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State Auditor & Inspector

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TOWN OF ROCKY, OKLAHOMA
Annual Financial Statements and
Independent Auditor's Report
Fiscal Year June 30, 2011

TOWN OF ROCKY, OKLAHOMA
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Scott Northrip

Certified Public Accountant
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INDEPENDENT AUDITOR'S REPORT

To the Council of
Town of Rocky, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business type activities, and the aggregate remaining fund information of Town of Rocky, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprises the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Rocky, Oklahoma's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note A2, Town of Rocky, Oklahoma, prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As described in Note E1, Town of Rocky, Oklahoma did not report capital assets in the financial information as well as depreciate the assets over its estimated useful life before July 1, 2003 for the general fixed assets as well as the business-type activity assets. Accounting principles generally accepted in the United States of America require that those assets be capitalized and depreciated. The capitalization of the assets and the depreciation of them would affect the financial statement but the amount by which this departure would affect the financial information could not be reasonably determined.

In our opinion, because of the effects of the matters discussed in the preceding paragraphs, the financial statements referred to above do not present fairly, the respective financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Town of Rocky, Oklahoma, as of and for the year ended June 30, 2011, and the cash flows of its business-type activities for the year ended on the basis of accounting described in Note A2, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Independent Auditor's Report – Continued

As described in Note A2, the City has not implemented the new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as amended and interpreted, as of June 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2011, on our consideration of the Town of Rocky, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Rocky, Oklahoma's basic financial statements. The introductory section and the combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Scott Northrip, CPA

Scott Northrip, CPA

December 10, 2011

TOWN OF ROCKY, OKLAHOMA

Total Government Statement of Net Assets

(Modified Cash Basis)

As of June 30, 2011

	Governmental Funds	Proprietary Funds	TOTAL
ASSETS:			
Cash & Cash Equivalents	\$ 32,751	\$ 10,437	\$ 43,188
Cash in Savings-Reserve		\$ 12,390	12,390
Investments	20,000	27,500	47,500
Accounts Receivable	1,841	11,727	13,568
Prepaid Insurance	2,305	632	2,937
Capital Assets:			-
Capital Assets, net of depreciation	149,602	753,675	903,277
TOTAL ASSETS	\$ 206,499	\$ 816,361	\$ 1,022,860
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Note Payable-Berkadia	\$ -	\$ 5,405	\$ 5,405
Accounts Payable	310	1,422	1,732
TOTAL LIABILITIES	\$ 310	\$ 6,827	\$ 7,137
Net Assets:			
Invested in capital assets, net of debt	\$ 149,602		\$ 149,602
Grant Funds		880,237	880,237
Restricted For Meter Refunds		14,483	14,483
Unrestricted Fund Balance	56,587	(85,186)	(28,599)
TOTAL NET ASSETS	\$ 206,189	\$ 809,534	\$ 1,015,723
TOTAL LIABILITIES AND NET ASSETS	\$ 206,499	\$ 816,361	\$ 1,022,860

See accompanying notes to the financial statements.

TOWN OF ROCKY, OKLAHOMA
 Total Governmental Statement of Activities & Fund Balance
(Modified Cash Basis)
 For the Year Ended June 30, 2011

	Governmental Funds	Proprietary Funds	TOTAL
REVENUES:			
Taxes	\$ 21,704		\$ 21,704
Franchise Fees	3,777		3,777
Charges for Services	10,397	86,451	96,848
Capital & Operating Grants	12,999	85,751	98,750
Building Rent	360		360
Donations	3,448		3,448
Investment Revenues	181	515	696
Miscellaneous Revenues	1,000		1,000
TOTAL REVENUES	\$ 53,866	\$ 172,717	\$ 226,583
EXPENDITURES:			
General Government	\$ 8,091	\$ 25,450	\$ 33,541
Utilities	10,572	36,108	46,680
Repairs & Maintenance	1,247	17,792	19,039
Capital Outlay	-	-	-
Other Expenditures	26,614	8,051	34,665
Depreciation	22,528	25,802	48,330
TOTAL EXPENDITURES	\$ 69,052	\$ 113,203	\$ 182,255
EXCESS (DEFICIENCY) OF REVENUES	\$ (15,186)	\$ 59,514	\$ 44,328
OTHER SOURCES (USES):			
Transfers In	\$ 615		\$ 615
Transfers Out	(200)	(415)	(615)
TOTAL OTHER SOURCES (USES)	\$ 415	\$ (415)	\$ -
NET CHANGES IN FUND BALANCES	\$ (14,771)	\$ 59,099	\$ 44,328
Fund Balances - Beginning	220,960	750,435	971,395
FUND BALANCES - ENDING	\$ 206,189	\$ 809,534	\$ 1,015,723

