

TOWN OF ROCKY, OKLAHOMA  
Annual Financial Statements and  
Independent Auditor's Report  
Fiscal Year June 30, 2012

# TOWN OF ROCKY, OKLAHOMA

## Table of Contents

For the Year Ended June 30, 2012

Page

**Independent Auditor's Report on Financial Statements**..... 2-3

**The Basic Financial Statements and Analysis:**

**Financial Statements and Analysis of the Town as a Whole:**

Total Government Statement of Net Assets..... 4  
Total Government Statement of Activities & Fund Balances..... 5  
Footnotes to Statements of Net Assets & Activities (A)..... 6-7

**Financial Statements and Analysis of the Governmental Funds:**

Governmental Funds Statement of Net Assets..... 8  
Governmental Funds Statement of Activities & Fund Balance.....9  
Footnotes to Governmental Funds Financial Statements (B).....10

**Financial Statements and Analysis of the Proprietary Funds:**

Proprietary Funds Statement of Net Assets..... 11  
Proprietary Funds Statement of Activities & Fund Balance..... 12  
Proprietary Funds Statement of Cash Flows .....13  
Footnotes to Proprietary Fund Financial Statements (C)..... 14

**Supplementary Financial Schedules and Analysis:**

**Deposits and Investment Risk Management:**

Schedule of Deposits and Investments ..... 15  
Footnotes to Schedule of Deposits and Investments (D)..... 15

**Capital Assets Management:**

Schedule of Changes in Capital Assets..... 16  
Footnotes to Schedule of Changes in Capital Assets (E)..... 17

**Budget:**

Budgetary Comparison Schedule of General Fund .....18  
Footnotes to Budgetary Comparison Schedule (F) ..... 18

**Awards:**

Schedule of Federal & State Awards.....19

**Internal Control and Compliance Information:**

Independent Auditor's Report on Internal Control and Compliance.....20-21

# Scott Northrip

*Certified Public Accountant*  
*P.O. Box 642, 311 S. Main St.*  
*Hobart, Oklahoma 73651*

## INDEPENDENT AUDITOR'S REPORT

To the Council of  
Town of Rocky, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business type activities, and the aggregate remaining fund information of Town of Rocky, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprises the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Rocky, Oklahoma's management. Our responsibility is to express opinions 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 that our audit provides a reasonable basis for our opinions.

As described in Note A2, Town of Rocky, Oklahoma, prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As described in Note E1, Town of Rocky, Oklahoma did not report capital assets in the financial information as well as depreciate the assets over its estimated useful life before July 1, 2003 for the general fixed assets as well as the business-type activity assets. Accounting principles generally accepted in the United States of America require that those assets be capitalized and depreciated. The capitalization of the assets and the depreciation of them would affect the financial statement but the amount by which this departure would affect the financial information could not be reasonably determined.

In our opinion, because of the effects of the matters discussed in the preceding paragraphs, the financial statements referred to above do not present fairly, the respective financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Town of Rocky, Oklahoma, as of and for the year ended June 30, 2012, and the cash flows of its business-type activities for the year ended on the basis of accounting described in Note A2, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

MEMBER:

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS & OKLAHOMA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditor's Report – Continued

As described in Note A2, the City has not implemented the new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as amended and interpreted, as of June 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2012, on our consideration of the Town of Rocky, 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 conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Rocky, Oklahoma's basic financial statements. The introductory section and the combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

**Scott Northrip, CPA**

Scott Northrip, CPA

November 2, 2012

# TOWN OF ROCKY, OKLAHOMA

## Total Government Statement of Net Assets

(Modified Cash Basis)

