

TOWN OF TRYON GOVERNMENTAL UNIT
Tryon, Oklahoma

FINANCIAL STATEMENTS
For the Year Ended June 30, 2014
Together With Independent Auditor's Report

JUDITH K. BALLARD, CPA, PC
Certified Public Accountant
220 West Main - PO Box 746
Stroud, Oklahoma 74079

TOWN OF TRYON, OKLAHOMA

Audit of Financial Statements

June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

Members of the Town Council
Town of Tryon
Tryon, Oklahoma

Report on the Financial Statements

I have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Tryon, Oklahoma, as of and for the year ended June 30, 2014, 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 2; 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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, each major fund, and the aggregate remaining fund information of the Town of Tryon, Oklahoma, as of June 30, 2014, and the respective changes in modified cash basis financial position and, where applicable, cash flows, thereof, for the year then ended in accordance with the basis of accounting described in Note 2.

Basis of Accounting

The Town prepares its annual financial statements and schedules 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. My opinions are not modified with respect to this matter.

Other Matters

Other Information

Management has elected not to present a management, discussion, and analysis and a budget to actual comparison as is required by generally accepted accounting principles in the United States of America.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Tryon, Oklahoma's basic financial statements.

The accompanying combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated August 7, 2015 on my consideration of the Town of Tryon's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing* in considering Town of Tryon, Oklahoma's internal control over financial reporting and compliance.

JUDITH K. BALLARD, CPA, PC
Certified Public Accountant



August 7, 2015

TOWN OF TRYON, OKLAHOMA

Statement of Net Position

Modified Cash Basis

June 30, 2014

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	12,262	730	12,992
Internal balances	-	-	-
Total current assets	\$ 12,262	\$ 730	\$ 12,992
Noncurrent assets:			
Restricted cash and investments	-	10,552	10,552
Capital assets, net	77,811	534,844	612,655
Total noncurrent assets	77,811	545,396	623,207
Total assets	90,073	546,126	636,199
Liabilities			
Current liabilities:			
Payroll liabilities	3,883	-	3,883
Customer deposits	-	17,685	17,685
Capital leases payable	6,931	-	6,931
Current portion long-term debt	-	14,814	14,814
Total current liabilities	10,814	32,499	43,313
Noncurrent liabilities:			
Capital leases payable	-	-	-
Notes payable	-	203,272	203,272
Total noncurrent liabilities	-	203,272	203,272
Total liabilities	10,814	235,771	246,585
Net position			
Net investment in capital assets	70,880	316,758	387,638
Restricted for:			
Debt Service	-	8,316	8,316
Unrestricted	8,379	(14,719)	(6,340)
Total net position	\$ 79,259	\$ 310,355	\$ 389,614

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

TOWN OF TRYON, OKLAHOMA

Statement of Activities

Modified Cash Basis

Year Ended June 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	53,642	-	-	-	(53,642)	-	(53,642)
Public safety	98,175	50,627	-	9,987	(37,561)	-	(37,561)
Cultural and Recreation	24,414	-	-	4,586	(19,828)	-	(19,828)
Public works	6,180	-	-	-	(6,180)	-	(6,180)
Interest Expense-Public Safety	498	-	-	-	(498)	-	(498)
Total government activities	<u>182,909</u>	<u>50,627</u>	<u>-</u>	<u>14,573</u>	<u>(117,709)</u>	<u>-</u>	<u>(117,709)</u>
Business-type activities:							
Water, sewer and garbage	155,443	128,763	-	-	-	(26,680)	(26,680)
Interest Expense	11,499	-	-	-	-	(11,499)	(11,499)
Total business-type activities	<u>166,942</u>	<u>128,763</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(38,179)</u>	<u>(38,179)</u>
Total government	<u>\$ 349,851</u>	<u>\$ 179,390</u>	<u>\$ -</u>	<u>\$ 14,573</u>	<u>\$ (117,709)</u>	<u>\$ (38,179)</u>	<u>\$ (155,888)</u>
General revenues:							
Taxes:							
Sales and use					66,275	-	66,275
Franchise					9,786	-	9,786
Alcoholic beverage					5,453	-	5,453
Tobacco					672	-	672
Gas					526	-	526
Motor vehicle					3,758	-	3,758
Interest income					12	18	30
Insurance reimbursement					1,703	6,597	8,300
Miscellaneous					8,610	544	9,154
Transfers - internal activity					4,000	(4,000)	-
Total general revenues and transfers					<u>100,795</u>	<u>3,159</u>	<u>103,954</u>
Change in net position					<u>(16,914)</u>	<u>(35,020)</u>	<u>(51,934)</u>
Net position, beginning					<u>96,173</u>	<u>345,375</u>	<u>441,548</u>
Net position, ending					<u>\$ 79,259</u>	<u>\$ 310,355</u>	<u>\$ 389,614</u>