See accompanying notes to the financial statements.

TOWN OF ROCKY, OKLAHOMA
Footnotes to the Statements of Net Assets & Activities
For the Year Ended June 30, 2011

- A1. The Town of Rocky, Oklahoma's financial reporting entity includes the primary government and utility authority.
- A2. The statements of net assets and activities are reported on a modified cash basis of accounting. This modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets, and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:
- capital assets and the depreciation of those assets, where applicable
 - long-term debt
 - cash-based inter-fund receivables and payables
 - investments
 - utility deposit liabilities

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues and certain liabilities and their related expenses are not recorded in these financial statements.

For business-type activities, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied as they apply to the modified cash basis, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The Town has not implemented the new accounting and financial reporting provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. These new standards have changed the format and content of the financial Statements from that used in periods prior to June 30, 2004.

- A3. Cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three months or less.
- A4. Investments consist of long-term certificates of deposit and are reported at cost.
- A5. Capital assets are reported as assets net of accumulated depreciation. Capital outlays are not reported as an expenditure and depreciation is reported on statement of activities.
- A6. Long-term debt is reported when the debt arises from a cash transaction.
- A7. Fund balance or net assets are displayed in three components:
- a. *Invested in capital assets, net of related debt* – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
 - b. *Restricted net assets* – consists of net assets with constraints placed on the use either by an external group such as creditors, grantors, contributors, or laws and regulations of other governments, or by law through constitutional provisions or enabling legislation.
 - c. *Unrestricted net assets* – all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

TOWN OF ROCKY, OKLAHOMA
Footnotes to the Statements of Net Assets & Activities - Continued
For the Year Ended June 30, 2011

- A8. The Town is not a party to any legal proceedings which normally occur in the course of government operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an advalorem tax over a three-year period by a Town Sinking Fund for the payment of any court assessed judgment rendered against the Town. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the Town and the State statute relating to judgments, the Town feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the Town.
- A9. The Town's policy is to eliminate inter-fund receivables and payables between funds in the statement of net assets to avoid the grossing up of balances.
- A10. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TOWN OF ROCKY, OKLAHOMA
 Governmental Funds Statement of Net Assets
(Modified Cash Basis)
 As of June 30, 2011

	<u>General</u>	<u>Other Government Funds</u>	<u>TOTAL GOVERNMENT FUNDS</u>
ASSETS:			
Cash & Cash Equivalents	\$ 14,272	\$ 18,479	\$ 32,751
Investments	20,000	-	20,000
Taxes Receivable	1,841	-	1,841
Prepaid Insurance	2,305		2,305
TOTAL ASSETS	\$ 38,418	\$ 18,479	\$ 56,897
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Due to other funds	\$ -	\$ -	\$ -
Due to others	310		310
TOTAL LIABILITIES	\$ 310	\$ -	\$ 310
Net Assets:			
Unreserved Fund Balance	\$ 38,108	\$ 18,479	\$ 56,587
TOTAL NET ASSETS	\$ 38,108	\$ 18,479	\$ 56,587
TOTAL LIABILITIES AND NET ASSETS	\$ 38,418	\$ 18,479	\$ 56,897

See accompanying notes to financial statements

TOWN OF ROCKY, OKLAHOMA
Governmental Funds Statement of Activities & Fund Balance
(Modified Cash Basis)
For the Year Ended June 30, 2011

