

**TOWN OF TYRONE, OKLAHOMA**  
**FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED**  
**JUNE 30, 2022**



TOWN OF TYRONE, STATE OF OKLAHOMA  
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## **INDEPENDENT AUDITOR'S REPORT**

To the Town Council  
Town of Tyrone, State of Oklahoma

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Tyrone, State of 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, as listed in the table of contents.

In our opinion, except for the effects of not maintaining a fixed asset listing, calculation of depreciation, the financial statements referred to above present fairly, in all material respects, the financial position of the Town of Tyrone, State of Oklahoma, as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with the modified cash basis of accounting.

### **BASIS FOR QUALIFIED OPINION**

Those charged with governance and management were not able to provide the fixed asset listing and calculation of depreciation. There were not proper accounting records accounting for all funds of the Town; and the Town could not provide evidence of the design, implementation, or maintenance of internal controls relevant to the preparation and fair presentation of the financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### **BASIS OF ACCOUNTING**

We draw attention to Note 1C of the financial statements, which describes the basis of accounting. The financial statements are prepared 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. Our opinion is not modified with respect to this matter.

### **RESPONSIBILITIES OF MANAGEMENT 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, which is described in Note 1C. 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.

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.

In performing an audit in accordance with generally accepted auditing standards, we:

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 our 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.

We are 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 we identified during the audit.

#### **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2023, on our consideration of the Town'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 solely 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 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.

Sincerely,



**OBER & LITTLEFIELD, CPAS, PLLC**  
MIAMI, OKLAHOMA  
JANUARY 26, 2023

TOWN OF TYRONE, STATE OF OKLAHOMA  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS - GOVERNMENT-WIDE  
YEAR ENDED JUNE 30, 2022

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	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Current Assets			
Cash and cash equivalents	94,796.39	53,542.43	148,338.82
Total Current Assets	94,796.39	53,542.43	148,338.82
Current Restricted Assets			
Cash and cash equivalents - restricted	11,322.64	-	11,322.64
Investments - restricted	111,942.93	29,295.56	141,238.49
Total Current Restricted Assets	123,265.57	29,295.56	152,561.13
Non-Current Assets			
Capital assets, net of accumulated depreciation	26,614.81	1,069,987.90	1,096,602.71
Total Non-Current Assets	26,614.81	1,069,987.90	1,096,602.71
Total Assets	<u>\$ 244,676.77</u>	<u>\$ 1,152,825.89</u>	<u>\$ 1,397,502.66</u>
<b>Liabilities</b>			
Current Liabilities			
Payroll liabilities	\$ 17,125.79	\$ 80,909.69	\$ 98,035.48
Accrued expenses	167,858.96	10,802.00	178,660.96
Current portion of long-term debt	-	10,989.69	10,989.69
Total Current Liabilities	184,984.75	102,701.38	287,686.13
Long-Term Liabilities			
Utility deposits	-	29,295.56	29,295.56
Total Long-Term Liabilities	-	29,295.56	29,295.56
Total Liabilities	184,984.75	131,996.94	316,981.69
<b>Net Position</b>			
Invested in capital assets, net of related debt	26,614.81	1,058,998.21	1,085,613.02
Assigned	26,950.32	-	26,950.32
Restricted	113,309.31	-	113,309.31
Unrestricted	(107,182.42)	(38,169.26)	(145,351.68)
Total Net Position	59,692.02	1,020,828.95	1,080,520.97
Total Liabilities and Net Position	<u>\$ 244,676.77</u>	<u>\$ 1,152,825.89</u>	<u>\$ 1,397,502.66</u>

The accompanying notes are an integral part of these financial statements

TOWN OF TYRONE, STATE OF OKLAHOMA  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS - GOVERNMENT-WIDE  
YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for	Operating	Capital	Governmental	Business-Type	Total
		Services	Grants	Grants	Activities	Activities	
Governmental activities:							
General Government	\$ 160,514.43	\$ 7,391.48	\$ 68,189.80	\$ 21,211.38	\$ (63,721.77)	\$ -	\$ (63,721.77)
Public Safety	1,160.00	22,458.44	1,150.00	-	22,448.44	-	22,448.44
Fire	6,291.92	1,406.00	4,763.09	-	(122.83)	-	(122.83)
Cemetery	2,003.64	2,325.00	1,255.00	-	1,576.36	-	1,576.36
Total governmental activities	169,969.99	33,580.92	75,357.89	21,211.38	(39,819.80)	-	(39,819.80)
Business-type activities:							
Water Utilities	246,573.75	321,973.66	-	49,639.59		125,039.50	125,039.50
Total	\$ 416,543.74	\$ 355,554.58	\$ 75,357.89	\$ 70,850.97		125,039.50	85,219.70
General Revenues:							
Taxes:							
Sales and use tax					61,005.19	-	61,005.19
Franchise taxes					13,657.12	-	13,657.12
Alcohol taxes					16,106.60	-	16,106.60
Cigarette Tax					230.76	-	230.76
Gasoline Tax					1,262.78	-	1,262.78
Motor vehicle tax					6,955.90	-	6,955.90
Unrestricted investment earnings					572.78	112.95	685.73
Miscellaneous					11,979.03	-	11,979.03
Interest expense					-	(3,984.30)	(3,984.30)
Reimbursement					929.40	-	929.40
Total general revenues and transfers					123,501.56	(14,673.35)	108,828.21
Change in net position					83,681.76	110,366.15	194,047.91
Net position - beginning					(23,989.74)	910,462.80	886,473.06
Net position - ending					\$ 59,692.02	\$ 1,020,828.95	\$ 1,080,520.97