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

TOWN OF TRYON, OKLAHOMA
Balance Sheet
Governmental Funds - Modified Cash Basis

June 30, 2014

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	9,792	2,470	12,262
Due from other funds	-	-	-
Total assets	\$ 9,792	\$ 2,470	\$ 12,262
Liabilities and fund balances			
Liabilities:			
Payroll liabilities	3,883	-	3,883
Due to other funds	-	-	-
Total liabilities	3,883	-	3,883
Fund balances:			
Nonspendable	-	-	-
Restricted	-	2,470	2,470
Committed	-	-	-
Assigned	-	-	-
Unassigned	5,909	-	5,909
Total fund balances	5,909	2,470	8,379
Total liabilities and fund balances	\$ 9,792	\$ 2,470	

Reconciliation to Statement of Net Position:

Amounts reported for governmental activities in the statement of net position are different because:

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Capital leases payable	(6,931)
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental capital assets	242,069	
Less accumulated depreciation	(164,258)	77,811
Net position of governmental activities		\$ 79,259

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

TOWN OF TRYON, OKLAHOMA
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds - Modified Cash Basis

June 30, 2014

	<u>General Fund</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	86,471	-	86,471
Intergovernmental	-	3,097	3,097
Charges for services	50,627	-	50,627
Other	8,609	-	8,609
Donations	9,987	1,489	11,476
Insurance reimbursement	1,703	-	1,703
Interest	12	-	12
Total revenues	<u>\$ 157,409</u>	<u>\$ 4,586</u>	<u>\$ 161,995</u>
Expenditures			
Fire department	24,253	-	24,253
Library	19,893	4,521	24,414
General Government	44,607	-	44,607
Police Department	72,437	-	72,437
Public Works	5,180	-	5,180
Other	-	-	-
Total expenditures	<u>166,370</u>	<u>4,521</u>	<u>170,891</u>
Excess of revenues over (under) expenditures	(8,961)	65	(8,896)
Other financing sources (uses)			
Transfers (in)	4,000	-	4,000
Transfers (out)	-	-	-
Total other financing sources (uses)	<u>4,000</u>	<u>-</u>	<u>4,000</u>
Net change in fund balances	(4,961)	65	(4,896)
Fund balances, beginning	<u>10,870</u>	<u>2,405</u>	<u>13,275</u>
Fund balances, ending	<u>\$ 5,909</u>	<u>\$ 2,470</u>	<u>\$ 8,379</u>

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

TOWN OF TRYON, OKLAHOMA

**Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities**

Year Ended June 30, 2014

Net change in fund balances - total governmental funds	(4,896)
Adjustments for the statement of activities:	
Repayment of principal on capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	4,648
Governmental funds report capital outlay as expenditures. However, the cost of those assets is capitalized and depreciated over their estimated useful lives in the statement of net position.	1,200
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. This includes depreciation expense of 17,866.	<u>(17,866)</u>
Change in net position of governmental activities	<u><u>\$ (16,914)</u></u>

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

TOWN OF TRYON, OKLAHOMA
Statement of Net Position - Modified Cash Basis
Proprietary Funds

June 30, 2014

Assets

Current assets:

Cash and cash equivalents	730
Total current assets	730

Noncurrent assets:

Restricted Cash and Cash Equivalents	10,552
Capital assets, net	534,844
Total noncurrent assets	545,396
Total assets	\$ 546,126

Liabilities

Current liabilities:

Customer deposits	17,685
Current portion of long-term debt	14,814
Due to other funds	-
Total current liabilities	32,499

Noncurrent liabilities:

Notes payable	203,272
Total noncurrent liabilities	203,272
Total liabilities	\$ 235,771

Net position

Invested in capital assets, net of related debt	316,758
Restricted for debt service	8,316
Unrestricted	(14,719)
Total net position	\$ 310,355

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

TOWN OF TRYON, OKLAHOMA
Statement of Revenues, Expenses and Changes in
Fund Net Position - Proprietary Funds - Modified Cash Basis

