

**Town of Hulbert, Oklahoma**

Annual Financial Statements and Accompanying  
Independent Auditor's Reports

June 30, 2019

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

Town of Hulbert, Oklahoma

June 30, 2019

**BOARD OF TRUSTEES**

Mayor

Shirley Teague

Members

James Morgan

George Truitt

Clerk/Treasurer

Leona Welch

Public Works Superintendent

Justin Hamby

Town Attorney

Scott B. Goode

Town of Hulbert, Oklahoma  
June 30, 2019

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Town of Hulbert, Oklahoma  
June 30, 2019

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SAMUEL S. ALEXANDER  
Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hulbert, Oklahoma, (the Town) as of, and for the year ended June 30, 2019 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, 2019, 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, 2019, 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 January 10, 2020, 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.

A handwritten signature in black ink, appearing to read "S. J. O'Neil CPA". The signature is written in a cursive style with a long horizontal line extending to the left.

January 10, 2020  
Wagoner, Oklahoma

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**



TOWN OF HULBERT, OKLAHOMA  
STATEMENT OF NET ASSETS  
JUNE 30, 2019

	<u>Governmental Activities</u>	<u>Business -Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 131,690	\$ 2,312,389	\$ 2,444,079
Accounts receivable	25,710	89,325	115,035
Prepaid insurance	15,043	37,441	52,484
Capital assets:	-		-
Land	-	104,500	104,500
Property, plant & equipment	<u>1,100,599</u>	<u>2,427,863</u>	<u>3,528,462</u>
 Total Assets	 <u>1,273,042</u>	 <u>4,971,518</u>	 <u>6,244,560</u>
 <b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred resources related to pensions	<u>37,712</u>	<u>64,444</u>	<u>102,156</u>
 Total	 <u>1,310,754</u>	 <u>5,035,962</u>	 <u>6,346,716</u>
 <b>LIABILITIES</b>			
Accounts payable	34,060	183,076	217,136
Net pension liability	118,197	193,622	311,819
Customer deposits payable	-	169,081	169,081
Notes payable-current	-	160,000	160,000
Notes payable-long term	<u>128,740</u>	<u>2,120,000</u>	<u>2,248,740</u>
 Total Liabilities	 <u>280,997</u>	 <u>2,825,779</u>	 <u>3,106,776</u>
 <b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred resources related to pensions	<u>19,063</u>	<u>29,444</u>	<u>48,507</u>
 Total	 <u>300,060</u>	 <u>2,855,223</u>	 <u>3,155,283</u>
 <b>NET ASSETS</b>			
Unrestricted	(89,905)	1,516,445	1,426,540
Restricted	<u>1,100,599</u>	<u>664,294</u>	<u>1,764,893</u>
 Total Net Assets	 <u><u>\$ 1,010,694</u></u>	 <u><u>\$ 2,180,739</u></u>	 <u><u>\$ 3,191,433</u></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, 2019

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business Type Activities	TOTALS
Primary Government:						
General Government	\$ 145,566	\$ 1,356	\$ 26,162	\$ (118,048)	\$ -	\$ (118,048)
Grant CDBG expenditures	-	-	-	-	-	-
Public Safety	303,986	88,841	4,000	(211,145)	-	(211,145)
Total government activities	449,552	90,197	30,162	(329,193)	-	(329,193)
Business - Type Activities:						
Water, Sewer, Gas & Trash	1,437,874	\$ 1,960,479	25,000	-	547,605	547,605
Debt Service	122,212	-	-	-	(122,212)	(122,212)
Cherokee Nation County Line	-	317,906	-	-	317,906	317,906
New Service	-	9,510	-	-	9,510	9,510
Penalties	-	43,631	-	-	43,631	43,631
Depreciation - unallocated	217,407	-	-	-	(217,407)	(217,407)
Total business - type activities	1,777,493	2,331,526	25,000	-	579,033	579,033
Totals	\$ 2,227,045	\$ 2,421,723	\$ 55,162	(329,193)	579,033	249,840
General revenues						
Taxes:						
Sales tax				220,070		220,070
Gasoline tax				1,065		1,065
Franchise tax				1		1
Alcoholic beverage tax				7,896		7,896
Commercial vehicle tax				3,847		3,847
Rent revenue					6,000	6,000
Miscellaneous				22,062	8,074	30,136
Interest				1,919	27,198	29,117
Transfers - internal activity				99,792	(99,792)	-
Total general revenues and transfers				356,652	(58,520)	298,132
Changes in net assets				27,459	520,513	547,972
Net assets, beginning of period				983,235	1,660,226	2,643,461
Net assets, end of period				\$ 1,010,694	\$ 2,180,739	\$ 3,191,433