The accompanying notes are an integral part of these financial statements

TOWN OF TYRONE, STATE OF OKLAHOMA  
BALANCE SHEET - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2022

	General Fund	Police Fund	Fire Fund	Parks and Recreation	Johnson Estate	Cemetery Fund	Cemetery Care Fund	Total Governmental Funds
<b>Assets</b>								
Cash and cash equivalents	\$ (117,984.42)	\$ 3,853.00	\$ 11,490.47	\$ 1,650.59	\$ -	\$ -	\$ -	\$ (100,990.36)
Cash and cash equivalents - restricted	-	-	-	-	1,781.80	7,913.87	1,626.97	11,322.64
Investments - restricted	-	-	-	-	96,063.17	2,042.39	13,837.37	111,942.93
Total assets	<u>\$ (117,984.42)</u>	<u>\$ 3,853.00</u>	<u>\$ 11,490.47</u>	<u>\$ 1,650.59</u>	<u>\$ 97,844.97</u>	<u>\$ 9,956.26</u>	<u>\$ 15,464.34</u>	<u>\$ 22,275.21</u>
<b>Fund Balances</b>								
Payroll liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:								
Unassigned	(107,182.42)	-	-	-	-	-	-	(107,182.42)
Assigned	-	3,853.00	11,490.47	1,650.59	-	9,956.26	-	26,950.32
Restricted	-	-	-	-	97,844.97	-	15,464.34	113,309.31
Total fund balances	<u>\$ (107,182.42)</u>	<u>\$ 3,853.00</u>	<u>\$ 11,490.47</u>	<u>\$ 1,650.59</u>	<u>\$ 97,844.97</u>	<u>\$ 9,956.26</u>	<u>\$ 15,464.34</u>	<u>\$ 33,077.21</u>
Total fund balance, governmental funds	<u>\$ 33,077.21</u>							
Amounts reported for governmental activities in the statement of net position are different because:								
Capital assets, net of depreciation, used in governmental activities are not current financial resources, and therefore, are not reported in the governmental activities balance sheet.								<u>26,614.81</u>
Net position of governmental activities in the statement of net position	<u>\$ 59,692.02</u>							

The accompanying notes are an integral part of these financial statements

TOWN OF TYRONE, STATE OF OKLAHOMA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2022

	General Fund	Police Fund	Fire Fund	Parks and Recreation	Johnson Estate	Cemetery Fund	Cemetery Care Fund	Total Governmental Funds
<b>Revenues:</b>								
Charges for services	\$ 7,374.98	\$ -	\$ -	\$ -	\$ -	\$ 2,281.25	\$ 43.75	\$ 9,699.98
Donations	-	37.50	1,406.00	16.50	-	765.00	490.00	2,715.00
Grants	89,401.18	1,150.00	4,763.09	-	-	-	-	95,314.27
Reimbursements	929.40	-	-	-	-	-	-	929.40
Fines and fees	22,420.94	-	-	-	-	-	-	22,420.94
Investment income	157.13	-	-	-	328.75	14.12	72.78	572.78
Miscellaneous	9,640.78	83.25	2,255.00	-	-	-	-	11,979.03
Taxes	99,218.35	-	-	-	-	-	-	99,218.35
Total revenues	<u>229,142.76</u>	<u>1,270.75</u>	<u>8,424.09</u>	<u>16.50</u>	<u>328.75</u>	<u>3,060.37</u>	<u>606.53</u>	<u>242,849.75</u>
<b>Expenditures:</b>								
Personal services	117,036.63	-	-	-	-	-	-	117,036.63
Maintenance and operations	40,801.23	1,160.00	6,291.92	-	-	577.99	1,425.65	50,256.79
Capital Outlay	29,291.38	-	-	-	-	-	-	29,291.38
Total expenditures	<u>187,129.24</u>	<u>1,160.00</u>	<u>6,291.92</u>	<u>-</u>	<u>-</u>	<u>577.99</u>	<u>1,425.65</u>	<u>196,584.80</u>
Excess/(deficiency) of revenues over/(under) expenditures	42,013.52	110.75	2,132.17	16.50	328.75	2,482.38	(819.12)	46,264.95
Transfers Out	10,802.00	-	-	1,500.00	(1,500.00)	-	-	10,802.00
Net change in fund balance	<u>52,815.52</u>	<u>110.75</u>	<u>2,132.17</u>	<u>1,516.50</u>	<u>(1,171.25)</u>	<u>2,482.38</u>	<u>(819.12)</u>	<u>57,066.95</u>
Fund balance, beginning	(159,997.94)	3,742.25	9,358.30	134.09	99,016.22	7,473.88	16,283.46	(23,989.74)
Fund balance, ending	<u>\$ (107,182.42)</u>	<u>\$ 3,853.00</u>	<u>\$ 11,490.47</u>	<u>\$ 1,650.59</u>	<u>\$ 97,844.97</u>	<u>\$ 9,956.26</u>	<u>\$ 15,464.34</u>	<u>\$ 33,077.21</u>

The accompanying notes are an integral part of these financial statements



TOWN OF TYRONE, STATE OF OKLAHOMA  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES -  
 MODIFIED CASH BASIS  
 YEAR ENDED JUNE 30, 2022

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Net change in fund balances - total governmental funds	<u>\$ 57,066.95</u>
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Amounts reported for governmental activities in the statement of activities are  
 different because:

Governmental funds report outlays for capital assets as expenditures because such outlays  
 use current financial resources. In contrast, the statement of activities reports only a  
 portion of the outlay as expense. The outlay is allocated over the assets' estimated useful  
 lives as depreciation expense for the period. This is the amount that depreciation in the current  
 period exceeds the current capital outlays.

<u>26,614.81</u>
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Change in net position of governmental activities in the statement of net position	<u><u>\$ 83,681.76</u></u>
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The accompanying notes are an integral part of these financial statements

TOWN OF TYRONE, STATE OF OKLAHOMA  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS - PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2022

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	Public Works Authority	Meter Fund	Total
<b>Assets</b>			
Current Unrestricted Assets			
Cash and cash equivalents	\$ 53,542.43	\$ -	\$ 53,542.43
Due From Other Fund	-	9,906.04	9,906.04
Current Restricted Assets			
Cash and cash equivalents - restricted	9,906.04	19,389.52	29,295.56
Total Current Assets	63,448.47	29,295.56	92,744.03
Noncurrent Assets			
Capital assets, net of accumulated depreciation	1,069,987.90	-	1,069,987.90
Total Noncurrent Assets	1,069,987.90	-	1,069,987.90
Total Assets	\$ 1,133,436.37	\$ 29,295.56	\$ 1,162,731.93
<b>Liabilities</b>			
Current Liabilities			
Due to Other Funds	9,906.04	-	9,906.04
Payroll liabilities	80,909.69	-	80,909.69
Accrued expense	10,802.00	-	10,802.00
Current portion long-term debt	10,989.69	-	10,989.69
Total Current Liabilities	112,607.42	-	112,607.42
Noncurrent Liabilities			
Utility deposits	-	29,295.56	29,295.56
Total Long-term Liabilities	-	29,295.56	29,295.56
Total Liabilities	112,607.42	29,295.56	141,902.98
<b>Net Position</b>			
Invested in capital assets, net of related debt	1,058,998.21	-	1,058,998.21
Unrestricted net position	(38,169.26)	-	(38,169.26)
Total Net Position	1,020,828.95	-	1,020,828.95
Total Liabilities and Net Position	\$ 1,133,436.37	\$ 29,295.56	\$ 1,162,731.93

