnings	342	179	521
Miscellaneous	205	250	455
Sale of surplus	-	-	-
Pension change	-	-	-
Transfers	(12,992)	12,992	-
<b>Total general revenues and transfers</b>	<b>34,064</b>	<b>13,421</b>	<b>47,485</b>
<b>Change in net position</b>	(6,346)	(26,987)	(33,333)
<b>Net position - beginning of year</b>	234,144	1,021,955	1,256,099
<b>Prior period adjustment</b>	(6,167)	-	(6,167)
<b>Net position - end of year</b>	<b>\$ 221,631</b>	<b>\$ 994,968</b>	<b>\$ 1,216,599</b>

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

**TOWN OF HALLETT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2017

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Cash and investments:			
Cash & cash equivalents (Note 1)	\$ 81,804	\$ -	\$ 81,804
Taxes receivable	7,846	-	7,846
Prepaid Insurance	2,554	-	2,554
Due from others	-	-	-
Restricted assets:			
Cash and investments (Note 1)	-	-	-
Cash, insurance deposit	-	-	-
<b>Capital assets</b>			
Depreciable buildings, property & equipment, net of depreciation (Notes 1 & 2)	-	-	-
<b>Total assets</b>	<u>\$ 92,204</u>	<u>\$ -</u>	<u>\$ 92,204</u>
<b>Liabilities:</b>			
Accounts payable	\$ 360	\$ -	\$ 360
Due to others	-	-	-
Payroll taxes payable	692	-	692
<b>Total liabilities</b>	<u>1,052</u>	<u>-</u>	<u>1,052</u>
<b>Fund balance:</b>			
<b>Restricted for:</b>			
Grants	-	-	-
Street and Alley	-	-	-
Other purposes	-	-	-
Other purposes	-	-	-
<b>Assigned to:</b>			
Other capital projects	-	-	-
<b>Unassigned</b>	<u>91,152</u>	<u>-</u>	<u>91,152</u>
<b>Total fund balance</b>	<u>91,152</u>	<u>-</u>	<u>91,152</u>
<b>Total liabilities and fund balance</b>	<u>\$ 92,204</u>	<u>\$ -</u>	<u>\$ 92,204</u>

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

**TOWN OF HALLETT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT**  
**OF NET POSITION**  
**June 30, 2017**

<b>Total Fund Balances - Total Governmental Funds</b>	<b>\$</b>	<b>91,152</b>
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Amounts reported for governmental activities in the statement of net assets are different because:

Pension related deferred outflows	-	
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Net pension liability	-	
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Pension related deferred inflows	-	
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Accrued compensated absences payable	-	
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

City Hall	\$	130,478	
Streets		-	
			130,478

<b>Net assets of governmental activities</b>	<b>\$</b>	<b>221,630</b>
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The accompanying notes are an integral part of the basic financial statements.

**TOWN OF HALLETT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2017**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Charges for services	\$ -	\$ -	\$ -
Alcohol Beverage	1,571	-	1,571
Interest	342	-	342
Franchise taxes	3,379	-	3,379
Gasoline excise and vehicle tax	1,068	-	1,068
Cigarette taxes	565	-	565
Licenses and permits	45	-	45
Miscellaneous revenue	-	-	-
Sale of surplus items	-	-	-
Sales and use taxes	39,926	-	39,926
Rent of community building	160	-	160
<b>Total revenues</b>	<u>47,057</u>	<u>-</u>	<u>47,057</u>
<b>Expenditures:</b>			
Current:			
General government	31,736	-	31,736
Public safety	1,875	-	1,875
Highways and roads	2,278	-	2,278
Cultural and recreational	-	-	-
Health & welfare	-	-	-
Capital outlay	5,313	-	5,313
<b>Total expenditures</b>	<u>41,202</u>	<u>-</u>	<u>41,202</u>
<b>Excess of revenues over (under) expenditures</b>	5,855	-	5,855
<b>Other financing uses:</b>			
Loan proceeds	-	-	-
Operating transfers in (out)	(12,992)	-	(12,992)
<b>Excess of revenues over (under) expenditures &amp; transfers</b>	(7,137)	-	(7,137)
<b>Fund balance - beginning of year</b>	104,456	-	104,456
<b>Prior period adjustment</b>	<u>(6,167)</u>	<u>-</u>	<u>(6,167)</u>
<b>Fund balance - end of year</b>	<u>\$ 91,152</u>	<u>\$ -</u>	<u>\$ 91,152</u>

