

**Town of Hulbert, Oklahoma**

Annual Financial Statements and Accompanying  
Independent Auditor's Reports

June 30, 2011

**Samuel S Alexander**  
**Certified Public Accountant**

**Town of Hulbert, Oklahoma**

June 30, 2011

**BOARD OF TRUSTEES**

Mayor

Shirley Teague

Members

Ed Beckham

George Truitt

Clerk/Treasurer

Leona Welch

Public Works Superintendent

Ricky Lee

Town Attorney

R. Forney Sandlin

**Town of Hulbert, Oklahoma**  
June 30, 2011

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**Town of Hulbert, Oklahoma**  
June 30, 2011

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# SAMUEL S. ALEXANDER

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## INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

As discussed in Note A, the financial statements referred to above do not include the complete fixed assets for the governmental funds, but, instead include machinery and equipment from the 2004-05 CDBG street project. The amount that should be recorded for buildings and infrastructure is not known. If they had been included, the amount of the adjustments to the financial statements is not known.

In my opinion, except for the omission of the general fixed assets resulting in an incomplete presentation as explained in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 28, 2011, 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; not to provide an opinion on the internal control over financial reporting or on compliance.

The budgetary comparison information of pages 25 through 28 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

The Town has not presented 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. Due to this omission, the usefulness and accessibility of the financial statements are limited to the Town's management. The omission of this information does not affect the opinion expressed on the financial statements taken as a whole.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole, on the basis of accounting described in Note A.

December 28, 2011  
Wagoner, Oklahoma

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

TOWN OF HULBERT, OKLAHOMA  
STATEMENT OF NET ASSETS  
June 30, 2011

	<u>Governmental Activities</u>	<u>Business -Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 127,119	\$ 1,423,894	\$ 1,551,013
Accounts receivable	-	58,021	58,021
Taxes recievable	13,419	-	13,419
Prepaid insurance	-	29,493	29,493
Capital assets			
Land	-	73,500	73,500
Property, plant & equipment	<u>719,088</u>	<u>3,103,281</u>	<u>3,822,369</u>
Total Assets	<u>859,626</u>	<u>4,688,189</u>	<u>5,547,815</u>
<u>LIABILITIES</u>			
Accounts payable	29,197	138,937	168,134
Customer deposits payable	-	81,141	81,141
Notes payable-current	-	110,000	110,000
Notes payable-long term	<u>-</u>	<u>3,210,000</u>	<u>3,210,000</u>
Total Liabilities	29,197	3,540,078	3,569,275
<u>NET ASSETS</u>			
Unrestricted	68,904	677,339	746,243
Restricted	<u>761,525</u>	<u>470,772</u>	<u>1,232,297</u>
Total Net Assets	<u>\$ 830,429</u>	<u>\$ 1,148,111</u>	<u>\$ 1,978,540</u>

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

TOWN OF HULBERT, OKLAHOMA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2011

	<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	\$ 84,187	\$ 37,220	\$ 5,712	\$ 127,119
Accounts receivable	<u>13,284</u>	<u>135</u>	<u>-</u>	<u>13,419</u>
Total Assets	<u>\$ 97,471</u>	<u>37,355</u>	<u>5,712</u>	<u>140,538</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts payable	<u>\$ 28,567</u>	<u>630</u>	<u>-</u>	<u>29,197</u>
Fund Balances-				
Unreserved	68,904	-	-	68,904
Reserved for special purpose	<u>-</u>	<u>36,725</u>	<u>5,712</u>	<u>42,437</u>
Total Fund Balance	<u>68,904</u>	<u>36,725</u>	<u>5,712</u>	<u>111,341</u>
Total Liabilities and Fund Balances	<u>\$ 97,471</u>	<u>\$ 37,355</u>	<u>\$ 5,712</u>	
Net Assets of Governmental Activities				111,341
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and therefore,				
are not reported as assets in governmental funds. The cost of the assets is \$719,088.				
There is no accumulated depreciation.				
				<u>719,088</u>
Net Assets of Governmental Activities				<u>\$ 830,429</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, 2011

