

**Town of Hulbert, Oklahoma**

Annual Financial Statements and Accompanying  
Independent Auditor's Reports

June 30, 2018

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

Town of Hulbert, Oklahoma

June 30, 2018

**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, 2018

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Town of Hulbert, Oklahoma  
June 30, 2018

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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, 2018 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, 2017, 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, 2018, 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 February 12, 2019, 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.

February 12, 2019  
Wagoner, Oklahoma

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

TOWN OF HULBERT, OKLAHOMA  
STATEMENT OF NET ASSETS  
JUNE 30, 2018

	Governmental Activities	Business -Type Activities	Total
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 126,616	\$ 1,844,316	\$ 1,970,932
Accounts receivable	27,502	80,735	108,237
Prepaid insurance	14,500	27,654	42,154
Capital assets:	-		-
Land	-	104,500	104,500
Property, plant & equipment	1,070,246	2,547,900	3,618,146
 Total Assets	 1,238,864	 4,605,105	 5,843,969
 <b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred resources related to pensions	44,114	67,367	111,481
 Total	 1,282,978	 4,672,472	 5,955,450
 <b><u>LIABILITIES</u></b>			
Accounts payable	23,164	179,620	202,784
Net pension liability	138,841	220,079	358,920
Customer deposits payable	-	166,004	166,004
Notes payable-current	-	150,000	150,000
Notes payable-long term	128,740	2,280,000	2,408,740
 Total Liabilities	 290,745	 2,995,703	 3,286,448
 <b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred resources related to pensions	8,998	16,543	25,541
 Total	 299,743	 3,012,246	 3,311,989
 <b><u>NET ASSETS</u></b>			
Unrestricted	(87,011)	1,023,749	936,738
Restricted	1,070,246	636,477	1,706,723
 Total Net Assets	 \$ 983,235	 \$ 1,660,226	 \$ 2,643,461

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, 2018

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	\$ 192,792	\$ 1,764	\$ 18,500	\$ (172,528)	\$ -	\$ (172,528)
Grant CDBG expenditures	-	-	-	-	-	-
Public Safety	293,618	85,921	3,744	(203,953)	-	(203,953)
Total government activities	486,410	87,685	22,244	(376,481)	-	(376,481)
Business - Type Activities:						
Water, Sewer, Gas & Trash	1,515,779	\$ 1,717,332	-	-	201,553	201,553
Debt Service	131,773	-	-	-	(131,773)	(131,773)
New Service	-	62,950	-	-	62,950	62,950
Penalties	-	35,074	-	-	35,074	35,074
Depreciation - unallocated	212,209	-	-	-	(212,209)	(212,209)
Total business - type activities	1,859,761	1,815,356	-	-	(44,405)	(44,405)
Totals	\$ 2,346,171	\$ 1,903,041	\$ 22,244	(376,481)	(44,405)	(420,886)
General revenues						
Taxes:						
Sales tax				218,907		218,907
Gasoline tax				1,122		1,122
Franchise tax				331		331
Alcoholic beverage tax				5,819		5,819
Commercial vehicle tax				4,206		4,206
Rent revenue					1,333	1,333
Miscellaneous				33,208	11,544	44,752
Interest				885	11,743	12,628
Transfers - internal activity				79,339	(79,339)	-
Total general revenues and transfers				343,817	(54,719)	289,098
Changes in net assets				(32,664)	(99,124)	(131,788)
Net assets, beginning of period				1,959	1,867,338	1,869,297
Prior period adjustment				(56,306)	(107,988)	(164,294)
Net assets, end of period				\$ (87,011)	\$ 1,660,226	\$ 1,573,215