June 30, 2014

Operating revenues

Utility revenues	128,763
Other	<u>544</u>
Total operating revenues	<u>\$ 129,307</u>

Operating expenses

Water and sewer	98,924
Sanitation	29,006
Depreciation Expense	<u>27,513</u>
Total operating expenses	<u>155,443</u>

Net operating income (loss)	(26,136)
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Nonoperating revenues (expenses)

Interest income	18
Interest expense	(11,499)
Insurance reimbursement	<u>6,597</u>
Total nonoperating revenues (expenses)	<u>(4,884)</u>

Special Items and Transfers

Transfers out	<u>(4,000)</u>
Total special items and transfers	<u>(4,000)</u>

Change in net position	(35,020)
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Net position, beginning	<u>345,375</u>
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Net position, ending	<u><u>\$ 310,355</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF TRYON, OKLAHOMA
Statement of Cash Flows
Proprietary Funds - Modified Cash Basis

June 30, 2014

Cash flows from operating activities

Receipts from customers	129,307
Payments to suppliers	(81,062)
Payments to employees	(46,868)
Net cash provided (used) by operating activities	1,377

Cash flows from noncapital financing activities

Meter deposit proceeds exceeding refunds	2,606
Transfers out	(4,000)
Net cash provided (used) by noncapital financing activities	(1,394)

Cash flows from capital and related financing activities

Principal paid on long-term debt	(3,173)
Interest expense	(11,499)
Payments for amounts due to other funds	(159)
Purchase capital assets	(7,597)
Net cash provided (used) by capital and related financing activities	(22,428)

Cash flows from investing activities

Interest income	18
Insurance reimbursement	6,597
Net cash provided (used) by investing activities	6,615
Net increase (decrease) in cash and cash equivalents	(15,830)

Cash and cash equivalents, beginning	27,112
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Cash and cash equivalents, ending	\$ 11,282
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Reconciliation of operating income (loss) to net cash provided (used) by operating activities:

Net operating income (loss)	(26,136)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	27,513
Changes in assets and liabilities:	-
Total adjustments	27,513
Net cash provided (used) by operating activities	\$ 1,377

Restricted Cash	730
Unrestricted Cash	10,552
Total Cash	11,282

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

TOWN OF TRYON, OKLAHOMA

Notes to Financial Statements

June 30, 2014

Note 1: Organization

The Town of Tryon, Oklahoma, (the Town) operates under a Town Board of Trustees form of government under Title 11 of the Oklahoma Statutes. The Town provides the following services to its citizens: streets, public safety (fire and police), sanitation, water and sewer, and general administrative services.

Note 2: Summary of significant accounting policies

As discussed further in Note 2C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). This modified cash basis of accounting includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. Reporting entity

The accompanying financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town's operations. The Town's financial statements do not include any discretely presented component units, which would be reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Town.

Blended component unit - The Tryon Utility Authority (the Authority) serves all the citizens of the Town and is governed by a board comprised by the Town's elected board of trustees. The rates for user charges and debt authorizations are approved by the Town Board of Trustees. The Authority has as its purpose to develop, construct, plan, establish, install, enlarge, improve, maintain, equip, operate, control, and regulate utility facilities within the boundaries of the Town. The Authority is reported as an enterprise fund.

Separate financial statements have not been prepared for the component unit.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

TOWN OF TRYON, OKLAHOMA

Notes to Financial Statements

June 30, 2014

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the 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, financial position, and cash flows. Revenues are recorded when received and expenses when paid, with the exception of proceeds from long term debt which are recorded as a liability, and capital assets acquired, which are capitalized, with a provision for depreciation.

In the fund financial statements, the current financial resources measurement focus, as applied to the modified cash basis of accounting, is used for governmental funds, while the economic resources measurement focus is used for proprietary funds. The current financial resources measurement focus includes only current financial assets and liabilities on the balance sheet. The operating statements present sources and uses of available spendable financial resources during a given period.

In the government-wide statement of net position and statement of activities and the fund financial statements, governmental and business-type activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements and proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenues for billed and provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

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

The Town reports the following major governmental funds:

The general fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Town reports the following major proprietary fund:

The Tryon Utility Authority accounts for the Town's water and wastewater utility operations.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

TOWN OF TRYON, OKLAHOMA

Notes to Financial Statements

June 30, 2014

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Tryon Utility Authority enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales, services, administrative expenses, and depreciation expense. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net position/fund equity

Deposits and investments

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 from the date of acquisition.