	General	Other Government Funds	TOTAL GOVERNMENT FUNDS
REVENUES:			
Taxes	\$ 25,150	\$ 331	\$ 25,481
Charges for Services	1,679	8,718	10,397
Capital & Operating Grants	-	12,999	12,999
Donations		3,447	3,447
Investment Revenues	181		181
Miscellaneous Revenues	360	1,000	1,360
TOTAL REVENUES	\$ 27,370	\$ 26,495	\$ 53,865
EXPENDITURES:			
General Government	\$ 8,091		\$ 8,091
Maintenance & Operations	13,311	25,121	38,432
Capital Outlay	-	4,739	4,739
TOTAL EXPENDITURES	\$ 21,402	\$ 29,860	\$ 51,262
EXCESS (DEFICIENCY) OF REVENUES	\$ 5,968	\$ (3,365)	\$ 2,603
OTHER SOURCES (USES):			
Transfers In	\$ 521	\$ 94	\$ 615
Transfers Out	(94)	(106)	(200)
TOTAL OTHER SOURCES (USES)	\$ 427	\$ (12)	\$ 415
NET CHANGES IN FUND BALANCES	\$ 6,395	\$ (3,377)	\$ 3,018
Fund Balances - Beginning	31,713	21,856	53,569
FUND BALANCES - ENDING	\$ 38,108	\$ 18,479	\$ 56,587

See accompanying notes to the financial statements.

TOWN OF ROCKY, OKLAHOMA
Footnotes to Governmental Funds Financial Statements
For the Year Ended June 30, 2011

B1. The Town's governmental funds are comprised of the following funds:

Non-Major Funds:

- General Fund – accounts for all activities of administering and maintaining the City

- Special Revenue Funds – consists of three separate funds which are Street & Alley, Federal Revenue, and Fire Department.

B2. The governmental funds are reported on a modified cash basis of accounting, as described in footnote A2, and current financial resources measurement focus. Only current financial assets and liabilities are generally included on the fund balance sheet or statement of net assets. The statement of activities present sources and uses of available spendable financial resources during a given period. These fund financial statement use fund balance or net assets as their measure of available spendable financial resources at the end of the period.

B3. Sales tax revenues represents a three (3) cent local tax on each dollar of taxable sales within the Town.

B4. The Town presently levies no property tax. In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters or to pay judgments rendered against the Town.

B5. As a result of the Town's use of the modified cash basis of accounting, accrued liabilities related to compensated absences and compensatory time earned but unpaid at year end, and any employer-related costs earned and unpaid, are not reflected in the financial statements.

B6. Capital Outlays are reported as cash transactions on the statement of activities and no depreciation is reported.

TOWN OF ROCKY, OKLAHOMA
 Proprietary Funds Statement of Net Assets
(Modified Cash Basis)
 As of June 30, 2011

	Utility Authority
ASSETS:	
Current Assets:	
Cash & Cash Equivalents	\$ 22,827
Investments	27,500
Accounts Receivable	11,727
Prepaid Insurance	632
Total Current Assets	\$ 62,686
Noncurrent Assets:	
Capital Assets:	
Other Capital Assets, net of depreciation	753,675
Total Noncurrent Assets	\$ 753,675
TOTAL ASSETS	\$ 816,361
LIABILITIES AND NET ASSETS:	
Liabilities:	
Note Payable	\$ 5,405
Accounts Payable	1,422
Total Liabilities	\$ 6,827
Net Assets:	
Grant Funds	\$ 880,237
Restricted for Meter Refunds	14,483
Unrestricted Fund Balance	(85,186)
Total Net Assets	\$ 809,534
TOTAL LIABILITIES AND NET ASSETS	\$ 816,361

See accompanying notes to the financial statements.