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		TOTALS
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business - Type Activities	
<b>Primary Government:</b>						
General Government	\$ (128,679)	\$ -	\$ 12,789	\$ (115,890)	\$ -	\$ (115,890)
Public Safety	(149,456)	62,316	-	(87,140)	-	(87,140)
Capital Outlay	(65,909)	-	-	(65,909)	-	(65,909)
<b>Total governmental activities</b>	<b>(344,044)</b>	<b>62,316</b>	<b>12,789</b>	<b>(268,939)</b>	<b>-</b>	<b>(268,939)</b>
<b>Business - Type Activities:</b>						
Water, Sewer, Gas & Trash	(1,766,688)	1,711,267	25,000	-	(30,421)	(30,421)
Debt Service	(288,346)	-	-	-	(288,346)	(288,346)
New Service	-	12,002	-	-	12,002	12,002
Penalties	-	41,303	-	-	41,303	41,303
Depreciation - unallocated	(98,864)	-	-	-	(98,864)	(98,864)
<b>Total business - type activities</b>	<b>(2,153,898)</b>	<b>1,764,572</b>	<b>25,000</b>	<b>-</b>	<b>(364,326)</b>	<b>(364,326)</b>
<b>Totals</b>	<b>\$ (2,497,942)</b>	<b>\$ 1,826,888</b>	<b>\$ 37,789</b>	<b>(268,939)</b>	<b>(364,326)</b>	<b>(633,265)</b>
<b>General revenues</b>						
<b>Taxes:</b>						
Sales tax				101,970	-	101,970
Gas tax				1,520	-	1,520
Franchise tax				2,158	-	2,158
Alcoholic beverage tax				4,950	-	4,950
Commercial vehicle tax				3,885	-	3,885
Miscellaneous				-	377,565	377,565
Interest				475	5,841	6,316
Prior period adjustment					(326,906)	(326,906)
Transfers - internal activity				100,000	(100,000)	-
<b>Total general revenues and transfers</b>				<b>214,958</b>	<b>(43,500)</b>	<b>171,458</b>
<b>Changes in net assets</b>				<b>(53,981)</b>	<b>(407,826)</b>	<b>(461,807)</b>
<b>Net assets, beginning of period</b>				<b>884,410</b>	<b>1,555,937</b>	<b>2,440,347</b>
<b>Net assets, end of period</b>				<b>\$ 830,429</b>	<b>\$ 1,148,111</b>	<b>\$ 1,978,540</b>

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, 2011

	General Fund	Street and Alley Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 109,079	\$ 5,404	\$ -	\$ 114,483
License and permits	167			167
Fines and forfeitures	60,839			60,839
Grants	12,789	-	-	12,789
Fire runs	1,310			1,310
Interest earnings	413	47	15	475
Total revenues	<u>\$ 184,597</u>	<u>\$ 5,451</u>	<u>15</u>	<u>\$ 190,063</u>
Expenditures:				
General government	122,752	5,927		128,679
Public safety:				
Police	136,695		-	136,695
Fire	12,761	-	-	12,761
Capital outlay	427		65,482	65,909
Total expenditures	<u>272,635</u>	<u>5,927</u>	<u>65,482</u>	<u>344,044</u>
Excess (deficiency) of revenues over expenditures	(88,038)	(476)	-	(153,981)
Other Financing sources (Uses):				
Operating transfers in/(out) - HPWA	100,000	-	-	100,000
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
Excess (deficiency) of revenue over expenditures and other financing sources (uses)	11,962	(476)	-	(53,981)
Fund balances - beginning of year	<u>56,942</u>	<u>37,201</u>	<u>71,179</u>	<u>165,322</u>
Fund balances - end of year	<u>\$ 68,904</u>	<u>\$ 36,725</u>	<u>\$ 5,712</u>	<u>\$ 111,341</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, 2011

Net change in cash fund balances - governmental funds \$ (53,981)

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 accocated over their estimated useful lives as annual depreciation expenses in the statement of revenues, expenditurs, and changes in net assets. This is the amount by which depreciation exceeds capital outlays in the period.

