

**Town of Hulbert, Oklahoma**

**Annual Financial Statements and Accompanying  
Independent Auditor's Reports**

**June 30, 2016**

**Samuel S Alexander  
Certified Public Accountant**

Town of Hulbert, Oklahoma

June 30, 2016

**BOARD OF TRUSTEES**

Mayor

Shirley Teague

Members

Kenneth Fore

George Truitt

Clerk/Treasurer

Leona Welch

Public Works Superintendent

Justin Hamby

Town Attorney

Scott B. Goode

Town of Hulbert, Oklahoma  
June 30, 2016

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Town of Hulbert, Oklahoma  
June 30, 2016

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SAMUEL S. ALEXANDER  
Certified Public Accountant

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304 South Hayes  
Wagoner, Oklahoma 74467  
918.485.2733 – Facsimile 918.485.3666  
E-mail: [ndncpa@samuelalexandercpa.com](mailto:ndncpa@samuelalexandercpa.com)

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, 2016 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 risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Basis for Qualified Opinion on Governmental Activities**

As discussed in Note A, the financial statements referred to above do not include complete 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 balance, 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 Opinion on Governmental Activities", the financial statements referred to above present fairly, in all material respects, the financial position of the Town of Hulbert, Oklahoma, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Management has elected to omit Management's Discussion and Analysis. Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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, Oklahoma'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 related 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 October 6, 2016, 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. 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.

November 28, 2016  
Wagoner, Oklahoma

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

TOWN OF HULBERT, OKLAHOMA  
STATEMENT OF NET ASSETS  
JUNE 30, 2016

	<u>Governmental Activities</u>	<u>Business -Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 129,522	\$ 1,880,620	\$ 2,010,142
Accounts receivable	26,015	83,784	109,799
Prepaid insurance	12,358	28,744	41,102
Capital assets:	-	-	-
Land	-	104,500	104,500
Property, plant & equipment	1,008,409	2,841,854	3,850,263
 Total Assets	 <u>1,176,304</u>	 <u>4,939,502</u>	 <u>6,115,806</u>
<u>LIABILITIES</u>			
Accounts payable	23,328	173,770	197,098
Customer deposits payable	-	156,141	156,141
Notes payable-current	-	140,000	140,000
Notes payable-long term	147,476	2,575,000	2,722,476
 Total Liabilities	 <u>170,804</u>	 <u>3,044,911</u>	 <u>3,215,715</u>
<u>NET ASSETS</u>			
Unrestricted	(2,909)	1,284,749	1,281,840
Restricted	1,008,409	600,509	1,608,918
 Total Net Assets	 <u>\$ 1,005,500</u>	 <u>\$ 1,885,258</u>	 <u>\$ 2,890,758</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, 2016

	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business Type Activities	TOTALS
Functions/Programs						
Primary Government:						
General Government	\$ (156,819)	\$ 194	\$ -	\$ (156,625)	\$ -	\$ (156,625)
Grant CDBG expenditures	(249,999)		249,999	-	-	-
Public Safety	(265,858)	110,321	30,732	(124,805)	-	(124,805)
Total government activities	(672,676)	110,515	280,731	(281,430)	-	(281,430)
Business - Type Activities:						
Water, Sewer, Gas & Trash	(1,463,829)	\$ 1,727,375	48,558	-	312,104	312,104
Debt Service	(144,002)	-		-	(144,002)	(144,002)
New Service		14,935		-	14,935	14,935
Penalties		44,485		-	44,485	44,485
Depreciation - unallocated	(202,611)			-	(202,611)	(202,611)
Total business - type activities	(1,810,442)	1,786,795	48,558	-	24,911	24,911
Totals	\$ (2,483,118)	\$ 1,897,310	\$ 329,289	(281,430)	24,911	(256,519)
General revenues						
Taxes:						
Sales tax				209,182		209,182
Gasoline tax				1,176		1,176
Franchise tax				665		665
Alcoholic beverage tax				5,430		5,430
Commercial vehicle tax				4,357		4,357
Rent revenue					1,800	1,800
Miscellaneous				631	26,187	26,818
Interest				528	6,159	6,687
Transfers - internal activity				109,333	(109,333)	-
Total general revenues and transfers				331,302	(75,187)	256,115
Changes in net assets				49,872	(50,276)	(404)
Net assets, beginning of period				955,628	1,935,534	2,891,162
Net assets, end of period				\$ 1,005,500	\$ 1,885,258	\$ 2,890,758