As of June 30, 2012

	Governmental Funds	Proprietary Funds	TOTAL
<b>ASSETS:</b>			
Cash & Cash Equivalents	\$ 42,887	\$ 12,873	\$ 55,760
Cash in Savings		\$ 12,471	12,471
Investments	30,084	22,500	52,584
Accounts Receivable	1,803	8,718	10,521
Prepaid Insurance	216	642	858
Capital Assets:			-
Capital Assets, net of depreciation	145,548	726,802	872,350
<b>TOTAL ASSETS</b>	<b>\$ 220,538</b>	<b>\$ 784,006</b>	<b>\$ 1,004,544</b>
<b>LIABILITIES AND FUND BALANCES:</b>			
Liabilities:			
Note Payable-Berkadia	\$ -	\$ -	\$ -
Accounts Payable	-	-	-
<b>TOTAL LIABILITIES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Net Assets:			
Invested in capital assets, net of debt	\$ 145,548		\$ 145,548
Grant Funds		880,237	880,237
Restricted For Meter Refunds		16,183	16,183
Unrestricted Fund Balance	74,990	(112,414)	(37,424)
<b>TOTAL NET ASSETS</b>	<b>\$ 220,538</b>	<b>\$ 784,006</b>	<b>\$ 1,004,544</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 220,538</b>	<b>\$ 784,006</b>	<b>\$ 1,004,544</b>

See accompanying notes to the financial statements.

# TOWN OF ROCKY, OKLAHOMA

## Total Governmental Statement of Activities & Fund Balance

(Modified Cash Basis)

For the Year Ended June 30, 2012

	Governmental Funds	Proprietary Funds	TOTAL
<b>REVENUES:</b>			
Taxes	\$ 26,645		\$ 26,645
Franchise Fees	4,023		4,023
Charges for Services	8,664	84,550	93,214
Capital & Operating Grants	8,163		8,163
Building Rent	90		90
Donations	22,207		22,207
Investment Revenues	284	291	575
Miscellaneous Revenues	911		911
<b>TOTAL REVENUES</b>	<b>\$ 70,987</b>	<b>\$ 84,841</b>	<b>\$ 155,828</b>
<b>EXPENDITURES:</b>			
General Government	\$ 8,270	\$ 26,350	\$ 34,620
Utilities	10,339	586	10,925
Fuel, Repairs & Maintenance	355	12,435	12,790
Capital Outlay	-		-
Other Expenditures	20,353	44,233	64,586
Depreciation	17,813	26,873	44,686
<b>TOTAL EXPENDITURES</b>	<b>\$ 57,130</b>	<b>\$ 110,477</b>	<b>\$ 167,607</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>	<b>\$ 13,857</b>	<b>\$ (25,636)</b>	<b>\$ (11,779)</b>
<b>OTHER SOURCES (USES):</b>			
Transfers In	\$ 201	\$ 309	\$ 510
Transfers Out	(309)	(201)	(510)
<b>TOTAL OTHER SOURCES (USES)</b>	<b>\$ (108)</b>	<b>\$ 108</b>	<b>\$ -</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>\$ 13,749</b>	<b>\$ (25,528)</b>	<b>\$ (11,779)</b>
Prior Period Adjustment	600		600
Fund Balances - Beginning	206,189	809,534	1,015,723
<b>FUND BALANCES - ENDING</b>	<b>\$ 220,538</b>	<b>\$ 784,006</b>	<b>\$ 1,004,544</b>

See accompanying notes to the financial statements.

**TOWN OF ROCKY, OKLAHOMA**  
**Footnotes to the Statements of Net Assets & Activities**  
**For the Year Ended June 30, 2012**

- A1. The Town of Rocky, Oklahoma's financial reporting entity includes the primary government and utility authority.
- A2. The statements of net assets and activities are reported on a modified cash basis of accounting. This modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets, and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:
- capital assets and the depreciation of those assets, where applicable
  - long-term debt
  - cash-based inter-fund receivables and payables
  - investments
  - utility deposit liabilities

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues and certain liabilities and their related expenses are not recorded in these financial statements.

For business-type activities, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied as they apply to the modified cash basis, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The Town has not implemented the new accounting and financial reporting provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. These new standards have changed the format and content of the financial Statements from that used in periods prior to June 30, 2004.