The accompanying notes are an integral part of these financial statements

TOWN OF TYRONE, STATE OF OKLAHOMA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
MODIFIED CASH BASIS - PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2022

	Public Works Authority	Meter Fund	Total
<b>Operating Revenues</b>			
Water revenue	\$ 171,319.13	\$ -	\$ 171,319.13
Sewer revenue	46,214.10	-	46,214.10
Trash revenue	76,459.23	-	76,459.23
Water assessment and taps	700.00	-	700.00
Other revenue	27,281.20	-	27,281.20
Total operating revenue	321,973.66	-	321,973.66
<b>Operating Expenses</b>			
Maintenance and operations			
Advertising	214.50	-	214.50
Depreciation	4,889.10	-	-
Fuel	3,464.01	-	3,464.01
Professional services	1,241.03	-	1,241.03
Repairs and supplies	20,404.46	-	20,404.46
Telephone	3,006.77	-	3,006.77
Trash/Sanitation Supplies	35,293.44	-	35,293.44
Insurance	5,561.92	-	5,561.92
Licenses, Permits, and Education	124.00	-	124.00
Office and Shop	3,733.81	-	3,733.81
Other Miscellaneous	5,949.14	-	5,949.14
Utilities	51,320.43	-	51,320.43
Water	6,241.01	-	6,241.01
Total maintenance and operations	141,443.62	-	136,554.52
Personal services			
General	105,130.13	-	105,130.13
Total personal services	105,130.13	-	105,130.13
Total operating expenses	246,573.75	-	246,573.75
Operating income/(loss)	75,399.91	-	75,399.91
<b>Other Financing Sources/(Uses)</b>			
Interest earned	72.07	40.88	112.95
Grant income	49,639.59	-	49,639.59
Interest expense	(3,984.30)	-	(3,984.30)
Transfers in/(out)	(10,761.12)	(40.88)	(10,802.00)
Total other financing sources/(uses)	34,966.24	-	34,966.24
Change in net position	110,366.15	-	110,366.15
Total net position - beginning	910,462.80	-	910,462.80
Total net position - ending	\$ 1,020,828.95	\$ -	\$ 1,020,828.95

The accompanying notes are an integral part of these financial statements

TOWN OF TYRONE, STATE OF OKLAHOMA  
STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS – PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2022

	Public Works Authority	Meter Fund	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 321,973.66	\$ -	\$321,973.66
Payments to suppliers and employees	(238,498.54)	(1,519.37)	(240,017.91)
Net cash provided/(used) by operating activities	83,475.12	(1,519.37)	81,955.75
<b>Cash Flows from Noncapital Financing Activities</b>			
Other income	49,639.59	-	49,639.59
Net cash provided/(used) by noncapital financing activities	38,837.59	-	38,837.59
<b>Cash Flows from Capital and Related Financing Activities</b>			
Principal paid on capital debt	(31,082.56)	-	(31,082.56)
Interest paid on capital debt	(3,984.30)	-	(3,984.30)
Purchase of fixed assets	(48,891.00)	-	(48,891.00)
Net cash provided/(used) by capital and related financing activities	(83,957.86)	-	(83,957.86)
<b>Cash Flows from Investing Activities</b>			
Interest and dividends	72.07	40.88	112.95
Net cash provided/(used) by investing activities	72.07	40.88	112.95
Net increase/(decrease) in cash and cash equivalents	38,426.92	(1,478.49)	36,948.43
Cash and cash equivalents, beginning of year	14,219.55	20,868.01	35,087.56
Cash and cash equivalents, end of year	\$ 52,646.47	\$ 19,389.52	\$ 72,035.99
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
Operating income/(loss)	\$ 75,399.91	\$ -	\$ 75,399.91
Adjustment to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	4,889.10	-	4,889.10
Change in assets and liabilities:			
Increase (decrease) accounts payable	3,186.11	-	3,186.11
Increase (decrease) in meter deposits	-	(1,519.37)	(1,519.37)
Net cash provided/(used) by operating activities	\$ 83,475.12	\$ (1,519.37)	\$ 81,955.75
<b>Reconciliation to Statement of Net Position</b>			
Cash and cash equivalents	\$ 53,542.43	\$ -	\$ 53,542.43
Cash and cash equivalents - restricted	9,906.04	19,389.52	29,295.56
Total cash and cash equivalents	\$ 63,448.47	\$ 19,389.52	\$ 82,837.99

The accompanying notes are an integral part of these financial statements

***Note 1 - Summary of Significant Accounting Policies***

The following notes to the financial statements are an integral part of the Town of Tyrone, State of Oklahoma (the “Town”)’s financial statements. As discussed further in Note 1C, these financial statements 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 measurements and recognition criteria of the modified cash basis of accounting. The Town utilized the statutory town board of trustees form of government.

**1A. Financial Reporting Entity**

The Town’s financial reporting entity is comprised of the following:

Primary Government:	Town of Tyrone, State of Oklahoma
Blended Component Unit:	Tyrone Public Works Authority (the “Authority”)

In determining the financial reporting entity, the Town complies with the provisions of Governmental Accounting Standards Board Statement No. 14, “The Financial Reporting Entity,” and includes all component units of which the Town appointed a voting majority of the units’ board, and the Town is either able to impose its will on the unit, or a financial benefit, or burden, relationship exists.

***Blended Component Units***

Blended component units are separate legal entities that meet the component unit criteria, described above, and whose governing body is the same, or substantially the same, as the Town Council, or the component unit provides services entirely to the Town. The component unit’s fund is blended into those of the Town’s, by appropriate activity type, to comprise the primary government presentation.

