

TOWN OF ROCKY, OKLAHOMA
Annual Financial Statements and
Independent Auditor's Report
Fiscal Year June 30, 2013

TOWN OF ROCKY, OKLAHOMA
Table of Contents
For the Year Ended June 30, 2013

	<u>Page</u>
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 Position.....	4
Total Government Statement of Activities & Fund Balances.....	5
Footnotes to Statements of Net Position & Activities (A).....	6-7
Financial Statements and Analysis of the Governmental Funds:	
Governmental Funds Statement of Net Position.....	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 Position.....	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

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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, 2013, 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, 2013, 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.

Independent Auditor's Report – Continued

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2014, 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

January 20, 2014

TOWN OF ROCKY, OKLAHOMA
 Total Government Statement of Net Position
(Modified Cash Basis)
 As of June 30, 2013

	Governmental Funds	Proprietary Funds	TOTAL
ASSETS:			
Cash & Cash Equivalents	\$ 40,233	\$ 22,636	\$ 62,869
Cash in Savings		12,533	12,533
Investments	30,185	22,500	52,685
Accounts Receivable	2,613	8,995	11,608
Prepaid Insurance	3,708	64	3,772
Capital Assets, net of depreciation	127,928	700,174	828,102
TOTAL ASSETS	\$ 204,667	\$ 766,902	\$ 971,569
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	-	1,732	1,732
TOTAL LIABILITIES	\$ -	\$ 1,732	\$ 1,732
Net Position:			
Invested in capital assets, net of debt	\$ 127,928		\$ 127,928
Grant Funds		880,237	880,237
Restricted For Meter Refunds		17,105	17,105
Unrestricted Fund Balance	76,739	(132,172)	(55,433)
TOTAL NET POSITION	\$ 204,667	\$ 765,170	\$ 969,837
TOTAL LIABILITIES AND NET POSITION	\$ 204,667	\$ 766,902	\$ 971,569

See accompanying notes to the financial statements.

TOWN OF ROCKY, OKLAHOMA

Total Governmental Statement of Activities & Changes in Net Position
 (Modified Cash Basis)
 For the Year Ended June 30, 2013

	Governmental Funds	Proprietary Funds	TOTAL
REVENUES:			
Taxes	\$ 23,984		\$ 23,984
Franchise Fees	3,611		3,611
Charges for Services	6,485	87,376	93,861
Capital & Operating Grants	8,284		8,284
Building Rent	120		120
Donations	1,950		1,950
Investment Revenues	227	194	421
Miscellaneous Revenues	23		23
TOTAL REVENUES	\$ 44,684	\$ 87,570	\$ 132,254
EXPENDITURES:			
General Government	\$ 7,643	\$ 28,241	\$ 35,884
Utilities	9,340	753	10,093
Fuel, Repairs & Maintenance	4,555	8,605	13,160
Capital Outlay	-		-
Other Expenditures	19,597	43,979	63,576
Depreciation	17,620	26,628	44,248
TOTAL EXPENDITURES	\$ 58,755	\$ 108,206	\$ 166,961
EXCESS (DEFICIENCY) OF REVENUES	\$ (14,071)	\$ (20,636)	\$ (34,707)
OTHER SOURCES (USES):			
Transfers In	\$ 131	\$ 1,991	\$ 2,122
Transfers Out	(1,931)	(191)	(2,122)
TOTAL OTHER SOURCES (USES)	\$ (1,800)	\$ 1,800	\$ -
NET CHANGES IN FUND BALANCES	\$ (15,871)	\$ (18,836)	\$ (34,707)
Net Position - Beginning	220,538	784,006	1,004,544
NET POSITION - ENDING	\$ 204,667	\$ 765,170	\$ 969,837

See accompanying notes to the financial statements.

TOWN OF ROCKY, OKLAHOMA
Footnotes to the Statements of Net Position & Activities
For the Year Ended June 30, 2013

- 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. As of June 30, 2013 the Town did not have any long-term debt.
- 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 Position & Activities - Continued
For the Year Ended June 30, 2013

- 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 ad valorem 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.
- A11. For the year ending 6/30/13 two of the Town's Trustees and the Town's Clerk/Treasurer resigned after the August 13, 2012 council meeting. This left only the Mayor in charge of conducting the Town's business activities. There were no council meetings held until April 22, 2013, after an election was held and Trustees were elected and a different Mayor was appointed at that time.