- A3. Cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three months or less.
- A4. Investments consist of long-term certificates of deposit and are reported at cost.
- A5. Capital assets are reported as assets net of accumulated depreciation. Capital outlays are not reported as an expenditure and depreciation is reported on statement of activities.
- A6. Long-term debt is reported when the debt arises from a cash transaction.
- A7. Fund balance or net assets are displayed in three components:
- a. *Invested in capital assets, net of related debt* – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
  - b. *Restricted net assets* – consists of net assets with constraints placed on the use either by an external group such as creditors, grantors, contributors, or laws and regulations of other governments, or by law through constitutional provisions or enabling legislation.
  - c. *Unrestricted net assets* – all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

**TOWN OF ROCKY, OKLAHOMA**  
**Footnotes to the Statements of Net Assets & Activities - Continued**  
**For the Year Ended June 30, 2012**

- A8. The Town is not a party to any legal proceedings which normally occur in the course of government operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an advalorem tax over a three-year period by a Town Sinking Fund for the payment of any court assessed judgment rendered against the Town. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the Town and the State statute relating to judgments, the Town feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the Town.
- A9. The Town's policy is to eliminate inter-fund receivables and payables between funds in the statement of net assets to avoid the grossing up of balances.
- A10. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**TOWN OF ROCKY, OKLAHOMA**  
 Governmental Funds Statement of Net Assets  
*(Modified Cash Basis)*  
 As of June 30, 2012

<b>ASSETS:</b>	<b>General</b>	<b>Other Government Funds</b>	<b>TOTAL GOVERNMENT FUNDS</b>
Cash & Cash Equivalents	\$ 21,378	\$ 21,509	\$ 42,887
Investments	25,042	5,042	30,084
Taxes Receivable	1,803	-	1,803
Prepaid Insurance	216		216
<b>TOTAL ASSETS</b>	<b>\$ 48,439</b>	<b>\$ 26,551</b>	<b>\$ 74,990</b>
<b>LIABILITIES AND FUND BALANCES:</b>			
Liabilities:			
Due to other funds		\$ -	\$ -
Due to others			-
<b>TOTAL LIABILITIES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Net Assets:			
Unreserved Fund Balance	\$ 48,439	\$ 26,551	\$ 74,990
<b>TOTAL NET ASSETS</b>	<b>\$ 48,439</b>	<b>\$ 26,551</b>	<b>\$ 74,990</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 48,439</b>	<b>\$ 26,551</b>	<b>\$ 74,990</b>

See accompanying notes to financial statements

# TOWN OF ROCKY, OKLAHOMA

## Governmental Funds Statement of Activities & Fund Balance

(Modified Cash Basis)

For the Year Ended June 30, 2012

	General	Other Government Funds	TOTAL GOVERNMENT FUNDS
<b>REVENUES:</b>			
Taxes	\$ 30,362	\$ 306	\$ 30,668
Charges for Services	90	8,664	8,754
Capital & Operating Grants		8,163	8,163
Donations		22,207	22,207
Investment Revenues	242	42	284
Miscellaneous Revenues		911	911
<b>TOTAL REVENUES</b>	<b>\$ 30,694</b>	<b>\$ 40,293</b>	<b>\$ 70,987</b>
<b>EXPENDITURES:</b>			
General Government	\$ 8,270		\$ 8,270
Maintenance & Operations	11,985	19,062	31,047
Capital Outlay	-	13,159	13,159
<b>TOTAL EXPENDITURES</b>	<b>\$ 20,255</b>	<b>\$ 32,221</b>	<b>\$ 52,476</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>	<b>\$ 10,439</b>	<b>\$ 8,072</b>	<b>\$ 18,511</b>
<b>OTHER SOURCES (USES):</b>			
Transfers In	\$ 201		\$ 201
Transfers Out	(309)		(309)
<b>TOTAL OTHER SOURCES (USES)</b>	<b>\$ (108)</b>	<b>\$ -</b>	<b>\$ (108)</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>\$ 10,331</b>	<b>\$ 8,072</b>	<b>\$ 18,403</b>
Fund Balances - Beginning	38,108	18,479	56,587
<b>FUND BALANCES - ENDING</b>	<b>\$ 48,439</b>	<b>\$ 26,551</b>	<b>\$ 74,990</b>

See accompanying notes to the financial statements.