***Blended Component Units***

Component units that are blended into the reporting activity types of the Town’s reports are presented below:

<b>Component Unit</b>	<b>Brief Description/Inclusive Criteria</b>	<b>Reporting</b>
Tyrone Public Works Authority	Created to finance, develop, and operate the utilities service activities. The current Town Council serves as the governing body (Trustees). Any issues of debt would require a two-thirds approval of the Town Council.	Enterprise Fund

**1.B. Basis of Presentation**

***Government-Wide Financial Statements***

The statement of net position and statement of activities display information about the reporting government, as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, or governmental revenues, and other non-exchange revenues. Business-type activities are financed, in whole or in part, by fees charged to external parties for goods and services.

***Note 1 - Summary of Significant Accounting Policies (continued)***

**1.B. Basis of Presentation (continued)**

The statement of activities presents a comparison between direct expenses and program revenues, for the different business-type activities of the Town, and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program, or function and, therefore, are clearly identifiable to a particular function.

***Fund Financial Statements***

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town, or meets the following criteria.

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental, or enterprise, fund are at least ten percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund, or enterprise fund, are at least five percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below.

**Governmental Funds**

**General Fund**

The General Fund is the primary operating fund of the Town, and is always classified as a major fund. It is used to account for all activities except those legally, or administratively, required to be accounted for in other funds.

**Special Revenue Funds**

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are either legally restricted to expenditures for specified purposes, or designated to finance particular functions, or activities, of the Town.

**Proprietary Funds**

**Enterprise Funds**

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement, similar to the private sector. The reporting entity includes the following enterprise fund:

**Fund**

Tyrone Public Works Authority

Meter Fund

**Brief Description**

Accounts for the activities of the public trust in providing utility services to the public.

Accounts for the activities of the public trust in retaining meter deposits.

***Note 1 - Summary of Significant Accounting Policies (continued)***

**1.C. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded, regardless of the measurement focus applied.

**Measurement Focus**

In the government-wide statement of net position, and statement of activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as subsequently defined.

In the fund financial statements, the current financial resources measurement focus, or the economic resources measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- a. All governmental funds utilize a current financial resources measurement focus, within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources, and uses, of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an economic resources measurement focus, within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

**Basis of Accounting**

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP, as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position, or balance sheets, cash transactions, or events, that provide a benefit, or result in an obligation, that covers a period greater than the period in which the cash transaction, or event, occurred. Such reported balances include investments, interfund receivables and payables, capital assets and related depreciation, and short-term and long-term liabilities arising from cash transactions or events.

This modified cash basis of accounting differs from GAAP primarily because certain other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction, or event, are not reported, and the measurement of reported assets and liabilities does not involve adjustments to fair value.

If the Town utilized the basis of accounting recognized as generally accepted in the United States, the fund financial statements for governmental funds would use the modified accrual basis of accounting, and the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

***Note 1 - Summary of Significant Accounting Policies (continued)***

1.D. Assets, Liabilities and Equity

*Cash and cash equivalents*

Oklahoma Statutes authorize the Town to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments, provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the Town can invest in direct debt securities of the United States.

For financial statement presentation, and 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 certificates of deposit, with a maturity date of twelve months or less. Debt instruments, with a maturity date of more than three months from date of issue, are considered investments.

*Estimates*

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

*Capital Assets*

The Town's modified cash basis of accounting reports capital assets resulting from cash transactions, or events, and reports depreciation, when appropriate. 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, capital assets arising from cash transactions, or events, are accounted for as assets in the statement of net position. All capital assets are valued at historical cost, or estimated historical cost, if actual is unavailable.

Depreciation of all exhaustible capital assets arising from cash transactions or events is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives, using the straight-line method of depreciation.

Fund Financial Statements

In the fund financial statements, capital assets arising from cash transactions or events acquired for use 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 the same as in the government-wide statements.

The financial statements of Tyrone Public Works Authority include property and equipment.



***Note 1 - Summary of Significant Accounting Policies (continued)***

**1. D. Assets, Liabilities and Equity (continued)**

**Fund Financial Statements (continued)**

Depreciation is computed using the straight-line method over the following estimated useful lives in years:

Buildings	40
Furniture, fixtures & equipment	5-20
Land improvements	40
Vehicles	5
Infrastructure	15

***Long-Term Obligations***

All long-term bonds, notes, and other debt arising from cash transactions, or events, to be repaid from governmental, and business-type resources, are reported as liabilities in the government-wide statements.

Long-term debt arising from cash transactions, or events, of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources, and payment of principal and interest is reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in government-wide statements.

***Net Position/Fund Balance Classifications***

**Government-Wide Statements**

Net position is classified and displayed in three components:

1. *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, and adjusted for any deferred inflows, and outflows, of resources attributable to capital assets and related debt.
2. *Restricted* – Consists of restricted assets reduced by liabilities, and deferred inflows or resources, related to those assets, with restriction constraints placed on the use, either by external groups, such as creditors, grantors, contributors, or laws and regulations of other governments, or law through constitutional provisions, or enabling legislation.
3. *Unrestricted* – Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets, or the restricted component of net position.

***Note 1 - Summary of Significant Accounting Policies (continued)***

1.D. Assets, Liabilities and Equity (continued)

Fund Financial Statements

The difference among assets, deferred outflows, liabilities, and deferred inflows of governmental funds is reported as fund balance and classified as nonspendable, restricted, committed, assigned, and unassigned based on the respective level of constraint. These constraints are defined as follows:

Nonspendable – Amounts that cannot be spent because they either are not in spendable form, or are legally, or contractually, required to be maintained intact.

Restricted – Amounts constrained, regarding use, from restrictions externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or by restrictions imposed by law through constitutional provisions, or enabling legislation.

Committed – Amounts constrained, regarding use, for specific purposes pursuant to requirements imposed by formal action of the Town's highest level of decision-making authority.

Assigned – Amounts constrained by the Town's intent to be used for specific purposes, but that are neither restricted, nor committed.

Unassigned – The residual classification of the General Fund for spendable amounts that have not been restricted, committed, or assigned to specific purposes.

When an expenditure is incurred for purposes for which amounts in any of the fund balance classifications of committed, assigned or unassigned could be used, the Town considers the expenditure spent out of the committed fund balance.