TOWN OF ROCKY, OKLAHOMA
Proprietary Funds Statement of Activities & Fund Balance
(Modified Cash Basis)
For the Year Ended June 30, 2011

	Utility Authority
OPERATING REVENUES:	
Utility Services	\$ 84,537
Cost of Utility Services	(36,108)
Net Revenue from Utility Services	\$ 48,429
Other Revenues	1,914
Total Operating Revenues	\$ 50,343
OPERATING EXPENSES:	
Administration	\$ 25,450
Utilities	723
Repairs & Maintenance	17,792
Other Expenses	7,328
Depreciation	25,802
Total Operating Expenses	\$ 77,095
OPERATING INCOME (LOSS)	\$ (26,752)
OTHER REVENUES (EXPENSES):	
Investment Revenues	\$ 515
Grant Revenues	\$ 85,751
Total Other Revenues(Expenses)	\$ 86,266
NET INCOME (LOSS) BEFORE TRANSFERS	\$ 59,514
Transfers In	-
Transfers Out	(415)
CHANGES IN NET ASSETS	\$ 59,099
Net Assets - Beginning	750,435
NET ASSETS - ENDING	\$ 809,534

See accompanying notes to the financial statements.

TOWN OF ROCKY, OKLAHOMA
Proprietary Funds Statement of Cash Flows
(Modified Cash Basis)
As of June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 84,416
Payments to suppliers	(59,502)
Payments to employees	(25,450)
	<u>(25,450)</u>

Net Cash Provided from Operating Activities \$ (536)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Payment of Long Term Debt	\$ (5,415)
Investment in Capital Improvements	(85,751)
Transfers from Other Funds	-
Transfers to Other Funds	(415)
Grant Revenues	85,751
	<u>85,751</u>

Net Cash Provided from Noncapital Financing Activities \$ (5,830)

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest Collected	<u>515</u>
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Cash Flows from Investing Activities \$ 515

INCREASE (DECREASE) IN CASH \$ (5,851)

Cash Balance, July 1, 2010 56,178

Cash Balance, June 30, 2011 \$ 50,327

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

Operating Income \$ (26,752)

Adjustments to reconcile operating income to net cash provided by operating activities:

Depreciation	\$ 25,802	
Change in assets & liabilities:		
Decrease (Increase) in accounts receivable	(2,035)	
Decrease (Increase) in prepaid expenses	1,027	
(Decrease) Increase in liabilities	1,422	
Total Adjustments	<u>26,216</u>	

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ (536)

See accompanying notes to the financial statements.

TOWN OF ROCKY, OKLAHOMA
Footnotes to Proprietary Funds Financial Statements
For the Year Ended June 30, 2011

The proprietary funds consist primarily of the Utilities Authority generally receives funds through the services of providing the different utilities to the customers of the Town. The proprietary funds are reported on the modified cash basis of accounting and an economic resources measurement focus.

- C1. The proprietary funds are reported on a modified cash basis, as defined in footnote A2, and economic resources measurement focus. Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied as applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.
- C2. For the purpose of the cash flow statement, cash and cash equivalents includes all demand and savings accounts and certificates of deposit.
- C3. As a result of the Town's use of the modified cash basis of accounting, accrued liabilities related to compensated absences and compensatory time earned but unpaid at year end, and any employer-related costs earned and unpaid, are not reflected in the financial statements.
- C4. The proprietary fund has one long-term debt during the year being audited. Berkadia purchased the mortgage note payable from Capmark in 2010. Before then Capmark purchased the note from GMAC in 2006. The annual payments of \$5,928 on the 5%, 40 year note remained the same. The note matures on June 22, 2013. The note is secured by the assets of the Public Works Authority. The estimated principal payments are as follows:

Final Payment occurs FYE 6-30-12 \$5,405

The savings reserve balance of \$12,389.61 as of 6-30-11 meets the reserve requirements of Berkadia

TOWN OF ROCKY, OKLAHOMA
Schedule of Deposits and Investments
For the Year Ended June 30, 2011

Schedule of Deposits and Investments:

Demand Deposits	\$ 55,578
Certificates of Deposit	<u>47,500</u>
Total	<u>\$ 103,078</u>

Reconciliation to Statement of Net Assets:

Cash and Cash Equivalents	\$ 55,578
Investments	<u>47,500</u>
Total	<u>\$ 103,078</u>

Footnotes to Schedule of Deposits and Investments:

- D1. *Custody Credit Risk* – deposits in financial institutions, reported as cash & cash equivalents and investments, were insured by depository insurance and/or secured with collateral held by the Town's agent in its name.
- D2. *Investment Interest Rate Risk* – the Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing rates.

