

TOWN OF SPERRY

Sperry, Oklahoma

FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT

For the Year Ended June 30, 2023

TOWN OF SPERRY SPERRY, OKLAHOMA

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MICHAEL W. GREEN
Certified Public Accountant

827 W. Locust St.
Stilwell, Oklahoma 74960
(918) 696-6298

INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Sperry, Oklahoma

Report on the Audit of the Financial Statements

Adverse and Unmodified Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund (except as described below), of the Town of Sperry, Oklahoma, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Adverse
Business-type Activities	Adverse
General Fund	Unmodified
Capital Improvement Fund	Unmodified
Rest Haven Cemetery	Unmodified

Adverse Opinion on Governmental and Business-type Activities

In my opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of my report, the financial statements referred to above do not present fairly the financial position of the Governmental and Business-type Activities of the Town, as of June 30, 2023, or the changes in financial position or cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on General Fund, Capital Improvement Fund, and Rest Haven Cemetery

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Town, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Adverse and Unmodified Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Town, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse and unmodified audit opinions.

Matter Giving Rise to Adverse Opinions on Governmental and Business-type Activities

Management has not included the Sperry Utility Services Authority in the Town's financial statements. The modified cash basis of accounting requires the Sperry Utility Services Authority, to be presented as major enterprise fund and component units and financial information about them to be part of the business-type activities, thus increasing that activity's assets, liabilities, revenues, and expenses, and changing its net position. The amount by which this departure would affect the assets, liabilities, net position, revenues, and expenses of the business-type activities and the omitted major funds has not been determined.

In addition, as discussed in Note 1.D. to the financial statements, management has not recorded certain general infrastructure assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. The modified cash basis of accounting requires that those general infrastructure assets be capitalized and depreciated, which would increase the assets, net position and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.

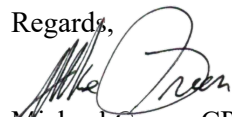
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated February 6, 2024, on my consideration of the Town's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town's internal control over financial reporting and compliance.

Regards,



Michael Green, CPA
February 6, 2024

**TOWN OF SPERRY
SPERRY, OKLAHOMA**

**STATEMENT OF NET POSITION - MODIFIED CASH BASIS
June 30, 2023**

	Government Activities	Business-Type Activities	Totals
Assets			
Current assets			
Cash and cash equivalents	\$ 987,035	\$ 98,117	\$ 1,085,152
Restricted Investments	-	104,674	104,674
Receivable from other funds	15,469	-	15,469
Total current assets	<u>1,002,504</u>	<u>202,791</u>	<u>1,205,295</u>
Noncurrent assets			
Capital assets:			
Property and equipment	877,262	178,055	1,055,317
Less accumulated depreciation	<u>(618,396)</u>	<u>(113,059)</u>	<u>(731,455)</u>
Total noncurrent assets	<u>258,866</u>	<u>64,996</u>	<u>323,862</u>
Total assets	<u>1,261,370</u>	<u>267,787</u>	<u>1,529,157</u>
Liabilities			
Current liabilities			
Payable to other funds	<u>3,924</u>	<u>14,090</u>	<u>18,014</u>
Total liabilities	<u>3,924</u>	<u>14,090</u>	<u>18,014</u>
Net position			
Invested in capital assets	258,866	64,996	323,862
Restricted (Note 1.D.)	121,289	188,701	309,990
Unrestricted	<u>877,291</u>	<u>-</u>	<u>877,291</u>
Total net position	<u>\$ 1,257,446</u>	<u>\$ 253,697</u>	<u>\$ 1,511,143</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