Note 1.E. Revenues, Expenditures, and Expenses

Sales tax

The Town presently levies a sales tax on taxable sales within the Town. The sales tax is collected by the Oklahoma Tax Commission, and remitted to the Town, in the month following receipt by the Oklahoma Tax Commission. The Tax Commission receives the sales tax approximately one month after collection by vendors. The sales tax is recorded entirely in the General Fund.

Operating Revenue and Expenses

Operating revenues, and expenses, for proprietary funds, and the similar discretely presented component unit, result from providing services, and producing and delivering goods or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

***Note 1 - Summary of Significant Accounting Policies (continued)***

**1.F. Interfund Transfers**

Permanent re-allocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

**1.G. Use of Estimates**

The preparation of the financial statements, in accordance with the modified cash basis of accounting, requires management to make estimates, and assumptions, that affect 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 revenues and expenses during the reporting period. 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, regulations, grants and contracts, and demonstration of its stewardship over the Town resources follows

**2.A. Fund Accounting Requirements**

The Town complies, in all material respects, with state and local laws and regulations requiring the use of separate funds. The legally required funds used by the Town include the following:

<u>Fund</u>	<u>Required By</u>
Public Works Authority Fund	Trust Indenture
Cemetery Fund	State Law

**2.B. Deposit and Investment Laws and Regulations**

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral, valued at the lower of market or par. Acceptable collateral includes certain U.S. Government, or Government agency, securities, certain State of Oklahoma or political subdivision, debt obligations or surety bonds. As required by 12 U.S.C.A., Section 1823 (e), all financial institutions pledging collateral to the Town must have a written collateral agreement approved by the board of directors, or loan committee. As reflected in Note 3.A., all deposits were fully insured or collateralized for the fiscal year ended June 30, 2022.

Investments of the Town (excluding Public Trusts) whose population exceeds 3,000 according to the latest census information are limited by state law to the following:

1. Direct obligations of the U.S. Government, its agencies, or instrumentalities, to the payment of which the full faith and credit of the Government of the United States is pledged, or obligations to the payment of which the full faith and credit of this state is pledged;

***Note 2 - Stewardship, Compliance and Accountability (continued)***

**2.B. Deposit and Investment Laws and Regulations (continued)**

2. 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;
3. Negotiable certificates of deposit, prime bankers' acceptance, prime commercial paper, and repurchase agreements, with certain limitations;
4. 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;
5. 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 obligation of national mortgage associations;
6. Money market funds regulated by the SEC, and in which investments consist of the investments mentioned in the previous paragraphs 1., 2., 3., and 4.

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 and its public trusts complied, in all material respects, with these investment restrictions.

**2.C. Revenue Restrictions**

The Town has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restriction of Use</u>
Special Sales Tax	Fire Department Purposes
Gasoline Excise Tax	Street and Alley Purposes
Commercial Vehicle Tax	Street and Alley Purposes
Utility Revenue	Debt Service and Utility Operations
Investment income	Cemetery Care Purposes
Donations	Cemetery Perpetual Care Purposes

For the year ended June 30, 2022, the Town complied, in all material respects, with those revenue restrictions.

**2.D. Debt Restrictions and Covenants**

**General Obligation Debt**

Article 10, Sections 26 and 27 of the Oklahoma Constitution, limits the amount of outstanding general obligation bonded debt of the municipality, for non-utility or non-street purposes, to no more than 10% of net assessed valuation. For the year ended June 30, 2022, the Town had no outstanding general obligation debt.

***Note 2 - Stewardship, Compliance and Accountability (continued)***

2.D. Debt Restrictions and Covenants (continued)

Other Long-Term Debt

As required by the Oklahoma State Constitution, the Town (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval. The Town is not in compliance with this state statute. See Note 3D.

2.E. Fund Equity Restrictions

Deficit Prohibition

Title 11, Section 17-211 of Oklahoma Statutes, prohibits the creation of a deficit fund balance in any individual fund. The Town did not comply with this statute, in all material respects, for the year ended June 30, 2022.

2.F. Budgetary Accounting and Control

The Town operates under the Oklahoma Estimates of Needs (Title 68) budget law. A budget is legally adopted by the Board of Trustees for the General Fund of the Town. The budget is prepared using the cash basis, and budget laws, of the State of Oklahoma. The financial statements are prepared using the modified cash basis of accounting. The Board of Trustees can legally amend the budget, once it has been approved, by filing a supplemental appropriation with the state auditor and inspector, and town clerk. Budget transfers between funds have to be approved by the Board of Trustees. There were no supplemental appropriations made during the fiscal year. All appropriations lapse at year-end. The level of control at which expenditures may not legally exceed appropriations is the fund level for each legally adopted fiscal operating budget.

***Note 3 - Detail Notes – Transaction Classes/Accounts***

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues and expenditures/expenses.

3.A. Cash and Investments

Authorized Investments

State statutes govern the Town's investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit, of savings and loan associations, and bank and trust companies; and savings accounts, or savings certificates, of savings and loan associations and trust companies. Collateral is required for demand deposits, and certificates of deposit, for all amounts not covered by federal deposit insurance. Investments are stated at cost. The Town invests entirely in certificates of deposit.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town's cash deposits, including interest-bearing certificates of deposits, are maintained in financial institutions. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2022, none of the Town's investments were exposed to custodial credit risk.

TOWN OF TYRONE, STATE OF OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2022

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***Note 3 - Detail Notes – Transaction Classes/Accounts (continued)***

**3.A. Cash and Investments (continued)**

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. 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.

<u>Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>On Demand</u>	<u>Less Than One</u>	<u>1-5</u>
Demand deposits	N/A	\$ 110,236.06	\$ 110,236.06	\$ -	\$ -
Time deposits	N/A	111,942.93	-	111,942.93	-
		<u>\$ 222,178.99</u>	<u>\$ 110,236.06</u>	<u>\$ 111,942.93</u>	<u>\$ -</u>

Reconciliation to statement of net position:

Cash and equivalents	\$ 148,338.82
Restricted cash and equivalents	<u>152,561.13</u>
Total cash and equivalents	<u>\$ 300,899.95</u>

**3.B. Restricted Assets**

The amounts reported as restricted assets are comprised of cash held, in trust, on behalf of the Public Works Authority, for customer utility meter deposits.