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, 2018

	General Fund	Street and Alley Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash equivalents	\$ 109,350	11,424	5,842	126,616
Accounts receivable	27,051	451	-	27,502
Prepaid Insurance	14,500	-	-	14,500
Total Assets	150,901	11,875	5,842	168,618
<b>DEFERRED OUTFLOW OF RESOURCES</b>				
Deferred resources related to pensions	44,114	-	-	44,114
Total	195,015	11,875	5,842	212,732
<b>LIABILITIES</b>				
Accounts payable	23,164	-	-	23,164
Net pension liability	138,841	-	-	138,841
Note payable	128,740	-	-	128,740
Total liabilities	290,745	-	-	290,745
<b>DEFERRED INFLOW OF RESOURCES</b>				
Deferred resources related to pensions	8,998	-	-	8,998
Total	299,743	-	-	299,743
<b>FUND BALANCES</b>				
Restricted	-	11,875	5,842	17,717
Unrestricted	(104,728)	-	-	(104,728)
Total fund balance	(104,728)	11,875	5,842	(87,011)
Total Liabilities and Fund Balances	\$ 195,015	11,875	5,842	
Net Assets of Governmental Activities				(87,011)
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 \$1,070,246				1,070,246
There is no accumulated depreciation.				1,070,246
Net Assets of Governmental Activities				983,235

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, 2018

	General Fund	Street and Alley Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 225,058	5,327	-	230,385
License and permits	1,764			1,764
Fines and forfeitures	83,421			83,421
Grants	22,244	-	-	22,244
Fire runs	2,500			2,500
Miscellaneous	32,826	382		33,208
Interest earnings	805	58	22	885
Total revenues	<u>\$ 368,618</u>	<u>5,767</u>	<u>22</u>	<u>374,407</u>
Expenditures:				
General government	182,716	40		182,756
Public safety:				
Police	274,481		-	274,481
Fire	19,137	-	-	19,137
Interest expense	4,698			4,698
Capital outlay	5,338		-	5,338
Total expenditures	<u>486,370</u>	<u>40</u>	<u>-</u>	<u>486,410</u>
Excess (deficiency) of revenues over expend	(117,752)	5,727	-	22
Other Financing sources (Uses):				
Operating transfers in/(out) - HPWA	79,339	-	-	79,339
Total Other Financing Sources (Uses)	<u>79,339</u>	<u>-</u>	<u>-</u>	<u>79,339</u>
Excess (deficiency) of revenue over expenditures and other financing sources (uses)	(38,413)	5,727	-	22
Fund balances - beginning of year	(10,009)	6,148	5,820	1,959
Prior period adjustment	(56,306)	-	-	(56,306)
Fund balances - end of year	<u>\$ (104,728)</u>	<u>11,875</u>	<u>5,842</u>	<u>(87,011)</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, 2018

Net change in fund balances - governmental funds \$ (88,970)

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 - 2017-2018	5,337
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Changes in net assets of governmental activities	\$ (83,633)
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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, 2018

	Public Works Authority Enterprise Fund
<b>ASSETS</b>	
Current assets:	
Cash	\$ 874,068
Restricted cash	386,476
Investment - Certificates of Deposit	333,772
Accounts receivable	80,735
Prepaid insurance	27,654
Capital assets	
Land	104,500
Property, plant & equipment (net)	2,547,900
Other assets	
Restricted cash	250,000
Total Assets	<u>4,605,105</u>
 <b>DEFERRED OUTFLOW OF RESOURCES</b>	
Deferred resources related to pensions	67,367
Total	<u>67,367</u>
 <b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	179,620
Net pension liability	220,079
Customer deposits payable	166,004
Current portion of long-term liabilities	150,000
Total current liabilities	<u>715,703</u>
Noncurrent liabilities:	
Long-term liabilities	2,280,000
Total Liabilities	<u>2,995,703</u>
 <b>DEFERRED INFLOW OF RESOURCES</b>	
Deferred resources related to pensions	16,543
Total	<u>16,543</u>
 <b>NET ASSETS</b>	
Unrestricted	1,023,749
Restricted for other purposes	232,244
Restricted for debt service	404,233
Total Net Assets	<u>\$ 1,660,226</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, 2018

	Public Works Authority Enterprise Fund
Operating Revenues:	
Charges for services:	
Utilities - water, sewer, trash, gas	\$ 1,717,332
Penalties	35,074
Rent revenue	1,333
Miscellaneous	11,544
New service	62,950
Total revenues collected	1,828,233
Operating Expenses:	
Personnel compensation and burden	425,291
Materials and supplies	1,056,753
Other services and charges	33,735
Depreciation	212,209
Total non-current assets	1,727,988
Operating Income (Loss)	100,245
Non-Operating Revenues (Expenses):	
Investment income	11,743
Interest expense	(131,773)
Total Non-Operating Revenues (Expenses)	(120,030)
Net Income (Loss) Before Contributions and Transfers	(19,785)
Transfer out	(79,339)
Change in net assets	(99,124)
Total net assets - beginning of year	1,867,338
Prior period adjustment	(107,988)
Total net assets - end of year	\$ 1,660,226

