

# **TOWN OF SPERRY**

**Sperry, Oklahoma**

## **FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT**

**For the Year Ended June 30, 2022**

# **TOWN OF SPERRY SPERRY, OKLAHOMA**

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position - Modified Cash Basis	4
Statement of Activities - Modified Cash Basis	5
Fund Financial Statements:	
Balance Sheet - Modified Cash Basis -Governmental Funds	6
Statement of Revenues, Expenditures, and Changes in Fund Balance - Modified Cash Basis- Governmental Funds	7
Statement of Net Position - Modified Cash Basis - Proprietary Fund	9
Statement of Revenues, Expenditures, and Changes in Net Position- Modified Cash Basis- Proprietary Fund	10
Statement of Cash Flows - Modified Cash Basis - Proprietary Fund	11
Notes to Financial Statements	12
OTHER SUPPLEMENTARY INFORMATION:	
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 <i>Government Auditing Standards</i>	24
Schedule of Findings and Responses	26

# MICHAEL W. GREEN

## *Certified Public Accountant*

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### 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, 2022, 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

##### 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, 2022, 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 and Capital Improvement Fund

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, 2022, 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. 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, and the Rest Haven Cemetery in the Town's financial statements. The modified cash basis of accounting requires the Sperry Utility Services Authority, and the Rest Haven Cemetery to be presented as major enterprise funds 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 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, 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.

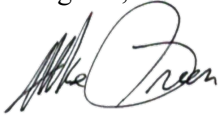
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, 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*, we have also issued my report dated December 29, 2022, 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,

A handwritten signature in black ink, appearing to read "Michael Green", is positioned above the typed name.

Michael Green, CPA  
December 29, 2022

**TOWN OF SPERRY  
SPERRY, OKLAHOMA**

**STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
JUNE 30, 2022**

	Government Activities	Business-Type Activities	Totals
Assets			
Current assets			
Cash and cash equivalents	\$ 637,742	\$ 7,016	\$ 644,758
Receivable from other funds	14,435	-	14,435
Total current assets	<u>652,177</u>	<u>7,016</u>	<u>659,193</u>
Noncurrent assets			
Capital assets:			
Property and equipment	764,010	-	764,010
Less accumulated depreciation	(559,731)	-	(559,731)
Total noncurrent assets	<u>204,279</u>	<u>-</u>	<u>204,279</u>
Total assets	<u>856,456</u>	<u>7,016</u>	<u>863,472</u>
Liabilities			
Current liabilities			
Payable to other funds	2,545	-	2,545
Total liabilities	<u>2,545</u>	<u>-</u>	<u>2,545</u>
Net position			
Invested in capital assets	204,279	-	204,279
Restricted (Note 1.D.)	70,009	7,016	77,025
Unrestricted	579,623	-	579,623
Total net position	<u>\$ 853,911</u>	<u>\$ 7,016</u>	<u>\$ 860,927</u>

The accompanying notes and auditors 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, 2022**

Functions/programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating		Primary Government		
			Grants and Contracts	Capital Grants and Contracts	Governmental Activities	Business-type Activities	Totals
Governmental activities							
General Government	\$ 551,718	\$ 1,398	\$ 182,834	-	\$ (367,486)	\$ -	\$ (367,486)
Police	102,557	-	10,893	-	(91,664)	-	(91,664)
Streets	8,787	-	-	-	(8,787)	-	(8,787)
Court	12,290	50,334	-	-	38,044	-	38,044
Emergency Services	-	24,891	-	-	24,891	-	24,891
Fire	39,523	977	4,230	-	(34,316)	-	(34,316)
Interest on Capital Leases	6,110	-	-	-	(6,110)	-	(6,110)
Total government activities	\$ 720,985	77,600	197,957	-	(445,428)	-	(445,428)
Business-type activities							
Economic Development Authority	5,706	-	-	-	-	(5,706)	(5,706)
Total business-type activities	5,706	-	-	-	-	(5,706)	(5,706)
Totals	\$ 726,691	\$ 77,600	\$ 197,957	\$ -	\$ (445,428)	\$ (5,706)	\$ (451,134)
General revenues							
Sales tax					416,066	-	416,066
Use tax					130,350	-	130,350
Tobacco tax					3,328	-	3,328
Intergovernmental revenue not restricted to specific programs					11,987	-	11,987
Intergovernmental revenue restricted for streets & alleys					2,072	-	2,072
Franchise fees					29,436	-	29,436
Donations					130	-	130
Miscellaneous					45,403	-	45,403
Sale of asset					4,728	-	4,728
Payment from Sperry Utility Authority					45,000	-	45,000
Investment earnings					698	-	698
Transfers in					11,474	-	11,474
Transfers out					-	-	-
Total general revenues					700,672	-	700,672
Change in net position					255,244	(5,706)	249,538
Net position, beginning of year					598,667	12,722	611,389
Net position, end of year					\$ 853,911	\$ 7,016	\$ 860,927

The accompanying notes and auditors report are an integral part of these financial statements.