Capital outlay expenditures - 2010-2011

-

Changes in net assets of governmental activities

\$ (53,981)

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, 2011

Public Works  
Authority  
Enterprise  
Fund

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ASSETS

Current assets:

Cash	\$ 953,122
Restricted cash	470,772
Accounts receivable	58,021
Prepaid insurance	29,493
Total current assets	1,511,408

Non-current assets:

Land	73,500
Property, plant & equipment (net)	3,103,281
Total non-current assets	3,176,781

Total Assets	4,688,189
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LIABILITIES

Current liabilities:

Accounts payable	138,937
Customer deposits payable	81,141
Current portion of long-term liabilities	110,000
Total current liabilities	330,078

Noncurrent liabilities:

Long-term liabilities	3,210,000
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Total Liabilities	3,540,078
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NET ASSETS

Unrestricted	677,339
Restricted for other purposes	142,751
Restricted for debt service	328,021

Total Net Assets	\$1,148,111
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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, 2011

	Public Works Authority Enterprise Fund
Operating Revenues:	
Charges for services:	
Utilities - water, sewer, trash, gas	\$ 1,711,267
Penalties	41,303
Miscellaneous	377,565
New service	12,002
Grants - REAP	25,000
Total revenues collected	2,167,137
 Operating Expenses:	
Personal services	387,375
Materials and supplies	1,271,389
Other services and charges	107,924
Depreciation	98,864
Total non-current assets	1,865,552
 Operating Income (Loss)	301,585
 Non-Operating Revenues (Expenses):	
Investment income	5,841
Interest expense	(288,346)
Total Non-Operating Revenues (Expenses)	(282,505)
 Net Income (Loss) Before Contributions and Transfers	19,080
 Transfer out	(100,000)
 Change in net assets	(80,920)
Prior Period Adjustment	(326,906)
 Adjusted change in net assets	(407,826)
 Total net assets - beginning	1,555,937
 Total net assets - ending	\$ 1,148,111

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, 2011

	Public Works Authority Enterprise Fund
Cash Flows from Operating Activities:	
Receipts from customers	\$ 1,752,571
Payments to employees	(387,375)
Payments to suppliers	(1,379,313)
Other	390,001
Grants	25,000
Net Cash Provided by Operating Activities	400,884
Cash Flows from Noncapital Financing Activities:	
Decrease in Restricted Fund Balance	(547,522)
Transfers to other funds	(100,000)
	(647,522)
Cash Flows from Capital and Related Financing Activities"	
Purchases of capital assets	(213,761)
Principal paid on debt	(123,936)
Interest paid on debt	(288,347)
Net Cash Provided(used by) Capital and Related Financing Activities	(626,044)
Cash Flows from Investing Activities	
Interest on investments	5,407
Net increase (decrease) in cash and cash equivalents	(867,275)
Balance - beginning of period	2,291,169
Balance - end of period	\$ 1,423,894
Reconciliation of operating income (loss) to net cash provided by	
Operating activities:	
Operating income (loss)	\$ 302,010
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	98,864
Change in assets and liabilities:	
Decrease in accounts receivable	(5,318)
Decrease in accounts payables	(51,666)
Other	(157,357)
Increase in prepaids	(11,110)
Increase in capital assets	225,461
Net cash provided by operating activities	\$ 400,884

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, 2011

**Note A – Summary of Significant Accounting Policies**

The Town of Hulbert, Oklahoma, is a “Statutory Town Government” under Title 11 of the 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 A2, these financial statements are presented on an 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) opinion 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.”

Organizations in which the nature and significance of their relationship with the primary government are such that exclusion of the organization from the reporting entities 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.

Discretely presented 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

TOWN OF HULBERT, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

Note A – Summary of Significant Accounting policies – cont'd

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 reported as an enterprise fund.

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:

TOWN OF HULBERT, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

Note A – Summary of Significant Accounting Policies – Cont'd

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:

<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.

TOWN OF HULBERT, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

Note A – Summary of Significant Accounting Policies – cont'd

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. blow.

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

TOWN OF HULBERT, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

Note A – Summary of Significant Accounting policies – cont'd

- 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 utilize 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.

TOWN OF HULBERT, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

Note A – Summary of Significant Accounting Policies – cont'd

5. Restricted Assets  
Under the terms of the loan agreement with Farmers' Home Administration, 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.
  
6. Total Columns on Combined Statements – Overview  
Total columns on the Combined Statements – Overview are captioned Memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.
  