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

**FUND FINANCIAL STATEMENTS**

TOWN OF HULBERT, OKLAHOMA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

	<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	\$ 120,997	\$ 2,720	\$ 5,805	\$ 129,522
Accounts receivable	25,555	460		26,015
Prepaid Insurance	<u>12,358</u>	<u>-</u>	<u>-</u>	<u>12,358</u>
Total Assets	<u>\$ 158,910</u>	<u>\$ 3,180</u>	<u>\$ 5,805</u>	<u>167,895</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts payable	\$ 22,096	\$ 1,232	\$ -	23,328
Note payable	<u>147,476</u>	<u>-</u>	<u>-</u>	<u>147,476</u>
Total liabilities	<u>169,572</u>	<u>1,232</u>	<u>-</u>	<u>170,804</u>
Fund Balances-				
Unreserved	(10,662)	-	-	(10,662)
Reserved for special purpose	<u>-</u>	<u>1,948</u>	<u>5,805</u>	<u>7,753</u>
Total Fund Balance	<u>(10,662)</u>	<u>1,948</u>	<u>5,805</u>	<u>(2,909)</u>
Total Liabilities and Fund Balances	<u>\$ 158,910</u>	<u>\$ 3,180</u>	<u>\$ 5,805</u>	
Net Assets of Governmental Activities				(2,909)
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 \$1,008,409.				
There is no accumulated depreciation.				
				<u>1,008,409</u>
Net Assets of Governmental Activities				<u>\$ 1,005,500</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 FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Street and Alley Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 215,277	\$ 5,533	\$ -	\$ 220,810
License and permits	194			194
Fines and forfeitures	109,821			109,821
Grant - CDBG	249,999			249,999
Grants - other	30,732	-	-	30,732
Fire runs	500			500
Miscellaneous	631			631
Interest earnings	464	49	15	528
Total revenues	<u>\$ 607,618</u>	<u>\$ 5,582</u>	<u>15</u>	<u>\$ 613,215</u>
Expenditures:				
General government	129,109	22,396		151,505
Grant - CDBG-expenditures	249,999			249,999
Public safety:				
Police	248,843		-	248,843
Fire	17,015	-	-	17,015
Interest expense	5,314			5,314
Capital outlay	68,956		-	68,956
Total expenditures	<u>719,236</u>	<u>22,396</u>	<u>-</u>	<u>741,632</u>
Excess (deficiency) of revenues over expenditures	(111,618)	(16,814)	-	(128,417)
Other Financing sources (Uses):				
Operating transfers in/(out) - HPWA	109,333	-	-	109,333
Total Other Financing Sources (Uses)	<u>109,333</u>	<u>-</u>	<u>-</u>	<u>109,333</u>
Excess (deficiency) of revenue over expenditures and other financing sources (uses)	(2,285)	(16,814)	-	(19,084)
Fund balances - beginning of year	<u>(8,377)</u>	<u>18,762</u>	<u>5,790</u>	<u>16,175</u>
Fund balances - end of year	<u>\$ (10,662)</u>	<u>\$ 1,948</u>	<u>\$ 5,805</u>	<u>\$ (2,909)</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, 2016

Net change in fund balances - governmental funds \$ (19,084)

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 business type 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 - 2015-2016	68,956
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Changes in net assets of governmental activities	\$ 49,872
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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, 2016