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, 2018

	Public Works Authority Enterprise Fund
Cash Flows from Operating Activities:	
Receipts from customers	\$ 1,824,356
Payments to employees	(425,291)
Payments to suppliers	(810,350)
Net Cash Provided by Operating Activities	<u>588,715</u>
Cash Flows from Noncapital Financing Activities:	
Decrease in prepaid insurance	6,683
Increase in customer deposits	745
Increase in deferred outflows related to pensions	(67,367)
Increase in deferred inflows related to pensions	16,543
Prior period adjustment	(107,988)
Transfers to other funds	(79,339)
	<u>(230,723)</u>
Cash Flows from Capital and Related Financing Activities	
Purchases of capital assets net of disposals	(55,630)
Principal paid on debt	(145,000)
Interest paid on debt	(131,773)
Net Cash Provided(used by) Capital and Related Financing Activities	<u>(332,403)</u>
Cash Flows from Investing Activities	
Interest on investments	<u>11,743</u>
Net increase (decrease) in cash and cash equivalents	37,332
Balance - beginning of period	<u>1,806,984</u>
Balance - end of period	<u>\$ 1,844,316</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	100,245
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	212,209
Change in assets and liabilities:	
Increase in accounts receivable	(3,877)
Increase in accounts payable	60,059
Increase in net pension liability	220,079
Net cash provided by operating activities	<u>\$ 588,715</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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

Note B - Capital Assets

Capital asset activity for the year ended June 30, 2018 is presented below.

	<u>Balance at</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at</u> <u>June 30, 2018</u>
Governmental activities:				
Machinery and equipment	\$ 615,736	\$ 1,337	\$ -	\$ 617,073
Park	131,439	4,000		135,439
Building	212,423			212,423
Streets	105,311			105,311
	<u>\$ 1,064,909</u>	<u>\$ 5,337</u>	<u>\$ -</u>	<u>\$ 1,070,246</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 104,500	\$ -	\$ -	\$ 104,500
Other capital assets:				
Utility property and improvements	8,303,394	55,630	96,448	8,262,576
Less accumulated depreciation for:				
Utility property and improvements	<u>(5,598,915)</u>	<u>(212,209)</u>	<u>96,448</u>	<u>(5,714,676)</u>
Business-type activities capital assets, net	<u>\$ 2,808,979</u>	<u>\$(156,579)</u>	<u>\$ 192,896</u>	<u>\$ 2,652,400</u>

TOWN OF HULBERT, OKLAHOMA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

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, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at</u> <u>June 30,2018</u>
Total notes payable	<u>\$ 2,575,000</u>	<u>-</u>	<u>145,000</u>	2,430,000
Less current portion				<u>(150,000)</u>
Long-term portion, notes payable				<u>\$2,280,000</u>

TOWN OF HULBERT, OKLAHOMA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

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>
2018	150,000
2019-2023	880,000
2024-2029	<u>1,400,000</u>
Totals	<u>\$ 2,430,000</u>

Note F – Litigation

The Town had no known pending litigation as of June 30, 2018. 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, 2018, 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, 2018

Note G – Collateral Pledged – Continued

Deposit Categories of Credit Risk

	Category			Bank Balance	Carrying Amount
	(A)	(B)	(C)		
Cash	\$ 500,000	543,645	889,265	1,905,843	1,932,900

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**

**Plan Description** The Town’s defined benefit pension plan, Employees Retirement System of Hulbert, Oklahoma (ERS), provides pensions for all permanent full time 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, 2018

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, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Active employees	<u>9</u>
	<u>12</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, 2018, the active employee contribution rate was 3.75% of annual pay, and the Town’s average contribution rate was 8.29% of annual payroll.

**Net Pension Liability**

The Town’s net pension liability was measured as of July 1, 2017, 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, 2017 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, 7.5%, as prescribed when the plan’s fiduciary net position is projected to be sufficient to make projected benefit payments. The actuarial assumptions used in the July 1, 2017 valuation were based on the results of actuarial experience study for the period July 1, 2016 to July 1, 2017.