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

**TOWN OF HALLETT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2017**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ (7,137)</b>
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Amounts reported for governmental activities in the Statement of Activities are different because:

Government-Wide Statement of Activities report the cost of pension benefits earned net of employee contributions is reported as an element of pension expense. The fund financial statements report pension contributions as expenditures.

-

Government-Wide Statement of Activities report accrued compensated absences in the period incurred. However, Governmental Funds do not pay on this liability until the employee has left employment. The amount of the change in accrued absences recorded in the current period.

-

Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.

(4,521)

Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.

5,313

**Change in Net Assets of Governmental Activities**

**\$ (6,345)**

TOWN OF HALLETT  
STATEMENT OF FUND NET POSITION  
PROPRIETARY FUNDS  
June 30, 2017

	<u>Business-type Activities - Enterprise Funds</u>	
	<u>Public Works Authority (Major)</u>	<u>Totals</u>
<b>Assets:</b>		
Cash and investments:		
Cash & cash equivalents (Note 1)	\$ 38,078	\$ 38,078
Cash on hand	50	50
Accounts receivables (net of allowance for uncollectibles)	10,455	10,455
Unbilled revenues	-	-
Grants receivable	-	-
Due from others	-	-
Accrued interest receivable	-	-
Inventory	-	-
Restricted:		
Cash & cash equivalents (Note 1)	16,970	16,970
<b>Capital assets:</b>		
Depreciable buildings, property and equipment, net of depreciation (Notes 1 & 2)	1,152,954	1,152,954
<b>Total assets</b>	<u>\$ 1,218,507</u>	<u>\$ 1,218,507</u>
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable	\$ 1,526	\$ 1,526
Sales tax payable	-	-
Payroll liabilities	783	783
Due to others	-	-
Accrued compensated absences payable	-	-
Payable from restricted assets:		
Meter payable	13,135	13,135
Notes payable (Note 2)	10,765	10,765
Non-current liabilities:		
Notes payable (Note 2)	197,328	197,328
Revenue bonds payable	-	-
<b>Total liabilities</b>	<u>223,537</u>	<u>223,537</u>
<b>Net position:</b>		
Net investment in capital assets	944,861	944,861
Restricted	24,583	24,583
Unrestricted	25,524	25,524
<b>Total net position</b>	<u>\$ 994,968</u>	<u>\$ 994,968</u>

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

TOWN OF HALLETT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
Year Ended June 30, 2017

	<u>Business-type Activities - Enterprise Funds</u>	
	<u>Public Works</u>	
	<u>Authority</u>	<u>Totals</u>
	<u>(Major)</u>	
<b>Revenues:</b>		
Water revenue	\$ 27,363	\$ 27,363
Sewer revenue	14,166	14,166
Sanitation revenue	14,142	14,142
Late fee revenue	1,340	1,340
Miscellaneous revenue	250	250
Sale of surplus property	-	-
<b>Total revenues</b>	<u>57,261</u>	<u>57,261</u>
<b>Operating expenses:</b>		
General and administrative	-	-
Sewer service	910	910
Water service	41,681	41,681
Electric service	-	-
Sanitation service	13,539	13,539
Depreciation expense	41,289	41,289
<b>Total operating expenses</b>	<u>97,419</u>	<u>97,419</u>
<b>Income before non-operating revenues, expenses &amp; transfers</b>	<u>(40,158)</u>	<u>(40,158)</u>
<b>Non-operating revenues (expenses):</b>		
Interest revenue	179	179
Interest expense	-	-
<b>Total</b>	<u>179</u>	<u>179</u>
<b>Income (loss) before operating transfers</b>	<u>(39,979)</u>	<u>(39,979)</u>
<b>Transfers in (out)</b>	<u>12,992</u>	<u>12,992</u>
<b>Change in net position</b>	<u>(26,987)</u>	<u>(26,987)</u>
<b>Net position at beginning of year</b>	<u>1,021,955</u>	<u>1,021,955</u>
<b>Net position at end of year</b>	<u>\$ 994,968</u>	<u>\$ 994,968</u>