State statutes authorize the Town to invest in obligations of the U.S. Treasury; time deposits with financial institutions, if such deposits are fully insured by federal depository insurance or pledged collateral; and debt securities issued by the State of Oklahoma, and Oklahoma County, school district, or municipality.

Investments for the Town, as well as for its component units are reported at fair value.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated, useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at an estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Fund equity

The Town reports governmental fund balances on the governmental fund financial statements according to the following classifications:

Nonspendable – This is the portion of the fund balance that cannot be spent because it is either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

TOWN OF TRYON, OKLAHOMA

Notes to Financial Statements

June 30, 2014

Restricted - This is the portion of the fund balance that has constraints placed on the use of resources that are (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This is the portion of the fund balance that has been constrained by formal action of the Town Council to be used only for specific purposes. The committed amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts. It is distinguished from restricted fund balance in that amounts in the committed fund balance classification may be redeployed for other purposes with appropriate due process as mentioned. Constraints imposed on the use of committed amounts are imposed by the Town Council, separate from the authorization to raise the underlying revenue. Therefore, compliance with constraints imposed by the Town Council that commit amounts to specific purposes is not considered to be legally enforceable.

Assigned – This is the portion of the fund balance constrained by the intent of the Town Council to be used for specific purposes, but is neither restricted nor committed.

Unassigned – This is the residual classification of fund balance in the general fund. It represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

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 3: Budgetary information

Annual budgets are prepared for the Town general fund and the Tryon Utility Authority. All unencumbered annual appropriations lapse at fiscal year-end. Actual expenditures within a fund may not legally exceed 90% of the adopted budget.

Note 4: Detailed notes on all funds

A. Deposits and investments

Deposits

The Town's carrying amount of deposits was \$24,087 as of June 30, 2014, and the bank balances totalled \$27,899. Deposits are carried at cost.

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 does not have a deposit policy for custodial credit risk. As of June 30, 2014 all of the Town's bank balance of \$27,899 was covered by FDIC insurance.

As of June, 30, 2014, The Town did not have any investments.

TOWN OF TRYON, OKLAHOMA

Notes to Financial Statements

June 30, 2014

B. Restricted assets

The Tryon Utility Authority is required, by loan covenant, to set aside funds equal to twelve months of loan payments which is \$8,316. At June 30, 2014, the Town had \$4,398 set aside.

The Authority also is required to set aside funds representing the meter deposits received from town customers. At June 30, 2014, the meter deposits set aside was \$6,154 while the amount of the liability to the town customers was \$17,685, a shortfall of \$11,531.

Note 5: Other information

A. Risk management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Town has insurance for the major risks such as property and general liability. Commercial insurance is used to cover general liability claims and the risk of loss to city buildings and mobile equipment. Judgments against the Town may be paid by a property tax assessment over a three-year period.

B. Commitments and contingencies

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

Note 6: Consideration of subsequent events

Subsequent events have been evaluated through August 7, 2015, which is the date the financial statements are available to be issued.

TOWN OF TRYON, OKLAHOMA
Notes to Financial Statements
June 30, 2014

Note 7: Summary of Capital Assets:

Capital asset activity for the year ended June 30, 2014, was as follows:

	Primary Government			
	Beginning Balance	Additions	Retirements	
Governmental Activities				
Non-Depreciable Assets:				
Land	-	-	-	-
Depreciable Assets:				
Infrastructure	25,000	-	-	25,000
Buildings	34,500	-	-	34,500
Equipment	118,331	-	-	118,331
Vehicles	63,038	1,200	-	64,238
Furniture/Fixtures	-	-	-	-
Totals at historical cost	240,869	1,200	-	242,069
Less accumulated depreciation for:				
Infrastructure	(8,500)	(1,000)	-	(9,500)
Buildings	(8,625)	(1,725)	-	(10,350)
Equipment	(74,392)	(9,146)	-	(83,538)
Vehicles	(54,875)	(5,995)	-	(60,870)
Furniture/Fixtures	-	-	-	-
Total accumulated depreciation	(146,392)	(17,866)	-	(164,258)
Governmental activities capital assets, net	\$ 94,477	\$ (16,666)	\$ -	\$ 77,811
Business-type Activities				
Non-Depreciable Assets				
Construction in Progress	\$ -	\$ -	\$ -	\$ -
Depreciable Assets				
Equipment	-	-	-	-
Buildings	250,817	-	-	250,817
Water and sewer system	570,739	7,597	-	578,336
Totals at historical cost	821,556	7,597	-	829,153
Less accumulated depreciation for:				
Equipment	-	-	-	-
Buildings	(19,475)	(8,361)	-	(27,836)
Water and sewer system	(247,321)	(19,152)	-	(266,473)
Total accumulated depreciation	(266,796)	(27,513)	-	(294,309)
Business-type activities capital asset, net	\$ 554,760	\$ (19,916)	\$ -	\$534,844
Depreciation expense was charged to governmental functions as follows:				
Highways and Streets				\$ 1,000
Public Safety				7,831
General Government				9,035
Total depreciation expense				\$ 17,866