7. Budget  
In accordance with 68 O.S. 2001 – 2483, the Board of Trustees and the Hulbert Public Works Authority Board formally adopt annual budgets, which include the general fund, the street and alley fund, CDBG fund and the enterprise fund. These annual budgets are adopted on a basis consistent with guidelines established by the Oklahoma Municipal code. (Section 17-201, Municipal Budget Act). This basis differs from generally accepted accounting principles, since it does not recognize accrued revenue.

Note B – Capital Assets

Capital asset activity, resulting from accrual basis transactions, for the fiscal year ended June 30, 2011, was as follows: (continued)

TOWN OF HULBERT, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

Note B - Capital Assets - cont'd

	<u>Balance at July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2011</u>
Governmental activities:				
Machinery and equipment	\$ 613,777	-	-	\$ 613,777
Streets	<u>105,311</u>	<u>          </u>	<u>          </u>	<u>105,311</u>
Total governmental activities	<u>\$ 719,088</u>	<u>          </u>	<u>          </u>	<u>719,088</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	<u>\$ 73,500</u>	<u>          </u>	<u>          </u>	<u>73,500</u>
Other capital assets:				
Utility property and improvements	7,102,603	225,461	-	7,328,064
Less accumulated depreciation for:				
Utility property and improvements	<u>(4,125,919)</u>	<u>(98,864)</u>	<u>          </u>	<u>(4,224,783)</u>
Business-type activities capital assets, net	<u>\$ 3,050,184</u>	<u>\$ 126,597</u>	<u>\$           </u>	<u>\$ 3,176,781</u>

TOWN OF HULBERT, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

Note C – Sales Tax

The Town is currently receiving sales tax on each dollar. 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.

Promissory Notes Payable

The Authority has entered into six (6) notes with the United States of America, acting through Rural Development, United States Department of Agriculture, at its district office of Stillwater, Oklahoma.

The original notes required the creation of a General Account (Utility Account), Debt service Account, Operation and Maintenance Account and Reserve Account. Reference is made to the Loan Resolution for a complete description defining obligations of the Authority with respect to the operations of the utility system involved. However, certain provisions of the Loan Resolution which pertain to these financial statements are described as follows:

Pledged Revenues – The Authority shall deposit daily all money received from the operation of the utility system into the Utility Account created under the Loan Resolution.

Flow of Funds – The Authority shall disburse the pledged revenues in the following order of priority:

1. Payments for operation and maintenance express incurred.
2. Payments for debt service on notes.
3. Payments into the Reserve Account.

TOWN OF HULBERT, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

Note E – Enterprise Funds (Hulbert Public Works Authority) – cont'd

Revenue Bonds are summarized as follows:

Utility System Refunding and Revenue Bonds, Series 2009:

RECD:

Interest @ 4.15 -5.6%

\$3,320,000

TOWN OF HULBERT, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

Note E – Enterprise Fund (Hulbert Public Works Authority) - cont'd

	<u>Balance at</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at</u> <u>June 30, 2011</u>
Total notes payable	<u>\$ 3,425,000</u>	<u>-</u>	<u>105,000</u>	3,320,000
Less current portion				<u>(110,000)</u>
Long-term portion, notes payable				<u>\$3,210,000</u>

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>
2012	\$ 110,000
2013	115,000
2014	120,000
2015	125,000
2016	130,000
2017-2020	600,000
2021-2024	720,000
2025-2029	<u>1,400,000</u>
Totals	<u>\$ 3,320,000</u>

Note F – Litigation

The Town had no known pending lawsuits against it as of June 30, 2011. In the event that the 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

TOWN OF HULBERT, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

Note G – Collateral pledge – cont'd

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, 2011, are categorized to give an indication of the level of risk assumed by the Town’s at year-end.

Investments – The Town’s investments consist of a savings account and a certificate of deposit at June 30, 2011. The investments are categorized to give an indication of the level of risk assumed by the Town.

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.

Deposit Categories of Credit Risk

	Category			Bank Balance	Carrying Amount
	(A)	(B)	(C)		
	\$				
Cash	178,311	1,184,090	-	1,362,401	1,362,401
Investments	188,612	-	-	188,612	188,612
	\$				
Totals	<u>366,923</u>	<u>1,184,090</u>	<u>-</u>	<u>1,551,013</u>	<u>1,551,013</u>

Note: Cash on hand of \$500.00 is not included in these totals.