**TOWN OF ROCKY, OKLAHOMA**  
**Footnotes to Governmental Funds Financial Statements**  
**For the Year Ended June 30, 2012**

B1. The Town's governmental funds are comprised of the following funds:

Non-Major Funds:

- General Fund – accounts for all activities of administering and maintaining the City
  
- Special Revenue Funds – consists of three separate funds which are Street & Alley, Federal Revenue, and Fire Department.

B2. The governmental funds are reported on a modified cash basis of accounting, as described in footnote A2, and current financial resources measurement focus. Only current financial assets and liabilities are generally included on the fund balance sheet or statement of net assets. The statement of activities present sources and uses of available spendable financial resources during a given period. These fund financial statement use fund balance or net assets as their measure of available spendable financial resources at the end of the period.

B3. Sales tax revenues represents a three (3) cent local tax on each dollar of taxable sales within the Town.

B4. The Town presently levies no property tax. In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters or to pay judgments rendered against the Town.

B5. As a result of the Town's use of the modified cash basis of accounting, accrued liabilities related to compensated absences and compensatory time earned but unpaid at year end, and any employer-related costs earned and unpaid, are not reflected in the financial statements.

B6. Capital Outlays are reported as cash transactions on the statement of activities and no depreciation is reported.

# TOWN OF ROCKY, OKLAHOMA

## Proprietary Funds Statement of Net Assets

(Modified Cash Basis)

As of June 30, 2012

	<u>Utility Authority</u>
<b>ASSETS:</b>	
Current Assets:	
Cash & Cash Equivalents	\$ 25,344
Investments	22,500
Accounts Receivable	8,718
Prepaid Insurance	642
<b>Total Current Assets</b>	<u>\$ 57,204</u>
Noncurrent Assets:	
Capital Assets:	
Other Capital Assets, net of depreciation	726,802
<b>Total Noncurrent Assets</b>	<u>\$ 726,802</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 784,006</u></u>
<b>LIABILITIES AND NET ASSETS:</b>	
Liabilities:	
Note Payable	\$ -
Accounts Payable	-
<b>Total Liabilities</b>	<u>\$ -</u>
Net Assets:	
Grant Funds	\$ 880,237
Restricted for Meter Refunds	16,183
Unrestricted Fund Balance	<u>(112,414)</u>
<b>Total Net Assets</b>	<u>\$ 784,006</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 784,006</u></u>

See accompanying notes to the financial statements.

**TOWN OF ROCKY, OKLAHOMA**  
Proprietary Funds Statement of Activities & Fund Balance  
*(Modified Cash Basis)*  
For the Year Ended June 30, 2012

	<b>Utility Authority</b>
<b>OPERATING REVENUES:</b>	
Utility Services	\$ 84,500
Cost of Utility Services	(38,220)
Net Revenue from Utility Services	\$ 46,280
Other Revenues	50
<b>Total Operating Revenues</b>	<b>\$ 46,330</b>
<b>OPERATING EXPENSES:</b>	
Administration	\$ 26,350
Utilities	586
Fuel, Repairs & Maintenance	12,435
Other Expenses	6,013
Depreciation	26,873
<b>Total Operating Expenses</b>	<b>\$ 72,257</b>
<b>OPERATING INCOME (LOSS)</b>	<b>\$ (25,927)</b>
<b>OTHER REVENUES (EXPENSES):</b>	
Investment Revenues	\$ 291
Grant Revenues	\$ -
<b>Total Other Revenues(Expenses)</b>	<b>\$ 291</b>
<b>NET INCOME (LOSS) BEFORE TRANSFERS</b>	<b>\$ (25,636)</b>
Transfers In	309
Transfers Out	(201)
<b>CHANGES IN NET ASSETS</b>	<b>\$ (25,528)</b>
Net Assets - Beginning	809,534
<b>NET ASSETS - ENDING</b>	<b>\$ 784,006</b>

See accompanying notes to the financial statements.

