

Town of Hulbert, Oklahoma

Annual Financial Statements and Accompanying
Independent Auditor's Reports

June 30, 2014

Samuel S Alexander
Certified Public Accountant

Town of Hulbert, Oklahoma

June 30, 2014

BOARD OF TRUSTEES

Mayor

Shirley Teague

Members

Kenneth Fore

George Truitt

Clerk/Treasurer

Leona Welch

Public Works Superintendent

Ricky Lee

Town Attorney

R. Forney Sandlin

Town of Hulbert, Oklahoma
June 30, 2014

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Town of Hulbert, Oklahoma
June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Board of Trustees
Town of Hulbert, Oklahoma

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hulbert, Oklahoma (the Town) as of and for the year ended June 30, 2014, 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 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.

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

Basis for Qualified Opinions on the Governmental Funds

As discussed in Note A, the financial statements referred to above do not include the fixed assets for the governmental funds. Accounting principles generally accepted in the United States of America require the capitalization and recording of fixed assets, which would increase the assets and fund balances and change the revenues in the governmental funds. The amount that should be recorded for the Town's fixed assets has not been determined.

Qualified Opinion

In my opinion, except for the effects of the matter described in the "Basis for Qualified Opinions on Governmental Funds", the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Town of Hulbert, Oklahoma as of June 30, 2014, and the respective changes in financial position thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

Unqualified Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hulbert, Oklahoma, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The combining and individual nonmajor funds financial statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic

financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Except for the effects on the combining and individual statements and schedules of revenues, expenditures, and changes in fund balances, statements of revenues, expenses and changes in net assets, and statements of cash flows for management having not recorded fixed assets, the combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules, in my opinion, are fairly stated in all material respects in relation to the basic financial statements as a whole.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 16, 2014, on my consideration of the Town's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of this report is to describe the scope of my testing of internal control over financial reporting and compliance, and the results of that testing, 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* and should be considered in assessing the results of my audit.

December 16, 2014
Wagoner, Oklahoma

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF HULBERT, OKLAHOMA
STATEMENT OF NET ASSETS
JUNE 30, 2014

	<u>Governmental Activities</u>	<u>Business -Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 172,099	\$ 1,867,258	\$ 2,039,357
Accounts receivable	21,224	83,747	104,971
Prepaid insurance	9,287	34,233	43,520
Capital assets:	-	-	-
Land	-	104,500	104,500
Property, plant & equipment	<u>882,953</u>	<u>2,876,934</u>	<u>3,759,887</u>
Total Assets	<u>1,085,563</u>	<u>4,966,672</u>	<u>6,052,235</u>
<u>LIABILITIES</u>			
Accounts payable	17,482	102,679	120,161
Customer deposits payable	-	153,566	153,566
Notes payable-current	-	125,000	125,000
Notes payable-long term	<u>165,000</u>	<u>2,850,000</u>	<u>3,015,000</u>
Total Liabilities	<u>182,482</u>	<u>3,231,245</u>	<u>3,413,727</u>
<u>NET ASSETS</u>			
Unrestricted	(11,979)	1,160,667	1,148,688
Restricted	<u>915,060</u>	<u>574,760</u>	<u>1,489,820</u>
Total Net Assets	<u>\$ 903,081</u>	<u>\$ 1,735,427</u>	<u>\$ 2,638,508</u>

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

TOWN OF HULBERT, OKLAHOMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business Type Activities	TOTALS
Primary Government:						
General Government	\$ (123,425)	\$ -	\$ 42,001	\$ (81,424)	\$ -	\$ (81,424)
Public Safety	(261,791)	91,264		(170,527)	-	(170,527)
Total government activities	(385,216)	91,264	42,001	(251,951)	-	(251,951)
Business - Type Activities:						
Water, Sewer, Gas & Trash	(1,336,161)	2,077,054	-	-	740,893	740,893
Debt Service	(156,628)			-	(156,628)	(156,628)
New Service		15,341		-	15,341	15,341
Penalties		62,191		-	62,191	62,191
Depreciation - unallocated	(244,774)			-	(244,774)	(244,774)
Total business - type activities	(1,737,563)	2,154,586	-	-	417,023	417,023
Totals	\$ (2,122,779)	\$ 2,245,850	\$ 42,001	(251,951)	417,023	165,072
General revenues						
Taxes:						
Sales tax				168,959		168,959
Gasoline tax				1,094		1,094
Franchise tax				1,054		1,054
Alcoholic beverage tax				5,361		5,361
Commercial vehicle tax				4,615		4,615
Miscellaneous				4,658	12,594	17,252
Interest				475	7,054	7,529
Transfers - internal activity				98,865	(98,865)	-
Total general revenues and transfers				285,081	(79,217)	205,864
Changes in net assets				33,130	337,806	370,936
Net assets, beginning of period				869,951	1,397,621	2,267,572
Net assets, end of period				\$ 903,081	\$ 1,735,427	\$ 2,638,508