Note H – Accumulated Unpaid Vacation and Sick Pay

At June 30, 2011, no determination of the aggregate dollar value of vacation or sick pay had been made.

TOWN OF HULBERT, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

Note I – Contributed Capital

Contributed capital of \$ 1,472,921 consists of grant funds that were previously awarded to the Public Works Authority to assist in water and sewer improvements. However, GASB Statement 34 eliminated the use of this term. This amount is now included in Unrestricted Fund Balance.

Note J – 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 \$1,320.

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 payroll for employees covered by the OMRF for the year ended June 30, 2011, was \$ 328,933. The Town’s total payroll was \$337,461.

Group	June 30, 2011
Retirees and beneficiaries	
Currently receiving benefits	2
Vested terminated employees	1
Active employees:	
Fully vested	3
Nonvested	8

Employees attaining age 65 or completion of 10 years service, if later, are entitled to 1.5% of final average compensation as defined in the plan, multiplied by the number of years of credited service. The plan permits early retirement at the age of 55 and the completion of 10 years of service. If benefit payments are to begin before age 65, the amount of benefit will be actuarially reduced.

Active years of service will be entitled to a disability benefit based on average salary and service as of the date of disability, but without actuarial reduction for payments beginning prior to normal retirement age if the employee is also eligible for disability benefit from social security.

TOWN OF HULBERT, OF OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

Note J – Employee Retirement System – cont’d

Description of funding policy – cont’d

Oklahoma Municipal Retirement Fund  
Employee Retirement System of Hulbert, Oklahoma

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Value of	Asset Valuation Basis	Actuarial Accrued Liability (AAL)	Type	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage Of Covered Payroll
1/1/2002	8,970	Actuarial	211,701	EAN	202,731	4.2%	248,458	84.6%
1/1/2003	31,424	Actuarial	224,595	EAN	193,181	14.0%	232,950	82.9%
1/1/2004	54,427	Actuarial	238,826	EAN	184,400	22.8%	214,611	85.9%
1/1/2005	75,940	Actuarial	203,873	EAN	127,933	37.2%	140,732	90.9%
1/1/2006	104,791	Actuarial	248,823	EAN	143,833	42.1%	223,193	64.4%
1/1/2007	137,230	Actuarial	284,146	EAN	146,915	48.3%	277,946	52.9%
1/1/2008	171,225	Actuarial	293,787	EAN	122,562	58.3%	283,903	43.2%
1/1/2009	195,393	Actuarial	318,437	EAN	123,044	61.4%	338,132	36.4%
1/1/2010	227,350	Actuarial	346,202	EAN	118,852	65.7%	301,983	39.4%
1/1/2011	263,001	Actuarial	457,820	EAN	194,819	57.4%	318,575	61.2%

Note K – 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.

The Town of Hulbert participated in a risk pool for Workers’ Compensation coverage in which there is a transfer or pooling of risks among the participants of that pool. In accordance with GASB No. 10, the Town reports the required contribution to the pool, net of refunds, as insurance expense. The risk pool is the Oklahoma Municipal Assurance Group (OMAG), an organization formed to provide workers’ compensation coverage to its participants. The plan is responsible for providing loss control services and certain fiscal activities including obtaining underwriting, excess insurance agreements, claims processing and legal defense for any and all claims submitted by the Town during the plan year. The Town pays fees to the plan according to an established payment schedule. Participants have a right to the return of any loss funds set aside for claims, which have not been paid out as benefits. All funds earn interest.

Note L – Subsequent Events

Subsequent events have been evaluated through the financial statement issuance date of December 28, 2011, with no items noted for reporting.

TOWN OF HULBERT, OF OKLAHOMA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2011

Note N – Prior Period Adjustments

Prior period adjustments reflect an overall set of corrections to beginning balances. The details are presented below.