**TOWN OF SPERRY
SPERRY, OKLAHOMA**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2023**

Functions/programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contracts	Capital Grants and Contracts	Governmental Activities	Business-type Activities	Totals
Governmental activities						
General Government	\$ 502,954	\$ 7,100	\$ 167,952	\$ (327,902)	\$ -	\$ (327,902)
Police	97,601	-	-	(97,601)	-	(97,601)
Streets	15,148	-	-	(15,148)	-	(15,148)
Court	12,536	-	-	42,010	-	42,010
Emergency Services	-	54,546	-	24,436	-	24,436
Fire	53,326	24,436	-	(21,401)	-	(21,401)
Interest on Capital Leases	3,944	20,472	11,453	(3,944)	-	(3,944)
Total governmental activities	\$ 685,509	106,554	179,405	(399,550)	-	(399,550)
Business-type activities						
Resthaven Cemetery	76,732	81,392	-	-	4,660	-
Economic Development Authority	-	-	-	-	-	-
Total business-type activities	76,732	81,392	-	-	4,660	-
Totals	\$ 762,241	\$ 187,946	\$ 179,405	\$ (399,550)	\$ 4,660	\$ (399,550)
General revenues						
Sales tax				475,632	-	475,632
Use tax				148,995	-	148,995
Tobacco tax				3,189	-	3,189
Intergovernmental revenue not restricted to specific programs				11,605	-	11,605
Intergovernmental revenue restricted for streets & alleys				1,989	-	1,989
Franchise fees				37,476	-	37,476
Donations				31,270	-	31,270
Miscellaneous				52,565	-	52,565
Sale of asset				20,142	-	20,142
Payment from Sperry Utility Authority				45,000	-	45,000
Investment earnings				1,227	2,121	3,348
Transfers in				36,000	-	36,000
Transfers out				(62,005)	-	(62,005)
Total general revenues				803,085	2,121	805,206
Change in net position				403,535	6,781	410,316
Net position, beginning of year				853,911	246,916	1,100,827
Net position, end of year				\$ 1,257,446	\$ 253,697	\$ 1,511,143

The accompanying notes and auditor's report are an integral part of these financial statements.

**TOWN OF SPERRY
SPERRY, OKLAHOMA**

**BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
June 30, 2023**

	General Fund	Capital Improvement Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 802,965	\$ 184,070	\$ 987,035
Receivables from other funds	14,090	1,379	15,469
Total assets	<u>817,055</u>	<u>185,449</u>	<u>1,002,504</u>
Liabilities			
Payable to other funds	3,924	-	3,924
Total liabilities	<u>3,924</u>	<u>-</u>	<u>3,924</u>
Fund Balance			
Restricted for:			
Capital improvement sales tax	-	185,449	185,449
Committed for:			
Fire services	32,417	-	32,417
Emergency services	56,159	-	56,159
Police services	28,057	-	28,057
E-911 services	4,656	-	4,656
Unassigned	691,842	-	691,842
Total fund balance	<u>\$ 813,131</u>	<u>\$ 185,449</u>	<u>\$ 998,580</u>

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$ 877,262

The accumulated depreciation is \$ 618,396

Net effect for reconciliation 258,866

Net position of governmental activities	<u>\$ 1,257,446</u>
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The accompanying notes and auditor's report are an integral part of these financial statements.

