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State Auditor & Inspector

Town of Stuart, Oklahoma

***REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION***

For the Year Ended June 30, 2011

SAUNDERS & ASSOCIATES, PLLC

Certified Public Accountants

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TOWN OF STUART, OKLAHOMA

AUDIT REPORT

June 30, 2011

BOARD OF TRUSTEES

Terry Beck

Mayor

Dale Sutterfield

Trustee

Ann Trivitt

Trustee

City Clerk - Treasurer of Board of Trustees

Lenora Windle

TOWN OF STUART, OKLAHOMA

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council
Town of Stuart
Stuart, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Stuart, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the Town of Stuart, Oklahoma's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Stuart, Oklahoma's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town of Stuart, Oklahoma, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2011 on our consideration of the Town of Stuart, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 24 through 25 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Stuart, Oklahoma's financial statements as a whole. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.


SAUNDERS & ASSOCIATES, PLLC
Certified Public Accountants

October 19, 2011

TOWN OF STUART, OKLAHOMA

MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2011
(Unaudited)

Our discussion and analysis of the Town of Stuart's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the Town's financial statements, which begin on page 8.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 8 and 9) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 10. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

Reporting the Town as a Whole

Our analysis of the Town as a whole begins on page 4. One of the most important questions asked about the Town's finances is, "*Is the Town as a whole better off or worse off as a result of the year's activities?*" The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in them. You can think of the Town's net assets – the difference between assets and liabilities – as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town's tax base and the condition of the Town's roads, to assess the overall health of the Town.

In the Statement of Net Assets and the Statement of Activities, we divide the Town into two kinds of activities:

- **Governmental Activities** – Most of the Town's basic services are reported here, including the fire, general administration, streets, and trash service. Sales taxes, franchise fees, trash service fees and state grants finance most of these activities.
- **Business-Type Activities** – The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's sewer and trash services are reported here.

TOWN OF STUART, OKLAHOMA

MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2011
(Unaudited)

Reporting the Town's Most Significant Funds

Our analysis of the Town's major funds begins on page 5. The fund financial statements begin on page 10 and provide detailed information about the funds – not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Town Council can establish other funds, as needed, to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using certain taxes and grants. The Town's two kinds of funds – *governmental and proprietary* – use different accounting approaches.

- *Governmental Funds* – Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.
- *Proprietary Funds* – When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. Additional detail, such as cash flows is provided for the enterprise funds.

THE TOWN AS A WHOLE

For the year ended June 30, 2011, net assets changed as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Beginning Net Assets	\$ 511,801	\$ 266,094	\$ 777,895
Increase (Decrease) in Net Assets	(4,650)	(12,093)	(16,743)
Ending Net Assets	<u>\$ 507,151</u>	<u>\$ 254,001</u>	<u>\$ 761,152</u>

This reflects a decrease of .9% for governmental activities and a 4.5% decrease for business type activities.

TOWN OF STUART, OKLAHOMA

MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2011
(Unaudited)

Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest, is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the Town's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Some of the individual line item revenues reported for each function are:

General Government Trash service fees and permits

All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

Business-Type Activities

Operating revenues of the Town's business type activities decreased by 4.9% (\$36,016 in 2011 compared to \$37,797 in 2010) and expenses decreased by 1.8% (\$48,193 in 2011 compared to \$49,080 in 2010).

THE TOWN'S FUNDS

Governmental Funds

The following schedule presents a summary of general revenues and expenditures for the fiscal year ended June 30, 2011, and the amount and percentage of increases and decreases in relation to the prior year.

	2011	Percent	Increase	Percent
	<u>Amount</u>	<u>of Total</u>	<u>(Decrease)</u>	<u>Increase</u>
<u>Revenues:</u>			<u>From 2010</u>	<u>(Decrease)</u>
Taxes	\$ 78,239	42.2%	\$(3,999)	(5.1%)
Grant	15,357	8.3%	(56,723)	(369.4%)
Charges for Services	19,845	10.7%	(838)	(4.2%)
Interest	1,791	1.0%	(853)	(47.6%)
Miscellaneous	15,252	8.2%	(1,499)	(3.5%)
Royalties Revenue	<u>55,076</u>	<u>29.6%</u>	<u>(18,008)</u>	<u>(32.7%)</u>
Total Revenues	<u>\$ 185,560</u>	<u>100.0%</u>	<u>\$(81,920)</u>	<u>(44.1%)</u>

- Sales tax received by the Town decreased \$4,424 or 6.08% from 2010. (\$72,772 received in 2010 and \$68,348 in 2011).