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, 2019

	General Fund	Street and Alley Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash equivalents	\$ 109,224	16,585	5,881	131,690
Accounts receivable	25,293	417	-	25,710
Prepaid Insurance	15,043	-	-	15,043
Total Assets	149,560	17,002	5,881	172,443
<b>DEFERRED OUTFLOW OF RESOURCES</b>				
Deferred resources related to pensions	37,712	-	-	37,712
Total	187,272	17,002	5,881	210,155
<b>LIABILITIES</b>				
Accounts payable	34,060	-	-	34,060
Net pension liability	118,197	-	-	118,197
Note payable	128,740	-	-	128,740
Total liabilities	280,997	-	-	280,997
<b>DEFERRED INFLOW OF RESOURCES</b>				
Deferred resources related to pensions	19,063	-	-	19,063
Total	300,060	-	-	300,060
<b>FUND BALANCES</b>				
Restricted	-	17,002	5,881	22,883
Unrestricted	(112,788)	-	-	(112,788)
Total fund balance	(112,788)	17,002	5,881	(89,905)
Total Liabilities and Fund Balances	\$ 187,272	17,002	5,881	
Net Assets of Governmental Activities				(89,905)
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 \$1,100,599				1,100,599
There is no accumulated depreciation.				1,100,599
Net Assets of Governmental Activities				1,010,694

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, 2019

	General Fund	Street and Alley Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 227,966	4,912	-	232,878
License and permits	1,356			1,356
Fines and forfeitures	88,341			88,341
Grants	30,162	-	-	30,162
Fire runs	500			500
Miscellaneous	22,063	-		22,063
Interest earnings	1,665	216	38	1,919
Total revenues	\$ 372,053	5,128	38	377,219
Expenditures:				
General government	141,192	-		141,192
Public safety:				
Police	281,512		-	281,512
Fire	22,474	-	-	22,474
Interest expense	4,374			4,374
Capital outlay	30,353		-	30,353
Total expenditures	479,905	-	-	479,905
Excess (deficiency) of revenues over expend	(107,852)	5,128	38	-
Other Financing sources (Uses):				
Operating transfers in/(out) - HPWA	99,792	-	-	99,792
Total Other Financing Sources (Uses)	99,792	-	-	99,792
Excess (deficiency) of revenue over expenditures and other financing sources (uses)	(8,060)	5,128	38	(2,894)
Fund balances - beginning of year	(104,728)	11,874	5,843	(87,011)
Fund balances - end of year	\$ (112,788)	17,002	5,881	(89,905)

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, 2019

Net change in fund balances - governmental funds \$ (2,894)

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 - 2018-2019	30,353
Changes in net assets of governmental activities	\$ 27,459

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, 2019

	Public Works Authority Enterprise Fund
<b>ASSETS</b>	
Current assets:	
Cash	\$ 1,309,342
Restricted cash	414,294
Investment - Certificates of Deposit	338,753
Accounts receivable	89,325
Prepaid insurance	37,441
Capital assets	
Land	104,500
Property, plant & equipment (net)	2,427,863
Other assets	
Restricted cash	250,000
Total Assets	4,971,518
 <b>DEFERRED OUTFLOW OF RESOURCES</b>	
Deferred resources related to pensions	64,444
Total	5,035,962
 <b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	183,076
Net pension liability	193,622
Customer deposits payable	169,081
Current portion of long-term liabilities	160,000
Total current liabilities	705,779
Noncurrent liabilities:	
Long-term liabilities	2,120,000
Total Liabilities	2,825,779
 <b>DEFERRED INFLOW OF RESOURCES</b>	
Deferred resources related to pensions	29,444
Total	2,855,223
 <b>NET ASSETS</b>	
Unrestricted	1,516,445
Restricted for other purposes	241,392
Restricted for debt service	422,902
Total Net Assets	\$ 2,180,739

