

Town of Ryan, Oklahoma

**Financial Statements and Report
of Independent Accountants**

**As of and For the Year Ending
June 30, 2015**

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Independent Auditor's Report

To the Board of Trustees
Town of Ryan, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash-basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Ryan, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash-basis of accounting described in Note 1. This includes determining that the modified cash-basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

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 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash-basis financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Ryan, as of June 30, 2015, and the respective changes in modified cash-basis financial position, and, where applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 30, 2016, on our consideration of the Town of Ryan'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 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 of Ryan's internal control over financial reporting and compliance.

Basis of Accounting

We draw attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are prepared on the modified cash-basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with the respect to this matter.



Oklahoma City, Oklahoma
August 30, 2016

Town of Ryan, Oklahoma
Statement of Net Position - Modified Cash Basis
June 30, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash in bank - unrestricted	66,978.48	130,820.91	197,799.39
Cash in bank - restricted	<u>13,081.87</u>	<u>97,280.24</u>	<u>110,362.11</u>
Total current assets	80,060.35	228,101.15	308,161.50
Noncurrent assets:			
Net capital assets	<u>227,733.22</u>	<u>590,676.54</u>	<u>818,409.76</u>
Total noncurrent assets	<u>227,733.22</u>	<u>590,676.54</u>	<u>818,409.76</u>
Total assets	<u><u>\$ 307,793.57</u></u>	<u><u>\$ 818,777.69</u></u>	<u><u>\$ 1,126,571.26</u></u>
LIABILITIES			
Current liabilities:			
Payroll taxes payable	17,244.48	40,203.36	57,447.84
Meter deposits	-	<u>131,972.49</u>	<u>131,972.49</u>
Total current liabilities	<u>17,244.48</u>	<u>172,175.85</u>	<u>189,420.33</u>
NET POSITION			
Invested in capital assets, net of related de	227,733.22	590,676.54	818,409.76
Restricted	13,081.87	97,280.24	110,362.11
Unrestricted	<u>49,734.00</u>	<u>(41,354.94)</u>	<u>8,379.06</u>
Total net position	<u>290,549.09</u>	<u>646,601.84</u>	<u>937,150.93</u>
Total liabilities and net position	<u><u>\$ 307,793.57</u></u>	<u><u>\$ 818,777.69</u></u>	<u><u>\$ 1,126,571.26</u></u>

Town of Ryan, Oklahoma
Statement of Activities - Modified Cash Basis
For the Year Ending June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (expense) revenue and Changes in net position		Total
		Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business-Type Activities	
Primary Government							
Governmental Activities							
General Government	138,981.25	-	-	-	(138,981.25)	-	(138,981.25)
Police	32,218.09	-	-	-	(32,218.09)	-	(32,218.09)
Fire	39,919.64	-	-	-	(39,919.64)	-	(39,919.64)
Streets	38,145.57	-	7,095.25	-	(31,050.32)	-	(31,050.32)
Cemetery	2,170.22	-	-	-	(2,170.22)	-	(2,170.22)
Total Governmental Activities	251,434.77	-	7,095.25	-	(244,339.52)	-	(244,339.52)
Business-Type Activities							
Water	202,812.16	125,060.66	-	-	-	(77,751.50)	(77,751.50)
Sewer	90,751.57	34,149.92	-	-	-	(56,601.65)	(56,601.65)
Garbage	99,353.20	90,804.35	-	-	-	(8,548.85)	(8,548.85)
Electric	530,682.44	566,483.94	-	-	-	35,801.50	35,801.50
Total Business-Type Activities	923,599.37	816,498.87	-	-	-	(107,100.50)	(107,100.50)
Total Primary Governmen	\$ 1,175,034.14	\$ 816,498.87	\$ 7,095.25	\$ -	\$ (244,339.52)	\$ (107,100.50)	\$ (351,440.02)
General Revenues							
Sales Taxes					52,002.98	-	52,002.98
Other Taxes					21,098.06	-	21,098.06
Other Income					48,192.90	10,630.46	58,823.36
Interest Income					-	90.35	90.35
Transfers In (Out)					(67,451.78)	67,451.78	-
Total General Government Revenue					53,842.16	78,172.59	132,014.75
Change in Net Position					(190,497.36)	(28,927.91)	(219,425.27)
Net Assets Beginning					481,046.45	675,529.75	1,156,576.20
Net Assets Ending					\$ 290,549.09	\$ 646,601.84	\$ 937,150.93

The accompanying footnotes are an integral part of these financial statements.