The restricted assets, as of June 30, 2022, are as follows:

Meter Deposits	<u><u>\$29,295.56</u></u>
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TOWN OF TYRONE, STATE OF OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2022

***Note 3 - Detail Notes – Transaction Classes/Accounts (continued)***

**3.C. Capital Assets**

**Capital Asset Activity - Governmental Type**

Capital asset activity from modified cash basis transactions, or events, for the year ended June 30, 2022, was as follows:

Governmental

	Balance 06/30/2021	Additions	Disposals	Balance 06/30/2022
Non-depreciable assets:				
Land	\$ -	\$ -	\$ -	\$ -
Depreciable assets:				
Infrastructure	-	21,211.38	-	21,211.38
Buildings and improvements	-	4,600.00	-	4,600.00
Equipment	-	3,480.00	-	3,480.00
Total capital assets being depreciated	-	29,291.38	-	29,291.38
Governmental activities capital assets	-	29,291.38	-	29,291.38
Accumulated Depreciation	-	(2,676.57)	-	(2,676.57)
Governmental activities capital assets, net	\$ -	\$ 26,614.81	\$ -	\$ 26,614.81

Depreciation expense was charged to general government.

Business Type

	Balance 06/30/2021	Additions	Disposals	Balance 06/30/2022
Water & Wastewater system	\$1,492,913.00	\$ 48,891.00	\$ -	\$1,541,804.00
Total Property, Plant, and Equipment	1,492,913.00	48,891.00	-	1,541,804.00
Accumulated Depreciation	(466,927.00)	(4,889.10)	-	(471,816.10)
Business-type activities capital assets, net	\$1,025,986.00	\$ 44,001.90	\$ -	\$1,069,987.90

The Authority's fixed assets are stated at cost. Depreciation is computed using the straight-line method, over the estimated useful life, which is; forty years for the water system, between seven and forty years for the lift station, and between five and seven years for office furniture and equipment. Expenditures for major renewals, and betterments, which extend the useful life of the fixed assets are capitalized. Expenditures for maintenance and repairs are expensed as incurred.

***Note 3 - Detail Notes – Transaction Classes/Accounts (continued)***

**3.D. Long-Term Debt**

The reporting entity's long-term bonds, notes, and other debt arising from cash transactions, or events, is segregated between amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

***Business-Type Activities***

As of June 30, 2022, the long-term debt payable from proprietary fund resources consisted of the following:

In March 2005, the PWA executed a note payable to the Oklahoma Water Resources Board (OWRB) payable in monthly installments of \$1,440, including 3.5% interest.

Note payable to Oklahoma Department of Commerce note payable in monthly installments of \$543.92, including principal and interest at 0%. As of June 30, 2022, the note has been paid off.

	Balance June 30, 2021	Issued	Retired	Balance June 30, 2022
OWRB	\$ 38,040.59	\$ -	\$ (27,050.90)	\$ 10,989.69
DOC	4,031.66	-	(4,031.66)	-
	<u>\$ 42,072.25</u>	<u>\$ -</u>	<u>\$ (31,082.56)</u>	<u>\$ 10,989.69</u>



TOWN OF TYRONE, STATE OF OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2022

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***Note 3 - Detail Notes – Transaction Classes/Accounts (continued)***

The Authority's maturities of long-term debt are as follows:

**3.D. Long-Term Debt**

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u> <u>Reductions</u>	<u>Interest</u>	<u>Debt Service</u> <u>Requirements</u>
2023	10,989.69	397.05	11,386.74
Total	<u>\$ 10,989.69</u>	<u>\$ 397.05</u>	<u>\$ 11,386.74</u>

***Note 4 – Other Information***

**4.A. Commitments and Contingencies**

The Town and its related Public Works Authority are in arrears in regard to its payroll liability payments to the Internal Revenue Service for payroll taxes related to its Form 941 payments. The delinquency started in the 2016 calendar year, with penalties for late payment. Delinquent taxes, penalties and interest, per Internal Revenue Service letters are as follows:

<u>Calendar year</u>	<u>Estimated amounts due</u>
2017	\$ 49,395.45
2018	60,399.71
2019	32,604.33
2020	12,942.18
2021	1,715.29
Total	<u>\$157,056.96</u>

***Note 4 - Other Information (continued)***

**4.B. Risk Management**

*Internal Balances*

In the process of aggregating the financial information for the government-wide statement of net position and statement of activities, some amounts reported as interfund activity, and balances in the fund financial statements, have been eliminated, or reclassified.

*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; employees' health and life; and natural disaster. The Town maintains insurance for claims and judgments through employee health, property and liability, workers' compensation, and unemployment insurance programs. These insurance programs are accounted for in the General Fund, and the Public Works Authority Fund. 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.

For worker's compensation, the Town and its related authorities were not covered during the fiscal year.

*Loan Covenant*

The loan covenant with Oklahoma Water Resources Board requires the Authority to impose, and collect, such rates and charges that will provide an amount sufficient for payment of the operation and maintenance of the system, the annual installment payments on the note, and maintenance of the various components. Computation of compliance with this covenant is as follows:

Net gain from operations	\$ 75,399.91
Debt service requirement	<u>10,989.69</u>
Net gain above loan covenant requirements	<u>64,410.22</u>
Total gain above loan covenant requirements	<u><u>\$ 64,410.22</u></u>

*Subsequent Events*

Management has evaluated and disclosed subsequent events up to January 26, 2023, the date that the financials were available to be issued, and no additional disclosures are required.

## TOWN OF TYRONE, STATE OF OKLAHOMA

BUDGET AND ACTUAL – GENERAL FUND  
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual	Budget Variance	
	Original Budget	Final Budget		Original to Final	Final to Actual
<u>Revenues:</u>					
Charges for services	\$ 65,310.71	\$ 65,310.71	\$ 34,835.92	\$ 30,474.79	\$ 129,221.91
State sources	108,191.28	108,191.28	194,532.62	(86,341.34)	86,341.34
Miscellaneous	27,790.96	-	13,481.21	14,309.75	13,481.21
Total revenues	201,292.95	173,501.99	242,849.75	(41,556.80)	229,044.46
<u>Expenditures:</u>					
Personal services	120,000.00	120,000.00	117,036.63	2,963.37	2,963.37
Maintenance and operations	127,672.01	127,672.01	50,256.79	77,415.22	77,415.22
Total expenditures	247,672.01	247,672.01	167,293.42	80,378.59	80,378.59
Excess of Revenues over/(under) expenditures	(46,379.06)	(74,170.02)	75,556.33	(121,935.39)	309,423.05
Fund balance, beginning	(8,934.80)	(8,934.80)	(23,989.74)	15,054.94	-
Fund balance, end of year	<u>\$ (55,313.86)</u>	<u>\$ (83,104.82)</u>	<u>\$ 51,566.59</u>	<u>\$ (106,880.45)</u>	<u>\$ 309,423.05</u>

Amount reported for general fund cash fund balance in the balance sheet of governmental funds is different because this schedule is prepared on a regulatory basis of accounting.