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, 2019

	Public Works Authority Enterprise Fund
Operating Revenues:	
Charges for services:	
Utilities - water, sewer, trash, gas	\$ 1,960,479
Penalties	43,631
Rent revenue	6,000
Cherokee Nation County line project	317,906
Miscellaneous	8,074
OWRB grant	25,000
New service	9,510
Total revenues collected	2,370,600
Operating Expenses:	
Personnel compensation and burden	401,182
Materials and supplies	985,670
Other services and charges	51,022
Depreciation	217,407
Total non-current assets	1,655,281
Operating Income (Loss)	715,319
Non-Operating Revenues (Expenses):	
Investment income	27,198
Interest expense	(122,212)
Total Non-Operating Revenues (Expenses)	(95,014)
Net Income (Loss) Before Contributions and Transfers	620,305
Transfer out	(99,792)
Change in net assets	520,513
Total net assets - beginning of year	1,660,226
Total net assets - end of year	\$ 2,180,739

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, 2019

	Public Works Authority Enterprise Fund
Cash Flows from Operating Activities:	
Receipts from customers	\$ 2,362,010
Payments to employees	(401,182)
Payments to suppliers	(1,059,693)
Net Cash Provided by Operating Activities	<u>901,135</u>
Cash Flows from Noncapital Financing Activities:	
Increase in prepaid insurance	(9,787)
Increase in customer deposits	3,077
Decrease in deferred outflows related to pensions	2,923
Increase in deferred inflows related to pensions	12,901
Transfers to other funds	(99,792)
	<u>(90,678)</u>
Cash Flows from Capital and Related Financing Activities:	
Purchases of capital assets net of disposals	(97,370)
Principal paid on debt	(150,000)
Interest paid on debt	(122,212)
Net Cash Provided(used by) Capital and Related Financing Activities	<u>(369,582)</u>
Cash Flows from Investing Activities:	
Interest on investments	<u>27,198</u>
Net increase (decrease) in cash and cash equivalents	468,073
Balance - beginning of period	<u>1,844,316</u>
Balance - end of period	<u>\$ 2,312,389</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	715,319
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	217,407
Change in assets and liabilities:	
Increase in accounts receivable	(8,590)
Increase in accounts payable	3,456
Decrease in net pension liability	(26,457)
Net cash provided by operating activities	<u>\$ 901,135</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, 2019

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 its will on the organization, or a financial benefit or burden relationship exists are considered to be component units.

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

The Hulbert Public Works Authority is presented as a blended component unit. The Authority is a public trust created under authority of and pursuant to the provisions of Title 60, Oklahoma Statutes, 2001, Section 176 to 180.03, for the use and benefit of the Town of Hulbert, 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 accounted for as an enterprise fund.

TOWN OF HULBERT, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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, 2019

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, 2019

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, 2019

Note B - Capital Assets

Capital asset activity for the year ended June 30, 2019 is presented below.

	<u>Balance at June 30, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2019</u>
Governmental activities:				
Machinery and equipment	\$ 617,073	\$ 30,353	\$ -	\$ 647,426
Park	135,439			135,439
Building	212,423			212,423
Streets	<u>105,311</u>			<u>105,311</u>
Total governmental activities	<u>\$ 1,070,246</u>	<u>\$ 30,353</u>	<u>\$ -</u>	<u>\$ 1,100,599</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 104,500	\$ -	\$ -	\$ 104,500
Other capital assets:				
Utility property and improvements	8,262,576	97,370		8,359,946
Less accumulated depreciation for:				
Utility property and improvements	<u>(5,714,676)</u>	<u>(217,407)</u>		<u>(5,932,083)</u>
Business-type activities capital assets, net	<u>\$ 2,652,400</u>	<u>\$(120,037)</u>	<u>\$ -</u>	<u>\$ 2,532,363</u>

TOWN OF HULBERT, OKLAHOMA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2019

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

	Balance at July 1, 2018	Additions	Retirements	Balance at June 30,2019
Total notes payable	<u>\$ 2,430,000</u>	<u>-</u>	<u>150,000</u>	2,280,000
Less current portion				<u>(160,000)</u>
Long-term portion, notes payable				<u>\$2,120,000</u>



TOWN OF HULBERT, OKLAHOMA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2019

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 (1) year and in (5) year increments thereafter:

	<u>Totals</u>
2019	160,000
2020-2023	1,040,000
2024-2029	<u>1,080,000</u>
Totals	<u>\$ 2,280,000</u>

Note F – Litigation

The Town had no known pending litigation as of June 30, 2019. 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, 2019, 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, 2019

Note G – Collateral Pledged – Continued

Deposit Categories of Credit Risk

	Category			Bank Balance	Carrying Amount
	(A)	(B)	(C)		
Cash	\$ 820,712	563,825	1,058,842	2,563,113	2,443,379

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

Note H – Employee Retirement System

The Town of Hulbert, Oklahoma is a party to a pension or retirement plan.