TOWN OF TRYON, OKLAHOMA
Notes to Financial Statements
June 30, 2014

Note 8: Long-term debt

Capital leases - The Town entered into a lease agreement as lessee for financing the acquisition of a police vehicle. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

Capital leases

Governmental activities

Payne County Bank, dated July 2012, in the amount of \$19,409, payable in 3 annual installments of \$6,861 including interest at 5.99% for a 2009 Dodge Charger Police Car. The amount owed on this lease as of June 30, 2014 was \$6,931. In July 2014, the police vehicle was destroyed by fire. The balance of the loan, at that time, was paid off with insurance proceeds.

Notes payable

Long-term liabilities of the Town of Tryon Utility Authority as of June 30, 2014 are summarized as follows:

Business-type activities

Note payable with Rural Development dated June 30, 1997, with an original amount of \$154,000 due and payable in 480 monthly payments of \$693 including interest of 4.5%. The note is secured by the sewer system and associated real estate, as well as revenues generated by the sanitary sewer system. As of June 30, 2014 the balance owed on this note was \$112,585. Principal and interest in the amount of \$3,172 and \$5,144, respectively, were paid during the year. The debt obligation to maturity for this note is as follows:

	2014/ 2015	2015/ 2016	2016/ 2017	2017/ 2018	2018/ 2019	2019/ 2024	2024/ 2029	2029/ 2034	2034/ 2039	Total
Principal	3,318	3,470	3,629	3,796	3,971	22,762	28,493	35,668	7,478	112,585
Interest	4,998	4,846	4,687	4,520	4,345	18,818	13,087	5,912	170	61,383

Note payable to Payne County Bank, dated June 15, 2012 with an original amount of \$125,000 due and payable in annual installments of \$17,175. This note carries an interest rate of 6.00%. The note is secured by a building which was remodeled by the proceeds. As of June 30, 2014 the balance owed on this note was \$105,502. An interest only payment in the amount of \$6,222 was paid during the year. In November 2014, the building was sold and the proceeds applied to the loan balance of \$105,502 plus accrued interest of \$4,141. The remaining balance of the loan, \$19,211, was restructured at 6% interest rate, monthly payments of \$378, and a maturity date of June 2022. The restructured loan is secured by a utility truck and a backhoe. The debt obligations to maturity for this restructured note are as follows:

	2014/ 2015	2015/ 2016	2016/ 2017	2017/ 2018	2018/ 2019	2019/ 2020	Total
Principal	130	3,483	3,698	3,926	4,116	3,858	19,211
Interest	247	1,050	835	607	365	112	3,216

TOWN OF TRYON

Tryon, Oklahoma

SUPPLEMENTAL INFORMATION

June 30, 2014

TOWN OF TRYON, OKLAHOMA
Combining Balance Sheet
Nonmajor Governmental Funds - Modified Cash Basis
Year Ended June 30, 2014

	Special Revenue	
	Library	Total Nonmajor Governmental Funds
Assets		
Cash and cash equivalents	2,470	2,470
Due from other funds	-	-
Total assets	<u>\$ 2,470</u>	<u>\$ 2,470</u>
Liabilities		
Due to other funds	-	-
Total liabilities	-	-
Fund balances		
Nonspendable	-	-
Restricted	-	-
Committed	2,470	2,470
Assigned	-	-
Unassigned	-	-
Total fund balances	<u>2,470</u>	<u>2,470</u>
Total liabilities and fund balances	<u>\$ 2,470</u>	<u>\$ 2,470</u>

TOWN OF TRYON, OKLAHOMA
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Modified Cash Basis - Nonmajor Governmental Funds