**TOWN OF SPERRY
SPERRY, OKLAHOMA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

	General	Capital Improvement Fund	Total Governmental Funds
Revenues:			
Sales tax	\$ 396,360	\$ 79,272	\$ 475,632
Use tax	148,995	-	148,995
Gas tax	1,989	-	1,989
Franchise	37,476	-	37,476
Fire runs and dues	20,472	-	20,472
Cigarette tax	3,189	-	3,189
Alcoholic beverage/Motor vehicle tax	11,605	-	11,605
Grants	179,405	-	179,405
Emergency services	24,436	-	24,436
Licenses and permits	7,100	-	7,100
Fines and forfeitures	54,546	-	54,546
Interest	1,059	168	1,227
Donations	31,270	-	31,270
Miscellaneous	69,603	-	69,603
Total revenues	<u>987,505</u>	<u>79,440</u>	<u>1,066,945</u>
Expenditures:			
Administration - personnel services	386,588	-	386,588
- maintenance and operations	108,134	-	108,134
Police - personnel services	-	-	-
- maintenance and operations	65,339	-	65,339
Fire - personnel services	-	-	-
- maintenance and operations	22,917	-	22,917
Street and alley - personnel services	-	-	-
- maintenance and operations	10,348	-	10,348
Emergency Mgmt - maintenance and operations	-	-	-
Court - maintenance and operations	12,536	-	12,536
Capital outlay	147,328	-	147,328
Interest Expense	3,944	-	3,944
Total expenditures	<u>757,134</u>	<u>-</u>	<u>757,134</u>
Excess of revenues over (under) expenditures	<u>230,371</u>	<u>79,440</u>	<u>309,811</u>
Other Financing Sources (Uses)			
Transfers in	-	36,000	36,000
Transfers out	(62,005)	-	(62,005)
Sale of asset	20,142	-	20,142
Payments from Sperry Utility Authority	45,000	-	45,000
Total other financing sources and uses	<u>3,137</u>	<u>36,000</u>	<u>39,137</u>
Net change in fund balance	233,508	115,440	348,948
Fund balance, beginning of year	<u>579,623</u>	<u>70,009</u>	<u>649,632</u>
Fund balance, end of year	<u>\$ 813,131</u>	<u>\$ 185,449</u>	<u>\$ 998,580</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

**TOWN OF SPERRY
SPERRY, OKLAHOMA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENT FUNDS - MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2023**

Reconciliation of the change in fund balances: total governmental funds to the change
in net position of governmental activities:

Net change in fund balances: governmental funds	\$ 348,948
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Amounts reported for governmental activities in the Statement of Activities are
different because:

Governmental funds report capital outlays as expenditures while governmental
activities report depreciation expense to allocate those expenditures over the life
of the assets:

Capital asset purchases capitalized	113,253
Depreciation	(58,666)
Change in net position of governmental activities	<u>\$ 403,535</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

TOWN OF SPERRY
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
June 30, 2023

	Sperry Economic Development Authority <u>Enterprise Fund</u>	Resthaven Cemetery <u>Enterprise Fund</u>	Total Enterprise Funds <u>Enterprise Funds</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 7,020	\$ 91,097	\$ 98,117
Restricted Investments	-	104,674	104,674
Total current assets	<u>7,020</u>	<u>195,771</u>	<u>202,791</u>
Noncurrent assets:			
Capital assets:			
Equipment	-	57,535	57,535
Buildings	-	39,717	39,717
Infrastructure	-	48,148	48,148
Land	-	32,655	32,655
Less: Accumulated depreciation	-	(113,059)	(113,059)
Total noncurrent assets	<u>-</u>	<u>64,996</u>	<u>64,996</u>
Total assets	<u><u>7,020</u></u>	<u><u>260,767</u></u>	<u><u>267,787</u></u>
LIABILITIES			
Current liabilities:			
Due to Town	-	14,090	14,090
Total liabilities	<u>-</u>	<u>14,090</u>	<u>14,090</u>
NET POSITION			
Net Investment in capital assets	-	64,996	64,996
Restricted for capital improvements	7,020	104,674	111,694
Restricted for maintenance and operations	-	77,007	77,007
Total net position	<u><u>\$ 7,020</u></u>	<u><u>\$ 246,677</u></u>	<u><u>\$ 253,697</u></u>

The accompanying notes and auditor's report are an integral part of these financial statements.