General Information about the Pension Plan

System of Hulbert, Oklahoma (ERS), provides pensions for all permanent full time employees of the Town. ERS is a single-employer defined benefit pension plan administered by the Oklahoma Municipal Retirement Fund (OkMRF). OkMRF is authorized by Oklahoma Statutes to pool funds for investment purposes. OkMRF issues a publicly available financial report that can be obtained at [www.okmrf.org](http://www.okmrf.org).

Benefits Provided

ERS provides retirement, disability and death benefits. Normal retirement benefits (accrued benefits) are calculated as 1.5% of final average compensation times the employee's years of credited service. Employees with 10 or more years of vesting service are eligible to retire at age 65. Early retirement eligibility begins with termination after age 55, with 10 or more years of vesting service, and these benefits equal the accrued benefit payable starting at normal retirement age, or the accrued benefit reduced 5% per year for commencement prior to normal retirement age. All employees are eligible for disability retirement benefits upon total and permanent disability after 10 or more years of service. Disability retirement benefits equal the accrued benefit upon disablement without reduction for years of service. In-service death benefits before vesting are the return of employee contributions with interest. In-service death benefits after vesting for married participants amount to 50% of the accrued benefit payable

TOWN OF HULBERT, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

Note H – Employee Retirement System-continued

to the spouse until death or remarriage. Other in-service death benefits after vesting amount to 50% of the accrued benefit payable for 5 years certain. An employee who leaves Town service before vesting receives a return of employee contributions with interest. An employee who leaves Town service after vesting receives the accrued benefit payable starting at normal retirement age, or a reduced benefit payable at early retirement age. The plan has not elected the automatic post-retirement cost of living adjustments.

Employees Covered by Benefit Terms

At July 1, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	2
Disabled employees currently receiving benefits	1
Active employees	<u>12</u>
	<u>18</u>

Contributions

OkMRF establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Town contributes the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 2019, the active employee contribution rate was 3.75% of annual pay, and the Town's average contribution rate was 9.83% of annual payroll.

Net Pension Liability

The Town's net pension liability was measured as of July 1, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total pension liability in the July 1, 2018 actuarial valuation is determined using the participant census and plan provisions in effect as of the measurement date. Service cost is the portion of the present value of projected benefit payments attributed to the measurement period, which is the twelve-month period ending on the measurement date. Actuarial assumptions and methods adopted by the Oklahoma Municipal Retirement Fund were used. The discount rate used to value benefits was the long-term expected rate of return on plan investments, 7.50%, as prescribed when the plan's fiduciary net position is projected to be sufficient to make projected benefit



TOWN OF HULBERT, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

Note H – Employee Retirement System-continued

Discount Rate - The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The attached table presents the net pension liability of the Town, calculated using the discount rate of 7.50%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50) than the current rate.

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued OMRF financial report, which can be located at [www.okmfr.org](http://www.okmfr.org)

CHANGES IN NET PENSION LIABILITY

	Total Pension Liability	Increase (Decrease)	Net Pension Liability
<b>Balance at 7/1/2017</b>	\$951,878	Plan Fiduciary Net Position	\$ 358,920
<b>Changes for the year:</b>			
Service cost	21,588		21,588
Interest cost	69,933		69,933
Difference between expected and actual experience	(41,461)		(41,461)
Contributions - Employer		39,543	(39,543)
Contributions - Employee		14,924	(14,924)
Net investment income		43,939	(43,939)
Benefit payments, including refunds of contributions	(39,582)	(39,582)	-
Benefit changes due to plan amendments			-
Administrative expenses		(1,245)	1,245
Other changes			-
<b>Net Changes</b>	10,478	57,579	(47,101)
<b>Balance at 7/1/2018</b>	\$962,356	650,537	311,819

SENSITIVITY OF NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

	1% Decrease	Current Discount Rate	1% Increase
Total Pension Liability	\$ 1,095,522	\$ 962,356	\$ 855,269
Plan Fiduciary Net Position	650,537	650,537	650,537
<b>Net Pension Liability</b>	\$ 444,985	\$ 311,819	\$ 204,732

TOWN OF HULBERT, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

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 K – Subsequent Events

The bond debt described in Note E was essentially refinanced with the same lender. Hulbert Public Works Authority Utility System Revenue Note, Series 2019 replaced the earlier debt on November 14, 2019.