TOWN OF STUART, OKLAHOMA
MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2011
(Unaudited)

THE TOWN'S FUNDS, CONTINUED

<u>Expenditures:</u>	<u>2011</u> <u>Amount</u>	<u>Percent</u> <u>of Total</u>	<u>Increase</u> <u>(Decrease)</u> <u>From 2010</u>	<u>Percent</u> <u>Increase</u> <u>(Decrease)</u>
General Government	<u>\$ 184,538</u>	100%	<u>\$ (35,441)</u>	-16.1%

- General Government expenditures decreased as a result of a decrease in expenditures of capital grants.

Proprietary Funds

The following schedule presents a summary of business-type activities revenue and expenditures for the fiscal year ended June 30, 2011, and the amount and percentage of increases and decreases in relation to the prior year.

<u>Revenues:</u>	<u>2011</u> <u>Amount</u>	<u>Percent</u> <u>of Total</u>	<u>Increase</u> <u>(Decrease)</u> <u>From 2010</u>	<u>Percent</u> <u>Increase</u> <u>(Decrease)</u>
Operating	\$ 36,082	99.9%	\$(1,715)	(4.8%)
Interest	<u>38</u>	0.1%	<u>(13)</u>	(34.2%)
Total Revenues	<u>\$ 36,120</u>	100.0%	<u>\$ (1,728)</u>	(4.8%)
 <u>Expenses:</u>				
Operating	<u>\$ 48,193</u>	100.0%	<u>\$ (887)</u>	(1.8%)

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the year, the Town Board of Trustees made no revisions to the budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2011, the Town had \$1,058,003 invested in capital assets, including fire equipment, buildings, and sewer lines. (See table below). This amount represents a net increase of \$9,000 (.9%) over the last year.

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 55,000	\$ 46,000	\$ 9,078	\$ 9,078	\$ 64,078	\$ 55,078
Buildings	238,396	238,396	30,315	30,315	268,711	268,711
Sewer Improvements	0	0	571,757	571,757	571,757	571,757
Vehicles & Equipment	150,670	150,670	0	0	150,670	150,670
Furniture & Equipment	<u>2,787</u>	<u>2,787</u>	<u>0</u>	<u>0</u>	<u>2,787</u>	<u>2,787</u>
Total	<u>\$ 446,853</u>	<u>\$ 437,853</u>	<u>\$ 611,150</u>	<u>\$ 611,150</u>	<u>\$ 1,058,003</u>	<u>\$ 1,049,003</u>

More detailed information about the Town's capital assets is presented in Note 1 and Note 5 of the financial statements.

TOWN OF STUART, OKLAHOMA

MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2011
(Unaudited)

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact Town Hall at Stuart, Oklahoma.

Terry Beck
Mayor

BASIC FINANCIAL STATEMENTS

TOWN OF STUART, OKLAHOMA

STATEMENT OF NET ASSETS

June 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Current Assets:			
Cash	\$ 310,257	\$ 20,815	\$ 331,072
Accounts Receivable			
Utility Fees	0	3,776	3,776
Other	5,942	0	5,942
Total Current Assets	316,199	24,591	340,790
Non-Current Assets:			
Property, Plant and Equipment:			
Land	55,000	9,078	64,078
Buildings	238,396	30,315	268,711
Water and Sewer Improvements	0	571,757	571,757
Vehicles and Equipment	150,670	0	150,670
Furniture and Office Equipment	2,787	0	2,787
Less: Accumulated Depreciation	(255,901)	(381,240)	(637,141)
Total Non-Current Assets	190,952	229,910	420,862
TOTAL ASSETS	\$ 507,151	\$ 254,501	\$ 761,652
<u>LIABILITIES AND NET ASSETS</u>			
<u>Liabilities:</u>			
Current Liabilities:			
Customer Deposits	\$ 0	\$ 500	\$ 500
Current Portion - Long-Term Debt	0	0	0
Total Current Liabilities	0	500	500
Total Liabilities	0	500	500
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	190,952	229,910	420,862
Reserved	0	0	0
Unrestricted	316,199	24,091	340,290
Total Net Assets	507,151	254,001	761,152
TOTAL LIABILITIES AND NET ASSETS	\$ 507,151	\$ 254,501	\$ 761,652

* The accompanying notes are an integral part of the financial statements.