Capital outlays	(29,291.38)
Transfers out	10,802.00
Fund balance - general fund	<u>\$ 33,077.21</u>



**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 Tyrone, State of 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 modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Tyrone, State of Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Tyrone, State of Oklahoma’s basic financial statements, and have issued our report thereon dated January 26, 2023.

**Internal Control Over Financial Reporting**

In planning, and performing, our audit of the financial statements, we considered the Town of Tyrone, State of Oklahoma’s internal control over financial reporting (internal control) as a basis for designing our audit procedures that are appropriate, in the circumstances, for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Tyrone, State of Oklahoma’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Tyrone, State of Oklahoma’s internal control over financial reporting.

A deficiency in internal control exists when the design, or operation, of a control does not allow management, or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2022-01 through 2022-07 that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Tyrone, State of 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 no 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 responses as items 2022-01 through 2010-08.

**TOWN OF TYRONE, STATE OF OKLAHOMA'S RESPONSE TO FINDINGS**

Management's response to the findings identified in our engagement is described in the accompanying schedule of findings and responses. Management's response was not subjected to the auditing procedures applied in the engagement to audit 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.

A handwritten signature in dark ink that reads "Ober & Littlefield, PLLC". The signature is written in a cursive, flowing style.

**OBER & LITTLEFIELD, CPAS, PLLC**  
MIAMI, OKLAHOMA  
January 26, 2023

## **PRIOR YEAR FINDINGS**

### **2021-01 – Debt service**

*Conditions* – The Authority has not met the debt coverage ratio requirement.

*Recommendation* – The Authority should implement internal controls that would ensure income is sufficient to satisfy the debt service.

*Current Status*– Finding has been remedied.

### **2021-02 – Compliance with legally adopted budgets**

*Conditions* – The Town is not adequately maintaining its books or records to track its compliance with its legally adopted budgets.

*Recommendation* – Those charged with governance should ensure that personnel responsible for the preparation and maintenance of its book are properly trained.

*Current Status* – The Town understands and will take appropriate steps to remedy the finding. (Refer to finding 2022-01).

### **2021-03 – Financial Reporting and Preparation of Year-End Trial Balance**

*Condition* –The Town and Authority were unable to present an adjusted year-end trial balance for audit.

*Recommendation* – We recommend that the Town and the Authority take the necessary steps to be able to provide financial data such as trial balances and detailed general ledgers completed with adjusting entries and reconciled accounts or hire an external accounting firm to perform these tasks.

*Current Status* – The Town and Authority understand and will take appropriate steps to remedy the finding. (Refer to finding 2022-02).

### **2021-04 – Maintenance and Safeguarding of Capital Assets**

*Condition* – Internal controls over property accountability were inadequate or nonexistent for capital assets. The Town has no written policies or procedures on recording, adjusting, or inventorying capital assets and does not adequately monitor or inventory capital assets.

*Recommendation* – We recommended the Council implement internal controls in its property accountability by developing written policies and procedures that describe how capital assets will be recorded and managed, post transactions affecting capital assets to a capital asset inventory system and perform timely inventories of capital assets on an annual basis.

*Current Status* – The Town and Authority understand and will take appropriate steps to remedy the finding. (Referring to finding 2022-03).

# TOWN OF TYRONE, STATE OF OKLAHOMA

## CURRENT YEAR SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2022

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### **PRIOR YEAR FINDINGS (CONTINUED)**

#### **2021-05 – Governance Oversight**

*Condition* – The Town and Authority are lacking in oversight to ensure compliance with state laws and regulations, loan covenants, debt compliance, and required financial reporting standards.

*Recommendation* – We recommend that the Town and the Authority take the necessary steps to provide accurate financial data on a timely basis (or hire an external accounting firm to perform these tasks) to the Council and the Trustees that are necessary to perform fiduciary oversight.

*Current Status* – The Town and Authority understand and will take appropriate steps to remedy the finding. (See finding 2022-04).

#### **2021-06 – Declining revenue**

*Conditions* – The Authority has had multiple years of declining revenue.

*Recommendation* – The Authority should implement appropriate policies and procedures to ensure that billing rates are appropriate and that all receivables are collected. The policy should include discounts and waivers can only be approved by the Trustees and evidence of the controls implemented to ensure this policy. Also, all Board Members, Elected Officials, and Town employees are to be billed utilities and to pay said billing.

*Current Status* – The Authority understands and will take appropriate steps to remedy the finding. (See finding 2022-05).

#### **2021-07 – Delinquent payroll taxes**

*Conditions:* The Town and the Authority management is not compliant with the reporting and paying of payroll taxes.

*Recommendation* – We recommended the Council and Authority create and implement policies and procedures for payroll processing procedures including personnel file document retention, submission of timecards, approval process, payroll processing review and approval, and remittance of payroll tax reporting and payments.

*Current Status* – The Town and Authority understand and will take appropriate steps to remedy the finding. (See finding 2022-06).

#### **2021-08 – Risk Management**

*Conditions:* The Town and the Authority is not up to date with workers compensation premiums.

*Recommendation* – We recommended the Council and Authority ensure proper oversight and fiscal accountability to ensure appropriate funds are available to pay required operational expenses.

*Current Status* – Finding has been remedied.

TOWN OF TYRONE, STATE OF OKLAHOMA  
CURRENT YEAR SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2022

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**PRIOR YEAR FINDINGS (CONTINUED)**

**2021-09 – Deficit Fund Balance**

*Conditions:* The Town's general fund has a deficit balance

*Recommendation* – We recommend that the Town and the Authority take the necessary steps to be able to provide financial data such as trial balances and detailed general ledgers completed with adjusting entries and reconciled accounts or hire an external accounting firm to perform these tasks.

*Current Status* – The Town and Authority understand and will take appropriate steps to remedy the finding. (See finding 2022-07).