TOWN OF SPERRY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Sperry Economic Development Authority Enterprise Fund	Resthaven Cemetery Enterprise Fund	Total Enterprise Funds
Operating revenues:			
Lot sales	\$ -	\$ 36,800	\$ 36,800
Internments	-	42,175	42,175
Miscellaneous	-	2,417	2,417
Total operating revenues	<u>-</u>	<u>81,392</u>	<u>81,392</u>
Operating expenses:			
Personnel cost	-	42,158	42,158
Operations	-	29,612	29,612
Depreciation	-	4,962	4,962
Total operating expenses	<u>-</u>	<u>76,732</u>	<u>76,732</u>
Net operating income	-	4,660	4,660
Nonoperating revenue (expense)			
Interest Income	<u>4</u>	<u>2,117</u>	<u>2,121</u>
Change in net position	4	6,777	6,781
Net position beginning of year	<u>7,016</u>	<u>239,900</u>	<u>246,916</u>
Net position end of year	<u>\$ 7,020</u>	<u>\$ 246,677</u>	<u>\$ 253,697</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

TOWN OF SPERRY
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Sperry Economic Development Authority Enterprise Fund	Resthaven Cemetery Enterprise Fund	Total Enterprise Funds
Cash flows from operating activities:			
Cash received from customers	\$ -	\$ 81,392	\$ 81,392
Cash paid for operating expenses	-	(29,612)	(29,612)
Payments to employees	-	(42,158)	(42,158)
Net cash provided (used) by operating activities	-	9,622	9,622
Cash flows from capital and related financing activities:			
Assets purchased	-	(9,500)	(9,500)
Net cash provided (used) by capital and related financing activities	-	(9,500)	(9,500)
Cash flows from investing activities:			
Interest income	4	2,117	2,121
Net cash provided (used) by investing activities	4	2,117	2,121
Net increase (decrease) in cash and cash equivalents	4	2,239	2,243
Cash and cash equivalents beginning of year	7,016	193,532	200,548
Cash and cash equivalents end of year	<u>\$ 7,020</u>	<u>\$ 195,771</u>	<u>\$ 202,791</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ -	\$ 4,660	\$ 4,660
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Cash flows reported in other:			
Depreciation	-	4,962	4,962
Net cash provided by operating activities	<u>\$ -</u>	<u>\$ 9,622</u>	<u>\$ 9,622</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

TOWN OF SPERRY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 1.B., these financial statements, for the Town of Sperry, Oklahoma, are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB.) These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

1.A. FINANCIAL REPORTING ENTITY

The municipality is a corporate body for public purposes created under Title 11 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The general operating authority for the municipality is the Oklahoma Municipal Code contained in Title 11, Oklahoma Statutes. The governing body of the municipality is the Town Council composed of elected members. The mayor is the executive officer of the municipality.

In evaluating how to define the reporting entity, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB), GASB Statement No. 14, *The Financial Reporting Entity*, as amended by Statement No. 61.

Based upon the application of these criteria, the Town's financial reporting entity is composed of the following:

Primary Government:	Town of Sperry
Blended Component Units	Sperry Economic Development Authority Resthaven Cemetery
Excluded Component Unit:	Sperry Utility Services Authority

The component units are public trusts established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance Town services through issuance of revenue bonds or other non-general obligation debt and to enable the Town Council to delegate certain functions to the governing body (Trustees) of the Authorities. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. The Town, as beneficiary of the public trusts, receives title to any residual assets when the public trusts are dissolved.

The Sperry Economic Development Authority was created June 19, 2009, to promote the development of business, industry and culture, and business retail, industrial, manufacturing, cultural and educational activities within the Town of Sperry. The governing body of the Economic Development Authority is the mayor, along with two residents of Sperry appointed by the Town Council. The Town of Sperry is the beneficiary of the trust.

The Sperry Utility Services Authority was created October 12, 1970, to institute, furnish, provide, distribute and supply gaseous fuels, water, trash pickup services, garbage pickup services, and sewage treating and disposal services for the area of and around the Town of Sperry. The current Town Council serves as trustees along with two trustees appointed by the Town Council. The Town of Sperry is the beneficiary of the trust.

The Rest Haven Cemetery authority was created to operate and manage cemetery affairs including cash management, lot sales and internments, land acquisition, capital improvement and maintenance of cemetery properties for the use and benefit of the Town of Sperry. The governing body of the Rest Haven Cemetery are appointed by members of the Town Council. The Town of Sperry is the beneficiary of the trust.