TOWN OF STUART, OKLAHOMA

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business Type Activities	Total
PRIMARY GOVERNMENT:							
Governmental Activities:							
General Government	\$ 190,223	\$ 19,845	\$ 4,398	\$ 10,959	\$ (155,021)	\$	\$ (155,021)
Total Governmental Activities	<u>190,223</u>	<u>19,845</u>	<u>4,398</u>	<u>10,959</u>	<u>(155,021)</u>		<u>(155,021)</u>
Business-Type Activities:							
Water	0	0	0	0	0	0	0
Total Business-Type Activities	<u>48,193</u>	<u>36,016</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(12,177)</u>	<u>(12,177)</u>
TOTAL PRIMARY GOVERNMENT	\$ 238,416	\$ 55,861	\$ 4,398	\$ 10,959	(155,021)	(12,177)	(167,198)
General Revenues:							
Taxes:							
Franchise Taxes					4,501	0	4,501
Public Service Taxes					73,738	0	73,738
Unrestricted Investment Earnings					1,804	38	1,842
Miscellaneous					15,252	0	15,252
Royalty Revenues					55,076	46	55,122
Transfers					0	0	0
Total General Revenues, Special Items and Transfers					<u>150,371</u>	<u>84</u>	<u>150,455</u>
Change in Net Assets					(4,650)	(12,093)	(16,743)
Net Assets, June 30, 2010					511,801	266,094	777,895
Net Assets, June 30, 2011					<u>\$ 507,151</u>	<u>\$ 254,001</u>	<u>\$ 761,152</u>

* The accompanying notes are an integral part of the financial statements.

TOWN OF STUART, OKLAHOMA

BALANCE SHEET -
GOVERNMENTAL FUNDS

June 30, 2011

	<u>General Fund</u>	<u>Special Revenue Fund CDBG</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash	\$ 310,257	\$ 0	\$ 310,257
Accounts Receivable	<u>5,942</u>	<u>0</u>	<u>5,942</u>
TOTAL ASSETS	<u>\$ 316,199</u>	<u>\$ 0</u>	<u>\$ 316,199</u>
 <u>LIABILITIES</u>			
Total Liabilities	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
 <u>FUND EQUITY</u>			
Fund Balances:			
NonSpendable	0	0	0
Restricted	0	0	0
Comitted	0	0	0
Assigned	190,666	0	190,666
Unassigned	<u>125,533</u>	<u>0</u>	<u>125,533</u>
Total Fund Equity	<u>316,199</u>	<u>0</u>	<u>316,199</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 316,199</u>	<u>\$ 0</u>	<u>\$ 316,199</u>

Fund equity - total governmental funds \$ 316,199

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 in the funds. 190,952

Net assets of governmental activities \$ 507,151

* The accompanying notes are an integral part of the financial statements.

TOWN OF STUART, OKLAHOMA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2011

	<u>General Fund</u>	<u>Special Revenue Fund CDBG</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>			
Sales Tax	\$ 68,348	\$ 0	\$ 68,348
Gas Tax	383	0	383
Alcoholic Beverage Tax	2,434	0	2,434
Motor Vehicle Tax	1,574	0	1,574
Franchise Tax	4,501	0	4,501
Cigarette Tax	998	0	998
Trash Service	19,845	0	19,845
Interest	1,791	14	1,805
Miscellaneous	15,252	0	15,252
State Grants	4,398	0	4,398
CDBG	0	10,959	10,959
Royalty Revenue	55,076	0	55,076
Total Revenues	<u>174,600</u>	<u>10,973</u>	<u>185,573</u>
<u>EXPENDITURES</u>			
Current:			
Personnel Services	11,570	0	11,570
Maintenance and Operation	117,791	14,256	132,047
Capital Outlay	40,921	0	40,921
Total Expenditures	<u>170,282</u>	<u>14,256</u>	<u>184,538</u>
Excess of Revenues Over (Under) Expenditures	4,318	(3,283)	1,035
Fund Balance, June 30, 2010	<u>311,881</u>	<u>3,283</u>	<u>315,164</u>
FUND BALANCE, JUNE 30, 2011	<u>\$ 316,199</u>	<u>\$ 0</u>	<u>\$ 316,199</u>
Net change in fund balances - total governmental funds			\$ 1,035
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital additions \$9,000 was exceeded by depreciation (\$14,685) in the current period.			(5,685)
Change in net assets of governmental activities			<u>\$ (4,650)</u>

* The accompanying notes are an integral part of the financial statements.