Town of Ryan, Oklahoma
Balance Sheet - Modified Cash Basis
Governmental Funds
June 30, 2015

	General Fund	Other Funds	Total Governmental Funds
ASSETS			
Cash in bank	29,775.92	37,202.56	66,978.48
Cash in bank - restricted	6,631.33	6,450.54	13,081.87
Total assets	\$ 36,407.25	\$ 43,653.10	\$ 80,060.35
LIABILITIES			
Payroll taxes payable	17,244.48	-	17,244.48
Total liabilities	17,244.48	-	17,244.48
FUND BALANCES			
Unassigned	12,531.44	37,202.56	49,734.00
Restricted	6,631.33	6,450.54	13,081.87
Total fund balances	19,162.77	43,653.10	62,815.87
Total liabilities and fund balances	\$ 36,407.25	\$ 43,653.10	\$ 80,060.35

***Reconciliation of Total Governmental Fund Balance
to Net Position of Governmental Activities
June 30, 2015***

<i>Total Governmental Fund Balances</i>	\$ 62,815.87
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
 <i>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</i>	 227,733.22
 <i>Net Position of Governmental Activities</i>	 \$ 290,549.09

Town of Ryan, Oklahoma
Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis
Governmental Funds
For the Year Ended June 30, 2015

	General Fund	Other Funds	Total Governmental Funds
Revenues:			
Sales taxes	52,002.98	-	52,002.98
Other Taxes	21,098.06	7,095.25	28,193.31
Other	46,904.15	1,288.75	48,192.90
Total revenues	120,005.19	8,384.00	128,389.19
Expenditures:			
General Government	138,981.25	-	138,981.25
Fire	26,898.41	-	26,898.41
Streets	24,742.94	36,698.77	61,441.71
Total expenditures	190,622.60	36,698.77	227,321.37
Excess revenues over (under) expenditures	(70,617.41)	(28,314.77)	(98,932.18)
Other Financing Sources			
Transfers In (Out)	(72,016.97)	4,565.19	(67,451.78)
Total Other Financing Sources	(72,016.97)	4,565.19	(67,451.78)
Net Change in Fund Balances	(142,634.38)	(23,749.58)	(166,383.96)
Fund balances at beginning of year	161,797.15	67,402.68	229,199.83
Fund balances at end of year	\$ 19,162.77	\$ 43,653.10	\$ 62,815.87

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities for the Year Ended June 30, 2015

<i>Net change in fund balances-total government funds</i>	\$(166,383.96)
<i>Funds borrowed that were recorded as capital financing in the fund financial statements but recorded as a long term liability in the government</i>	
<i>Purchase of fixed assets recorded as an expense in the fund financial statements but recorded as an addition to fixed assets in the government wide</i>	
<i>Depreciation expense recorded in the government wide financial statements but not recorded in the individual fund financial statements</i>	(24,113.40)
<i>Change in net position of governmental activities</i>	\$(190,497.36)

Town of Ryan, Oklahoma
Statement of Net Position - Modified Cash Basis
Proprietary Funds
June 30, 2015

ASSETS

Current assets:

Cash in bank - unrestricted	130,820.91
Cash in bank - restricted	<u>97,280.24</u>
Total current assets	228,101.15

Noncurrent assets:

Net capital assets	<u>590,676.54</u>
Total noncurrent assets	<u>590,676.54</u>
Total assets	<u><u>\$ 818,777.69</u></u>

LIABILITIES

Current liabilities:

Payroll taxes payable	40,203.36
Meter deposits	<u>131,972.49</u>
Total current liabilities	172,175.85