**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, 2019

	GENERAL FUND			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Fund Balance, beginning of year	\$ (104,728)	\$ (104,728)	\$(104,728)	\$ -
Revenues				
Sales tax	215,000	215,000	220,070	5,070
Franchise tax	500	500	1	(499)
Alcoholic beverage tax	4,800	4,800	7,896	3,096
Licenses and permits	1,100	1,100	1,356	256
Fire department grant	1,950	1,950	4,000	2,050
Cherokee/UKB grant	15,000	15,000	26,162	11,162
REAP grant	25,000	25,000	-	(25,000)
LREC grant	-	-	-	-
Fines and forfeitures	72,000	72,000	88,341	16,341
Fire runs	2,000	2,000	500	(1,500)
Miscellaneous	24,000	24,000	22,062	(1,938)
Interest	500	500	1,665	1,165
Total Revenues	361,850	361,850	372,053	10,203
Expenditures				
General government	153,710	153,710	141,192	12,518
Capital outlay	6,000	6,000	30,353	(24,353)
Interest expense			4,374	(4,374)
Police	297,223	297,223	281,512	15,711
Fire	37,320	37,320	22,474	14,846
Total Expenditures	494,253	494,253	479,905	14,348
Excess of revenues over (under) expenditures before other sources (uses) of funds	(132,403)	(132,403)	(107,852)	24,551
Other financing sources:				
Operating transfers in-HPWA	100,000	100,000	99,792	(208)
Excess of revenues over (under) expenditures and other financing sources	(32,403)	(32,403)	(8,060)	\$ 24,343
Fund balances - end of period			\$ (112,788)	

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, 2019

STREET AND ALLEY FUND

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Fund Balance, beginning of year	\$ 11,874	\$ 11,874	\$ 11,874	\$ -
Revenues				
Commercial vehicle tax	3,700	3,700	3,847	147
Gasoline excise tax	950	950	1,065	115
Interest	35	35	216	181
Total Revenues	<u>4,685</u>	<u>4,685</u>	<u>5,128</u>	<u>443</u>
Expenditures paid:				
Maintenance and operation			-	-
Transfer to HPWA	2,000	2,000	-	2,000
Total Expenditures	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Excess of revenues over expenses before adjustments to prior year encumbrances	<u>\$ 2,685</u>	<u>\$ 2,685</u>	<u>5,128</u>	<u>\$ 2,443</u>
Fund balances, end of period			<u>\$ 17,002</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 - BUDGETED SPECIAL REVENUE FUNDS  
 FOR YEAR ENDED JUNE 30, 2019

SPECIAL PROJECTS - CDBG FUND

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Fund Balance, beginning of year	\$ 5,843	\$ 5,843	\$ 5,843	\$ -
Revenues				
Taxes				
Interest	-	-	38	38
Total Revenues	-	-	38	38
Expenditures paid:				
Personal services				
Maintenance and operation				
Capital outlay	-	-	-	-
Total Expenditures	-	-	-	-
Excess of revenues over expenses before adjustments to prior year encumbrances	\$ -	\$ -	38	38
Fund balances, end of period			\$ 5,881	

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, 2019

	<u>SPECIAL PROJECTS</u>	<u>STREET AND ALLEY</u>	<u>TOTALS</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,881	\$ 16,585	\$ 22,466
Accounts receivable	<u>-</u>	<u>417</u>	<u>417</u>
 Total Assets	 <u>\$ 5,881</u>	 <u>\$ 17,002</u>	 <u>\$ 22,883</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances			
Reserved for special purpose	5,881	17,002	22,883
Unreserved	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>5,881</u>	<u>17,002</u>	<u>22,883</u>
 Total Liabilities and Fund Balances	 <u>\$ 5,881</u>	 <u>\$ 17,002</u>	 <u>\$ 22,883</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  
 FOR YEAR ENDED JUNE 30, 2019

	<u>SPECIAL PROJECTS CDBG</u>	<u>STREET AND ALLEY</u>	<u>TOTALS</u>
Revenues			
Taxes	\$ -	4,912	4,912
Interest earnings	<u>38</u>	<u>216</u>	<u>254</u>
Total revenues	<u>38</u>	<u>5,128</u>	<u>5,166</u>
Expenditures			
Maintenance and operation	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenses	38	5,128	5,166
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)	38	5,128	5,166
Fund balances, beginning of year	<u>5,843</u>	<u>11,874</u>	<u>17,717</u>
Fund balances, end of year	<u><u>\$ 5,881</u></u>	<u><u>17,002</u></u>	<u><u>22,883</u></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, 2019

