

TOWN OF TRYON GOVERNMENTAL UNIT  
Tryon, Oklahoma

**FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2013  
Together With Independent Auditor's Report

**JUDITH K. BALLARD, CPA, PC**  
*Certified Public Accountant*  
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Stroud, Oklahoma 74079

TOWN OF TRYON, OKLAHOMA

Audit of Financial Statements

June 30, 2013

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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 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, 2013, and the related notes to the financial statements, which collectively comprise the Town of Tryon'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 financial position-modified cash basis 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, 2013, and the respective changes in financial position-modified cash basis 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 comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

# JUDITH K. BALLARD, CPA, PC

*Certified Public Accountant  
(Member AICPA & OSCP)*

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## **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 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.

The financial statements of the Town of Tryon for the prior year ended June 30, 2012 were audited by a predecessor auditor. The predecessor's audit report was dated July 27, 2012 and included an unmodified opinion.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated August 25, 2014 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 25, 2014

**TOWN OF TRYON, OKLAHOMA**

Statement of Net Position

Modified Cash Basis

June 30, 2013

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	13,116	14,149	27,265
Internal balances	159	(159)	-
Total current assets	\$ 13,275	\$ 13,990	\$ 27,265
Noncurrent assets:			
Restricted cash and investments	-	12,963	12,963
Capital assets, net	94,477	554,760	649,237
Total noncurrent assets	94,477	567,723	662,200
Total assets	107,752	581,713	689,465
<b>Liabilities</b>			
Current liabilities:			
Customer deposits	-	15,079	15,079
Current portion long-term obligations	6,307	14,017	20,324
Total current liabilities	6,307	29,096	35,403
Noncurrent liabilities:			
Capital leases payable	5,272	-	5,272
Notes payable	-	207,242	207,242
Total noncurrent liabilities	5,272	207,242	212,514
Total liabilities	11,579	236,338	247,917
<b>Net position</b>			
Invested in capital assets, net of related debt	82,898	333,501	416,399
Restricted for:			
Library	2,405	-	2,405
Debt Service	-	8,316	8,316
Unrestricted	10,870	3,558	14,428
Total net position	\$ 96,173	\$ 345,375	\$ 441,548

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, 2013

	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	65,316	-	-	-	(65,316)	-	(65,316)
Public safety	104,561	88,330	-	10,317	(5,914)	-	(5,914)
Cultural and Recreation	18,180	-	-	2,944	(15,236)	-	(15,236)
Public works	7,665	-	-	-	(7,665)	-	(7,665)
Interest Expense-Public Safety	745	-	-	-	(745)	-	(745)
Total government activities	<u>196,467</u>	<u>88,330</u>	<u>-</u>	<u>13,261</u>	<u>(94,876)</u>	<u>-</u>	<u>(94,876)</u>
Business-type activities:							
Water, sewer and garbage	138,953	116,376	-	-	-	(22,577)	(22,577)
Interest Expense	20,111	-	-	-	-	(20,111)	(20,111)
Total business-type activities	<u>159,064</u>	<u>116,376</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(42,688)</u>	<u>(42,688)</u>
Total government	<u>\$ 355,531</u>	<u>\$ 204,706</u>	<u>\$ -</u>	<u>\$ 13,261</u>	<u>\$ (94,876)</u>	<u>\$ (42,688)</u>	<u>\$ (137,564)</u>
General revenues:							
Taxes:							
Sales and use					67,047	-	67,047
Franchise					8,696	-	8,696
Alcoholic Beverage					4,941	-	4,941
Tobacco					656	-	656
Gas					905	-	905
Motor Vehicle					3,197	-	3,197
Interest income					16	11	27
Miscellaneous					4,623	-	4,623
Transfers - internal activity					-	-	-
Total general revenues and transfers					<u>90,081</u>	<u>11</u>	<u>90,092</u>
Change in net position					(4,795)	(42,677)	(47,472)
Prior Period Adjustments					(140,288)	(5,524)	(145,812)
Net position, beginning					241,256	393,576	634,832
Net position, ending					<u>\$ 96,173</u>	<u>\$ 345,375</u>	<u>\$ 441,548</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, 2013

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	10,711	2,405	13,116
Due from other funds	159	-	159
Total assets	\$ 10,870	\$ 2,405	\$ 13,275
<b>Liabilities and fund balances</b>			
Liabilities:			
Due to other funds	-	-	-
Total liabilities	-	-	-
Fund balances:			
Nonspendable	-	-	-
Restricted	-	2,405	2,405
Committed	-	-	-
Assigned	-	-	-
Unassigned	10,870	-	10,870
Total fund balances	10,870	2,405	13,275
Total liabilities and fund balances	\$ 10,870	\$ 2,405	