## **CURRENT YEAR FINDINGS**

### **2021-01 – Compliance with legally adopted budgets**

*Criteria* – The Town is required to file legally adopted budgets under the Oklahoma Estimates of Needs under Title 68 state statute that contains estimates of expenditures and revenues for the budget year.

*Conditions* – The Town is not adequately maintaining its books or records to track its compliance with its legally adopted budgets. (See prior year finding 2021-02)

*Cause* – The Town did not file the legally required budget for fiscal year ended June 30, 2022 by its due date.

*Effect* – The Town is not able to ensure compliance with legally adopted budgets.

*Recommendation* – Those charged with governance should ensure that completed budget is filed by the due date.

*Management's Response* – The Town understands and will take appropriate steps to remedy the finding.

### **2022-02 – Financial Reporting and Preparation of Year-End Trial Balance**

*Criteria* – The Town's and the Authority's system of internal controls should allow it to prepare a properly adjusted trial balance at year end and monthly financial reporting to the Town's Council and Authority's Trustees.

*Condition* – The Town and Authority were unable to present an adjusted year-end trial balance for audit. (See prior year finding 2021-03).

*Cause* – The Town and Authority does not maintain accounting records that appropriately capture accounting transactions by classification, or account balances, prepare adjusting entries, perform reconciliations, or review financials for accuracy.

*Effect* – Without the proper capture of accounting transactions, the financial statements could be materially misstated and potential accounting errors would not be detected by accounting personnel in a timely manner.

*Recommendation* – We recommend that the Town and the Authority take the necessary steps to be able to provide financial data such as trial balances and detailed general ledgers completed with adjusting entries and reconciled accounts or hire an external accounting firm to perform these tasks.

*Management's Response* – The Town and Authority understand and will take appropriate steps to remedy the finding.

### **2022-03 – Maintenance and Safeguarding of Capital Assets**

*Criteria* – The Town and Authority are required to maintain adequate controls to safeguard and account for its capital assets.

*Condition* – Internal controls over property accountability were inadequate or nonexistent for capital assets. The Town has no written policies or procedures on recording, adjusting, or inventorying capital assets and does not adequately monitor or inventory capital assets. (See prior year finding 2021-04).

*Cause* – There are no written policies or procedures for the recording, maintenance, and safeguarding of capital assets.

**CURRENT YEAR FINDINGS (CONTINUED)**

*Effect* – Without adequate internal controls to ensure proper safeguarding, assets are at risk and vulnerable to misappropriation, misuse or loss, which would not be detected in a timely manner, if at all. Financial information is also inaccurately recorded for capitalized assets.

*Recommendation* – We recommended the Council implement internal controls in its property accountability by developing written policies and procedures that describe how capital assets will be recorded and managed, post transactions affecting capital assets to a capital asset inventory system and perform timely inventories of capital assets on an annual basis.

*Managements Response* – The Town and Authority understand and will take appropriate steps to remedy the finding.

**2022-04 – Governance Oversight**

*Criteria* – An organization’s control environment is the foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives. The oversight responsibility should consist of a governing board or equivalent that is responsible for overseeing and monitoring the organization.

*Condition* – The Town and Authority are lacking in oversight to ensure compliance with state laws and regulations, loan covenants, debt compliance, and required financial reporting standards. (See prior year finding 2021-05).

*Effect* – The Town and Authority were not compliant with state laws and regulations, loan covenants, debt compliance, and required financial reporting standards.

*Cause* – Lack of oversight and internal controls.

*Recommendation* – We recommend that the Town and the Authority take the necessary steps to provide accurate financial data on a timely basis (or hire an external accounting firm to perform these tasks) to the Council and the Trustees that are necessary to perform fiduciary oversight.

*Managements Response* – The Town and Authority understand and will take appropriate steps to remedy the finding.

**2022-05 – Declining revenue**

*Criteria* – The Authority is expected to maintain a steady flow of revenue through customer billings.

*Conditions* – The Authority has had multiple years of declining revenue. (See prior year finding 2021-06)

*Cause* – The Authority has not set appropriate internal controls for its billing and collections will result in further years of declining revenue.

*Effect* – Years of declining revenue will result in the Authority operating at a deficit.

*Recommendation* – The Authority should implement appropriate policies and procedures to ensure that billing rates are appropriate and that all receivables are collected. The policy should include discounts and waivers can only be approved by the Trustees and evidence of the controls implemented to ensure this policy. Also, all Board Members, Elected Officials, and Town employees are to be billed utilities and to pay said billing.

*Management’s Response* – The Authority understands and will take appropriate steps to remedy the finding.

**CURRENT YEAR FINDINGS (CONTINUED)**

**2022-06– Delinquent payroll taxes**

*Criteria* – The Town and the Authority are required to report wages and make payments of payroll taxes quarterly to the Internal Revenue Service on Form 941.

*Conditions:* The Town and the Authority management is not compliant with the paying of payroll taxes. (See prior year finding 2021-07)

*Cause* – The Town and the Authority did not remit quarterly 941 collections.

*Effect* – Penalties will be assessed to the Town and the Authority and liens could be placed on the Town and Authority's assets.

*Recommendation* – We recommended the Council and Authority create and implement policies and procedures for payroll processing procedures including personnel file document retention, submission of timecards, approval process, payroll processing review and approval, and remittance of payroll tax reporting and payments.

*Management's Response* – The Town and Authority understand and will take appropriate steps to remedy the finding.

**2022-07 – Deficit Fund Balance**

*Criteria* – Title 11, Section 17-211 of Oklahoma Statutes, prohibits the creation of a deficit fund balance in any individual fund.

*Conditions:* The Town's general fund has a deficit balance. (See prior year finding 2021-09).

*Cause* – The Town does not maintain accounting records that appropriately capture accounting transactions by classification, or account balances, prepare adjusting entries, perform reconciliations, or review financials for accuracy, which is necessary to provide appropriate fiduciary oversight.

*Effect* – The Town has funds operating in a deficit.

*Recommendation* – We recommend that the Town and the Authority take the necessary steps to be able to provide financial data such as trial balances and detailed general ledgers completed with adjusting entries and reconciled accounts or hire an external accounting firm to perform these tasks.

*Management's Response* – The Town and Authority understand and will take appropriate steps to remedy the finding.