ASSETS

Cash and demand deposits	\$ 16,853
Total Assets	<u>\$ 16,853</u>

LIABILITIES AND FUND EQUITY

Liabilities	\$ -
Fund equity	
Cash Fund Balance - Restricted	<u>16,853</u>
Total Fund Equity	<u>16,853</u>
Total Liabilities and Fund Equity	<u>\$ 16,853</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, 2019

<u>REVENUES</u>	
Bond refunds	\$ 103,711
Interest Income	<u>286</u>
Total revenues	<u>103,997</u>
 <u>EXPENDITURES</u>	
CLEET	4,689
Fingerprint fee	8,859
Fines and bonds refunded	87,606
Miscellaneous	<u>2,370</u>
Total expenditures	<u>103,524</u>
Excess of revenue over/(under) expenses	473
Fund balance - beginning of year	<u>16,380</u>
Fund balance - end of year	<u><u>\$ 16,853</u></u>

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



Town of Hulbert, Oklahoma

Supplementary Information  
June 30, 2019

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
SINCE INITIAL APPLICATION

	Fiscal year 2019	Fiscal year 2018	Fiscal year 2017	Fiscal year 2016	Fiscal year 2015
<b>Total Pension Liability</b>					
Service cost	\$ 21,588	\$ 21,207	\$ 22,187	\$ 22,967	\$ 21,846
Interest cost	69,933	58,051	57,348	51,963	49,964
Benefit changes due to plan amendments	0	108,964	0	0	0
Difference between expected and actual experience	(41,461)	15,882	(19,229)	36,030	0
Changes of assumptions	0	22,566	0	0	0
Benefit payments, including refunds of employee contributions	(39,582)	(46,799)	(55,505)	(27,959)	(20,516)
<b>Net change in total pension liability</b>	<u>10,478</u>	<u>179,871</u>	<u>4,801</u>	<u>83,001</u>	<u>51,294</u>
<b>Plan pension liability -- beginning</b>	<u>951,878</u>	<u>772,007</u>	<u>767,206</u>	<u>684,205</u>	<u>632,911</u>
<b>Plan pension liability -- ending</b>	<u>\$ 962,356</u>	<u>\$ 951,818</u>	<u>\$ 772,007</u>	<u>\$ 767,206</u>	<u>\$ 684,205</u>
<b>Plan Fiduciary Net Position</b>					
Contributions -- Employer	39,543	31,675	34,569	39,915	38,136
Contributions -- Employee	14,924	11,367	12,507	14,324	13,685
Net investment income	43,939	65,374	3,896	14,383	67,695
Benefit payments, including refunds of employee contributions	(39,582)	(46,799)	(55,505)	(27,959)	(20,516)
Administrative expense	(1,245)	(1,145)	(1,060)	(1,059)	(1,006)
Other	0	0	0	0	0
<b>Net change in total pension liability</b>	<u>57,579</u>	<u>60,472</u>	<u>(5,593)</u>	<u>39,604</u>	<u>97,994</u>
<b>Plan fiduciary net position -- beginning</b>	<u>592,958</u>	<u>532,486</u>	<u>538,079</u>	<u>498,475</u>	<u>400,481</u>
<b>Plan fiduciary net position -- ending</b>	<u>\$ 650,537</u>	<u>\$ 592,598</u>	<u>\$ 532,486</u>	<u>\$ 538,079</u>	<u>\$ 498,475</u>
<b>Net pension liability -- ending</b>	<u>\$ 311,819</u>	<u>\$ 358,920</u>	<u>\$ 239,521</u>	<u>\$ 229,127</u>	<u>\$ 185,730</u>
<b>Plan fiduciary net position as percentage of total pension liability</b>	67.60%	62.29%	68.97%	70.13%	72.85%
<b>Covered employee payroll</b>	\$ 390,078	\$ 345,681	\$ 400,696	\$ 424,337	\$ 445,069
<b>Net pension liability position as percentage of covered employee payroll</b>	79.94%	103.83%	59.78%	54.00%	41.73%

SAMUEL S. ALEXANDER  
Certified Public Accountant

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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, 2019, 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 January 10, 2020.

**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.



January 10, 2020  
Wagoner, Oklahoma