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

TOWN OF HULBERT, OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>General Fund</u>	<u>Street and Alley Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and Cash equivalents	\$ 140,446	\$ 25,878	\$ 5,775	\$ 172,099
Accounts receivable	20,770	454		21,224
Prepaid Insurance	<u>9,287</u>	<u>-</u>	<u>-</u>	<u>9,287</u>
Total Assets	<u>\$ 170,503</u>	<u>\$ 26,332</u>	<u>\$ 5,775</u>	<u>202,610</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts payable	\$ 16,796	\$ 686	\$ -	17,482
Note payable	165,000	-	-	165,000
Total liabilities	<u>181,796</u>	<u>686</u>	<u>-</u>	<u>182,482</u>
Fund Balances-				
Unreserved	(11,293)	-	-	(11,293)
Reserved for special purpose	-	25,646	5,775	31,421
Total Fund Balance	<u>(11,293)</u>	<u>25,646</u>	<u>5,775</u>	<u>20,128</u>
Total Liabilities and Fund Balances	<u>\$ 170,503</u>	<u>\$ 26,332</u>	<u>\$ 5,775</u>	
Net Assets of Governmental Activities				20,128
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds. The cost of the assets is \$719,088.				
There is no accumulated depreciation.				
				<u>882,953</u>
Net Assets of Governmental Activities				<u>\$ 903,081</u>

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

TOWN OF HULBERT, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>General Fund</u>	<u>Street and Alley Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 175,374	\$ 8,728	\$ -	\$ 184,102
License and permits	390			390
Fines and forfeitures	88,874			88,874
Grants	42,001	-	-	42,001
Fire runs	2,000			2,000
Miscellaneous	1,639			1,639
Interest earnings	352	99	24	475
Total revenues	<u>\$ 310,630</u>	<u>\$ 8,827</u>	<u>24</u>	<u>\$ 319,481</u>
Expenditures:				
General government	112,262	11,163		123,425
Public safety:				
Police	245,801		-	245,801
Fire	179,855	-	-	179,855
Capital outlay	-		-	-
Total expenditures	<u>537,918</u>	<u>11,163</u>	<u>-</u>	<u>549,081</u>
Excess (deficiency) of revenues over expenditures	(227,288)	(2,336)	-	(229,600)
Other Financing sources (Uses):				
Operating transfers in/(out) - HPWA	98,865	-	-	98,865
Total Other Financing Sources (Uses)	<u>98,865</u>	<u>-</u>	<u>-</u>	<u>98,865</u>
Excess (deficiency) of revenue over expenditures and other financing sources (uses)	(128,423)	(2,336)	-	(130,735)
Fund balances - beginning of year	<u>117,130</u>	<u>27,982</u>	<u>5,751</u>	<u>150,863</u>
Fund balances - end of year	<u>\$ (11,293)</u>	<u>\$ 25,646</u>	<u>\$ 5,775</u>	<u>\$ 20,128</u>

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

TOWN OF HULBERT, OKLAHOMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

Net change in cash fund balances - governmental funds \$ (130,735)

Amounts reported for governmental activities in the statement of revenues, expenditures, and changes in net assets are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement and allocated over their estimated useful lives as annual depreciation expenses in the statement of revenues, expenditures, and changes in net assets. This is the amount by which depreciation exceeds capital outlays in the period.

Capital outlay expenditures - 2013-2014	163,865
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Changes in net assets of governmental activities	\$ 33,130
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The accompanying notes to the financial statements are an integral part of this statement.

TOWN OF HULBERT, OKLAHOMA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2014

	Public Works Authority Enterprise Fund
<u>ASSETS</u>	
Current assets:	
Cash	\$ 967,425
Restricted cash	574,760
Investment - Certificates of Deposit	325,073
Accounts receivable	83,747
Prepaid insurance	34,233
Total current assets	1,985,238
Non-current assets:	
Land	104,500
Property, plant & equipment (net)	2,876,934
Total non-current assets	2,981,434
Total Assets	4,966,672
 <u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	102,679
Customer deposits payable	153,566
Current portion of long-term liabilities	125,000
Total current liabilities	381,245
Noncurrent liabilities:	
Long-term liabilities	2,850,000
Total Liabilities	3,231,245
 <u>NET ASSETS</u>	
Unrestricted	1,160,667
Restricted for other purposes	212,822
Restricted for debt service	361,938
Total Net Assets	\$ 1,735,427