TOWN OF STUART, OKLAHOMA

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

June 30, 2011

	Enterprise Fund PWA Fund	Total
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 20,815	\$ 20,815
Accounts Receivable	3,776	3,776
Total Current Assets	24,591	24,591
Non-Current Assets:		
Property, Plant and Equipment:		
Land	9,078	9,078
Buildings	30,315	30,315
Water and Sewer Improvements	571,757	571,757
Less: Accumulated Depreciation	(381,240)	(381,240)
Total Non-Current Assets	229,910	229,910
TOTAL ASSETS	\$ 254,501	\$ 254,501
<u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities:</u>		
Current Liabilities:		
Customer Deposits	\$ 500	\$ 500
Current Portion - Long-Term Debt	0	0
Total Current Liabilities	500	500
Total Liabilities	500	500
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	229,910	229,910
Restricted for Debt Service	0	0
Unreserved	24,091	24,091
Total Net Assets	254,001	254,001
TOTAL LIABILITIES AND NET ASSETS	\$ 254,501	\$ 254,501

* The accompanying notes are an integral part of the financial statements.

TOWN OF STUART, OKLAHOMA

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS

PROPRIETARY FUNDS

For the Year Ended June 30, 2011

	Enterprise Fund PWA Fund	Total
<u>Operating Revenues:</u>		
Charges for Services	\$ 36,016	\$ 36,016
Total Operating Revenues	36,016	36,016
<u>Operating Expenses:</u>		
Personnel Services	10,680	10,680
Maintenance and Operation	3,374	3,374
Trash Transfers to Town	19,845	19,845
Depreciation	14,294	14,294
Total Operating Expenses	48,193	48,193
Net Operating Income	(12,177)	(12,177)
<u>Non-Operating Revenue (Expense):</u>		
Interest Revenue	38	38
Interest Expense	0	0
Total Non-Operating Revenues (Expense)	38	38
Net Income Before Other Financing Sources and (Uses)	(12,139)	(12,139)
<u>Other Financing Sources (Uses):</u>		
Capital Contributions	0	0
Transfer Certificate of Deposit to Town	0	0
Transfer in from Town	46	46
Total Other Financing Sources (Uses)	46	46
Change in Net Assets	(12,093)	(12,093)
Net Assets, June 30, 2010	266,094	266,094
NET ASSETS, JUNE 30, 2011	\$ 254,001	\$ 254,001

* The accompanying notes are an integral part of the financial statements.

TOWN OF STUART, OKLAHOMA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended June 30, 2011

	Enterprise Fund	Total
	PWA Fund	
<u>Cash Flows From Operating Activities:</u>		
Receipts from customers	\$ 35,697	\$ 35,697
Payments to suppliers	(23,219)	(23,219)
Payments to employees	(10,680)	(10,680)
Other receipts (payments)	0	0
Net Cash Provided (Used) by Operating Activities	1,798	1,798
<u>Cash Flows From Non-Capital Financing Activities:</u>		
Operating Transfers (To) From Other Funds	47	47
Net Cash Provided (Used) by Non-Capital Financing Activities	47	47
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Proceeds from capital debt	0	0
Purchases of capital assets	0	0
Principal paid on capital debt	0	0
Interest paid on capital debt	0	0
Other receipts (payments)	0	0
Net Cash Provided (Used) by Capital and Related Financing Activities	0	0
<u>Cash Flows Provided by Investing Activities:</u>		
Interest and dividends	38	38
Net Cash Provided (Used) by Investing Activities	38	38
Net Increase (Decrease) in Cash and Cash Equivalents	1,883	1,883
Cash and Cash Equivalents, June 30, 2010	18,932	18,932
CASH AND CASH EQUIVALENTS, JUNE 30, 2011	\$ 20,815	\$ 20,815
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</u>		
Operating income (loss)	\$ (12,177)	\$ (12,177)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	14,294	14,294
Change in assets and liabilities:		
Receivables, net	150	150
Accounts and other payables	(469)	(469)
Net Cash Provided by Operating Activities	\$ 1,798	\$ 1,798

* The accompanying notes are an integral part of the financial statements.