	<u>Public Works Authority Enterprise Fund</u>
<u>ASSETS</u>	
Current assets:	
Cash	\$ 941,499
Restricted cash	600,509
Investment - Certificates of Deposit	329,279
Accounts receivable	83,784
Prepaid insurance	28,744
Total current assets	<u>1,983,815</u>
 Non-current assets:	
Land	104,500
Property, plant & equipment (net)	2,841,854
Total non-current assets	<u>2,946,354</u>
 Total Assets	 4,930,169
 <u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	173,770
Customer deposits payable	156,141
Current portion of long-term liabilities	140,000
Total current liabilities	<u>469,911</u>
 Noncurrent liabilities:	
Long-term liabilities	<u>2,575,000</u>
 Total Liabilities	 <u>3,044,911</u>
 <u>NET ASSETS</u>	
Unrestricted	1,284,749
Restricted for other purposes	219,119
Restricted for debt service	381,390
 Total Net Assets	 <u><u>\$ 1,885,258</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 NET ASSETS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	Public Works Authority Enterprise Fund
Operating Revenues:	
Charges for services:	
Utilities - water, sewer, trash, gas	\$ 1,727,375
Penalties	44,485
Rent revenue	1,800
Miscellaneous	26,187
New service	14,935
Grant	48,558
Total revenues collected	1,863,340
 Operating Expenses:	
Personnel compensation and burden	430,516
Materials and supplies	995,085
Other services and charges	38,228
Depreciation	202,611
Total non-current assets	1,666,440
 Operating Income (Loss)	196,900
 Non-Operating Revenues (Expenses):	
Investment income	6,159
Interest expense	(144,002)
Total Non-Operating Revenues (Expenses)	(137,843)
 Net Income (Loss) Before Contributions and Transfers	59,057
 Transfer out	(109,333)
 Change in net assets	(50,276)
 Total net assets - beginning	1,935,534
 Total net assets - ending	\$ 1,885,258

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, 2016

	Public Works Authority Enterprise Fund
Cash Flows from Operating Activities:	
Receipts from customers	\$ 1,850,250
Payments to employees	(430,516)
Payments to suppliers	(968,719)
Net Cash Provided by Operating Activities	<u>451,015</u>
Cash Flows from Noncapital Financing Activities:	
Decrease in prepaid insurance	4,805
Increase in customer deposits	925
Transfers to other funds	(109,333)
	<u>(103,603)</u>
Cash Flows from Capital and Related Financing Activities	
Purchases of capital assets	(376,775)
Principal paid on debt	(135,000)
Interest paid on debt	(144,002)
Net Cash Provided(used by) Capital and Related Financing Activities	<u>(655,777)</u>
Cash Flows from Investing Activities	
Interest on investments	<u>6,159</u>
Net increase (decrease) in cash and cash equivalents	(302,206)
Balance - beginning of period	<u>2,173,493</u>
Balance - end of period	<u>\$ 1,871,287</u>
Reconciliation of operating income (loss) to net cash provided by	
Operating activities:	
Operating income (loss)	196,900
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	<u>202,611</u>
Change in assets and liabilities:	
Increase in accounts receivable	(13,090)
Increase in accounts payable	<u>64,594</u>
Net cash provided by operating activities	<u>\$ 451,015</u>

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

**NOTES TO FINANCIAL STATEMENTS**

TOWN OF HULBERT, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

Note A – Summary of Significant Accounting Policies

The Town of Hulbert, Oklahoma, is a “Statutory Town Government” under Title 11, 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 it’s 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 Trustee’s, 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, Oklahoma. 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, 2016

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, 2016

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, 2016

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, 2016

Note B – Capital Assets

Capital asset activity, resulting from accrual basis transactions, for the fiscal year ended June 30, 2016, was as follows: (continued)

Capital asset activity for the year ended June 30, 2016 is presented below.

	Balance at June 30, 2015	Additions	Deductions	Balance at June 30, 2016
Governmental activities:				
Machinery and equipment	\$ 614,777	\$ 959	\$ -	\$ 615,736
Park	112,000	19,439		131,439
Building	163,865	\$ 48,558		212,423
Streets	105,311			105,311
Total governmental activities	<u>\$ 939,453</u>	<u>\$ 68,956</u>	<u>\$ -</u>	<u>\$ 1,064,909</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 104,500	\$ -	\$ -	\$ 104,500
Other capital assets:				
Utility property and improvements	7,822,303	403,575	-	8,225,878
Less accumulated depreciation for:				
Utility property and improvements	<u>(5,181,413)</u>	<u>(202,611)</u>	<u>-</u>	<u>(5,384,024)</u>
Business-type activities capital assets, net	<u>\$ 2,772,190</u>	<u>\$ 200,964</u>	<u>\$ -</u>	<u>\$ 2,946,354</u>