**TOWN OF SPERRY  
SPERRY, OKLAHOMA**

**BALANCE SHEET - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2022**

	General Fund	Capital Improvement Fund	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 567,733	\$ 70,009	\$ 637,742
Receivables from other funds	14,435	-	14,435
Total assets	<u>582,168</u>	<u>70,009</u>	<u>652,177</u>
<b>Liabilities</b>			
Payable to other funds	2,545	-	2,545
Total liabilities	<u>2,545</u>	<u>-</u>	<u>2,545</u>
<b>Fund Balance</b>			
Restricted for:			
Capital improvement sales tax		70,009	70,009
Committed for:			
Fire services	21,654		21,654
Emergency services	59,095		59,095
Police services	28,015		28,015
E-911 services	4,422		4,422
Unassigned	466,437		466,437
Total fund balance	<u>\$ 579,623</u>	<u>\$ 70,009</u>	<u>\$ 649,632</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 \$ 764,010

The accumulated depreciation is \$ 559,731

Net effect for reconciliation 204,279

Net position of governmental activities	<u>\$ 853,911</u>
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The accompanying notes and auditors 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, 2022**

	General	Capital Improvement Fund	Total Governmental Funds
Revenues:			
Sales tax	\$ 346,722	\$ 69,344	\$ 416,066
Use tax	130,350	-	130,350
Gas tax	2,072	-	2,072
Franchise	29,435	-	29,435
Fire runs and dues	977	-	977
Cigarette tax	3,328	-	3,328
Alcoholic beverage/Motor vehicle tax	11,987	-	11,987
Grants	197,957	-	197,957
Emergency services	24,891	-	24,891
Licenses and permits	898	-	898
Fines and forfeitures	50,334	-	50,334
Interest	698	-	698
Donations	130	-	130
Miscellaneous	45,903	-	45,903
Total revenues	<u>845,682</u>	<u>69,344</u>	<u>915,026</u>
Expenditures:			
Administration - personnel services	458,373	-	458,373
- maintenance and operations	86,508	-	86,508
Police - personnel services	-	-	-
- maintenance and operations	42,936	-	42,936
Fire - personnel services	-	-	-
- maintenance and operations	19,064	-	19,064
Street and alley - personnel services	-	-	-
- maintenance and operations	8,787	-	8,787
Emergency Mgmt - maintenance and operations	-	-	-
Court - maintenance and operations	12,290	-	12,290
Capital outlay	164,964	34,492	199,456
Interest Expense	4,507	1,603	6,110
Total expenditures	<u>797,429.00</u>	<u>36,095</u>	<u>833,524</u>
Excess of revenues over (under) expenditures	<u>48,253</u>	<u>33,249</u>	<u>81,502</u>
Other Financing Sources (Uses)			
Transfers in	11,474	-	11,474
Transfers out	-	-	-
Sale of asset	4,728	-	4,728
Payments from Sperry Utility Authority	45,000	-	45,000
Total other financing sources and uses	<u>61,202</u>	<u>-</u>	<u>61,202</u>
Net change in fund balance	109,455	33,249	142,704
Fund balance, beginning of year	<u>470,168</u>	<u>36,760</u>	<u>506,928</u>
Fund balance, end of year	<u>\$ 579,623</u>	<u>\$ 70,009</u>	<u>\$ 649,632</u>

The accompanying notes and auditors 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, 2021**

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	\$ 142,704
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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	163,455
Depreciation	(50,915)
Change in net position of governmental activities	<u>\$ 255,244</u>

The accompanying notes and auditors report are an integral part of these financial statements.