TOWN OF STUART, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Stuart was formed in accordance with the laws of the State of Oklahoma. Its formation was in accordance with Oklahoma Statute 11 O.S. Section 12-101, Town form of government. The Town is governed by a Board of Trustees who elect among each other a Mayor. The Town provides the following services: public safety (fire), highways and streets, sanitation, public improvements, planning and zoning, and general administrative services. The following is a summary of the more significant accounting policies of the Town.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (*Statements and Interpretations*). Governments are also required to follow the pronouncements of the *Financial Accounting Standards Board (FASB)* issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so. The more significant accounting policies in GAAP and used by the Town are discussed in subsequent sections.

Reporting Entity - For financial reporting purposes, the Town complies with *Governmental Accounting Standards Board (GASB) Cod. Sec. 2100*, in defining the Town's financial reporting entity. All of the officials and activities described above are included in the Town's reporting entity. The public trust listed below was determined to be part of the Town of Stuart's reporting entity based on the degree of oversight responsibility which includes, but is not limited to (1) selection of governing authority, (2) designation of management, (3) ability to significantly influence operations, (4) accountability for fiscal matters and (5) scope of public service.

Stuart Public Works Authority - Pursuant to Title 60 of Oklahoma Statutes, the Town provides utility services through the Stuart Public Works Authority. The Authority is a public trust with the Town of Stuart as beneficiary. The members of the Town of Stuart Board of Trustees serve as trustees of the Authority.

Due to the significance of the scope of public service and the relationship of the governing body of the Authority to the Town Council, the Public Works Authority is considered a component unit of the Town's reporting entity and is included in this financial report.

Basic Financial Statements – Government-Wide Statements - The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town's police, street and alley, trash service, grants, and general administrative services are classified as governmental activities. The Town's sewer services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Town first utilizes restricted resources to finance qualifying activities.

TOWN OF STUART, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities (general government, grant, public works, etc.). The functions are also supported by general government revenues (sales and use taxes, certain intergovernmental revenues, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (trash, fire, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grant.

The net costs (by function or business-type activity) are normally covered by general revenue (sales or gas taxes, intergovernmental revenues, interest income, etc.).

This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net assets resulting from the current year's activities.

Basic Financial Statements - Fund Financial Statements - The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Town:

Governmental Funds – The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Presently, the Town has one special revenue fund, the Community Development Block Grant (CDBG) fund.

Proprietary Funds – The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary fund of the Town.

Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues. (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The Town's Enterprise Fund is the Stuart Public Works Authority (sewer) fund.

TOWN OF STUART, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fiduciary Funds – Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support the Town programs. The Town currently has no fiduciary funds.

Agency Funds – Agency Funds account for assets held by the Town in a purely custodial capacity. Since agency funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations. The Town currently has no agency funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activity categories. Non-major funds by category are summarized into a single column. *GASB Statement No. 34* sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. Currently the Town has one non-major fund, the CDBG fund.

Basis of Accounting - Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual - Both governmental and business-type activities in the governmental-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual – The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Encumbrances - Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are reported to reserve that portion of the applicable appropriation, is used in the general fund. For budgetary purposes, appropriations lapse at fiscal year end, except for the portion related to encumbered amounts. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitment will be honored during the subsequent year.

TOWN OF STUART, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Financial Statement Amounts:

Cash – For purposes of the Statement of Cash Flows, the enterprise fund considers all highly liquid investments (including restricted assets) to be cash equivalents. All time deposits are considered cash equivalents.

Revenues – Substantially all governmental revenues are accrued. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASB 33. In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

Expenditures – Expenditures are recognized when the related fund liability is incurred.

Capital Assets – Capital assets purchased or acquired with a useful life in excess of one year are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives.

Buildings	15 - 30 years
Water and sewer system	40 years
Vehicles and Equipment	5 - 7 years
Furniture and Equipment	5 years

GASB Statement 34 requires the Town to report and depreciate new infrastructure assets effective with the beginning of the current year. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is not required; therefore, the Town has elected to report infrastructure assets prospectively.

Compensated Absences – The Town does not accrue a liability for compensated absences, but it is not believed that the amount would be material to the financial statements as a whole.