	Debit	Credit
Liability corrections, beginning balance	\$185,709	
Investment adjustments, beginning balance	118,963	
Fixed assets adjustments, beginning balances	420,283	
Accounts payable & accruals, beginning balances		\$117,796
Fund balance reclassifications and adjustments		86,797
Notes payable adjustments, beginning balance		37,500
Long term debt correction, beginning balance		<u>155,956</u>
Totals	<u>\$724,955</u>	<u>\$398,049</u>
	\$724,955	
	<u>(398,049)</u>	
Prior period adjustment	<u>\$326,906</u>	

**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, 2011

	GENERAL FUND			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Fund Balance, beginning of year	\$ 80,000	\$ 80,000	\$ 56,942	\$ 23,058
Revenues				
Sales tax	126,000	126,000	101,970	(9,464)
Franchise tax	2,320	2,320	2,159	161
Alcoholic beverage tax	4,500	4,500	4,950	(450)
Licenses and permits	250	250	167	83
Grant proceeds	8,200	8,200	12,789	(4,589)
LREC	10,000	10,000		10,000
Fines and forfeitures	60,000	60,000	60,839	(839)
Fire	1,500	1,500	1,310	190
Interest	375	375	413	(38)
Total Revenues	213,145	213,145	184,597	28,548
Expenditures				
General government	112,262	112,262	122,752	(10,490)
Police	227,600	227,600	136,695	90,905
Fire	16,400	16,400	12,761	3,639
Capital outlay -LREC Park	250	250	427	(177)
Total Expenditures	356,512	356,512	272,635	83,877
Excess of revenues over (under) expenditures before other sources (uses) of funds	(63,367)	(63,367)	(31,096)	(32,271)
Other financing sources (uses):				
Operating transfers in-HPWA	63,367	63,367	100,000	36,633
Total other financing sources (uses)	63,367	63,367	100,000	36,633
Fund balances - end of period	\$ -	\$ -	\$ 68,904	\$ 4,362

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

TOWN OF HULBERT  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL - BUDGETED SPECIAL REVENUE FUNDS  
 FOR YEAR ENDED JUNE 30, 2011

	STREET AND ALLEY FUND			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Fund Balance, beginning of year	\$ 37,202	\$ 37,202	\$ 37,201	\$ 1
Revenues				
Commercial vehicle tax	3,700	3,700	3,884	(184)
Gasoline excise tax	1,020	1,020	1,520	(500)
Interest	50	50	47	3
Total Revenues	4,770	4,770	5,451	(681)
Expenditures paid:				
Personal services	-	-	-	-
Maintenance and operation	41,972	41,972	5,927	36,045
Capital outlay	-	-	-	-
Total Expenditures	41,972	41,972	5,927	36,045
Excess of revenues over/(under) expenses before adjustments to prior year encumbrances	\$ -	\$ -	36,725	\$ (36,725)
Other financing sources (uses):				
Lease purchase proceeds			-	
Total other financing sources (uses)			-	
Fund balances, end of period			\$ 36,725	

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, 2011

	SPECIAL PROJECTS - CDBG FUND			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Fund Balance, beginning of year	\$ 5,697	\$ 5,697	\$ 5,697	\$ -
Revenues				
Taxes	-	-	-	-
Interest	-	-	15	15
Total Revenues	-	-	15	15
Expenditures paid:				
Personal services	-	-	-	-
Maintenance and operation	-	-	-	-
Capital outlay	5,697	5,697	-	5,697
Total Expenditures	5,697	5,697	-	5,697
Excess of revenues over (under) expenses before adjustments to prior year encumbrances	\$ -	\$ -		\$ 5,712
Other financing sources (uses)				
Lease purchase proceeds			-	
Total other financing sources (uses)			-	
Fund balances, end of period			\$ 5,712	

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

TOWN OF HULBERT  
 BUDGETARY COMPARISON SCHEDULE  
 SPECIAL PROJECTS - 2010 CDBG FUND  
 FOR YEAR ENDED JUNE 30, 2011

	2010 SPECIAL PROJECTS - CDBG FUND			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Fund Balance, beginning of year	\$ 65,482	\$ 65,482	\$ 65,482	\$ -
Revenues				
Grant proceeds	-	-	-	-
Interest	-	-	-	-
Total Revenues	-	-	-	-
Expenditures paid:				
Capital outlay	65,482	65,482	65,482	-
Total Expenditures	65,482	65,482	65,482	-
Excess of revenues over (under) expenses before adjustments to prior year encumbrances	\$ -	\$ -	-	\$ -
Lease purchase proceeds			-	
Other financing sources (uses)				
Total other financing sources (uses)			-	
			\$ -	
Fund balances, end of period				