Salary increases	Annual rates of pay increase as computed
Investment rate of return	7.50%

Mortality rates were based on mortality tables: Before retirement UP 1994  
 After retirement UP 1994, with projected mortality improvement.

TOWN OF HULBERT, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation (3%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2017 are summarized in the following table.

	<u>Target Allocation</u>	<u>Real Return</u>	<u>Weighted Return</u>
Large cap stocks S&P 500	25%	5.80%	1.45%
Small/mid cap stocks Russell 2500	10%	6.40%	.64%
Long/short equity MSCI ACWI	10%	5.00%	.50%
International stocks MSCI EAFE	20%	6.20%	1.24%
Fixed income bonds Barclay's Capital Aggregate	30%	2.30%	.69%
Real estate NCREIF	5%	4.60%	.23%
	100%		
		Average Real Return	4.75%
		Inflation	<u>2.75%</u>
		Long term expected return	<u>7.50%</u>

TOWN OF HULBERT, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

**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

	Increase (Decrease)	
	Plan Fiduciary Net Position	Net Pension Liability
Balance at 7/1/2016	\$772,007	239,521
Changes for the year:		
Service cost	21,207	21,207
Interest cost	58,051	58,051
Difference between expected and actual experience	15,882	15,882
Assumption Changes	22,566	22,566
Contributions - Employer	31,675	(31,675)
Contributions - Employee	11,367	(11,367)
Net investment income	65,374	(65,374)
Benefit payments, including refunds of contributions	(46,799)	108,964
Benefit Changes Due to plan amendments	(1,145)	1,145
Administrative expenses	60,472	119,399
Net Changes	592,958	358,920
Balance at 7/1/2017	<u>\$951,878</u>	<u>358,920</u>

SENSITIVITY OF NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

	Current	1% Increase
Total Pension Liability	\$ 1,084,840	844,097
Plan Fiduciary Net Position	592,958	592,958
Net Pension Liability	<u>\$ 491,882</u>	<u>251,139</u>

TOWN OF HULBERT, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

Note I – Risk Management

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

Note J – Subsequent Events

Subsequent events have been evaluated through the financial statement issuance date of February 12, 2019 with no items noted for reporting.

Note K – Pension Plan Prior Period Adjustment Treated as a Correction of an Error

Government Accounting Standards Board (GASB) Statement Number 68, Accounting and Financial Reporting for Pensions, was issued in June 2012 to improve accounting and financial reporting by state and local governments for pensions. The Statement is effective for fiscal years beginning after June 15, 2014, and requires the Town’s net pension liability recognized in the financial statements, along with related deferred outflows of resources and deferred inflows of resources. The measurement of changes in these accounts starts with fiscal year 2014 and accumulating these amounts up to June 30, 2017. From that point forward, the accounts are adjusted annually based upon actuarial calculations.

For the current year, beginning fund balances for the Governmental Activities (General Fund) and Business-Type Activities (Public Works Authority) were adjusted to account for the accumulations described above. The effect of the adjustment is a reduction in beginning fund balances as presented below.

	Governmental Activities	Business-Type Activities	TOTALS
Net assets, beginning of period	\$ 1,959	1,867,338	1,869,297
Prior period adjustment	<u>(56,306)</u>	<u>(107,988)</u>	<u>(164,294)</u>
Net assets, beginning of period restated	<u>\$(54,347)</u>	<u>1,759,350</u>	<u>1,705,003</u>

This adjustment impacts the Statement of Activities, Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund, and Statement of Cash Flows – Proprietary Fund.

**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, 2018

	GENERAL FUND			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Fund Balance, beginning of year	\$ (10,009)	\$ (10,009)	\$ (10,009)	\$ -
Revenues				
Sales tax	210,000	210,000	218,907	8,907
Franchise tax	5	5	331	326
Alcoholic beverage tax	3,500	3,500	5,819	2,319
Licenses and permits	1,100	1,100	1,764	664
Fire department grant	2,000	2,000	3,744	1,744
Cherokee/UKB grant	15,000	15,000	18,500	3,500
REAP grant	10,000	10,000	-	(10,000)
LREC grant	15,000	15,000	-	(15,000)
Fines and forfeitures	90,000	90,000	83,421	(6,579)
Fire runs	250	250	2,500	2,250
Miscellaneous	1,150	1,150	32,826	31,676
Interest	300	300	805	505
Operating transfers in-HPWA	100,000	100,000	79,339	(20,661)
Total Revenues	448,305	448,305	447,956	(349)
Expenditures				
General government	196,600	196,600	182,716	13,884
Capital outlay	-	-	5,338	(5,338)
Interest expense	-	-	4,698	(4,698)
Police	299,173	299,173	274,481	24,692
Fire	30,400	30,400	19,136	11,264
Total Expenditures	526,173	526,173	486,369	39,804
Excess of revenues over (under) expenditures before other sources (uses) of f	(77,868)	(77,868)	(38,413)	\$ 39,455
Prior period adjustment			(56,306)	
Fund balances - end of period			\$ (104,728)	