NET POSITION

Invested in capital assets, net of related debt	590,676.54
Unrestricted	<u>228,101.15</u>
Total net position	<u>818,777.69</u>
Total liabilities and net position	<u><u>\$ 818,777.69</u></u>

Town of Ryan, Oklahoma
Statement of Revenues, Expenses, and Changes in Net Position - Modified Cash Basis
Proprietary Fund Type
For the Year Ended June 30, 2015

Operating Revenues:	
Water sales	\$ 125,060.66
Sewer fees	34,149.92
Garbage fees	90,804.35
Electricity sales	566,483.94
Miscellaneous	<u>10,630.46</u>
Total operating revenues	827,129.33
Operating Expenses:	
Water department	202,812.16
Sewer department	90,751.57
Garbage department	99,353.20
Electric department	<u>530,682.44</u>
Total operating expenses	<u>923,599.37</u>
Operating income (loss)	(96,470.04)
Non-operating revenues (expenses):	
Transfers In (Out)	67,451.78
Interest income	<u>90.35</u>
Net non-operating revenues (expenses)	<u>67,542.13</u>
Change in net position	(28,927.91)
Net position at beginning of year	<u>675,529.75</u>
Net position at end of year	<u><u>\$ 646,601.84</u></u>

Town of Ryan, Oklahoma
Statement of Cash Flows - Proprietary Fund - Modified Cash Basis
For the Year Ending June 30, 2015

Cash flows from operating activities	
Cash received from customers	\$ 816,498.87
Cash received from other income	10,630.46
Cash paid to employees	(139,026.29)
Cash paid to suppliers	<u>(725,078.12)</u>
Net cash provided by operating activities	(36,975.08)
Cash flows from noncapital financing activities	
Interest on deposits	90.35
Transfers in (out)	<u>67,451.78</u>
Net cash provided (used) from noncapital financing activities	67,542.13
Cash flows from capital and related financing activities	
Increase (decrease) in meter deposit liability	(1,459.54)
Principal paid on capital debt	<u>(13,173.77)</u>
Net cash provided (used) for capital and related financing activities	<u>(14,633.31)</u>
Net increase (decrease) in cash and cash equivalents	15,933.74
Cash and cash equivalents at beginning of year	<u>212,167.41</u>
Cash and cash equivalents at end of year	<u><u>\$ 228,101.15</u></u>
Reconciliation of change in operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	(96,470.04)
by operating activities:	
Depreciation expense	43,920.25
Increase (decrease) in payroll taxes payable	30,857.94
Increase (decrease) in due to due from	<u>(15,283.23)</u>
Net cash provided (used) by operating activities	<u><u>\$ (36,975.08)</u></u>

Town of Ryan, Oklahoma
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

Note 1-Summary of Significant Accounting Policies

Financial Reporting Entity

The Town of Ryan, Oklahoma is a statutory town Government under Oklahoma Statutes. The Town provides the following services: public safety, streets and highways, sanitation, public improvements, public works and general administrative services.

The criteria used to determine which accounting entities, agencies, commissions, boards and authorities are part of the Town's operations include how the budget is adopted, whether debt is secured by general obligation of the Town, the Town's duty to cover any deficits that may occur, and supervision over the accounting functions. Any separate accounting entities would be considered component units. There are no agencies, organizations or activities meeting any of the above criteria that are excluded from the Town's reporting entity. As of June 30, 2015, the Town had only one component unit, the Langston Public Works Authority.

Basis of Presentation-Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The Town's funds are grouped into two governmental fund types, general funds and special revenue funds. Proprietary funds include enterprise funds. As of June 30, 2015, the Town had governmental funds of general fund, street and alley fund, and volunteer fire department fund. The proprietary funds consisted of the Ryan Utility Authority.

Basis of Accounting

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities display information about the Town, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the modified cash basis of accounting. Revenues are recognized when collected and expenses are recognized when paid. This is the same approach used in the preparation of the proprietary fund financial statements. The fund financial statements also use the modified cash basis of accounting. The government-wide statements record fixed assets and long-term debt as assets and liabilities. The fund financial statements record fixed assets as expenditures. The fund financial statements records the proceeds of long term debt as a revenue and the repayment of long term debt as an expenditures. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect and program revenues for each segment of the business-type activities of the Town and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among programs, functions and segments using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the Town.

