

TOWN OF SPERRY, OKLAHOMA
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Trustees
Town of Sperry, Oklahoma

We have audited the accompanying financial statements of the governmental activities, of each major fund, and the aggregate remaining fund information of the Town of Sperry, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements of the Town's primary government as listed in the table of contents. These financial statements are the responsibility of the Town'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 *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.

The financial statements referred to above include only the primary government of the Town of Sperry, Oklahoma, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Town's legal entity. The financial statements do not include financial data for the Town's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the Town's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Town of Sperry, Oklahoma, as of June 30, 2012, the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the Town of Sperry, Oklahoma, has issued separate reporting entity financial statements, for which we have issued our reports dated July 18, and July 24, 2012.

Honorable Mayor and Board of Trustees
Town of Sperry, Oklahoma

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, of each major fund, and the aggregate remaining fund information for the primary government of the Town of Sperry, Oklahoma, as of June 30, 2012, and the respective changes in financial position and budget to actual for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 26, 2012, on our consideration of the Town of Sperry's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Town of Sperry, Oklahoma, has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements. Budgetary information is presented on page five.

Certified Public Accountant
Tulsa, Oklahoma

July 26, 2012

TOWN OF SPERRY, OKLAHOMA
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012

ASSETS:

Cash	\$118,790
Cash – Emergency Services	37,064
Receivables:	
Taxes	14,929
Due from Cemetery Fund	5,616
Property and Equipment	648,988
Less: Accumulated Depreciation	<497,778>
	\$327,609

LIABILITIES AND NET ASSETS:

Claims Payable	\$ 22,652
NET ASSETS:	
Invested in Fixed Assets	\$151,210
Unrestricted	153,747
Total Net Assets	\$304,957
	\$327,609

Notes to financial statements are an integral part of these statements.

TOWN OF SPERRY, OKLAHOMA
 STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 YEAR ENDED JUNE 30, 2012

FUNCTIONS/PROGRAMS	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBU- TIONS</u>	<u>TOTAL GOVERNMENT ACTIVITIES</u>
Government Activities:				
General Government:				
Administration	\$200,973			\$200,973
Public Safety:				
Police	141,391	\$12,591		128,800
Fire	37,894	14,388	\$4,413	19,093
Public Service:				
Street	13,361	10,215		3,146
Total Governmental Activities	<u>\$393,619</u>	<u>\$37,194</u>	<u>\$4,413</u>	<u>\$352,012</u>
General Revenues:				
Taxes:				
Sales				\$197,663
Franchise				19,034
Other Taxes				10,471
Emergency Services				24,965
Utility Lease				53,400
Interest				49
Miscellaneous				30,301
Total General Revenues and Transfers				<u>\$335,883</u>
Net Change in Net Assets				< 16,129 >
Net Assets – July 1, 2011				321,086
Net Assets – June 30, 2012				<u><u>\$304,957</u></u>

Notes to financial statements are an integral part of these statements.

TOWN OF SPERRY, OKLAHOMA
 RECONCILIATION OF STATEMENT OF FINANCIAL POSITION
 WITH THE STATEMENT OF REVENUE AND EXPENDITURES
 AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2012

Total fund balance	\$153,747
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Amounts reported in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Capital assets	\$648,988	
Accumulated depreciation	<u>< 497,778 ></u>	<u>151,210</u>
Total net assets		<u><u>\$304,957</u></u>

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

TOWN OF SPERRY, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2012

REVENUES:	
Sales & Use Tax	\$197,663
Franchise Tax	19,034
Other Taxes	10,471
Fire Runs & Dues	14,388
Fines	12,591
Interest	49
Utility Lease	53,400
Grants	18,163
Gas Tax & Licenses	10,215
Emergency Services	24,965
Donations	12,170
Miscellaneous	4,381
	\$377,490
EXPENSES:	
Police – Personnel Services	\$ 99,623
Maintenance & Operations	38,968
	138,591
Administrative – Personnel Services	80,207
Maintenance & Operations	26,136
Emergency Management	16,818
Street	13,361
Utilities	16,349
Court	7,640
Fire – Personnel Services	1,080
Maintenance & Operations	26,425
Insurance	18,908
	\$345,515
Excess of Revenue Over (Under) Expenses	31,975
Net Assets – July 1, 2011	\$121,772
Net Assets – June 30, 2012	\$153,747

Notes to financial statements are an integral part of these statements.