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

**TOWN OF HALLETT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
Year Ended June 30, 2017

	<b>Business-type Activities - Enterprise Funds</b>	
	<b>Public Works Authority (Major)</b>	<b>Totals</b>
<b>Cash flows from operating activities:</b>		
Cash received from customers & service users	\$ 57,261	\$ 57,261
Cash payments for goods & services & employees	(54,417)	(54,417)
Other operating revenues	(468)	(468)
<b>Net cash provided by operating activities</b>	<b>2,376</b>	<b>2,376</b>
<b>Cash flows from noncapital financing activities:</b>		
Operating transfers in from other funds	12,992	12,992
<b>Net cash provided (used) for noncapital financing activities</b>	<b>12,992</b>	<b>12,992</b>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition & construction of capital assets	-	-
Loan principal repayments	(10,266)	(10,266)
Grant revenues	-	-
<b>Net cash provided (used) for capital and related financing activities</b>	<b>(10,266)</b>	<b>(10,266)</b>
<b>Cash flows from investing activities:</b>		
Interest on investments	179	179
<b>Net cash provided by investing activities</b>	<b>179</b>	<b>179</b>
<b>Net increase (decrease) in cash &amp; cash equivalents</b>	<b>5,281</b>	<b>5,281</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>49,817</b>	<b>49,817</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ 55,098</b>	<b>\$ 55,098</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ (40,158)	\$ (40,158)
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>		
Depreciation	41,289	41,289
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(468)	(468)
(Increase) decrease in inventory	-	-
Increase (decrease) in accounts payable	70	70
Increase (decrease) in accrued expenses	783	783
Increase (decrease) in other payable	860	860
<b>Total adjustments</b>	<b>42,534</b>	<b>42,534</b>
<b>Net cash provided by operating activities</b>	<b>\$ 2,376</b>	<b>\$ 2,376</b>

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



**Town of Hallett  
Hallett, Oklahoma**

**Notes to the Basic Financial Statements  
June 30, 2017**

**1. Summary of Significant Account Policies**

The Town of Hallett, Oklahoma (the Town) complies with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. 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 established in GAAP and used by the Town are discussed below.

**A. Reporting Entity**

The Town of Hallett, Oklahoma was organized under the statutes of the State of Oklahoma. The Town operates under a council form of government and is governed by a three-member board of commissioners. The commissioners elect the mayor from their own body. As required by generally accepted accounting principles, these financial statements present the activities of the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town's operations and so data from these units are combined with the data of the primary government. The Town provides the following services as authorized by its charter: general government, streets, public works (water and refuse), health and social services, culture, parks and recreation, public improvements, and planning and zoning for the geographical area organized as the Town of Hallett, Oklahoma.

**Blended Component Units**

In evaluating how to define the Town of Hallett, State of Oklahoma, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service application of this criterion involves considering whether the activity benefits the Town and/or its citizens, or whether the activity is conducted within the geographic boundaries of the Town and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities.

Component units may be presented as either a blended component unit or a discretely presented component unit. A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended component unit's governing body is the same or substantially the same as the Town Council or the component unit provides services entirely to the Town. The component unit's funds are blended into those of the Town by appropriate fund type to constitute the primary government presentation. A discretely presented component in it is a separate legal entity that meets the component unit criteria but does not meet the criteria for blending.

The Town has no blended component units.

1. **Summary of Significant Account Policies – Continued**

**B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting**

The Town's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

**Government-Wide Financial Statements** – The statement of net position and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental activities and for the business-type activities of the Town. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on program revenues are presented as general revenues of the Town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

**Fund Financial Statements** – During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Major funds represent 10% of assets, liabilities, revenues, or expenditures of the corresponding element for all funds of that category and is at least 5% of the corresponding element total for *all* governmental and enterprise funds combined or is a fund that the government believes is important *enough* for financial statement users to be reported as a major fund. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**Fund Accounting** – The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are three categories of funds: governmental, proprietary and fiduciary.