**TOWN OF ROCKY, OKLAHOMA**  
Proprietary Funds Statement of Cash Flows  
(Modified Cash Basis)  
As of June 30, 2012

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Receipts from customers	\$	87,559
Payments to suppliers		(58,686)
Payments to employees		(26,350)
		<u>          </u>
Net Cash Provided from Operating Activities	\$	<u>2,523</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

Payment of Long Term Debt	\$	(5,405)
Investment in Capital Improvements		-
Transfers from Other Funds		309
Transfers to Other Funds		(201)
Grant Revenues		-
		<u>          </u>
Net Cash Provided from Noncapital Financing Activities	\$	<u>(5,297)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Interest Collected		<u>291</u>
Cash Flows from Investing Activities	\$	<u>291</u>

**INCREASE (DECREASE) IN CASH**

	\$	(2,483)
Cash Balance, July 1, 2010		<u>50,327</u>
Cash Balance, June 30, 2011	\$	<u><u>47,844</u></u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating Income	\$	(25,927)
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>		
Depreciation	\$	26,873
<b>Change in assets &amp; liabilities:</b>		
Decrease (Increase) in accounts receivable		3,009
Decrease (Increase) in prepaid expenses		(10)
(Decrease) Increase in liabilities		<u>(1,422)</u>
<b>Total Adjustments</b>		<u>28,450</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$</b>	<b><u><u>2,523</u></u></b>

See accompanying notes to the financial statements.

**TOWN OF ROCKY, OKLAHOMA**  
**Footnotes to Proprietary Funds Financial Statements**  
**For the Year Ended June 30, 2012**

The proprietary funds consist primarily of the Utilities Authority generally receives funds through the services of providing the different utilities to the customers of the Town. The proprietary funds are reported on the modified cash basis of accounting and an economic resources measurement focus.

- C1. The proprietary funds are reported on a modified cash basis, as defined in footnote A2, and economic resources measurement focus. Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied as applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.
- C2. For the purpose of the cash flow statement, cash and cash equivalents includes all demand and savings accounts and certificates of deposit.
- C3. As a result of the Town's use of the modified cash basis of accounting, accrued liabilities related to compensated absences and compensatory time earned but unpaid at year end, and any employer-related costs earned and unpaid, are not reflected in the financial statements.
- C4. The proprietary fund had one long-term debt during the year being audited. Berkadia purchased the mortgage note payable from Capmark in 2010. Before then Capmark purchased the note from GMAC in 2006. The final payment of \$5,693.29 on the 5%, 40 year note was paid off in December, 2011. The lien release was received by the Town.

The savings reserve balance of \$12,470.60 as of 6-30-12 was kept in savings but the Capmark name was removed from the bank account to spend at the Town's discretion.

**TOWN OF ROCKY, OKLAHOMA**  
**Schedule of Deposits and Investments**  
**For the Year Ended June 30, 2012**

**Schedule of Deposits and Investments:**

Demand Deposits	\$ 68,231
Certificates of Deposit	<u>52,584</u>
Total	<u>\$ 120,815</u>

**Reconciliation to Statement of Net Assets:**

Cash and Cash Equivalents	\$ 68,231
Investments	<u>52,584</u>
Total	<u>\$ 120,815</u>

**Footnotes to Schedule of Deposits and Investments:**

- D1. *Custody Credit Risk* – deposits in financial institutions, reported as cash & cash equivalents and investments, were insured by depository insurance and/or secured with collateral held by the Town's agent in its name.
- D2. *Investment Interest Rate Risk* – the Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing rates.
- Investment Credit Risk* – the Town has no investment policy that limits its investment choices other than the limitations of state law that generally authorizes investments in: (1) government obligations; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) certain negotiable instruments; (4) county, municipal or school district supported debt obligations.
- Concentration of Investment Credit Risk* – the Town places no limit on the amount it may invest in any one issuer.