TOWN OF ROCKY, OKLAHOMA
 Governmental Funds Statement of Net Position
(Modified Cash Basis)
 As of June 30, 2013

	General	Other Government Funds	TOTAL GOVERNMENT FUNDS
ASSETS:			
Cash & Cash Equivalents	\$ 17,886	\$ 22,346	\$ 40,232
Investments	25,093	5,093	30,186
Taxes Receivable	2,613	-	2,613
Prepaid Insurance	3,708		3,708
TOTAL ASSETS	\$ 49,300	\$ 27,439	\$ 76,739
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Due to other funds		\$ -	\$ -
Due to others			-
TOTAL LIABILITIES	\$ -	\$ -	\$ -
Net Position:			
Unreserved Fund Balance	\$ 49,300	\$ 27,439	\$ 76,739
TOTAL NET POSITION	\$ 49,300	\$ 27,439	\$ 76,739
TOTAL LIABILITIES AND NET POSITION	\$ 49,300	\$ 27,439	\$ 76,739

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, 2013

	General	Other Government Funds	TOTAL GOVERNMENT FUNDS
REVENUES:			
Taxes	\$ 27,296	\$ 299	\$ 27,595
Charges for Services	120	6,485	6,605
Capital & Operating Grants		8,284	8,284
Donations	1,500	450	1,950
Investment Revenues	199	51	250
Miscellaneous Revenues			-
TOTAL REVENUES	\$ 29,115	\$ 15,569	\$ 44,684
EXPENDITURES:			
General Government	\$ 7,643		\$ 7,643
Maintenance & Operations	18,811	14,681	33,492
Capital Outlay	-	-	-
TOTAL EXPENDITURES	\$ 26,454	\$ 14,681	\$ 41,135
EXCESS (DEFICIENCY) OF REVENUES	\$ 2,661	\$ 888	\$ 3,549
OTHER SOURCES (USES):			
Transfers In	\$ 131		\$ 131
Transfers Out	(1,931)		(1,931)
TOTAL OTHER SOURCES (USES)	\$ (1,800)	\$ -	\$ (1,800)
NET CHANGES IN FUND BALANCES	\$ 861	\$ 888	\$ 1,749
Fund Balances - Beginning	48,439	26,551	74,990
FUND BALANCES - ENDING	\$ 49,300	\$ 27,439	\$ 76,739

See accompanying notes to the financial statements.

TOWN OF ROCKY, OKLAHOMA
Footnotes to Governmental Funds Financial Statements
For the Year Ended June 30, 2013

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 Position
(Modified Cash Basis)
 As of June 30, 2013

	Utility Authority
ASSETS:	
Current Assets:	
Cash & Cash Equivalents	\$ 35,169
Investments	22,500
Accounts Receivable	8,995
Prepaid Insurance	64
Total Current Assets	\$ 66,728
Noncurrent Assets:	
Capital Assets:	
Other Capital Assets, net of depreciation	700,174
Total Noncurrent Assets	\$ 700,174
TOTAL ASSETS	\$ 766,902
LIABILITIES AND NET POSITION:	
Liabilities:	
Accounts Payable	1,732
Total Liabilities	\$ 1,732
Net Position:	
Grant Funds	\$ 880,237
Restricted for Meter Refunds	17,105
Unrestricted Fund Balance	(132,172)
Total Net Position	\$ 765,170
TOTAL LIABILITIES AND NET POSITION	\$ 766,902

See accompanying notes to the financial statements.

TOWN OF ROCKY, OKLAHOMA

Proprietary Funds Statement of Activities & Changes in Net Position
(Modified Cash Basis)
For the Year Ended June 30, 2013

	<u>Utility Authority</u>
OPERATING REVENUES:	
Utility Services	\$ 87,376
Cost of Utility Services	(40,604)
Net Revenue from Utility Services	\$ 46,772
Other Revenues	-
Total Operating Revenues	<u>\$ 46,772</u>
OPERATING EXPENSES:	
Administration	\$ 25,550
Utilities	753
Fuel, Repairs & Maintenance	8,321
Other Expenses	6,350
Depreciation	26,628
Total Operating Expenses	<u>\$ 67,602</u>
OPERATING INCOME (LOSS)	<u>\$ (20,830)</u>
OTHER REVENUES (EXPENSES):	
Investment Revenues	\$ 194
Grant Revenues	\$ -
Total Other Revenues(Expenses)	<u>\$ 194</u>
NET INCOME (LOSS) BEFORE TRANSFERS	<u>\$ (20,636)</u>
Transfers In	1,991
Transfers Out	(191)
CHANGES IN NET POSITION	<u>\$ (18,836)</u>
Net Position - Beginning	784,006
NET POSITION - ENDING	<u>\$ 765,170</u>

See accompanying notes to the financial statements.