## 1. Summary of Significant Accounting Policies – Continued

### B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting – Continued

**Governmental Funds** – are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, (i.e., when they become measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for un-matured interest on general long-term debt which is recognized when due, and certain compensated absences, claims, and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Sales taxes collected and held by the state at year-end on behalf of the Town are susceptible to accrual and are recognized as revenue. Other receipts and taxes (franchise taxes, licenses, etc.) become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible-to-accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The following is the Town's major governmental fund:

General Fund – is the general operating fund of the Town. It accounts for all financial resources of the general government. The Town does not maintain any special revenue funds.

There are no other governmental funds of the Town to be considered non-major funds.

**Proprietary Funds** – are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds are classified as enterprise funds.

**Enterprise Funds** – are used to account for those operations that are financed and operated in a manner similar to private business where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for capital maintenance, public policy or management accountability. The Hallett Public Works Authority is accounted for as an enterprise fund. The following is the Town's major enterprise fund:

Hallett Public Works Authority – accounts for the operations of providing public works (water, sewer and refuse) to the Town.

There are no enterprise funds of the Town that are considered a non-major fund.

1. **Summary of Significant Accounting Policies – Continued**

**B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting – Continued**

**Fiduciary Funds** – account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement. Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity. The Town does not have a fiduciary fund.

**C. Assets, Liabilities and Equity**

1. **Deposits and Investments**

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 those funds. In addition, the Town can invest in direct debt securities of the United States unless law expressly prohibits such an investment.

For financial statement presentation and for purposes of the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with a maturity date of three months or less. Debt instruments with a maturity date of more than three months are considered to be investments. Investments are stated at cost.

2. **Restricted Cash and Investments**

The restricted cash is the result of financial requirements of various note indentures between the Hallett Public Works Authority and Rural Development and consists of funds held in a reserve fund. Beginning in June 2008, monthly contributions of \$95 to the reserve fund are required until a minimum balance of \$11,448 is reached. The minimum has been reached, therefore, no additional contributions are required. The reserve fund is to be maintained so long as the note is outstanding. In addition, certain funds are restricted for customer deposits.

3. **Fair Value of Financial Instruments**

The Town's financial instruments include cash and cash equivalents, investments, accounts receivable and accounts payable. The Town's estimates of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

4. **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

1. **Summary of Significant Accounting Policies – Continued**

**C. Assets, Liabilities and Equity – Continued**

5. **Receivables and Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due from other/due to other funds”.

6. **Inventories**

Inventories in both governmental funds and proprietary funds normally consist of minimal amounts of expendable supplies held for consumption. The costs of such inventories are recorded as expenditures when purchased rather than when consumed.

7. **Capital Assets and Infrastructure**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Town maintains a capitalization threshold of \$500. The Town’s infrastructure consists of roads, bridges, curbs and gutter, streets and sidewalks, drainage system, lighting systems and similar assets that are immovable and of value only to the Town. Such infrastructure assets acquired after July 1, 2003, are capitalized in accordance with the requirements of GASB 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value of the asset or materially extend an asset’s life are not capitalized. Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Description	Governmental Activities	Business-Type Activities
	Estimated Lives	Estimated Lives
Buildings	40-100 years	40-100 years
Furniture, Fixtures & Equipment	10-100 years	10-100 years
Land Improvements	10-40 years	10-40 years
Vehicles	5-40 years	5-40 years
Infrastructure	40-100 years	40-100 years

The Town has not maintained complete capital asset records to support the historical cost of past capital asset purchases. Accounting principles generally accepted in the United States of America require that capital assets be recorded at historical cost net of accumulated depreciation. Documentation supporting historical cost was not readily available to determine these amounts. The amount by which this departure would affect the assets, net position, and expenses of the Government and Business-Type Activities is not readily determinable.

1. **Summary of Significant Accounting Policies – Continued**

C. **Assets, Liabilities and Equity–Continued**

8. **Compensated Absences**

It is the Town's policy to permit full time employees to accumulate earned but unused vacation time. Full-time regular employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the Town. The Town has not accrued compensated absences because the amount, if any, would not be material to the financial statements.

