

TOWN OF SPERRY, OKLAHOMA
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Reconciliation of Statement of Financial Position	5
Statement of Revenue and Expenditures and Changes in Net Assets	6
Notes to Financial Statements	7-9
Report on Internal Control and Compliance	10-11
Supplemental Information:	
Statement of Activities – Budget and Actual	12

JIM RUSH
CERTIFIED PUBLIC ACCOUNTANT
9726 East 42nd Street, Suite 230
Tulsa, Oklahoma 74146-3645
Telephone (918) 664-9190

INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Sperry, Oklahoma

We have audited the accompanying financial statements of the major fund and the aggregate remaining fund information of the Town of Sperry, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statements, as shown on pages 1 to 12, which collectively comprise a portion of the Town's basic financial statements required by accounting principles generally accepted in the United States of America.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities, business-type activities, and discretely presented component units. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The

To the Town Council
Town of Sperry, Oklahoma

amounts that would be reported in government-wide financial statements of the Town of Sperry, Oklahoma's governmental activities, business-type activities, and discretely presented component units have not been determined.

Adverse Opinion

In our opinion, because of the significance of the matters discussed in the "Basis for Adverse Opinion" paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities of the Town of Sperry, Oklahoma, as of June 30, 2016, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's budgetary comparison information on page 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Other Information

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.

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the reporting entity of Sperry Public Works Authority and Rest Haven Cemetery, Town of Sperry, Oklahoma, as of and for the year ended June 30, 2016, and our reports thereon, dated July 25, 2016, and July 18, 2016, expressed an unmodified opinion on those financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2016, on our consideration of the Town of Sperry, 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 on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the Town of Sperry, Oklahoma's internal control over financial reporting and compliance.



Certified Public Accountant
Tulsa, Oklahoma

July 30, 2016

TOWN OF SPERRY, OKLAHOMA
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

ASSETS:

Cash	\$104,366
Cash – Emergency Services	62,721
Receivables:	
Taxes	20,813
Due from Cemetery Fund	8,436
Property and Equipment	630,988
Less: Accumulated Depreciation	< 600,228 >
	30,760
	\$227,096

LIABILITIES AND NET ASSETS:

Claims Payable	\$ 17,491
----------------	-----------

NET ASSETS:

Invested in Fixed Assets	30,760
Unrestricted	178,845
Total Net Assets	\$209,605
	\$227,096

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, 2016

FUNCTIONS/PROGRAMS	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>TOTAL GOVERNMENT ACTIVITIES</u>
Government Activities:				
General Government:				
Administration	\$213,473		\$38,409	\$175,064
Public Safety:				
Police	156,718	\$27,152		129,566
Fire	30,362	13,320	22,687	< 5,645>
Public Service:				
Street	49,325	11,431		37,894
Total Governmental Activities	<u>\$449,878</u>	<u>\$51,903</u>	<u>\$61,096</u>	<u>\$336,879</u>
General Revenues:				
Taxes:				
Sales				\$227,762
Franchise				14,616
Other Taxes				14,930
Emergency Services				27,903
Utility Lease				58,021
Interest				257
Grants				26,159
Miscellaneous				15,349
Total General Revenues and Transfers				<u>\$384,997</u>
Net Change in Net Assets				\$ 48,118
Net Assets – July 1, 2015				<u>\$161,487</u>
Net Assets – June 30, 2016				<u>\$209,605</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, 2016

Total fund balance	\$178,845
--------------------	-----------

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	\$630,988	
Accumulated depreciation	600,228	30,760
	600,228	30,760
Total net assets		\$209,605

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, 2016

REVENUES:	
Sales & Use Tax	\$227,762
Franchise Tax	14,616
Other Taxes	14,930
Fire Runs & Dues	13,320
Fines	27,152
Interest	257
Utility Lease	58,021
Grants	87,255
Gas Tax & Licenses	11,431
Emergency Services	27,903
Miscellaneous	15,349
	<u> </u>
	\$497,996
EXPENSES:	
Police – Personnel Services	\$124,529
Maintenance & Operations	32,189
	<u> </u>
	156,718
Administrative – Personnel Services	63,944
Maintenance & Operations	26,371
Emergency Management	6,030
Street	49,325
Utilities	22,633
Court	9,022
Fire – Personnel Services	2,480
Maintenance & Operations	23,621
Grants	48,979
	<u> </u>
Insurance	33,994
	<u> </u>
	\$443,117
Excess of Revenue Over (Under) Expenses	\$ 54,879
Net Assets – July 1, 2015	\$123,966
Net Assets – June 30, 2016	<u> </u>
	\$178,845

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

TOWN OF SPERRY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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 General Fund is currently the only fund being used.

TOWN OF SPERRY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

-2-

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, 2016

-3-

7. Pension Plan

The employees of the Town have no pension plan.

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.

JIM RUSH
CERTIFIED PUBLIC ACCOUNTANT
9726 East 42nd Street, Suite 230
Tulsa, Oklahoma 74146-3645
Telephone (918) 664-9190

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*

Board of Trustees
Sperry, Oklahoma

We 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 Town of Sperry's General Fund as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated July 30, 2016. 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 part of, the basic financial statements.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered Town of Sperry, Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Sperry, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Sperry, Oklahoma'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.

Board of Trustees
Town of Sperry, Oklahoma
Page 2

Our 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. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Sperry, Oklahoma's financial statements are free from 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 audits, 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountant
Tulsa, Oklahoma

July 30, 2016

TOWN OF SPERRY, OKLAHOMA
 STATEMENT OF ACTIVITIES – BUDGET TO ACTUAL
 YEAR ENDED JUNE 30, 2016

	ORIGINAL & FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE <UNFAVORABLE>
<u>Income:</u>			
Sales & Use Tax	\$206,000	\$227,762	\$21,762
Franchise Tax	14,000	14,616	616
License & Gas Tax	10,400	11,431	1,031
Other Taxes	12,100	14,930	2,830
Fines	16,700	27,152	10,452
Miscellaneous	10,800	15,606	4,806
Utility Lease	40,800	58,021	17,221
Fire Runs & Dues	13,100	13,320	220
Grants	160,000	87,255	< 72,745>
Emergency Services Transfer	24,000	27,903	3,903
	<u>\$507,900</u>	<u>\$497,996</u>	<u><\$ 9,904></u>
<u>Expenses:</u>			
Personnel Services	\$227,000	\$220,953	\$ 6,047
Maintenance & Operations	149,000	144,838	4,162
Capital Outlay - Grants	130,000	48,979	81,021
Court	10,000	9,022	978
Street & Alley	30,000	19,325	10,675
	<u>\$546,000</u>	<u>\$443,117</u>	<u>\$102,883</u>

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