FUND FINANCIAL STATEMENTS

Fund financial statements report detailed information about the Town. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

PROPRIETARY FUNDS

The proprietary funds use standards issued by the Financial Accounting Standard Board whenever possible, if no FASB pronouncement is applicable, then Government Accounting Standards Board pronouncements are used

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less for the date of acquisition. Restricted cash consists of monies held in conjunction with the Ryan Utility Authority's meter deposits requirements and restricted for use of the fire department.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances are not recognized as the equivalent of expenditures; therefore, the reserve for encumbrances is reported as part of the fund balance on the balance sheet. However, it should be noted that the Town did not recognize any outstanding reserves as of June 30, 2015.

Budget

In accordance with Oklahoma Statutes, Title 11, Section 3002, the Town Council formally adopts annual budgets which include substantially all funds. These annual budgets are adopted on a basis consistent with the guidelines established by the Oklahoma Municipal Budget Act.

Risk Management

Significant losses are covered by commercial insurance for all Town operations.

Estimates

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 affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Government-wide Proprietary Fund Net Assets

Government-wide and proprietary fund net assets are divided into three components:

- a. Invested in capital assets, net of related debt- consist of the historical cost of capital assets, loan proceeds that have not been spent less accumulated depreciation and less any debt that remains.
- b. Restricted net assets, consist of net assets that are restricted by the Town's creditors, by the state enabling legislation, by grantors and by other contributors.
- c. Unrestricted, all other net assets are reported in this category.

Governmental Fund Balances

- a. Nonspendable, amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

- b. Restricted, amounts that can be spent only for specific purposes because of the Town's ordinances, state or federal law, or externally imposed conditions by grantors or creditors.
- c. Committed, amounts that can be used only for specific purposes determined by a formal action by Board of Trustee's resolution.
- d. Assigned, amounts that are designated by the Board of Trustees

Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets) the Town's policy is to first apply the expense toward the restricted resources and then toward unrestricted resources. In governmental funds, the town's policy is to first apply the expenditure toward restricted fund balances and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

Note 2-Deposits with Financial Institutions

The accounts of the Town are required by state law to be secured by collateral pledged by the financial institution and/or FDIC insurance. The Town of Ryan is considered a separate entity from the Langston Public Works Authority for FDIC deposit insurance.

In accordance with GASB No. 3, deposits are to be classified into the following three categories:

- 1. Insured or collateralized with securities held by the entity or by its agent or in the entity's name (Referred to as category 1)
- 2. Collateralized with securities held by pledging financial institution's trust department or agent in the entity's name. (Referred to as category 2)
- 3. Uncollateralized, including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or agent but not in the entity's name. (Referred to as category 3)

All of the Town of Ryan's government and enterprise fund cash and investment accounts would be considered as category 1 up to its FDIC limits of \$250,000 for the governmental funds and \$250,000 for the Langston Public Works Authority. The remaining funds would be category 3.

Note 3-Capital Assets and Depreciation

Capital Asset activity for the year ended June 30, 2015 was as follows:

Governmental Funds

	Beginning Balance	Increases	Decreases	Ending Balance
Vehicles and Equipment	\$ 425,791	-	-	\$ 425,791
			-	-
Total	\$ 425,791	-		\$ 425,791
Accumulated Depreciation	(173,944)	(24,114)	-	(198,058)
Net Assets	<u>\$ 251,847</u>			<u>\$ 227,733</u>

As of June 30, 2015, the governmental funds had no capitalized assets that were not being depreciated or had not been depreciated. Depreciation is computed using the straight line method of depreciation over the estimated useful lives of the assets. Assets are recorded at cost or their estimated fair market value for those assets where recorded were not available.

Depreciation in the governmental funds is charged to the following departments, cemetery \$2,170, fire department \$13,021, police \$7,475 and streets \$1,447.