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

TOWN OF HULBERT, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Public Works Authority Enterprise Fund
Operating Revenues:	
Charges for services:	
Utilities - water, sewer, trash, gas	\$ 2,077,054
Penalties	62,191
Miscellaneous	12,594
New service	15,341
Total revenues collected	2,167,180
Operating Expenses:	
Personnel compensation and burden	452,748
Materials and supplies	839,295
Other services and charges	44,118
Depreciation	244,774
Total non-current assets	1,580,935
Operating Income (Loss)	586,245
Non-Operating Revenues (Expenses):	
Investment income	7,054
Interest expense	(156,628)
Total Non-Operating Revenues (Expenses)	(149,574)
Net Income (Loss) Before Contributions and Transfers	436,671
Transfer out	(98,865)
Change in net assets	337,806
Total net assets - beginning	1,397,621
Total net assets - ending	\$ 1,735,427

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

TOWN OF HULBERT, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Public Works Authority Enterprise Fund
Cash Flows from Operating Activities:	
Receipts from customers	\$ 2,165,640
Payments to employees	(452,748)
Payments to suppliers	(884,466)
Net Cash Provided by Operating Activities	828,426
Cash Flows from Noncapital Financing Activities:	
Increase in prepaid insurance	(8,211)
Increase in customer deposits	14,900
Transfers to other funds	(98,865)
	(92,176)
Cash Flows from Capital and Related Financing Activities	
Purchases of capital assets	(14,421)
Principal paid on debt	(120,000)
Interest paid on debt	(156,628)
Net Cash Provided(used by) Capital and Related Financing Activities	(291,049)
Cash Flows from Investing Activities	
Interest on investments	7,054
Net increase (decrease) in cash and cash equivalents	452,255
Balance - beginning of period	1,415,003
Balance - end of period	\$ 1,867,258
Reconciliation of operating income (loss) to net cash provided by	
Operating activities:	
Operating income (loss)	\$ 586,245
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	244,774
Change in assets and liabilities:	
Increase in accounts receivable	(1,540)
Decrease in accounts payable	(1,053)
Net cash provided by operating activities	\$ 828,426

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

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF HULBERT, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note A – Summary of Significant Accounting Policies

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

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

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

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

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

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

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

TOWN OF HULBERT, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note A – Summary of Significant Accounting Policies - Continued

1. Basis of Presentation

Government-Wide Financial Statements

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

Fund Financial Statements.

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Special Revenue Funds

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

TOWN OF HULBERT, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014

Note A – Summary of Significant Accounting Policies - Continued

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

Proprietary Funds

Enterprise Fund

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

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

Fiduciary Funds

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

2. Measurement focus and Basis of Accounting

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, as defined in item (b) below.

TOWN OF HULBERT, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note A – Summary of Significant Accounting Policies - Continued

In the fund financial statement, the “current financial resources” measurement focus or the “economic resources” measurement focus is used, as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

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

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

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

TOWN OF HULBERT, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note A – Summary of Significant Accounting Policies - Continued

6. Budget

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

Note B – Capital Assets

Capital asset activity, resulting from accrual basis transactions, for the fiscal year ended June 30, 2014, was as follows: (continued)

TOWN OF HULBERT, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note B - Capital Assets - cont'd

	<u>Balance at June 30, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2013</u>
Governmental activities:				
Machinery and equipment	\$ 613,777	\$ -	\$ -	613,777
Streets	<u>105,311</u>			<u>105,311</u>
Total governmental activities	<u>\$ 719,088</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 719,088</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 104,500	\$ -	\$ -	\$ 104,500
Other capital assets:				
Utility property and improvements	7,797,981	14,421	-	7,812,402
Less accumulated depreciation for:				
Utility property and improvements	<u>(4,690,694)</u>	<u>(244,774)</u>	<u>-</u>	<u>(4,935,468)</u>
Business-type activities capital assets, net	<u>\$ 3,211,788</u>	<u>\$(230,353)</u>	<u>\$ -</u>	<u>\$ 2,981,434</u>

TOWN OF HULBERT, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note C – Sales Tax

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

Note D – Interfund Transactions

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

Note E – Enterprise Funds (Hulbert Public Works Authority)

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

Revenue Bond debt is summarized as follows:

Utility System Refunding and Revenue Bonds, Series 2009:

RECD:

Interest @ 4.15 -5.6% \$2,975,000

	<u>Balance at</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at</u> <u>June 30, 2014</u>
Total notes payable	<u>\$ 3,095,000</u>	<u>-</u>	<u>120,000</u>	2,975,000
Less current portion				<u>(125,000)</u>
Long-term portion, notes payable				<u>\$2,850,000</u>

TOWN OF HULBERT, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014

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

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

	<u>Totals</u>
2014	125,000
2015	135,000
2016	140,000
2017	145,000
2018	150,000
2019-2023	880,000
2024-2029	<u>1,400,000</u>
Totals	<u>\$ 2,975,000</u>

Note F – Litigation

The Town had no known pending litigation as of June 30, 2014. In the event that Town is held liable for damages in any lawsuits that arise, the resulting judgments will be paid from ad valorem taxes levied over a three (3) year period through the Town’s Debt Services Fund.

Note G – Collateral Pledged

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

Cash – The Town’s cash deposits at June 30, 2014, are categorized to give an indication of the level of risk assumed by the Town at year-end.

Deposit Categories of Credit Risk – Defined

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

TOWN OF HULBERT, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014

Note G – Collateral Pledged – cont'd

Deposit Categories of Credit Risk

	Category			Bank Balance	Carrying Amount
	(A)	(B)	(C)		
Cash	\$ 250,000	361,937	1,426,720	2,048,617	2,038,657

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

Note H – Accumulated Unpaid Vacation and Sick Pay

At June 30, 2014, no determination of the aggregate dollar value of vacation or sick pay had been made.

Note I – Employee Retirement System

Fire Pension – The Town makes contributions to the state fire pension board for payment of pensions to retired firemen. The plan does not purport to be actuarially funded and therefore, benefits are limited to assets available. The plan is considered to be defined contributions plan for accounting purposes. The retirement expense for the current year was \$1,260.

Plan Description and Provisions – Substantially all of the town's and PWA's full time general employees participate in a cost-sharing, multiple employer defined benefit pension plan. The Town's total payroll was \$484,394.

Group	June 30, 2014
Retirees and beneficiaries	
Currently receiving benefits	2
Vested terminated employees	1
Active employees:	
Fully vested	4
Nonvested	6

TOWN OF HULBERT, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note J – Risk Management

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

Note L – Subsequent Events

Subsequent events have been evaluated through the financial statement issuance date of December 16, 2014, with no items noted for reporting.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF HULBERT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - GENERAL FUND
 FOR YEAR ENDED JUNE 30, 2014

	GENERAL FUND			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Fund Balance, beginning of year	\$ 80,000	\$ 80,000	\$ 117,130	\$ 37,130
Revenues				
Sales tax	155,000	155,000	168,959	13,959
Franchise tax	1,015	1,015	1,054	39
Alcoholic beverage tax	4,500	4,500	5,361	861
Licenses and permits	50	50	390	340
Fire department grant	4,500	4,500	4,474	(26)
Cherokee/UKB grant	12,000	12,000	27,527	15,527
LREC grant	10,000	10,000	10,000	-
REAP grant	35,000	35,000	-	(35,000)
Fines and forfeitures	64,000	64,000	88,874	24,874
Fire runs	2,500	2,500	2,000	(500)
Miscellaneous	3,000	3,000	1,639	(1,361)
Interest	300	300	352	52
Operating transfers in-HPWA	100,000	100,000	98,865	(1,135)
Total Revenues	391,865	391,865	409,495	17,630
Expenditures				
General government	153,959	153,959	112,262	41,697
Police	296,906	296,906	243,908	52,998
Fire	21,000	21,000	179,855	(158,855)
Total Expenditures	471,865	471,865	536,025	(64,160)
Excess of revenues over (under) expenditures before other sources (uses) of funds	(80,000)	(80,000)	(126,530)	\$ (46,530)
Fund balances - end of period			\$ (9,400)	

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

TOWN OF HULBERT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - BUDGETED SPECIAL REVENUE FUNDS
 FOR YEAR ENDED JUNE 30, 2014

	STREET AND ALLEY FUND			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Fund Balance, beginning of year	\$ 34,000	\$ 34,000	\$ 27,982	\$ 6,018
Revenues				
Commercial vehicle tax	4,200	4,200	4,615	415
Gasoline excise tax	1,500	1,500	1,094	(406)
CNE Street Lights Fund	-	-	3,019	3,019
Interest	130	130	99	(31)
Total Revenues	5,830	5,830	8,827	2,997
Expenditures paid:				
Maintenance and operation	17,000	17,000	11,163	5,837
Total Expenditures	17,000	17,000	11,163	5,837
Excess of revenues over/(under) expenses before adjustments to prior year encumbrances	\$ (11,170)	\$ (11,170)	(2,336)	\$ 8,834
Fund balances, end of period			\$ 25,646	