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  
 BUDGET AND ACTUAL  
 FOR YEAR ENDED JUNE 30, 2011

	SPECIAL PROJECTS CDBG	2010 CDBG	STREET AND ALLEY	TOTALS
<u>ASSETS</u>				
Cash and cash	\$ 5,712	\$ -	\$ 37,220	\$ 42,932
Accounts receivable	-	-	135	135
Total Assets	<u>\$ 5,712</u>	<u>\$ -</u>	<u>\$ 37,355</u>	<u>\$ 43,067</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts payable	\$ -	\$ -	\$ 630	\$ 630
Fund Balances				
Reserved for special purpose	-	-	36,725	36,725
Unreserved	5,712	-	-	5,712
Total fund balances	<u>5,712</u>	<u>-</u>	<u>36,725</u>	<u>42,437</u>
Total Liabilities and Fund Balances	<u>\$ 5,712</u>	<u>\$ -</u>	<u>\$ 37,355</u>	<u>\$ 43,067</u>

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

TOWN OF HULBERT  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR YEAR ENDED JUNE 30, 2011

	SPECIAL PROJECTS CDBG	SPECIAL PROJECTS 2010 CDBG	STREET AND ALLEY	TOTALS
Revenues				
Taxes	\$ -	\$ -	\$ 5,405	\$ 5,405
Interest earnings	15	-	46	61
Total revenues	<u>15</u>	<u>-</u>	<u>5,451</u>	<u>5,466</u>
Expenditures				
Maintenance and operation	-	-	5,298	5,298
Capital outlay	-	65,482	-	65,482
Total expenditures	<u>-</u>	<u>65,482</u>	<u>5,298</u>	<u>70,780</u>
Excess (deficiency) of revenues over expenses	15	(65,482)	153	(65,314)
Other financing sources (uses)				
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	15	(65,482)	153	(65,314)
Fund balances, beginning of year	<u>5,697</u>	<u>65,482</u>	<u>37,202</u>	<u>108,381</u>
Fund balances, end of year	<u>\$ 5,712</u>	<u>\$ -</u>	<u>\$ 37,220</u>	<u>\$ 43,067</u>

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

TOWN OF HULBERT, OKLAHOMA  
STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY  
FIDUCIARY FUND - MUNICIPAL COURT  
June 30, 2011

ASSETS

Cash and demand deposits	<u>\$ 16,470</u>
Total Assets	<u><u>\$ 16,470</u></u>

LIABILITIES AND FUND EQUITY

Liabilities	<u>\$ -</u>
Fund equity	
Cash Fund Balance - Restricted	<u>16,470</u>
Total Fund Equity	<u>16,470</u>
Total Liabilities and Fund Equity	<u><u>\$ 16,470</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, 2011

<u>REVENUES</u>	
Bond refunds	\$ 67,833
Interest Income	90
	67,923
Total revenues	67,923
<u>EXPENDITURES</u>	
Cleet	5,210
Fingerprint fee	5,598
Fines and bonds refunded	56,878
Miscellaneous	382
	68,068
Total expenditures	68,068
Excess of revenue over/(under) expenses	(145)
Fund balance - beginning of year	16,615
	16,615
Fund balance - end of year	\$ 16,470
	16,470

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

# SAMUEL S. ALEXANDER

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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, 2011, and have issued my report thereon dated December 28, 2011. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, I performed test of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such opinion. The results of my tests disclosed no instances on noncompliance that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of noncompliance that I have reported to the management of the Town in a separate letter dated December 28, 2011.

### Internal Control Over Financial Reporting

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weakness. However, I believe that 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 28, 2011  
Wagoner, Oklahoma

TOWN OF HULBERT, OKLAHOMA  
DISPOSITION OF PRIOR YEAR'S REPORTABLE CONDITIONS  
JUNE 30, 2011

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.

TOWN OF HULBERT, OKLAHOMA  
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2011

Section 1 – Summary of Auditor’s Results

1. A qualified opinion was issued on the financial statements with respect to generally accepted accounting standards.
2. The audit disclosed a reportable condition in the internal controls, which 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.