The Sperry Utility Services Authority is excluded from the financial statements of the Town of Sperry. Separate financial statements are produced for the component unit to the Town and may be obtained from the Town's City Hall.

1.B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and activities are reported on a modified cash basis of accounting. The 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 certain modifications that have substantial support in generally accepted accounting principles. The Town has chosen to 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 interfund receivables and payables
- other cash-based receivables/payables
- investments
- utility deposit liabilities

As a result of the use of this modified cash basis of accounting, certain assets, and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

As a result of the Town's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and sick leave) and compensatory time earned but unpaid at year-end, and any employer-related costs earned and unpaid, are not reflected in the financial statements as liabilities, but are normally reported as a commitment disclosure.

Program revenues within the statement of activities that are derived directly from each activity or from parties outside the Town's taxpayers are reported as program revenues. The Town has the following program revenues in each activity:

- General government: License and permits, operating and capital grants and contributions.
- Public safety: Fine revenue, operating and capital grants and contributions.
- Streets: Gas excise and commercial vehicle taxes.

GOVERNMENTAL FUNDS

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

Major Fund

- General Fund - accounts for all activities not accounted for in other special-purpose funds.
- Capital Improvement Fund – a capital project fund that accounts for revenues received from voter-restricted sales tax and other sources and expenditures for capital improvements.

The governmental funds are reported on a modified cash basis of accounting. Only current financial assets and liabilities arising from cash transactions are generally included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period.

PROPRIETARY FUNDS

Enterprise Fund

The City's proprietary funds are comprised of the following:

- Sperry Economic Development Authority- an enterprise fund to promote the development of business, industry and culture within the Town of Sperry.
- Resthaven Cemetery-an enterprise fund that accounts for the operation of the cemetery.

For purposes of the statement of revenues, expenses and changes in fund net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses relates to financing, capital and investing activities are reported as non-operating or transfers and contributions.

1.C. BUDGETS AND BUDGETARY ACCOUNTING

The Town adopted a budget under the New Budget Act during the previous year.

1.D. ASSETS, LIABILITIES, AND EQUITY

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three months or less and money market accounts.

INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables."

Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

INVENTORIES

The cost of consumable materials and supplies on hand are immaterial to the financial statements, and the Town has therefore chosen to report these items as expenditures at the time of purchase.

CAPITAL ASSETS

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and similar discretely presented component unit operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable. Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. And, under GASB No. 34, small towns are not required to retroactively report infrastructure assets, and the Town of Sperry has elected not to retroactively report. Infrastructure assets in governmental funds acquired since July 1, 2003, are recorded at cost.

Detail fixed asset records at historical cost have not been maintained of such assets, purchased since July 1, 2003, and which are still in service for the governmental funds. The modified cash basis of accounting requires that these assets be capitalized, and the related depreciation be recorded, which would increase the assets and expenses of the activities.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

All fixed assets are recorded at their original acquisition cost. Depreciation is provided in the financial statements utilizing the following estimated useful lives:

	<u>Years</u>
Buildings and Improvements	40
Equipment	5-10
Automotive	5-10

A summary of the fixed asset accounts for the year ended June 30, 2023, is as follows:

	<u>Balance 6/30/2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2023</u>
Government type activities:				
Capital assets not being depreciated:				
Land	\$ 21,423	-	-	\$ 21,423
Total capital assets not being depreciated	21,423	-	-	21,423
Other capital assets:				
Building & Improvements	132,023		-	132,023
Infrastructure	36,207	38,050		74,257
Equipment	201,121	52,636	(34,075)	219,682
Automotive	373,236	56,642	-	429,878
Total other capital assets at historical cost	742,587	147,328	(34,075)	855,840
Less accumulated depreciation for:				
Total accumulated depreciation	(559,731)	(75,703)	17,038	(618,396)
Other capital assets, net	182,856	71,625	(17,037)	237,444
Government-type activities capital assets, net	<u>\$ 204,279</u>	<u>71,625</u>	<u>(17,037)</u>	<u>\$ 258,867</u>
	<u>Balance 6/30/2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2023</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 32,655	-	-	\$ 32,655
Total capital assets not being depreciated	32,655	-	-	32,655
Other capital assets:				
Building & Improvements	39,717	-	-	39,717
Equipment	48,035	9,500	-	57,535
Infrastructure	48,148	-	-	48,148
Total other capital assets at historical cost	135,900	9,500	-	145,400
Less accumulated depreciation for:				
Total accumulated depreciation	(108,097)	(4,962)	-	(113,059)
Other capital assets, net	27,803	4,538	-	32,341
Business-type activities capital assets, net	<u>\$ 60,458</u>	<u>4,538</u>	<u>-</u>	<u>\$ 64,996</u>