Investment Credit Risk – the Town has no investment policy that limits its investment choices other than the limitations of state law that generally authorizes investments in: (1) government obligations; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) certain negotiable instruments; (4) county, municipal or school district supported debt obligations.

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

TOWN OF ROCKY, OKLAHOMA
SCHEDULE OF CAPITAL ASSETS:

GENERAL FIXED ASSETS GROUP For the Year 6/30/2011	Balance 7-1-2010	Additions	Deletions	Balance 6-30-2011
Land & Improvements	\$ 13,600.00	\$ -	\$ -	\$ 13,600.00
Building	146,192.00	-	-	146,192.00
Machinery & Equipment	213,372.67	4,738.77	-	218,111.44
Office Equipment	5,836.70	-	-	5,836.70
TOTAL	\$ 379,001.37	\$ 4,738.77	\$ -	\$ 383,740.14
ACCUMULATED DEPRECIATION:				
Land Improvements	\$ -	\$ -	\$ -	\$ -
Building	40,373.03	6,191.73	-	46,564.76
Machinery & Equipment	167,383.21	15,853.54	-	183,236.75
Office Equipment	3,854.00	482.23	-	4,336.23
TOTAL ACCUM. DEP.	\$ 211,610.24	\$ 22,527.50	\$ -	\$ 234,137.74
NET FIXED ASSETS	\$ 167,391.13	\$ (17,788.73)	\$ -	\$ 149,602.40

PROPRIETARY FUNDS For the Year 6/30/2011	Balance 7/1/2010	Additions	Deletions	Balance 6/30/2011
Land & Water Membership	\$ 600.00	\$ -	\$ -	\$ 600.00
Water System	499,512.03	-	-	499,512.03
Sewer System	473,461.90	85,750.71	-	559,212.61
Fire Station	9,476.00	-	-	9,476.00
TOTAL	\$ 983,049.93	\$ 85,750.71	\$ -	\$ 1,068,800.64
ACCUMULATED DEPRECIATION:				
Land & Water Membership	\$ -	\$ -	\$ -	\$ -
Water System	187,697.02	12,944.25	-	200,641.27
Sewer System	92,150.88	12,857.27	-	105,008.15
Fire Station	9,476.00	-	-	9,476.00
TOTAL ACCUMULATED DEPRECIATION	\$ 289,323.90	\$ 25,801.52	\$ -	\$ 315,125.42
NET FIXED ASSETS	\$ 693,726.03	\$ 59,949.19	\$ -	\$ 753,675.22

TOWN OF ROCKY, OKLAHOMA

Footnotes to the Schedule of Capital Assets For Year Ending June 30, 2011:

E1. Capital assets are reported at actual or estimated historical cost at the time of the cash transaction. Prior to July 1, 2003, governmental funds' infrastructure assets, such as streets, drainage systems, and traffic signal systems were not being capitalized. Infrastructure assets acquired since July 1, 2003 are recorded at cost.

E2. Depreciable capital assets are depreciated on a straight-line basis over their estimated useful life. A capitalization threshold of \$500 is used to report capital assets. The range of estimated useful lives by type of assets is as follows:

Buildings	20-50 years
Improvements other than buildings	10-25 years
Machinery, furniture and equipment	3-10 years
Utility property and improvements	10-50 years
Infrastructure	5-50 years

TOWN OF ROCKY, OKLAHOMA
 Budgetary Comparison Schedule of General Fund
 For the Year Ended June 30, 2011