**TOWN OF SPERRY  
SPERRY ECONOMIC DEVELOPMENT AUTHORITY**

**STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
PROPRIETARY FUND  
JUNE 30, 2022**

	<u>Enterprise Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 7,016
Lease receivable - lease purchase	<u>-</u>
Total current assets	<u>7,016</u>
Noncurrent assets:	
Other assets:	
Lease receivable - lease purchase	<u>-</u>
Total capital assets	<u>-</u>
Total assets	<u><u>7,016</u></u>
 <b>LIABILITIES</b>	
Current liabilities:	
Note payable - current portion	<u>-</u>
Total current liabilities	<u>-</u>
Noncurrent liabilities:	
Note payable	<u>-</u>
Total noncurrent liabilities	<u>-</u>
Total liabilities	<u>-</u>
 <b>NET POSITION</b>	
Restricted for debt service	<u>7,016</u>
Total net position	<u><u>\$ 7,016</u></u>

The accompanying notes and auditors report are an integral part of these financial statements.

**TOWN OF SPERRY  
SPERRY ECONOMIC DEVELOPMENT AUTHORITY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
NET POSITION - MODIFIED CASH BASIS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2022**

	Enterprise Fund
Operating revenues:	
Interest	\$ -
Total operating revenues	<u>-</u>
Operating expenses:	
EDA Expense	5,092
Interest expense	614
Total operating expenses	<u>5,706</u>
Net operating income	<u>(5,706)</u>
Change in net position	(5,706)
Net position beginning of year	<u>12,722</u>
Net position end of year	<u><u>\$ 7,016</u></u>

The accompanying notes and auditors report are an integral part of these financial statements.

**TOWN OF SPERRY  
SPERRY ECONOMIC DEVELOPMENT AUTHORITY**

**STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2022**

	Enterprise Fund
Cash flows from operating activities:	
Cash received from customers	\$ -
Cash paid for operating expenses	(5,092)
Payments to employees	-
Net cash provided (used) by operating activities	<u>(5,092)</u>
Cash flows from capital and related financing activities:	
Principal payment on note	(22,456)
Assets sold	23,859
Interest paid on note	<u>(614)</u>
Net cash provided (used) by capital and related financing activities	789
Cash flows from investing activities:	
Lease payments received	5,847
Interest income	-
Net cash provided (used) by investing activities	<u>5,847</u>
Net increase (decrease) in cash and cash equivalents	1,544
Cash and cash equivalents beginning of year	<u>5,472</u>
Cash and cash equivalents end of year	<u><u>\$ 7,016</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (5,706)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Cash flows reported in othe:	
Depreciation	-
Change in assets and liabilities:	
Accrued interest payable	-
Net cash provided by operating activities	<u><u>\$ (5,092)</u></u>

The accompanying notes and auditors report are an integral part of these financial statements.

TOWN OF SPERRY  
NOTES TO FINANCIAL STATEMENTS  
For the year ended June 30, 2022

## 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 Unit:	Sperry Economic Development Authority
Excluded Component Units:	Sperry Utility Services Authority Rest Haven Cemetery

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 and the Rest Haven Cemetery are excluded from the financial statements of the Town of Sperry. Separate financial statements are produced for the component units 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.

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, 2022, is as follows:

	Balance 6/30/2021	Additions	Deletions	Balance 6/30/2022
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	125,200	6,823	-	132,023
Infrastructure	-	36,207	-	-
Equipment	143,851	57,270	-	201,121
Automotive	310,081	63,155	-	373,236
Total other capital assets at historical cost	579,132	163,455	-	706,380
Less accumulated depreciation for:				
Total accumulated depreciation	(508,816)	(50,915)	-	(559,731)
Other capital assets, net	70,316	112,540	-	182,856
Government-type activities capital assets, net	\$ 91,739	112,540	-	\$ 204,279

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

Governmental Activities:	
General Government	\$ 6,835
Fire	20,460
Police	23,620
	<u>\$ 50,915</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, 2022, is as follows:

Accrued Compensated Absences \$ 4,190

## 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	\$ 70,009	\$ -	\$ -	\$ 70,009
General Fund				
Unassigned	-	-	466,437	466,437
Fire Services	-	21,654	-	21,654
Emergency Services	-	59,095	-	59,095
Police Services	-	28,015	-	28,015
E-911 Services	-	4,422	-	4,422
	<u>\$ 70,009</u>	<u>\$ 113,186</u>	<u>\$ 466,437</u>	<u>\$ 649,632</u>

## **Net Position**

Net position is displayed in three components:

- a. *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.
- b. *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.
- b. *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, 2022, was \$ 69,344. This amount was deposited into a separate fund and accounted for separately by the Town. See Note 4.C. for further details.

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, 2022.

## **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, 2022, the Town held deposits of \$ 644,758 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, 2022, 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, 2022, the Town complied, in all material respects, with these investment restrictions.