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

TOWN OF HULBERT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - BUDGETED SPECIAL REVENUE FUNDS
 FOR YEAR ENDED JUNE 30, 2014

	SPECIAL PROJECTS - CDBG FUND			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Fund Balance, beginning of year	\$ 5,751	\$ 5,751	\$ 5,751	\$ -
Revenues				
Taxes				
Interest	-	-	24	24
Total Revenues	-	-	24	24
Expenditures paid:				
Personal services				
Maintenance and operation				
Capital outlay				
Total Expenditures	-	-	-	-
Excess of revenues over (under) expenses before adjustments to prior year encumbrances	\$ -	\$ -	24	24
Fund balances, end of period			\$ 5,775	

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

OTHER SUPPLEMENTARY INFORMATION

TOWN OF HULBERT
 COMBINED BALANCE SHEET - SPECIAL REVENUE FUNDS
 FOR YEAR ENDED JUNE 30, 2014

	SPECIAL PROJECTS CDBG	STREET AND ALLEY	TOTALS
ASSETS			
Cash and cash equivalents	\$ 5,775	\$ 25,878	\$ 31,653
Accounts receivable	-	454	454
Total Assets	\$ 5,775	\$ 26,332	\$ 32,107
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	-	686	686
Fund Balances			
Reserved for special purpose	5,775	25,646	31,421
Unreserved	-	-	-
Total fund balances	5,775	25,646	31,421
Total Liabilities and Fund Balances	\$ 5,775	\$ 26,332	\$ 32,107

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

TOWN OF HULBERT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 FOR YEAR ENDED JUNE 30, 2014

	SPECIAL PROJECTS CDBG	STREET AND ALLEY	TOTALS
Revenues			
Taxes	\$ -	\$ 8,728	\$ 8,728
Interest earnings	24	99	123
Total revenues	24	8,827	8,851
Expenditures			
Maintenance and operation	-	11,163	11,163
Capital outlay	-	-	-
Total expenditures	-	11,163	11,163
Excess (deficiency) of revenues over expenses	24	(2,336)	(2,312)
Other financing sources (uses)			
Operating transfers in (out)	-	-	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	24	(2,336)	(2,312)
Fund balances, beginning of year	5,751	27,982	33,733
Fund balances, end of year	\$ 5,775	\$ 25,646	\$ 31,421

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

TOWN OF HULBERT, OKLAHOMA
STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY
FIDUCIARY FUND - MUNICIPAL COURT
June 30, 2014

ASSETS

Cash and demand deposits	<u>\$ 14,658</u>
Total Assets	<u><u>\$ 14,658</u></u>

LIABILITIES AND FUND EQUITY

Liabilities	<u>\$ -</u>
Fund equity	
Cash Fund Balance - Restricted	<u>14,658</u>
Total Fund Equity	<u>14,658</u>
Total Liabilities and Fund Equity	<u><u>\$ 14,658</u></u>

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

TOWN OF HULBERT, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
FIDUCIARY FUND - MUNICIPAL COURT
FOR THE YEAR ENDED JUNE 30, 2014

<u>REVENUES</u>	
Bond refunds	\$ 103,311
Interest Income	<u>68</u>
Total revenues	<u>103,379</u>
<u>EXPENDITURES</u>	
CLEET	5,956
Fingerprint fee	7,340
Fines and bonds refunded	91,793
Miscellaneous	<u>1,121</u>
Total expenditures	<u>106,210</u>
Excess of revenue over/(under) expenses	(2,831)
Fund balance - beginning of year	<u>17,489</u>
Fund balance - end of year	<u><u>\$ 14,658</u></u>

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

SAMUEL S. ALEXANDER

Certified Public Accountant

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

Town of Hulbert
Hulbert, Oklahoma

I have audited the financial statements of the Town of Hulbert, Oklahoma (the Town) as of and for the year ended June 30, 2014, and have issued my report thereon dated December 16, 2014. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of noncompliance that I have reported to the management of the Town in a separate letter dated December 16, 2014.

Internal Control Over Financial Reporting

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

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

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

December 16, 2014
Wagoner, Oklahoma

TOWN OF HULBERT, OKLAHOMA
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014

Section 1 – Summary of Auditor’s Results

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

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

11-1 – Lack of Segregation of Duties

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

TOWN OF HULBERT, OKLAHOMA
DISPOSITION OF PRIOR YEAR'S REPORTABLE CONDITIONS
JUNE 30, 2014

Lack of Segregation of Duties

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

Disposition of Reportable Condition-Segregation of Duties

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