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 27,502	\$ 27,502	\$ 27,502	\$ -
<u>RRESOURCES (INFLOWS):</u>				
TAXES:				
Sales Tax & Cigar Tax	\$ 16,987	\$ 16,987	\$ 17,964	\$ 977
Alcohol Beverage Tax	2,503	2,503	2,164	(339)
Motor Vehicle Tax	-	-	1,244	1,244
Franchise Tax	3,138	3,138	3,778	640
Total Taxes	\$ 22,628	\$ 22,628	\$ 25,150	\$ 2,522
CHARGES FOR SERVICES:				
Community Building Rent	\$ 117	\$ 117	\$ 360	\$ 243
Other Charges & Insurance Refunds			1,679	1,679
Total Charges for Services	\$ 117	\$ 117	\$ 2,039	\$ 1,922
GRANTS	\$ -	\$ -	\$ -	\$ -
DONATIONS	\$ -	\$ -	\$ -	\$ -
INVESTMENT REVENUES	\$ 756	\$ 756	\$ 181	\$ (575)
TRANSFERS FROM OTHER FUNDS	-	-	521	521
TOTAL RESOURCES (INFLOWS)	\$ 23,501	\$ 23,501	\$ 27,891	\$ 4,390
AMOUNT AVAILABLE TO APPROPRIATE	\$ 51,003	\$ 51,003	\$ 55,393	\$ 4,390
<u>APPROPRIATIONS (OUTFLOWS):</u>				
GENERAL GOVERNMENT:				
Administrative	\$ 10,000	\$ 10,000	\$ 8,091	\$ 1,909
Maintenance & Operations	25,000	25,000	13,311	11,689
Capital Outlay	16,003	16,003	-	16,003
Total General Government	\$ 51,003	\$ 51,003	\$ 21,402	\$ 29,601
TRANSFERS TO OTHER FUNDS	\$ -	\$ -	\$ 94	\$ (94)
TOTAL APPROPRIATIONS	\$ 51,003	\$ 51,003	\$ 21,496	\$ 29,507
ENDING BUDGETARY FUND BALANCE	\$ -	\$ -	\$ 33,897	\$ 33,897

Footnotes to Budgetary Comparison:

- F1. The budgetary comparison schedule is reported on the same modified cash basis as governmental funds within the basic financial statements.
- F2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require Mayor's approval, while supplemental appropriations require Council approval.

TOWN OF ROCKY, OKLAHOMA
SCHEDULE OF FEDERAL & STATE AWARDS
For the year Ending June 30, 2011

Federal/State Grantor/Pass thru / Grantor/Program Title	Federal CFDA #	Pass thru Grant #	Award Amount	Contract Revenues	Contract Expenditures
STATE AWARDS:					
Southwest OK Development Authority:					
CENA Grant	N/A	198 CENA 11	\$ 3,644	\$ 3,644	\$ 3,644
Oklahoma Dept of Commerce Passed through SW OK Development Authority:					
REAP Grant	N/A	14235 CDC 10	\$ 4,957	\$ 4,957	\$ 4,957
OK Water Resources Board REAP Grant	N/A	FAP-06-0013-R	\$ 98,675	\$ 85,751	\$ 85,751
Department of Agriculture Fore Department Grant			\$ 4,398	\$ 4,398	\$ 4,398
TOTAL STATE AWARDS			\$ 111,674	\$ 98,750	\$ 98,750

Footnotes to Schedule of Expenditures of Federal & State Awards

H1. The Schedule of Expenditures of Federal and State Awards is prepared on a modified cash basis.

Scott Northrip

*Certified Public Accountant
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Hobart, Oklahoma 73651*

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

To the Council of
Town of Rocky, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business type activities, and the aggregate remaining fund information of Town of Rocky, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprises the Town's basic financial statements prepared on the modified cash basis and have issued our report thereon dated December 10, 2011. The report reflects an adverse opinion based on the fact that the financial statements did not include the capitalization of the capital assets or the depreciation of them. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

Report of Compliance and Internal Control over Financial Reporting - Continued

Compliance and Other Matters

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

This report is intended solely for the information and use of the Council, management of the Town of Rocky, and is not intended to be and should not be used by anyone other than these specified parties.

Scott Northrip, CPA

Scott Northrip, CPA

December 10, 2011