# TOWN OF ROCKY, OKLAHOMA

## SCHEDULE OF CAPITAL ASSETS:

GENERAL FIXED ASSETS GROUP For the Year 6/30/2012	Balance 7-1-2011	Additions	Deletions	Balance 6-30-2012
Land & Improvements	\$ 13,600.00	\$ -	\$ -	\$ 13,600.00
Building	146,192.00	-	-	146,192.00
Machinery & Equipment	218,111.44	13,758.84	-	231,870.28
Office Equipment	5,836.70	-	-	5,836.70
<b>TOTAL</b>	<b>\$ 383,740.14</b>	<b>\$ 13,758.84</b>	<b>\$ -</b>	<b>\$ 397,498.98</b>
<b>ACCUMULATED DEPRECIATION:</b>				
Land Improvements	\$ -	\$ -	\$ -	\$ -
Building	46,564.76	6,191.73	-	52,756.49
Machinery & Equipment	183,236.75	11,203.91	-	194,440.66
Office Equipment	4,336.23	417.24	-	4,753.47
<b>TOTAL ACCUM. DEP.</b>	<b>\$ 234,137.74</b>	<b>\$ 17,812.88</b>	<b>\$ -</b>	<b>\$ 251,950.62</b>
<b>NET FIXED ASSETS</b>	<b>\$ 149,602.40</b>	<b>\$ (4,054.04)</b>	<b>\$ -</b>	<b>\$ 145,548.36</b>
<b>PROPRIETARY FUNDS</b>				
For the Year 6/30/2012	Balance 7/1/2011	Additions	Deletions	Balance 6/30/2012
Land & Water Membership	\$ 600.00	\$ -	\$ -	\$ 600.00
Water System	499,512.03	-	-	499,512.03
Sewer System	559,212.61	-	-	559,212.61
Fire Station	9,476.00	-	-	9,476.00
<b>TOTAL</b>	<b>\$ 1,068,800.64</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,068,800.64</b>
<b>ACCUMULATED DEPRECIATION:</b>				
Land & Water Membership	\$ -	\$ -	\$ -	\$ -
Water System	200,641.27	12,944.25	-	213,585.52
Sewer System	105,008.15	13,929.16	-	118,937.31
Fire Station	9,476.00	-	-	9,476.00
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>\$ 315,125.42</b>	<b>\$ 26,873.41</b>	<b>\$ -</b>	<b>\$ 341,998.83</b>
<b>NET FIXED ASSETS</b>	<b>\$ 753,675.22</b>	<b>\$ (26,873.41)</b>	<b>\$ -</b>	<b>\$ 726,801.81</b>

# TOWN OF ROCKY, OKLAHOMA

## Footnotes to the Schedule of Capital Assets For Year Ending June 30, 2012:

E1. Capital assets are reported at actual or estimated historical cost at the time of the cash transaction. Prior to July 1, 2003, governmental funds' infrastructure assets, such as streets, drainage systems, and traffic signal systems were not being capitalized. Infrastructure assets acquired since July 1, 2003 are recorded at cost.

E2. Depreciable capital assets are depreciated on a straight-line basis over their estimated useful life. A capitalization threshold of \$500 is used to report capital assets. The range of estimated useful lives by type of assets is as follows:

Buildings	20-50 years
Improvements other than buildings	10-25 years
Machinery, furniture and equipment	3-10 years
Utility property and improvements	10-50 years
Infrastructure	5-50 years