Receivables – Receivables at June 30, 2011 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Grants</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:					
General	\$ <u>0</u>	\$ <u>5,942</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>5,942</u>
Total Governmental Activities	\$ <u>0</u>	\$ <u>5,942</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>5,942</u>
Business-Type Activities:					
Trash/Sewer	\$ <u>3,776</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>3,776</u>
Total Business-Type Activities	\$ <u>3,776</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>3,776</u>

TOWN OF STUART, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fund Equity – As of these financial statements, the Town has adopted *GASB Statement No. 54*, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

- Non-spendable Fund Balance – Amounts constrained to specific purposes by their providers (such as inventory) or are required to be maintained intact.
- Restricted Fund Balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions or by enabling legislation.
- Committed Fund Balance – Amounts constrained to specific purposes by the Town itself, using its highest level of decision-making authority (i.e. Ordinance). To be reported as committed, amounts cannot be used for any other purpose unless the Town takes the same highest level action to remove or change the constraint.
- Assigned Fund Balance – Amounts the Town intends to use for a specific purpose. Intent can be expressed by the Town Council or by an official or body to which the Town Council delegates the authority.
- Unassigned fund balance – Amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Town would typically use restricted fund balances first. Followed by committed resources, then assigned resources, then unassigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

The general fund has assigned fund balance of \$190,666 at June 30, 2011 which represents the portion of the current year fund balance appropriated to meet budgetary requirements for future operations.

NOTE 2: BUDGETARY ACCOUNTING AND CONTROL

The Board of Trustees adheres to these general procedures for budget development:

1. Board of Trustees develop a proposed operating budget for the fiscal year commencing on July.
2. The budget is published in a newspaper with general circulation in the area.
3. Public hearings are conducted as and when required to obtain taxpayer comments.
4. The budget is adopted and approved by the Board of Trustees.
5. The adopted budget is presented to the county excise board for final review and approval.

TOWN OF STUART, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 2: BUDGETARY ACCOUNTING AND CONTROL, CONTINUED

6. A final budget is approved by the county excise board.
7. Appropriations lapse at the end of each fiscal year.
8. The Board of Trustees may authorize supplemental appropriations during the year.

NOTE 3: CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits and time deposits maintained at financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Deposits are carried at cost. Bank balances at year-end are categorized as follows to give an indication of the level of risk assumed by the organization.

Unreconciled

<u>Category</u>	<u>Carrying Amount</u>
1) Insured or collateralized with securities held by the organization Or by its agent in the organization's name.	\$ 250,000
2) Collateralized with securities held by the pledging financial Institution's trust department.	0
3) Uncollateralized	<u>81,072</u>
TOTAL	<u>\$ 331,072</u>

NOTE 4: LEASE

On December 3, 2001, the Town of Stuart Fire Department entered into a 99 year lease with the Stuart School District for real property at a cost of \$1.

TOWN OF STUART, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2011</u>
<u>Governmental Activities:</u>				
Land	\$ 46,000	\$ 9,000	\$ 0	\$ 55,000
Buildings	238,396	0	0	238,396
Vehicles and Equipment	150,670	0	0	150,670
Furniture and Equipment	<u>2,787</u>	<u>0</u>	<u>0</u>	<u>2,787</u>
Total	437,853	9,000	0	446,853
Accumulated Depreciation	<u>(241,216)</u>	<u>(14,685)</u>	<u>0</u>	<u>(255,901)</u>
Net Governmental Activities Capital Assets	<u>\$ 196,637</u>	<u>\$(5,685)</u>	<u>\$ 0</u>	<u>\$ 190,952</u>
<u>Business Type Activities:</u>				
Sewer Improvements	\$ 571,757	\$ 0	\$ 0	\$ 571,757
Buildings	30,315	0	0	30,315
Land	<u>9,078</u>	<u>0</u>	<u>0</u>	<u>9,078</u>
Total	611,150	0	0	611,150
Accumulated Depreciation	<u>(352,652)</u>	<u>(14,294)</u>	<u>0</u>	<u>(381,240)</u>
Net Business Type Capital Assets	<u>\$ 258,498</u>	<u>\$(14,294)</u>	<u>\$ 0</u>	<u>\$ 229,910</u>

Depreciation expense was charged to governmental activities – general government.

NOTE 6: LITIGATION

At June 30, 2011, the Town of Stuart was not involved in any pending or threatened litigation, which would have a material impact on these financial statements.

TOWN OF STUART, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 7: RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town manages these various risks of loss as follows:

Type of Loss	Method Managed
a. Torts, errors and omissions	Purchased policy with the National Casualty Insurance Company
b. Injuries to employees (Workers' Compensation)	Purchased policy with the Oklahoma Employers Safety Association
c. Physical property loss and natural disasters	Purchased policy with the National Casualty Insurance Company

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town.