9. **Long-term Obligations**

The accounting and reporting treatment applied to long-term liabilities associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Therefore, long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

10. **Net Position/Fund Balance**

In the government-wide financial statement, net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation.

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered non-spendable (i.e., fund balance associated with assets that are not in spendable form, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact) and those that are spendable (such as fund balance associated with cash, investments or receivables).

Amounts in the spendable fund balance category are further classified as restricted, committed, assigned or unassigned, as appropriate.

**Restricted** fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

1. **Summary of Significant Accounting Policies – Continued**

C. **Assets, Liabilities and Equity – Continued**

10. **Net Position/Fund Balance—Continued**

**Committed** fund balance represents amount that are usable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment. The Town Ordinance is the highest level of decision-making authority of the Town.

**Assigned** fund balance represents amounts that are intended to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds other than the general fund, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

**Unassigned** fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

It is in the Town's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the Town considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the Town's policy that when an expenditure/expense is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available, the Town considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

2. **Detailed Notes Concerning the Funds**

A. **Deposits and Investments**

*Custodial Credit Risk*

At June 30, 2017, the Town held deposits of approximately \$119,855 at financial institutions. The Town's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the Town or by its agent in the Town's name.

*Investment Interest Rate Risk*

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

## 2. Detailed Notes Concerning the Funds—Continued

### A. Deposits and Investments—Continued

#### *Investment Credit Risk*

The Town has no policy that limits its investment choices other than the limitations of state laws as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime banker's acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trust whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

The investments held at June 30,2017, are as follows:

	<u>Credit Rating</u>	<u>Market Value</u>	<u>Cost</u>
Certificates of Deposit	N/A	\$ 37,339	\$ 37,339
Reconciliation to Statements of Net Position			
Governmental Activities		\$ 27,339	
Business – Type Activities		<u>10,000</u>	
Total		37,339	

#### *Concentration of Investment Credit Risk*

The Town places no limit on the amount it may invest in any one issuer. The Town has the following credit risk: 100% in certificates of deposit.



## 2. Detailed Notes Concerning the Funds – Continued

### B. Capital Assets

The following is a summary of changes in the property, plant and equipment of the General Fund and the Hallett Public Works Authority:

	Balance 6/30/16	Net Changes	Balance 6/30/17
<b>General Fixed Assets</b>			
Land	\$ 600	\$ -	\$ 600
Property, Plant & Equipment	54,337	6,856	61,193
Streets	136,575	-	136,575
Sub-Total	191,512	6,856	198,368
Accumulated Depreciation	(63,368)	(4,522)	(67,890)
Total	\$ 128,144	\$ 2,334	\$ 130,478
<b>Hallett Public Works Authority</b>			
Land	\$ 11,000	\$ -	\$ 11,000
Sewer System	1,359,671	-	1,359,671
Water System	387,612	-	387,612
Sub-Total	1,758,283	-	1,758,283
Accumulated Depreciation	(564,040)	(41,289)	(605,329)
Total	\$ 1,194,243	\$ (41,289)	\$ 1,152,954

Depreciation expense was charged to unallocated depreciation and not charged as a direct expense of the various programs.

### C. Long-term Debt

The Town is not obligated in any manner for a debt of its component units. The water system, including all of the proceeds, revenue, water charges, assessments and income of all kinds and nature together with contract rights, accounts receivable and general intangibles have been pledged as collateral to secure these notes. The note agreements call for monthly payments to be made toward debt agreement. The following is a summary of long-term debt transactions of the proprietary fund:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017
Berkadia - Water	\$ 17,868	\$ -	\$ 4,743	\$ 13,125
Berkadia - Water	4,624	-	2,094	2,530
Rural Development - Sewer	43,440	-	881	42,559
Rural Development - Sewer	152,429	-	2,550	149,879
Total	218,361	-	10,268	208,093

The note payable to Berkadia Commercial Mortgage, LLC dated September 30, 1979, matures September 30, 2019, is payable in monthly installments of \$460 including interest at 5%.