Depreciation expense was charged to functions as follows in the Statement of Activities:

Governmental Activities:	
General Government	\$ 8,232
Fire	30,409
Police	32,262
Streets	4,800
	<u>\$ 75,703</u>
Business-type activities:	
	<u>\$ 4,962</u>

RESTRICTED ASSETS

Restricted assets include cash and investments that are legally restricted as to their use.

COMPENSATED ABSENCES

The Town's policies regarding vacation time permit employees to accumulate earned but unused vacation and sick leave. Vacation pay vests for full time employees, depending upon length of service, as follows:

1-4	years	80	hours
5-19	years	120	hours
20-30	years	160	hours
> 30	years	200	hours

Sick leave accrues for full time employees at 6 hours per month, although it is not vested. Employees may accrue a maximum of 72 hours per year, beginning upon completion of one full month of employment. When an employee resigns in good standing, one half of the accumulated sick pay is paid upon separation.

As a result of the Town's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and sick leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment on June 30, 2023, is as follows:

Accrued Compensated Absences \$ 3,474

FUND BALANCES AND NET POSITION

Fund Balances

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, and unassigned. These classifications are defined as:

Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted – consists of fund balance with constraints placed on the use of resources either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (b) laws through constitutional provisions or enabling legislation.

Committed - includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. The Town's highest level of decision-making authority is made by ordinance.

Assigned – includes amounts that are constrained by the Town's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by Town Council action or management decision when the Town Council has delegated that authority.

Assignments for transfers and interest income for governmental funds are made through budgetary process.

Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the General Fund.

It is the Town's policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balances are available. The Town's policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The following schedule shows the detail of fund balance classifications as reported on the governmental balance sheet:

	Restricted Fund Balance	Committed Fund Balance	Unassigned Fund Balance	Total
Capital Improvement Fund	\$ 185,449	\$ -	\$ -	\$ 185,449
General Fund				
Unassigned	-	-	691,842	691,842
Fire Services	-	32,417	-	32,417
Emergency Services	-	56,159	-	56,159
Police Services	-	28,057	-	28,057
E-911 Services	-	4,656	-	4,656
	<u>\$ 185,449</u>	<u>\$ 121,289</u>	<u>\$ 691,842</u>	<u>\$ 998,580</u>

Net Position

Net position is displayed in three components:

- Net investment in capital assets*- 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.
- Restricted net position* – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- Unrestricted net position* – All remaining net position that does not meet the definition of “restricted” or “net investment in capital assets.”

It is the Town's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

1.E. REVENUES, EXPENDITURES, AND EXPENSES

SALES TAX

The Town presently levies a 3.6 percent sales tax on taxable sales within the Town (was 3 percent prior to July 1, 2017.) The additional 0.6 percent was approved by the voters, effective July 1, 2017, to be used for acquiring, constructing, improving, repairing, maintaining and equipping capital improvements for the use and benefit of the Town, or any public trust of the Town, and for the payment of principal and interest on any debt of the Town. This additional 0.6 percent is to be placed in a separate fund. The amount received under the 0.6 % for the year ended June 30, 2023, was \$ 79,272. This amount was deposited into a separate fund and accounted for separately by the Town. The Town sold a truck during this fiscal year for \$36,000 and that amount was also deposited into this separate account to be used for future purchases. See Note 4.C. for further details. There is \$1,378 due to the Capital Improvement fund from the General fund.

The sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission. The Tax Commission receives the sales tax approximately one month after collection by vendors.

PROGRAM REVENUES

In the Statement of Activities, revenues that are derived directly from each activity or from parties outside the Town's taxpayers are reported as program revenues.

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose, except for the commercial vehicle tax and the gasoline excise tax, both of which are restricted for street and alley purposes.

OPERATING REVENUE AND EXPENSES

Operating revenues and expenses for the proprietary fund result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

1.F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

The Town's policy is to eliminate interfund transfers and balances in the statement of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances then offset in the total column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements.

1.G. USE OF ESTIMATES

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period (such as estimated useful lives in determining depreciation expense.) Accordingly, actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the Town and its component units are subject to various federal, state, and local laws and contractual regulations. An analysis of the Town's compliance with significant laws and regulations and demonstration of its stewardship over Town resources follows.

2.A. UNINSURED AND UNCOLLATERALIZED DEPOSITS

In accordance with State law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State or political subdivision debt obligations, surety bonds, or certain letters of credit. As reflected in Note 3.A., all the Town's deposits were fully insured or collateralized at June 30, 2023.

NOTE 3. DETAIL NOTES – TRANSACTION CLASSES / ACCOUNTS

3.A. DEPOSITS AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town is governed by the State Public Deposit Act which requires that the Town obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and if held by either a counterparty or a counterparty's trust department or agent, but not in the government's name. At June 30, 2023, the Town held deposits of \$ 1,085,152 at financial institutions. The

Town's cash deposits, including savings accounts, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the Town or by its agent in the Town's name.

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 interest rates.

Investment Credit Risk

The Town has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies, and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper, and repurchase agreements with certain limitations.
- d. County, municipal, or school district tax-supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the Securities and Exchange Commission and in which investments consist of the investments mentioned in the previous paragraphs a,b,c, and d.

As of June 30, 2023, the Town did not hold any securities with credit ratings since they are all non-negotiable time deposits.

Concentration of Investment Credit Risk – The Town places no limit on the amount it may invest in any one issuer.

Public trusts created under O.S. Title 60 are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2023, the Town complied, in all material respects, with these investment restrictions.

Deposits and Investments at June 30, 2023:	Maturity	Credit	Market	
Asset Classification:	(Months)	Rating	Value	Cost
Cash	N/A	N/A	\$ 1,085,152	\$1,085,152
Total Deposits and Investments:			\$ 1,085,152	\$1,085,152

3.B. RESTRICTED ASSETS & REVENUES

The amounts reported as restricted assets are composed of the balance of the Capital Improvement Sales Tax account of \$ 184,070 (see Note 4.C.).

The Town has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

Revenue Source	Legal Restrictions of Use
Gasoline Excise & Commercial Vehicle Tax	Street & Alley purposes
Water, Sewer, and Trash revenue	Utility operations
Grant proceeds	Grant expenditures
0.6% Sales Tax	Capital Improvements

NOTE 4: OTHER NOTES

4.A. PENSION PLAN PARTICIPATION

The Town of Sperry participates in the Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan.

OFPRS:

Plan Summary Information. The Town of Sperry, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter's Pension and Retirement System (OFPRS). The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, Section 22-102, the Town must participate in the plan if they employ full-time or volunteer firefighters.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to OFPRS, 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414.