Year Ended June 30, 2014

	Special Revenue	
	Library	Total Nonmajor Governmental Funds
Revenues		
Taxes	-	-
Intergovernmental	3,097	3,097
Charges for services	-	-
Donations	1,489	1,489
Interest	-	-
Total revenues	<u>\$ 4,586</u>	<u>\$ 4,586</u>
Expenditures		
Library expense	<u>4,521</u>	<u>4,521</u>
Total expenditures	<u>4,521</u>	<u>4,521</u>
 Excess of revenues over (under) expenditures	 65	 65
Other financing sources (uses)		
Transfers in	-	-
Transfers (out)	-	-
Capital Contributions	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Net change in fund balances	65	65
 Fund balances, beginning	 <u>2,405</u>	 <u>2,405</u>
Fund balances, ending	<u>\$ 2,470</u>	<u>\$ 2,470</u>

JUDITH K. BALLARD, CPA, PC

*Certified Public Accountant
(Member AICPA & OSCP)*

220 W. Main Street – PO Box 746, Stroud, OK 74079
Phone: 918-968-3511 [Fax: 918-968-3512]

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 Mayor and City Council
Town of Tryon, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Tryon, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued my report thereon dated August 7, 2015. As described in my report on the financial statements the Town prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Town of Tryon, 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, I do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify a deficiency in internal control, described in the

accompanying schedule of findings and responses that I consider to be a significant deficiency (item 2014-1).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Tryon, Oklahoma's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed 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 (items 2014-2 and 2014-3).

Town of Tryon, Oklahoma's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Stroud, Oklahoma
August 7, 2015

TOWN OF TRYON, OKLAHOMA
Schedule of Findings and Responses
June 30, 2014

#2014-1 Internal Control - Segregation of duties

Criteria: Segregation of duties helps internal control over financial accounting and reporting by having the functions of receiving customer utility payments, the posting to customer accounts and making deposits performed by different individuals. Also, internal control is strengthened by separating out the functions of writing and posting checks and withdrawals from the function of preparing bank reconciliations.

Condition: Due to the Town's small size, one person receives utility payments and posts to customer accounts, and one person writes checks as well as prepares the bank reconciliations.

Cause: Because of its size, the Town has limited personnel.

Effect: The Town is at an increased risk of having a misappropriation of assets occur without being detected on a timely basis.

Recommendation: Town management should evaluate the risks associated with the lack of segregation of duties and determine additional controls that could be put in place, given their limited resources. For example, the two current employees could provide some oversight on the other by having one check the deposits to the bank against the utility collection reports from the Town's utility system.

Views of Responsible Officials and Planned Corrective Action: Town management will review additional internal controls that they can implement with their limited resources.

#2014-2 Compliance - Debt reserve account

Criteria: The Rural Development sewer loan agreement , with the Tryon Utility Authority, requires funds to be set aside in a debt reserve account equal to twelve month's of payments. This amounts to \$8,316.

Condition: In prior years, the Town used the money in this account for other purposes and at June 30, 2014 there was \$4,398 set aside in the account.

Cause: The Town personnel, in the past, were not aware of the debt reserve requirement.

Effect: The Town is in non-compliance with this provision of the loan agreement.

Recommendation: The Town should make plans to replenish, over time, the required debt reserve monies.

Views of Responsible Officials and Planned Corrective Action: The Town is currently making and will continue to make payments back into this account until the required amount is obtained.

TOWN OF TRYON, OKLAHOMA
Schedule of Findings and Responses
June 30, 2014

#2014-3 Compliance - Meter Deposits

Criteria: Meter deposits are received from customers and maintained in a separate account until which time the customer leaves town and the money is refunded or used to pay a final utility bill.

Condition: At June 30, 2014, the customer deposit listing showed \$17,685 in deposits received. However, in prior years, the Town used some of the meter deposit money for other purposes and at June 30, 2014 there was \$6,154 left in the meter deposit bank accounts.

Cause: The Town personnel, in the past, were not aware that these accounts were established for this reason.

Effect: The Town lacks the funds to return all customer deposits to the people in the event they leave or have unpaid bills.

Recommendation: The Town should make plans to return the funds as soon as possible to replace the meter deposits spent on other purposes.

Views of Responsible Officials and Planned Corrective Action: The Town is currently making and will continue to make payments back into the meter deposit accounts until the required amount is obtained.