Deposits and Investments at June 30, 2022:	Maturity			
Asset Classification:	(Months)	Credit Rating	Market Value	Cost
Cash	N/A	N/A	\$ 644,758	\$ 644,758
Total Deposits and Investments:			<u>\$ 644,758</u>	<u>\$ 644,758</u>

### **3.B. RESTRICTED ASSETS & REVENUES**

The amounts reported as restricted assets are composed of the balance of the Capital Improvement Sales Tax account of \$ 70,009 (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>
2018	\$ 2,100	\$ 2,100
2019	2,040	2,040
2020	2,436	2,436
2021	3,336	3,336
2022	5,122	5,122

### 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.

In November 2020, the Town entered into a lease purchase agreement with a local bank, for a F-150 Truck, at a cost of \$ 44,814. The lease included 5 annual payments of \$ 9,987 each, which included interest at 3.71%, and which terminates with the fiscal year of the Town (June 30.) The lease included four successive options to renew for one year, under the same terms. This was paid in full during the fiscal year 2022 and the asset was retained.

For the year ended June 30, 2022, the Town's capital lease debt changed as follows:

Type of Debt	Balance 6/30/2021	Additions	Reductions	Balance 6/30/2022	Amount Due Within One Year
Government-type Activities:					
Welch State Bank - 2021 F150	44,814	-	(44,814)	-	-
Welch State Bank - Fire Truck	118,363	-	(15,078)	103,285	15,056
Total Government-type Activities:	<u>\$ 163,177</u>	<u>\$ -</u>	<u>\$ (59,892)</u>	<u>\$ 103,285</u>	<u>\$ 15,056</u>

The annual lease payments are as follows:

Year Ending June 30,	Fire Truck
2023	\$ 19,586
2024	19,586
2025	19,586
2026	19,586
2027	19,586
2028	19,586
Total	117,516
Less Interest	(14,231)
Net Lease Obligations	<u>\$ 103,285</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, 2022, the financial statements reflect a restricted fund balance of \$ 70,009 for these funds.

Capital Improvement Fund	Balance 6/30/2021	Additions	Reductions	Balance 6/30/2022
0.6% Sales Tax	\$ 36,760	69,344	(36,095)	\$ 70,009



## **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.

## **UNCERTAINTIES**

During March 2020 the world Health Organization declared a pandemic with the outbreak of COVID-19 and declared a "Public Health Emergency of International Concern". The U.S. Government and local government authorities implemented procedures to attempt to contain the virus and lessen its impact. The spread of this virus has caused business interruptions that are expected to continue for the foreseeable future. The extent of the impact of COVID-19 on the Town's operational and financial performance has not yet been determined. As such, these financial statements do not include any adjustments that might result from the outcome of the uncertainty.

## **4.D. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through December 29, 2022, which is the date the financial statements were available to be issued.

# MICHAEL W. GREEN

## *Certified Public Accountant*

827 W. Locust Street  
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### 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, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued my report thereon dated December 29, 2022. 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, the Sperry Economic Development Authority and the Rest Haven Cemetery's 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 (# 2022-1) 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.

A handwritten signature in black ink, appearing to read 'Mike Green', is positioned above the printed name.

Michael Green, CPA  
December 29, 2022

**TOWN OF SPERRY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For the year ended June 30, 2022**

**# 2022-1 Financial Reporting – Repeat Finding**

**Criteria:** One component of an effective internal control system is producing accurate financial statements in a timely manner. The goal is to be able to accurately and timely present financial statements on demand from the accounting system.

**Condition:** The Town struggles to produce reliable, timely financial statements with the software they currently use.

**Cause:** The Town's limited size and staffing resources, as well as the choice of accounting software, have made it difficult for management to provide sufficient staffing and training for the production of financial statements in a timely manner.

**Potential Effect:** Without the ability to produce financial statements in a timely manner management may not have the tools necessary to monitor for potential misstatement and to make informed management decisions.

**Recommendation:** I recommend that the Board consider a formal evaluation of the risks associated with the struggle to produce timely financial statements from their accounting system. In response to the identified risks, consideration should be given to identifying and implementing steps to comply with timely, reliable, financial statement preparation. For example, the Town might consider soliciting the assistance of an independent party to perform certain functions including assistance with compiling monthly financial statements and assisting with the evaluation and installation of accounting software more suited to their needs.

**Responsible Official's Response:** The governing board will consider the recommendation and take the appropriation action.