Funding Policy. OFPRS plan members that are volunteer firefighters are not required to contribute to the plan. The Town is required by state law to contribute \$ 60 per year for each volunteer firefighter. The plan is funded by contribution from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OFPRS contributions are as follows:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2019	2,040	2,040
2020	2,436	2,436
2021	3,336	3,336
2022	5,122	5,122
2023	5,178	5,178

4.B. 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 by securing commercial insurance for all risks. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4.C. COMMITMENTS, CONTINGENCIES AN UNCERTAINTIES

COMMITMENTS

Capital Leases

In August 2017, the Town entered into a lease purchase agreement with a local bank, for a fire truck, at a cost of \$ 167,500. The lease includes 10 annual payments of \$ 19,280 each, which include interest at 3.82%, and which terminate with the fiscal year of the Town (June 30.) The lease included nine successive options to renew for one year, under the same terms.

For the year ended June 30, 2023, the Town's capital lease debt changed as follows:

<u>Type of Debt</u>	<u>Balance 6/30/2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2023</u>	<u>Amount Due Within One Year</u>
Government-type Activities:					
Welch State Bank - Fire Truck	103,285	-	(15,642)	87,643	19,586
Total Government-type Activities:	<u>\$ 103,285</u>	<u>\$ -</u>	<u>\$ (15,642)</u>	<u>\$ 87,643</u>	<u>\$ 19,586</u>

The annual lease payments are as follows:

Year Ending June 30,	Fire Truck
2024	\$ 19,586
2025	19,586
2026	19,586
2027	19,586
2028	19,586
Total	97,930
Less Interest	(10,287)
Net Lease Obligations	<u>\$ 87,643</u>

CONTINGENCIES

Capital Improvement Sales Tax Fund Balance

The Town passed a resolution effective July 1, 2017, approved by the voters, increasing the sales tax by 0.6 %. The additional 0.6 % is to be used for acquiring, constructing, improving, repairing, maintaining and equipping capital improvements for the use and benefit of the Town, or any public trust of the Town, and for the payment of principal and interest on any debt of the Town. This additional 0.6 % is to be placed in a separate fund. On June 30, 2023, the financial statements reflect a restricted fund balance of \$ 184,070 for these funds.

	Balance 6/30/2022	Additions	Reductions	Balance 6/30/2023
<u>Capital Improvement Fund</u>				
0.6% Sales Tax	\$ 70,009	114,061	-	\$ 184,070

Grant Program Involvement

In the normal course of operations, the Town participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Litigation

The Town may be party to various legal proceedings that normally occur in the course of governmental 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 3-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.

4.D. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 6, 2024, which is the date the financial statements were available to be issued.

MICHAEL W. GREEN

Certified Public Accountant

827 W. Locust Street
STILWELL, OK. 74960
(918) 696-6298

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

To the Town Council
Town of Sperry, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Sperry, Oklahoma, (the Town), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued my report thereon dated February 6, 2024. My report included an emphasis-of-matter paragraph related to the Town's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. My report on the governmental activities and business-type activities was adverse due to the omission of the Sperry Utility Services Authority financial information, and the omission of certain general infrastructure assets and the related depreciation.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, I do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses, but I did identify certain deficiencies that I consider to be a significant deficiency (# 2023-1) as described in the accompanying schedule of findings and responses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Town's Response to Findings

The Town's response to the finding identified in my audit is described in the accompanying schedule of findings and responses. The Town's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Regards,

A handwritten signature in black ink, appearing to read "Mike Green", is written over the printed name.

Michael Green, CPA
February 6, 2024

TOWN OF SPERRY
SCHEDULE OF FINDINGS AND RESPONSES
For the year ended June 30, 2023

2023-1 Recording of Capital Assets

Criteria: According to the modified cash basis of accounting, capital assets should be recorded at fair value upon purchase or as of the date of donation.

Condition: In recent years the Town has recorded assets in accordance with the modified cash basis of accounting. Some of the Town's historical assets have not been accounted for.

Cause: The Town's limited size and staffing resources have made it difficult for management to provide staffing to perform capital asset inventory and corrections.

Effect or Potential Effect: There is the possibility that the financial statements could include material misstatements.

Recommendation: The Town should perform an inventory of capital assets and correct its records for capital assets.

Responsible Official's Response: The Town concurs with the recommendation, although the costs to correct this condition might exceed the benefit.