NOTE 8: SUBSEQUENT EVENTS

Date of Management Evaluation – Management has evaluated subsequent events through October 19, 2011, which is the date the financial statements were available to be issued.

Saunders & Associates, PLLC

Certified Public Accountants

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Website: www.saunderscpas.com

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

Honorable Mayor and Town Council
Town of Stuart
Stuart, Oklahoma

We have audited the financial statements of Town of Stuart as of and for the year ended June 30, 2011, and have issued our report thereon dated October 19, 2011. We conducted our 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 of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Stuart's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Stuart's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Town of Stuart's internal control over financial reporting.

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.

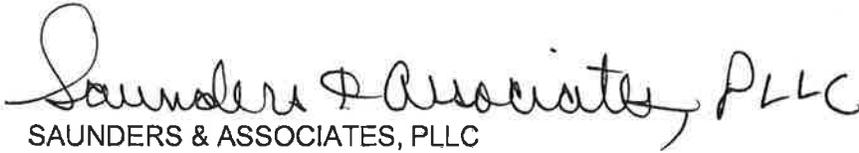
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses as item 08-2 that we consider to be a significant deficiency in internal control over financial reporting. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Stuart's financial statements are free of material misstatement, we 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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 08-1.

The organization's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Town of Stuart's responses and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the board of directors, others within the organization, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Saunders & Associates, PLLC". The signature is written in black ink and is positioned above the printed name of the firm.

SAUNDERS & ASSOCIATES, PLLC
Certified Public Accountants

October 19, 2011

SUPPLEMENTAL INFORMATION

TOWN OF STUART, OKLAHOMA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2011
(Unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis	Variance With Final Budget Favorable (Unfavorable)
	Original	Final				
REVENUES						
Sales Tax	\$ 65,494	\$ 65,494	\$ 68,354	\$ 0	\$ 68,354	\$ 2,860
Gas Tax	358	358	381	0	381	23
Alcoholic Beverage Tax	2,107	2,107	2,427	0	2,427	320
Motor Vehicle Tax	1,413	1,413	1,574	0	1,574	161
Cigarette Tax	984	984	977	0	977	(7)
Franchise Tax	3,658	3,658	4,501	0	4,501	843
Trash Service	18,615	18,615	19,845	0	19,845	1,230
Interest	2,366	2,366	1,791	0	1,791	(575)
Miscellaneous	0	0	0	0	0	0
State Grants	0	0	0	0	0	0
Royalty Revenue	54,813	54,813	55,076	0	55,076	263
Total Revenues	149,808	149,808	154,926	0	154,926	5,118
EXPENDITURES						
General Government:						
Personnel Services	10,500	10,500	11,570	0	11,570	(1,070)
Maintenance and Operation	80,000	80,000	117,791	0	117,791	(37,791)
Capital Outlay	65,000	65,000	40,921	0	40,921	24,079
Total Expenditures	155,500	155,500	170,282	0	170,282	(14,782)
Excess of Revenues Over (Under) Expenditures	(5,692)	(5,692)	(15,356)	0	(15,356)	(9,664)
Other Financing Sources (Uses):						
Operating Transfers In (Out)	0	0	0	0	0	0
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(5,692)	(5,692)	(15,356)	0	(15,356)	(9,664)
Fund Balance, June 30, 2010	219,430	219,430	311,881	0	311,881	92,451
FUND BALANCE, JUNE 30, 2011	\$ 213,738	\$ 213,738	\$ 296,525	\$ 0	\$ 296,525	\$ 82,787

** See disclaimer in Auditor's report on page 1.

* The accompanying notes are an integral part of the financial statements.