**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	(11,579)
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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	240,869
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Less accumulated depreciation	(146,392)	94,477
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<b>Net position of governmental activities</b>	<b>\$ 96,173</b>
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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, 2013

	<u>General Fund</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Taxes	85,442	-	85,442
Intergovernmental	-	2,944	2,944
Charges for services	88,330	-	88,330
Other	4,603	20	4,623
Donations	10,317	-	10,317
Interest	16	-	16
Total revenues	\$ 188,708	\$ 2,964	\$ 191,672
<b>Expenditures</b>			
Fire department	27,206	-	27,206
Library	13,993	4,187	18,180
General Government	54,646	-	54,646
Police Department	90,006	-	90,006
Public Works	6,665	-	6,665
Other	1,635	-	1,635
Total expenditures	194,151	4,187	198,338
Excess of revenues over (under) expenditures	(5,443)	(1,223)	(6,666)
<b>Other financing sources (uses)</b>			
Transfers (in)	-	-	-
Transfers (out)	-	-	-
Bank loan proceeds-police car equipment	3,043	-	3,043
Total other financing sources (uses)	3,043	-	3,043
<b>Net change in fund balances</b>	(2,400)	(1,223)	(3,623)
Prior Period Adjustment	(12,222)	-	(12,222)
Fund balances, beginning	25,492	3,628	29,120
Fund balances, ending	\$ 10,870	\$ 2,405	\$ 13,275

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, 2013

Net change in fund balances - total governmental funds	(3,623)
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.	7,831
Governmental funds report loan proceeds as other financing sources. However, the proceeds increase long-term liabilities in the statement of net position.	(3,043)
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.	11,632
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 17,592.	<u>(17,592)</u>
Change in net position of governmental activities	<u>\$ (4,795)</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, 2013

**Assets**

Current assets:

Cash and cash equivalents	14,149
Total current assets	14,149

Noncurrent assets:

Restricted Cash and Cash Equivalents	12,963
Capital assets, net	554,760
Total noncurrent assets	567,723
Total assets	\$ 581,872

**Liabilities**

Current liabilities:

Customer deposits	15,079
Current portion of long-term debt	14,017
Due to other funds	159
Total current liabilities	29,255

Noncurrent liabilities:

Notes payable	207,242
Total noncurrent liabilities	207,242
Total liabilities	\$ 236,497

**Net position**

Invested in capital assets, net of related debt	333,501
Restricted for debt service	8,316
Unrestricted	3,558
Total net position	\$ 345,375

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, 2013

<b>Operating revenues</b>	
Utility revenues	116,324
Other	<u>52</u>
Total operating revenues	<u>\$ 116,376</u>
 <b>Operating expenses</b>	
Water and sewer	95,329
Sanitation	16,238
Depreciation Expense	<u>27,386</u>
Total operating expenses	<u>138,953</u>
Net operating income (loss)	(22,577)
 <b>Nonoperating revenues (expenses)</b>	
Interest income	11
Interest expense	(20,111)
Total nonoperating revenues (expenses)	<u>(20,100)</u>
 <b>Special Items and Transfers</b>	
Transfers out	<u>-</u>
Total special items and transfers	<u>-</u>
Change in net position	(42,677)
Prior Year Adjustment	(5,524)
Net position, beginning	<u>393,576</u>
Net position, ending	<u>\$ 345,375</u>

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, 2013

<b>Cash flows from operating activities</b>	
Receipts from customers	116,376
Payments to suppliers	(67,388)
Payments to employees	(44,020)
Net cash provided (used) by operating activities	4,968
 <b>Cash flows from noncapital financing activities</b>	
Meter deposit proceeds exceeding refunds	677
Net cash provided (used) by noncapital financing activities	677
 <b>Cash flows from capital and related financing activities</b>	
Principal paid on long-term debt	(22,537)
Interest expense	(20,111)
Net cash provided (used) by capital and related financing activities	(42,648)
 <b>Cash flows from investing activities</b>	
Interest income	11
Net cash provided (used) by investing activities	11
Net increase (decrease) in cash and cash equivalents	(36,992)
Cash and cash equivalents, beginning	64,104
Cash and cash equivalents, ending	\$ 27,112
 <b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Net operating income (loss)	(22,577)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	27,386
Changes in assets and liabilities:	
Increase in due to other funds	159
Total adjustments	27,545
Net cash provided (used) by operating activities	\$ 4,968
Restricted Cash	12,963
Unrestricted Cash	14,149
Total Cash	27,112

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

# TOWN OF TRYON, OKLAHOMA

## Notes to Financial Statements

June 30, 2013

### **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, 2013

### 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, 2013

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, 2013

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 \$40,228 as of June 30, 2013, and the bank balances totaled \$48,524. 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, 2013 all of the Town's bank balance of \$48,524 was covered by FDIC insurance.