TOWN OF HULBERT, OKLAHOMA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2016

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 Fund – 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% \$2,715,000

	<u>Balance at</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at</u> <u>June 30,2016</u>
Total notes payable	<u>\$ 2,850,000</u>	<u>-</u>	<u>135,000</u>	2,715,000
Less current portion				<u>(140,000)</u>
Long-term portion, notes payable				<u>\$2,575,000</u>

TOWN OF HULBERT, OKLAHOMA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2016

Note E – Enterprise Fund - Hulbert Public Works Authority – Continued

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>
2016	140,000
2017	145,000
2018	150,000
2019-2023	880,000
2024-2029	<u>1,400,000</u>
Totals	<u>\$ 2,715,000</u>

Note F – Litigation

The Town had no known pending litigation as of June 30, 2016. 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, 2016, 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, 2016

Note G – Collateral Pledged – Continued

Deposit Categories of Credit Risk

	Category			Bank Balance	Carrying Amount
	(A)	(B)	(C)		
Cash	\$ 250,000	850,000	1,236,307	2,450,857	2,336,307

Cash on hand of \$800.00 is not included in these totals.

Note H – Accumulated Unpaid Vacation and Sick Pay

At June 30, 2016, 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 \$13,327.

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 \$492,921.

Group	June 30, 2016
Retirees and beneficiaries	
Currently receiving benefits	3
Vested terminated employees	1
Active employees:	
Fully vested	3
Nonvested	9

TOWN OF HULBERT, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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 October 6, 2016, 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, 2016

	GENERAL FUND			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Fund Balance, beginning of year	\$ (8,377)	\$ (8,377)	\$ (8,377)	\$ -
Revenues				
Sales tax	200,500	200,500	209,182	8,682
Franchise tax	650	650	665	15
Alcoholic beverage tax	5,000	5,000	5,430	430
Licenses and permits	200	200	194	(6)
Fire department grant	4,500	4,500	4,290	(210)
Cherokee/UKB grant	149,000	149,000	15,000	(134,000)
REAP grant	-	-	11,442	11,442
CDBG grant	250,000	250,000	249,999	(1)
LREC grant	10,000	10,000	-	(10,000)
Fines and forfeitures	100,500	100,500	109,821	9,321
Fire runs	800	800	500	(300)
Miscellaneous	1,000	1,000	631	(369)
Interest	350	350	464	114
Operating transfers in-HPWA	100,000	100,000	109,333	9,333
Total Revenues	822,500	822,500	716,951	(105,549)
Expenditures				
General government	508,445	430,451	154,821	275,630
CDBG grant expenditures	-	249,999	249,999	-
REAP grant expenditures	-	48,558	48,558	-
Police	283,800	314,360	248,843	65,517
Fire	40,150	43,200	17,015	26,185
Total Expenditures	832,395	1,086,568	719,236	367,332
Excess of revenues over (under) expenditures before other sources (uses) of funds	(9,895)	(264,068)	(2,285)	\$ 261,783
Fund balances - end of period			\$ (10,662)	

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

**OTHER SUPPLEMENTARY INFORMATION**

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, 2016

	STREET AND ALLEY FUND			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Fund Balance, beginning of year	\$ 18,762	\$ 18,762	\$ 18,762	\$ -
Revenues				
Commercial vehicle tax	4,400	4,400	4,357	(43)
Gasoline excise tax	1,100	1,150	1,176	26
CNE Street Lights Fund	2,000	-	-	-
Interest	75	50	49	(1)
Total Revenues	7,575	5,600	5,582	(18)
Expenditures paid:				
Maintenance and operation	13,700	27,500	22,396	5,104
Total Expenditures	13,700	27,500	22,396	5,104
Excess of revenues over/(under) expenses before adjustments to prior year encumbrances	\$ (6,125)	\$ (21,900)	(16,814)	\$ 5,086
Fund balances, end of period			\$ 1,948	