TOWN OF STUART, OKLAHOMA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

Special Revenue Fund - CDBG Grant

For the Year Ended June 30, 2011
(Unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis	Variance With Final Budget Favorable (Unfavorable)
	Original	Final				
REVENUES						
Grants	\$ 10,959	\$ 10,959	\$ 10,959	\$ 0	\$ 10,959	\$ 0
Interest	0	0	14	0	14	14
Total Revenues	10,959	10,959	10,973	0	10,973	14
EXPENDITURES						
General Government:						
Personnel Services	0	0	0	0	0	0
Maintenance and Operation	10,959	10,959	14,256	0	14,256	(3,297)
Capital Outlay	0	0	0	0	0	0
Total Expenditures	10,959	10,959	14,256	0	14,256	(3,297)
Excess of Revenues Over (Under) Expenditures	0	0	(3,283)	0	(3,283)	(3,283)
Other Financing Sources (Uses):						
Operating Transfers In (Out)	0	0	0	0	0	0
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	0	0	(3,283)	0	(3,283)	(3,283)
Fund Balance, June 30, 2010	3,283	3,283	3,283	0	3,283	0
FUND BALANCE, JUNE 30, 20011	\$ 3,283	\$ 3,283	\$ 0	\$ 0	\$ 0	(3,283)

** See disclaimer in Auditor's report on page 1.

* The accompanying notes are an integral part of the financial statements.

TOWN OF STUART, OKLAHOMA

SCHEDULE OF GRANT ACTIVITY - 12890 CDBG 07

For the Year Ended June 30, 2011

12890 CDBG 07
Grant Period: 08/03/07 - 08/03/09
CFDA No. 14.228

	<u>FYE</u> <u>2009</u>	<u>FYE</u> <u>2010</u>	<u>FYE</u> <u>2011</u>	<u>Total</u>
Grant Proceeds	\$ <u>119,213</u>	\$ <u>66,314</u>	\$ <u>10,959</u>	\$ <u>196,486</u>
Total Grant Proceeds	\$ <u><u>119,213</u></u>	\$ <u><u>66,314</u></u>	\$ <u><u>10,959</u></u>	\$ <u><u>196,486</u></u>
Grant Expenditures	\$ <u>119,216</u>	\$ <u>63,064</u>	\$ <u>14,256</u>	\$ <u>196,536</u>
Total Grants Expenditures	\$ <u><u>119,216</u></u>	\$ <u><u>63,064</u></u>	\$ <u><u>14,256</u></u>	\$ <u><u>196,536</u></u>

* The accompanying notes are an integral part of the financial statements.

TOWN OF STUART, OKLAHOMA
STATUS OF PRIOR AUDIT FINDINGS

June 30, 2011

08-1 BUDGET AND APPROPRIATIONS

Condition: The Town of Stuart's expenditures in certain departments and accounts within departments exceeded the budget appropriation for the year.

Current Status: See current audit finding 08-1.

08-2 SEGREGATION OF DUTIES

Condition: Due to the limited number of personnel involved in the operating of the fiscal office, most of those aspects of internal accounting control, which rely upon an adequate segregation of duties are, for all practical purposes, missing the organization. However, we recognize that the organization's administration is not large enough to make the employment of additional persons, for the purpose of segregating duties, practical from a cost-benefit standpoint.

Current Status: See current audit finding 08-2.

* The accompanying notes are an integral part of the financial statements.

TOWN OF STUART, OKLAHOMA

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2011

08-1 BUDGET AND APPROPRIATIONS

Criteria: Oklahoma Statutes, Title 62, Section 17-215 states "No encumbrance or expenditure may be authorized or made by any officer or employee, which exceeds the available appropriation for each classification level defined by Section 17-213..."

Condition: The Town of Stuart's expenditures in certain departments and accounts within departments exceeded the budget appropriation for the year.

Cause/Effect: Illegal expenditures can be made when budget appropriations are exceeded.

Recommendation: We recommend the Town of Stuart make adjustments to budget appropriation accounts to ensure that all expenditures are made within the available appropriations.

Response: Town of Stuart has a matching grant from the Department of Commerce and we did not know how much we would be required to contribute this year.

08-2 SEGREGATION OF DUTIES

Criteria: Effective internal controls rely upon proper segregation of duties to detect and prevent possible fraudulent activities.

Condition: Due to the limited number of personnel involved in the operating of the fiscal office, most of those aspects of internal accounting control, which rely upon an adequate segregation of duties are, for all practical purposes, missing the organization. However, we recognize that the organization's administration is not large enough to make the employment of additional persons, for the purpose of segregating duties, practical from a cost-benefit standpoint.

Cause/Effect: Fraudulent activities could go undetected.

Recommendation: SAUNDERS & ASSOCIATES, PLLC recommends increased oversight by the Board over all financial activities.

Response: The Town of Stuart has two Council Members sign the checks. The Clerk reads the financial report and minutes at each meeting. The Council approves all Purchase Orders.

* The accompanying notes are an integral part of the financial statements.