The note payable to Berkadia Commercial Mortgage, LLC dated June 30, 1978, matures June 30, 2018, is payable in monthly installments of \$197 including interest at 5%.

## 2. Detailed Notes Concerning the Funds – Continued

### C. Long-term Debt – Continued

The note payable to Rural Development dated May 23, 2006, matures May 23, 2046, is payable in monthly installments of \$190 including interest at 3.25%. A one and one-half percent (1.5%) sales tax levied by the Town will be used to help finance the loan payments.

The note payable to Rural Development dated May 23, 2006 matures May 23, 2046, is payable in monthly installments of \$764 including interest at 4.375%. A one and one-half percent (1.5%) sales tax levied by the Town will be used to help finance the loan payments.

The annual debt service requirements to maturity are as follows:

June 30,	Principal	Interest	Totals
2018	10,765	8,567	19,332
2019	9,189	7,976	17,165
2020	6,807	7,410	14,217
2021	4,042	7,406	11,448
2022	4,210	7,238	11,448
2023-2027	23,847	33,393	57,240
2028-2032	29,278	27,962	57,240
2033-2037	35,966	21,274	57,240
2038-2042	44,206	13,034	57,240
2043-2046	39,783	361	40,144
Total	\$ 208,093	\$ 134,621	\$ 342,714

### Restricted Net Assets

The Town records reserves to indicate that a portion of the fund equality is legally segregated for a specific future use. The following details the description and amount of all reserves used by the Town.

Enterprise Fund	
Reserved for Deposits	\$ 13,135
Reserved for Loan Requirements	11,448
Total Restricted Assets	<u>\$ 24,583</u>

## 3. Other Information

### A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; unemployment; and natural disasters. The Town purchases commercial insurance for protection against loss other than health, life, and workers compensation. Settled claims have not exceeded the commercial coverage during the past three fiscal years.

### B. Sales Tax

An ordinance was adopted June 14, 2006, authorizing an additional 1.5-cent sales tax increase within the legal boundaries of the Town of Hallett and is effective on July 1, 2006. The additional 1.5-cent sales tax will be transferred to the Hallett Public Works Authority for the sewer system project.

### **C. Contingent Liabilities**

The Town is not aware of any pending or threatened legal actions against it. However, insurance protection has been obtained to cover potential claims.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

### **D. Employee Benefit Plans**

The Town and Trust Authority do not provide health insurance, pension benefits or deferred compensation plans for any of its employees.

## **4. Subsequent Events**

Management has evaluated subsequent events through December 22, 2017, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

**Town of Hallett**  
Hallett, Oklahoma

Required Supplemental Information  
June 30, 2017

TOWN OF HALLETT  
REQUIRED SUPPLEMENTAL INFORMATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2017  
(Unaudited)

GENERAL FUND

	Budgeted Amounts			Variance with
	Original	Final		Final Budget
	Budget	Budget	Actual	Over (Under)
<b>Revenues:</b>				
Charges for services	\$ -	\$ -	\$ -	\$ -
Alcohol beverage	1,328	1,328	1,571	243
Interest	467	467	342	(125)
Franchise taxes	3,337	3,337	3,379	42
Gas and vehicle taxes	924	924	1,068	144
Grants			565	565
Donations			45	45
Cigarette taxes	427	427	-	(7,150)
Miscellaneous revenue	7,150	7,150	-	-
Sales and use taxes	46,609	46,609	39,926	(6,683)
Sale of surplus			-	-
Fines and forfeits			-	-
Rental receipts	324	324	-	(324)
Special assessments	-	-	160	-
<b>Total revenues</b>	<u>60,566</u>	<u>60,566</u>	<u>47,057</u>	<u>(13,242)</u>
<b>Expenditures:</b>				
Current:				
General government	38,500	38,500	31,736	6,764
Public safety			1,875	(1,875)
Highways and roads			2,278	(2,278)
Cultural and recreational			-	-
Health and welfare			-	-
Capital outlay	7,500	7,500	5,313	2,187
<b>Total expenditures</b>	<u>46,000</u>	<u>46,000</u>	<u>41,202</u>	<u>4,798</u>
<b>Excess of revenue over</b>				
<b>(under) expenditures</b>	14,566	14,566	5,855	(8,444)
<b>Other financing sources (uses):</b>				
Operating transfers in (out)	(15,500)	(15,500)	(12,992)	(28,492)
<b>Net changes in fund balance</b>	(934)	(934)	(7,137)	(36,936)
<b>Fund balance at beginning of year</b>	217,133	217,133	217,133	-
<b>Prior period adjustment due to depreciation</b>			-	
<b>Fund balance at end of year</b>	<u>\$ 216,199</u>	<u>\$ 216,199</u>	<u>\$ 209,996</u>	<u>\$ (36,936)</u>