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, 2016

	SPECIAL PROJECTS - CDBG FUND			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Fund Balance, beginning of year	\$ 5,790	\$ 5,790	\$ 5,790	\$ -
Revenues				
Taxes				
Interest	-	-	15	15
Total Revenues	-	-	15	15
Expenditures paid:				
Personal services				
Maintenance and operation				
Capital outlay	-	-	-	-
Total Expenditures	-	-	-	-
Excess of revenues over (under) expenses before adjustments to prior year encumbrances	\$ -	\$ -	15	15
Fund balances, end of period			\$ 5,805	

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

TOWN OF HULBERT  
 COMBINED BALANCE SHEET - SPECIAL REVENUE FUNDS  
 FOR YEAR ENDED JUNE 30, 2016

	SPECIAL PROJECTS	STREET AND ALLEY	TOTALS
ASSETS			
Cash and cash equivalents	\$ 5,805	\$ 2,720	\$ 8,525
Accounts receivable	-	460	460
Total Assets	\$ 5,805	\$ 3,180	\$ 8,985
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	-	1,232	1,232
Fund Balances			
Reserved for special purpose	5,805	1,948	7,753
Unreserved	-	-	-
Total fund balances	5,805	1,948	7,753
Total Liabilities and Fund Balances	\$ 5,805	\$ 3,180	\$ 8,985

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, 2016

	<u>SPECIAL PROJECTS CDBG</u>	<u>STREET AND ALLEY</u>	<u>TOTALS</u>
Revenues			
Taxes	\$ -	\$ 5,533	\$ 5,533
Interest earnings	<u>15</u>	<u>49</u>	<u>64</u>
Total revenues	<u>15</u>	<u>5,582</u>	<u>5,597</u>
Expenditures			
Maintenance and operation	-	22,396	22,396
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>22,396</u>	<u>22,396</u>
Excess (deficiency) of revenues over expenses	15	(16,814)	(16,799)
Other financing sources (uses)			
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	15	(16,814)	(16,799)
Fund balances, beginning of year	<u>5,790</u>	<u>18,762</u>	<u>24,552</u>
Fund balances, end of year	<u>\$ 5,805</u>	<u>\$ 1,948</u>	<u>\$ 7,753</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, 2016

ASSETS

Cash and demand deposits	<u>\$ 18,069</u>
 Total Assets	 <u><u>\$ 18,069</u></u>

LIABILITIES AND FUND EQUITY

Liabilities	<u>\$ -</u>
 Fund equity	
Cash Fund Balance - Restricted	<u>18,069</u>
 Total Fund Equity	 <u>18,069</u>
 Total Liabilities and Fund Equity	 <u><u>\$ 18,069</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, 2016

<u>REVENUES</u>	
Bond refunds	\$ 127,648
Interest Income	<u>64</u>
Total revenues	<u>127,712</u>
<u>EXPENDITURES</u>	
CLEET	6,149
Fingerprint fee	6,662
Fines and bonds refunded	111,602
Miscellaneous	<u>1,674</u>
Total expenditures	<u>126,087</u>
Excess of revenue over/(under) expenses	1,625
Fund balance - beginning of year	<u>16,444</u>
Fund balance - end of year	<u><u>\$ 18,069</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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304 South Hayes  
Wagoner, Oklahoma 74467  
918.485.2733 – Facsimile 918.485.3666  
E-mail: [ndncpa@samuelalexandercpa.com](mailto:ndncpa@samuelalexandercpa.com)

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT*  
*AUDITING STANDARDS*

To the Mayor and Board of Trustees  
Hulbert, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Town of Hulbert, Oklahoma (the Town) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Hulbert, Oklahoma's basic financial statements, and have issued my report thereon dated November 28, 2016.

**Internal Control over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the Town of Hulbert, Oklahoma's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Hulbert, Oklahoma's internal control. Accordingly, I do not express an opinion on the effectiveness of the Town of Hulbert, Oklahoma's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses.

However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Hulbert, Oklahoma's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

November 28, 2016  
Wagoner, Oklahoma