**TOWN OF ROCKY, OKLAHOMA**  
 Budgetary Comparison Schedule of General Fund  
 For the Year Ended June 30, 2012

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
<b>Beginning Budgetary Fund Balance</b>	\$ 33,963	\$ 33,963	\$ 33,963	\$ -
<b><u>RRESOURCES (INFLOWS):</u></b>				
<b>TAXES:</b>				
Sales Tax & Cigar Tax	\$ 16,140	\$ 16,140	\$ 23,253	\$ 7,113
Alcohol Beverage Tax	1,927	1,927	1,977	50
Motor Vehicle Tax	1,122	1,122	1,109	(13)
Franchise Tax	3,401	3,401	4,023	622
<b>Total Taxes</b>	<u>\$ 22,590</u>	<u>\$ 22,590</u>	<u>\$ 30,362</u>	<u>\$ 7,772</u>
<b>CHARGES FOR SERVICES:</b>				
Community Building Rent	\$ 324	\$ 324	\$ 90	\$ (234)
Other Charges & Insurance Refunds	-	-	-	-
<b>Total Charges for Services</b>	<u>\$ 324</u>	<u>\$ 324</u>	<u>\$ 90</u>	<u>\$ (234)</u>
<b>GRANTS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>DONATIONS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>INVESTMENT REVENUES</b>	<u>\$ 536</u>	<u>\$ 536</u>	<u>\$ 242</u>	<u>\$ (294)</u>
<b>TRANSFERS FROM OTHER FUNDS</b>	<u>-</u>	<u>-</u>	<u>201</u>	<u>201</u>
<b>TOTAL RESOURCES (INFLOWS)</b>	<u>\$ 23,450</u>	<u>\$ 23,450</u>	<u>\$ 30,895</u>	<u>\$ 7,445</u>
<b>AMOUNT AVAILABLE TO APPROPRIATE</b>	<u>\$ 57,413</u>	<u>\$ 57,413</u>	<u>\$ 64,858</u>	<u>\$ 7,445</u>
<b><u>APPROPRIATIONS (OUTFLOWS):</u></b>				
<b>GENERAL GOVERNMENT:</b>				
Administrative	\$ 10,000	\$ 10,000	\$ 8,270	\$ 1,730
Maintenance & Operations	25,000	25,000	11,985	13,015
Capital Outlay	22,413	22,413	-	22,413
<b>Total General Government</b>	<u>\$ 57,413</u>	<u>\$ 57,413</u>	<u>\$ 20,255</u>	<u>\$ 37,158</u>
<b>TRANSFERS TO OTHER FUNDS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 309</u>	<u>\$ (309)</u>
<b>TOTAL APPROPRIATIONS</b>	<u>\$ 57,413</u>	<u>\$ 57,413</u>	<u>\$ 20,564</u>	<u>\$ 36,849</u>
<b>ENDING BUDGETARY FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,294</u>	<u>\$ 44,294</u>

**Footnotes to Budgetary Comparison:**

- F1. The budgetary comparison schedule is reported on the same modified cash basis as governmental funds within the basic financial statements.
- F2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require Mayor's approval, while supplemental appropriations require Council approval.

**TOWN OF ROCKY, OKLAHOMA**  
**SCHEDULE OF FEDERAL & STATE AWARDS**  
For the year Ending June 30, 2012

Federal/State Grantor/Pass thru A Grantor/Program Title	Federal CFDA #	Pass thru Grant #	Award Amount	Contract Revenues	Contract Expenditures
<b>STATE AWARDS:</b>					
Southwest OK Development Authority:					
CENA Grant	N/A	210 CENA 12	\$ 3,750	\$ 3,750	\$ 3,750
Department of Agriculture					
Fire Department Grant			\$ 4,413	\$ 4,413	\$ 4,413
<b>TOTAL STATE AWARDS</b>			<b>\$ 8,163</b>	<b>\$ 8,163</b>	<b>\$ 8,163</b>

**Footnotes to Schedule of Expenditures of Federal & State Awards**

H1. The Schedule of Expenditures of Federal and State Awards is prepared on a modified cash basis.

# Scott Northrip

*Certified Public Accountant*  
*P.O. Box 642, 311 S. Main St.*  
*Hobart, Oklahoma 73651*

## **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 Council of  
Town of Rocky, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business type activities, and the aggregate remaining fund information of Town of Rocky, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprises the Town's basic financial statements prepared on the modified cash basis and have issued our report thereon dated November 2, 2012. The report reflects an adverse opinion based on the fact that the financial statements did not include the capitalization of the capital assets or the depreciation of them. 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town'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 and but not for the purpose of expressing our opinions on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town'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.

MEMBER:  
*AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS & OKLAHOMA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Rocky, Oklahoma'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Council, management of the Town of Rocky, and is not intended to be and should not be used by anyone other than these specified parties.

*Scott Northrip, CPA*

Scott Northrip, CPA

November 2, 2012