Utility Authority

Assets	Beginning Balance	Increases	Decreases	Ending Balance
Electric System	18,401	-	-	18,401
Sewer System	168,701			168,701
Water System	994,553	-	-	994,553
Total	1,181,655			1,181,655
Accumulated Depreciation				
Electric System	14,435	2,635		17,070
Sewer System	100,302	8,784		109,086
Water System	432,321	32,502	-	464,823
Total	547,058	43,921		590,979
Net Capital Assets	<u>\$ 634,597</u>			<u>\$ 590,676</u>

As of June 30, 2015, the Public Works Authority had no capitalized assets that were not being depreciated or had not been depreciated. Depreciation is computed using the straight-line method of depreciation over the estimated useful lives of the assets. Assets are recorded at cost or their estimated fair market value for those assets where recorded were not available.

Depreciation in the Utility is charged to the following departments, electric \$2,635, sewer \$8,784 and water \$32,502.

Note 4- Notes Payable

At the beginning of fiscal year 2015 the Ryan Utility Authority had note payable outstanding. The balance at the beginning of the year was \$13,174. This obligation was paid off during the year ending June30, 2015.

Note 5-Subsequent Events

Subsequent events have been evaluated through August 30, 2016, which is the date the financial statements were issued.

Note 6 – Restricted Cash

	<u>Governmental Funds</u>	<u>Ryan Utility Authority</u>
Meter Deposits		97,280
Fire Department Funds	11,251	
Cemetery Monies	6,451	-
Totals	<u>\$ 17,702</u>	<u>\$ 97,280</u>

Note 7 – Transfers In and Out

Internal balances between funds and legal entities are comprised of the following:

	<u>Transfer In (Out)</u>	<u>Nature of Balance</u>
Street and Alley	4,566	Operating Expenses
Ryan Utility Authority	67,451	Operating Expenses
General Fund	(72,017)	Operating Expenses
	<u>\$ -</u>	

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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 Board of Trustees
Town of Ryan, 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 governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Ryan, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Ryan, Oklahoma's basic financial statements and have issued our report thereon dated August 30, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Ryan, 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 the Town of Ryan, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Ryan, 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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses. Referenced as 2015-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Ryan, 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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items. Referenced as 2015-2

Town of Ryan, Oklahoma's Response to Findings

Town of Ryan, Oklahoma's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. Town of Ryan, Oklahoma's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Oklahoma City, Oklahoma
August 30, 2016

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

Current Year Findings

15-1 Segregation of Duties

CONDITION: Accounting functions and utility billing duties are often handled by the same person who has access to the cash collections.

CRITERIA: Proper internal control mandates segregation of duties for significant accounting functions.

CAUSE OF THE CONDITION: The town is small and has limited resources to use for the additional personnel necessary to the proper segregation of duties.

EFFECT OF THE CONDITION: The town's accounting records are vulnerable to misstatement and possible theft.

RECOMMENDATION: The Board of Trustees provide as much supervision of the expenditure process as possible. The town should also consider a policy of not accepting cash payments for utility billing payments. But to only accept checks, money orders and or cashiers checks. Also a policy of matching daily utility collection reports to actual deposits should be implemented.

MANAGEMENT RESPONSE: Management will consider the suggestion.

15-2 Payroll Tax Reports

CONDITION: During the year ending June 30, 2015 the Town did not file payroll tax reports for at least two quarters. The Town also did not remit the monies withheld and the Towns required match.

CRITERIA: Federal payroll tax reports and remitting of withholdings is required by federal law.

CAUSE OF THE CONDITION: Negligence on the part of the Clerk/Treasurer and lack of oversight by the Board of Trustees.

EFFECT OF THE CONDITION: The Town will be required by the Internal Revenue Service to pay substantial penalties and interest for failure to file and late payments.

RECOMMENDATION: The Clerk/Treasurer file the back payroll reports as soon as possible and pay the payroll taxes due as soon as possible to minimize the penalties and interest.

MANAGEMENT RESPONSE: Management concurs and will implement the recommendation.