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, 2018

STREET AND ALLEY FUND				
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Fund Balance, beginning of year	\$ 6,148	\$ 6,148	\$ 6,148	\$ -
Revenues				
Commercial vehicle tax	2,500	2,500	4,206	1,706
Gasoline excise tax	900	900	1,121	221
CNE Street Lights Fund	-	-	382	382
Interest	50	50	58	8
Total Revenues	3,450	3,450	5,767	2,317
Expenditures paid:				
Maintenance and operation			40	(40)
Transfer to HPWA	2,000	2,000	-	2,000
Total Expenditures	2,000	2,000	-	2,000
Excess of revenues over expenses before adjustments to prior year encumbrances				
	\$ 1,450	\$ 1,450	5,767	\$ 4,317
Fund balances, end of period			\$ 11,915	

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, 2018

	<u>SPECIAL PROJECTS</u>	<u>STREET AND ALLEY</u>	<u>TOTALS</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,842	\$ 11,424	\$ 17,266
Accounts receivable	<u>-</u>	<u>451</u>	<u>451</u>
 Total Assets	 <u>\$ 5,842</u>	 <u>\$ 11,875</u>	 <u>\$ 17,717</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances			
Reserved for special purpose	5,842	11,875	17,717
Unreserved	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>5,842</u>	<u>11,875</u>	<u>17,717</u>
 Total Liabilities and Fund Balances	 <u>\$ 5,842</u>	 <u>\$ 11,875</u>	 <u>\$ 17,717</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, 2018

	SPECIAL PROJECTS CDBG	STREET AND ALLEY	TOTALS
Revenues			
Taxes	\$ -	5,327	5,327
CNE Street light		382	382
Interest earnings	22	58	80
Total revenues	<u>22</u>	<u>5,767</u>	<u>5,789</u>
Expenditures			
Maintenance and operation	-	40	40
Capital outlay	-	-	-
Total expenditures	<u>-</u>	<u>40</u>	<u>40</u>
Excess (deficiency) of revenues over expenses	22	5,727	5,749
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)	22	5,727	5,749
Fund balances, beginning of year	<u>5,820</u>	<u>6,148</u>	<u>11,968</u>
Fund balances, end of year	<u><u>\$ 5,842</u></u>	<u><u>11,875</u></u>	<u><u>17,717</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, 2018

ASSETS

Cash and demand deposits	<u>\$ 16,380</u>
Total Assets	<u><u>\$ 16,380</u></u>

LIABILITIES AND FUND EQUITY

Liabilities	<u>\$ -</u>
Fund equity	
Cash Fund Balance - Restricted	<u>16,380</u>
Total Fund Equity	<u>16,380</u>
Total Liabilities and Fund Equity	<u><u>\$ 16,380</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, 2018

<u>REVENUES</u>	
Bond refunds	\$ 97,263
Interest Income	<u>105</u>
Total revenues	<u>97,368</u>
<u>EXPENDITURES</u>	
CLEET	5,047
Fingerprint fee	7,362
Fines and bonds refunded	80,354
Miscellaneous	<u>1,940</u>
Total expenditures	<u>94,703</u>
Excess of revenue over/(under) expenses	2,665
Fund balance - beginning of year	<u>13,715</u>
Fund balance - end of year	<u><u>\$ 16,380</u></u>

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

Town of Hulbert, Oklahoma

Supplementary Information  
June 30, 2018

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

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

SAMUEL S. ALEXANDER  
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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, 2018, 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 February 12, 2019.

**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.

February 12, 2019  
Wagoner, Oklahoma