As of June, 30, 2013, The Town did not have any investments.

# TOWN OF TRYON, OKLAHOMA

## Notes to Financial Statements

June 30, 2013

### **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, 2013, the Town had \$0 set aside.

The Authority also is required to set aside funds representing the meter deposits received from town customers. At June 30, 2013, the meter deposits set aside was \$12,963 while the amount of the liability to the town customers was \$15,080, a shortfall of \$2,117.

### **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.

#### **C. Prior period adjustments**

On the Statement of Activities, the prior period adjustment of (\$140,288) in the governmental activities column is a result of:

- 1) The Town removed funds of \$12,222 that were included on the prior year's audited financial statements. These funds are kept and maintained at the county treasurer's office and submitted to the fire department as the department requests them. The Town of Tryon does not consider these funds to be included in the cash and cash equivalents balance.
- 2) The Town recorded an additional accumulated depreciation on governmental activities assets of \$127,140 for prior years that had not previously been recorded.
- 3) The Town recorded an adjustment of \$926 to adjust the prior year's Payne County bank loan balance to the balance provided by the bank.

On the Statement of Activities, the prior period adjustment of (\$5,524) in the business-type activities column is a result of:

- 1) The Town recorded an additional accumulated depreciation on business-type activities assets of \$5,524 for prior years that had not previously been recorded.

### **Note 6: Consideration of subsequent events**

Subsequent events have been evaluated through August 25, 2014, which is the date the financial statements are available to be issued.

TOWN OF TRYON, OKLAHOMA

Notes to Financial Statements

June 30, 2013

Note 7: Summary of Capital Assets:

Capital asset activity for the year ended June 30, 2013, was as follows:

	Primary Government				
	Beginning Balance	Additions	Retirements	Prior Period Adjustment	Ending Balance
<b>Governmental Activities</b>					
Non-Depreciable Assets:					
Land	-	-	-	-	-
Depreciable Assets:					
Other improvements	59,500	-	(59,500)	-	-
Infrastructure	-	25,000	-	-	25,000
Buildings	-	34,500	-	-	34,500
Equipment	106,699	11,632	-	-	118,331
Vehicles	63,038	-	-	-	63,038
Furniture/Fixtures	-	-	-	-	-
<b>Totals at historical cost</b>	<u>229,237</u>	<u>71,132</u>	<u>(59,500)</u>	<u>-</u>	<u>240,869</u>
Less accumulated depreciation for:					
Other improvements	(500)	-	-	500	-
Infrastructure	-	(1,000)	-	(7,500)	(8,500)
Buildings	-	(1,725)	-	(6,900)	(8,625)
Equipment	(1,000)	(8,929)	-	(64,463)	(74,392)
Vehicles	(160)	(5,938)	-	(48,777)	(54,875)
Furniture/Fixtures	-	-	-	-	-
<b>Total accumulated depreciation</b>	<u>(1,660)</u>	<u>(17,592)</u>	<u>-</u>	<u>(127,140)</u>	<u>(146,392)</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 227,577</u>	<u>\$ 53,540</u>	<u>\$ (59,500)</u>	<u>\$ (127,140)</u>	<u>\$ 94,477</u>
<b>Business-type Activities</b>					
Non-Depreciable Assets					
Construction in Progress	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciable Assets					
Equipment	-	-	-	-	-
Buildings	250,817	-	-	-	250,817
Water and sewer system	570,739	-	-	-	570,739
<b>Totals at historical cost</b>	<u>821,556</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>821,556</u>
Less accumulated depreciation for:					
Equipment	-	-	-	-	-
Buildings	-	(8,361)	-	(11,114)	(19,475)
Water and sewer system	(233,886)	(19,025)	-	5,590	(247,321)
<b>Total accumulated depreciation</b>	<u>(233,886)</u>	<u>(27,386)</u>	<u>-</u>	<u>(5,524)</u>	<u>(266,796)</u>
<b>Business-type activities capital asset, net</b>	<u>\$ 587,670</u>	<u>\$ (27,386)</u>	<u>\$ -</u>	<u>\$ (5,524)</u>	<u>\$ 554,760</u>
<b>Depreciation expense was charged to governmental functions as follows:</b>					
Highways and Streets					\$ 1,000
Public Safety					7,557
General Government					9,035
<b>Total depreciation expense</b>					<u>\$ 17,592</u>

**TOWN OF TRYON, OKLAHOMA**  
**Notes to Financial Statements**  
June 30, 2013

**Note 8: Long-term debt**

Capital leases - The Town has 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, 2013 was \$11,579. The future minimum lease obligations are as follows:

	<u>2013/ 2014</u>	<u>2014/ 2015</u>	<u>Total</u>
<b>Principal</b>	6,307	5,272	11,579
<b>Interest</b>	554	167	721

Notes payable

Long-term liabilities of the Town of Tryon Utility Authority as of June 30, 2013 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, 2013 the balance owed on this note was \$115,757. Principal and interest in the amount of \$3,039 and \$5,277 were paid during the year. The debt obligation to maturity for this note are as follows:

	<u>2013/ 2014</u>	<u>2014/ 2015</u>	<u>2015/ 2016</u>	<u>2016/ 2017</u>	<u>2017/ 2018</u>	<u>2018/ 2022</u>	<u>2022/ 2027</u>	<u>2027/ 2032</u>	<u>2030/ 2036</u>	<u>Total</u>
<b>Principal</b>	3,172	3,318	3,470	3,629	3,796	21,762	27,241	34,101	15,268	115,757
<b>Interest</b>	5,144	4,998	4,846	4,687	4,520	19,818	14,339	7,479	698	66,529

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, 2013 the balance owed on this note was \$105,502. Principal and interest in the amount of \$19,498 and \$14,852 were paid during the year. The debt obligations to maturity for this note are as follows:

	<u>2013/ 2014</u>	<u>2014/ 2015</u>	<u>2015/ 2016</u>	<u>2016/ 2017</u>	<u>2017/ 2018</u>	<u>2018/ 2022</u>	<u>Total</u>
<b>Principal</b>	10,845	11,496	12,185	12,916	13,691	44,369	105,502
<b>Interest</b>	6,330	5,679	4,990	4,256	3,484	5,322	30,061

## **SUPPLEMENTAL INFORMATION**

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

Year Ended June 30, 2013

	<u>Special Revenue</u>	
	<u>Library</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>		
Cash and cash equivalents	2,405	2,405
Due from other funds		-
Total assets	<u>\$ 2,405</u>	<u>\$ 2,405</u>
<b>Liabilities</b>		
Due to other funds	-	-
Total liabilities	<u>-</u>	<u>-</u>
<b>Fund balances</b>		
Nonspendable	-	-
Restricted	2,405	2,405
Committed	-	-
Assigned	-	-
Unassigned	-	-
Total fund balances	<u>2,405</u>	<u>2,405</u>
Total liabilities and fund balances	<u>\$ 2,405</u>	<u>\$ 2,405</u>

See disclaimer in Independent Accountant's Report and the notes to the financial statements as they are an integral part of this statement.

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

Year Ended June 30, 2013

	<b>Special Revenue</b>	
	<u>Library</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Revenues</b>		
Taxes	-	-
Intergovernmental	2,944	2,944
Charges for services	-	-
Other	20	20
Interest	-	-
Total revenues	<u>\$ 2,964</u>	<u>\$ 2,964</u>
<b>Expenditures</b>		
Library expense	4,187	4,187
Total expenditures	<u>4,187</u>	<u>4,187</u>
Excess of revenues over (under) expenditures	(1,223)	(1,223)
<b>Other financing sources (uses)</b>		
Transfers in	-	-
Transfers (out)	-	-
Capital Contributions	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	(1,223)	(1,223)
Fund balances, beginning	3,628	3,628
Fund balances, ending	<u>\$ 2,405</u>	<u>\$ 2,405</u>

See disclaimer in Independent Accountant's Report and the notes to the financial statements as they are an integral part of this statement.

# JUDITH K. BALLARD, CPA, PC

Certified Public Accountant  
(Member AICPA & OSCP)

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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Mayor and City Council  
Town of Tryon, Oklahoma

I have audited, in accordance with 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, 2013, 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 25, 2014. 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.

### 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 (2013-1 and 2013-2).

### 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.

JUDITH K. BALLARD, CPA, PC  
Certified Public Accountant



August 25, 2014

**TOWN OF TRYON, OKLAHOMA**  
Schedule of Findings and Responses  
June 30, 2013

**#2013-1 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 worth of payments. This amounts to \$8,316.

Condition: During the fiscal year, the Town used the money in this account for other purposes and at June 30, there was \$0 left in the account.

Cause: The Town personnel 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 will make payments back into this account until the required amount is obtained.

**#2013-2 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, 2013, the customer deposit listing showed \$15,080 in deposits received. However, during the fiscal year, the Town used some of the meter deposit money for other purposes and at June 30, there was \$12,963 left in the meter deposit bank accounts.

Cause: The Town personnel 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 will make payments back into the meter deposit accounts until the required amt is obtained.