**Town of Hallett**  
Hallett, Oklahoma

Notes to Required Supplemental Information  
for the year ended June 30, 2017  
(Unaudited)

**Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for all governmental funds. The enterprise funds adopt budgets on the non-GAAP basis wherein service fees, bond and note proceeds are recognized as revenue, principal payments on debt and capital expenditures are recognized as expenses, depreciation expense is not budgeted. Annual appropriated budgets are not adopted for the fiduciary funds. Budgetary data for enterprise funds are not presented in these financial statements.

The budget is legally enacted through passage of a budget resolution. The operating budget, for all budgeted funds, includes proposed expenditures and the means of financing. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by class as follows: personal services, maintenance and operations, capital outlay and transfers. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. All budget revisions at the legal level are subject to final approval by the Town Council. All annual appropriations lapse at year-end.

The Town does not utilize encumbrance accounting. Encumbrances (accounts payable) are shown as expenditures and liabilities in the current year and are paid in the subsequent year.

**Town of Hallett**  
Hallett, Oklahoma

Other Information  
June 30, 2017

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ending June 30, 2017**

None

**Note B - Summary of Significant Accounting Policies** - Expenditures reported on the Schedule are reported using accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



**Town of Hallett**  
Hallett, Oklahoma

Report Required by *Government Auditing Standards*  
June 30, 2017

**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 STANDARD**

The Honorable Town Commissioners  
Town of Hallett  
Hallett, Oklahoma 74034

I have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hallett, State of Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Town of Hallett, State of Oklahoma's, basic financial statements and have issued my report thereon dated December 22, 2017. My opinions on the governmental and business – type activities and major enterprise fund were qualified because of the lack of fixed asset records. Additionally, the Town did not present the Management's Discussion and Analysis is required by the Governmental Accounting Standards Board.

**Internal Control over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the Town of Hallett, State of 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Hallett, State of Oklahoma's, internal control. Accordingly, I do not express an opinion on the effectiveness of Town of Hallett, State of 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. I consider the deficiencies described in the accompanying schedule of findings and response to be material weakness 2017-01. 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.

My 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 that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Hallett, State of Oklahoma's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Linda S. Woodruff, CPA, A Professional Corporation

Oklahoma City, Oklahoma 73172  
December 22, 2017

**Town of Hallett**  
Hallett, Oklahoma

Schedule of Findings and Responses  
For the year ended June 30, 2017

2017-01      Internal Control – Segregation of Duties

Criteria: The segregation of duties and responsibilities between different individuals for custody Of assets, recordkeeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the town's assets and ensure accurate financial reporting.

Condition: Presently the same individual that receives utility service related cash payment is also responsible service billing and adjustment, also balances the daily cash drawer, posts payment to subsidiary accounts receivable ledger and reconciles the monthly bank statements. In addition, only limited oversight is provided over this individual in the conduct of their daily functions.

Cause: The town's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Effect or Potential Effect: Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to utility billing and collection activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation: I recommend that management and the board should consider a formal evaluation of their risks associated with this lack of duties segregation over utility cash and receivables. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with lack of segregation of duties, such as providing increased management oversight and an independent reconciliation of accounts. For example, the entity might consider soliciting the assistance of independent volunteer labor to perform certain functions including performing compensating procedures where applicable.

Response: Management agrees with the recommendation. The economic benefits received from segregation of duties may be less than the cost of implementation.