TOWN OF ROCKY, OKLAHOMA
 Proprietary Funds Statement of Cash Flows
 (Modified Cash Basis)
 As of June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 87,099	
Payments to suppliers	(53,718)	
Payments to employees	(25,550)	
Net Cash Provided from Operating Activities	\$ 7,831	

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Investment in Capital Improvements	-	
Transfers from Other Funds	1,991	
Transfers to Other Funds	(191)	
Grant Revenues	-	
Net Cash Provided from Noncapital Financing Activities	\$ 1,800	

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest Collected		194
Cash Flows from Investing Activities	\$ 194	

INCREASE (DECREASE) IN CASH

	\$ 9,825	
Cash Balance, July 1, 2012		47,844
Cash Balance, June 30, 2013		\$ 57,669

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

Operating Income		\$ (20,830)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	\$ 26,628	
Change in assets & liabilities:		
Decrease (Increase) in accounts receivable	(277)	
Decrease (Increase) in prepaid expenses	578	
(Decrease) Increase in liabilities	1,732	
Total Adjustments		28,661
NET CASH PROVIDED BY OPERATING ACTIVITIES		\$ 7,831

See accompanying notes to the financial statements.

TOWN OF ROCKY, OKLAHOMA
Footnotes to Proprietary Funds Financial Statements
For the Year Ended June 30, 2013

- C1. 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.
- C2. 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.
- C3. For the purpose of the cash flow statement, cash and cash equivalents includes all demand and savings accounts and certificates of deposit.
- C4. 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.

TOWN OF ROCKY, OKLAHOMA
Schedule of Deposits and Investments
For the Year Ended June 30, 2013

Schedule of Deposits and Investments:

Demand Deposits	\$ 75,402
Certificates of Deposit	<u>52,685</u>
Total	<u>\$ 128,087</u>

Reconciliation to Statement of Net Position:

Cash and Cash Equivalents	\$ 75,402
Investments	<u>52,685</u>
Total	<u>\$ 128,087</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 6/30/2013	Balance 7-1-2012	Additions	Deletions	Balance 6-30-2013
Land & Improvements	\$ 13,600.00	\$ -	\$ -	\$ 13,600.00
Building	146,192.00	-	-	146,192.00
Machinery & Equipment	231,870.28	-	-	231,870.28
Office Equipment	5,836.70	-	-	5,836.70
TOTAL	\$ 397,498.98	\$ -	\$ -	\$ 397,498.98
ACCUMULATED DEPRECIATION:				
Land Improvements	\$ -	\$ -	\$ -	\$ -
Building	52,756.49	6,191.73	-	58,948.22
Machinery & Equipment	194,440.66	11,010.99	-	205,451.65
Office Equipment	4,753.47	417.24	-	5,170.71
TOTAL ACCUM. DEP.	\$ 251,950.62	\$ 17,619.96	\$ -	\$ 269,570.58
NET FIXED ASSETS	\$ 145,548.36	\$ (17,619.96)	\$ -	\$ 127,928.40
PROPRIETARY FUNDS For the Year 6/30/2013	Balance 7/1/2012	Additions	Deletions	Balance 6/30/2013
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
TOTAL	\$ 1,068,800.64	\$ -	\$ -	\$ 1,068,800.64
ACCUMULATED DEPRECIATION:				
Land & Water Membership	\$ -	\$ -	\$ -	\$ -
Water System	213,585.52	12,699.15	-	226,284.67
Sewer System	118,937.31	13,929.16	-	132,866.47
Fire Station	9,476.00	-	-	9,476.00
TOTAL ACCUMULATED DEPRECIATION	\$ 341,998.83	\$ 26,628.31	\$ -	\$ 368,627.14
NET FIXED ASSETS	\$ 726,801.81	\$ (26,628.31)	\$ -	\$ 700,173.50

TOWN OF ROCKY, OKLAHOMA

Footnotes to the Schedule of Capital Assets For Year Ending June 30, 2013:

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, 2013

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 46,420	\$ 46,420	\$ 46,420	\$ -
<u>RRESOURCES (INFLOWS):</u>				
TAXES:				
Sales Tax & Cigar Tax	\$ 20,945	\$ 20,945	\$ 20,400	\$ (545)
Alcohol Beverage Tax	1,825	1,825	2,139	314
Motor Vehicle Tax	1,002	1,002	1,146	144
Franchise Tax	3,587	3,587	3,611	24
Total Taxes	<u>\$ 27,359</u>	<u>\$ 27,359</u>	<u>\$ 27,296</u>	<u>\$ (63)</u>
CHARGES FOR SERVICES:				
Rent & Royalties	\$ 101	\$ 101	\$ 143	\$ 42
Other Charges & Insurance Refunds	-	-	-	-
Total Charges for Services	<u>\$ 101</u>	<u>\$ 101</u>	<u>\$ 143</u>	<u>\$ 42</u>
GRANTS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
DONATIONS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,500</u>	<u>\$ 1,500</u>
INVESTMENT REVENUES	<u>\$ 378</u>	<u>\$ 378</u>	<u>\$ 176</u>	<u>\$ (202)</u>
TRANSFERS FROM OTHER FUNDS	<u>-</u>	<u>-</u>	<u>427</u>	<u>427</u>
TOTAL RESOURCES (INFLOWS)	<u>\$ 27,838</u>	<u>\$ 27,838</u>	<u>\$ 29,542</u>	<u>\$ 1,704</u>
AMOUNT AVAILABLE TO APPROPRIATE	<u>\$ 74,258</u>	<u>\$ 74,258</u>	<u>\$ 75,962</u>	<u>\$ 1,704</u>
<u>APPROPRIATIONS (OUTFLOWS):</u>				
GENERAL GOVERNMENT:				
Administrative	\$ 12,000	\$ 12,000	\$ 7,772	\$ 4,228
Maintenance & Operations	25,000	25,000	18,977	6,023
Capital Outlay	37,258	37,258	-	37,258
Total General Government	<u>\$ 74,258</u>	<u>\$ 74,258</u>	<u>\$ 26,749</u>	<u>\$ 47,509</u>
TRANSFERS TO OTHER FUNDS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,931</u>	<u>\$ (1,931)</u>
TOTAL APPROPRIATIONS	<u>\$ 74,258</u>	<u>\$ 74,258</u>	<u>\$ 28,680</u>	<u>\$ 45,578</u>
ENDING BUDGETARY FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,282</u>	<u>\$ 47,282</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, 2013

Federal/State Grantor/Pass thru / Federal Grantor/Program Title	CFDA #	Pass thru Grant #	Award Amount	Contract Revenues	Contract Expenditures
STATE AWARDS:					
Southwest OK Development Authority: CENA Grant	N/A	238 CENA 13	\$ 3,800	\$ 3,800	\$ 3,800
Department of Agriculture Fire Department Grant			\$ 4,484	\$ 4,484	\$ 4,484
TOTAL STATE AWARDS			<u>\$ 8,284</u>	<u>\$ 8,284</u>	<u>\$ 8,284</u>

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, 2013, which collectively comprises the Town's basic financial statements prepared on the modified cash basis and have issued our report thereon dated January 20, 2014. 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.

We noted certain matters that we reported to management of the Town in a separate letter dated January 20, 2014.

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

Report of Compliance and Internal Control over Financial Reporting - Continued

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

January 20, 2014

Scott Northrip

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

January 20, 2014

Town Council
Town of Rocky, Oklahoma

In planning and performing our audit of the financial statements of the Town of Rocky, OK, for the year ended June 30, 2013, we noted matters involving the internal control structure and its operations that are less serious than significant deficiencies conditions which we reported to you in a separate report. These matters, even though less serious than significant deficiencies, are opportunities for strengthening internal controls and operating efficiency. The following summarizes our findings and suggestions regarding these matters. This letter does not affect our "Independent Auditor's Report" dated January 20, 2014 on the financial statements of the Town of Rocky, OK.

2013-1 Finding – During our review of the Town's internal controls, it was noted that the Town's business activities from August, 2012 through April, 2013 was left entirely under the control of the Mayor due to the resignation of the Trustee's and Clerk/Treasurer after the August, 2012 council meeting.

Recommendation – We recommend that a council be maintained at all times so no one individual will have control of all business activities without a Council's approval.

2013-2 Finding – During the review of minutes of the meetings it was noted that the August, 2012 meeting was not signed by any Council members due to their resignation after that meeting.

Recommendation – We recommend that a council be maintained at all times to continue regular council meetings.

2013-3 Finding – In review of the payment vouchers we found some of the invoices missing and vouchers were out of order and hard to find. Also, penalties and interest were incurred on payroll taxes from late filing.

Recommendation – Keep invoices with the payment vouchers where applicable and keep vouchers in order according to fund and numerical order. Also, at the end of each quarter make sure payroll taxes are filed timely.

We would like to acknowledge that this has been a difficult year for the current management and that these findings were not necessarily within their control. We would like to thank you for your assistance extended to us during the course of our audit.

Scott Northrip, CPA

Scott Northrip, CPA

January 20, 2014