TOWN OF SPERRY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

1. Reporting Entity

In evaluating how to define the Town, for financial reporting purposes, 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 set forth by generally accepted accounting principles as applied to government units. The basic, but not only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the section governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the government's reporting entity.

Excluded from the Reporting Entity:

Sperry Utility Service Authority

The Authority was created for the purpose of financing installation of water and service lines and providing utility services to the residents of the Town of Sperry. The Authority has issued revenue bonds which do not constitute debt of the Town. Trustees for the Authority are appointed by members of the Town Board of Trustees.

Rest Haven Cemetery

Rest Haven Cemetery was created to operate and manage Cemetery affairs including cash management, lot sales and interments, land acquisitions, capital improvements and maintenance of Cemetery property. Trustees for the Cemetery are appointed by members of the Town Board of Trustees.

2. Fund Accounting

The accounts of the Town are organized on the basis of funds and account groups, each of which are considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report.

TOWN OF SPERRY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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2. Fund Accounting - Continued

Governmental Funds

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

3. Basis of Accounting

The funds of the Town are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available to finance expenditures of the current period. Expenditures are generally recognized when the related fund liability is incurred.

4. Annual Budget

The budget for the governmental fund is prepared on the cash basis. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be paid. The budget and actual financial statements are reported on this basis. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

5. Cash

For the purposes of the combined balance sheet, cash includes all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less. All deposits are F.D.I.C. insured.

6. Claims Payable

Claims payable represent commitments related to performed contracts for goods or services. Encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds.

TOWN OF SPERRY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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7. Pension Plan

The full time employees of the Town have no pension plan. Volunteer Firemen's pensions are paid into the Oklahoma State Firefighter Pension and Retirement System, a multi-employer, defined benefit plan. The Town contributed its share of payroll to the State System and has no further liability to the System.

8. Estimates

The preparation of financial statements in conformity with the modified accrual basis of accounting used by the Town requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

TOWN OF SPERRY, OKLAHOMA
 STATEMENT OF ACTIVITIES – BUDGET TO ACTUAL
 YEAR ENDED JUNE 30, 2012

	ORIGINAL & FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE <UNFAVORABLE>
<u>Income:</u>			
Sales & Use Tax	\$179,000	\$197,663	\$18,663
Franchise Tax	13,500	19,034	5,534
License & Gas Tax	6,500	10,215	3,715
Other Taxes	7,600	10,471	2,871
Fines	11,100	12,591	1,491
Miscellaneous	7,000	11,968	4,968
Utility Lease	40,800	53,400	12,600
Interest	200	--	< 200>
Grants	80,000	13,750	< 66,250>
Emergency Services Transfer	24,000	24,965	965
	<u>\$369,700</u>	<u>\$354,057</u>	<u>\$15,643</u>
<u>Expenses:</u>			
Personnel Services	\$194,000	\$188,003	\$ 5,997
Maintenance & Operations	171,000	112,765	58,235
Capital Outlay	13,725	--	13,725
Court	7,000	7,640	< 640>
Street & Alley	20,000	13,361	6,639
	<u>\$405,725</u>	<u>\$321,769</u>	<u>\$83,956</u>

Notes to financial statements are an integral part of these statements

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

Honorable Mayor and Board of Trustees
Town of Sperry, Oklahoma

We have audited the financial statements of the governmental activities, of the general fund, and the aggregate remaining fund information of the Town of Sperry, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the Town of Sperry, Oklahoma's basic financial statements and have issued our report thereon dated July 26, 2012. The Town of Sperry has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements. 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

Management of Town of Sperry, Oklahoma, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Town of Sperry, Oklahoma's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Sperry, Oklahoma's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Sperry, Oklahoma'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.

Honorable Mayor and Board of Trustees
Town of Sperry, Oklahoma

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Sperry, 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 management, Town Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant
Tulsa, Oklahoma

July 26, 2012