

TOWN OF MARSHALL

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2022**

TOWN OF MARSHALL, OKLAHOMA
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2022

INDEPENDENT AUDITOR'S REPORT	1
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position - Modified Cash Basis	4
Statement of Activities - Modified Cash Basis	5
Fund Financial Statement:	
Balance Sheet - Modified Cash Basis - Governmental Funds	6
Statement of Revenues, Expenditures, and Changes in Fund Balance - Modified Cash Basis - Governmental Funds	7
Statement of Net Position - Modified Cash Basis - Proprietary Fund	9
Statement of Revenues, Expenses, and Changes in Fund Net Position - Modified Cash Basis - Proprietary Funds	10
Statement of Cash Flows - Modified Cash Basis - Proprietary Funds	11
Notes to the Financial Statements	12
Combining Balance Sheet - Modified Cash Basis - Non-major Governmental Funds	23
Combining Statement of Revenues, Expenditures and Changes in Fund Balance Modified Cash Basis - Non-major Governmental Funds	24
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 <i>Government Auditing Standards</i>	25
Schedule of Findings and Responses	27

MICHAEL W. GREEN
Certified Public Accountant
827 W. Locust Street
STILWELL, OK. 74960
(918) 696-6298

INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Marshall, Oklahoma

Adverse, Qualified and Unmodified Opinions

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 Marshall, 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.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-Type Activities	Adverse
General Fund	Qualified
Aggregate Remaining Fund Information	Unmodified
Enterprise Fund – Municipal Authority	Adverse

Adverse Opinion on Business-Type Activities and Enterprise Fund

In my opinion, because of the significance and possible effects of the matter discussed in the Basis for Adverse, Qualified and Unmodified Opinions section of my report, the modified cash basis financial statements referred to above do not present fairly, the business-type activities and the enterprise fund of the Town, as of June 30, 2022, or the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting.

Qualified Opinion on Governmental Activities and General Fund

In my opinion, except for the effects on the matter discussed in the Basis for Adverse, Qualified and Unmodified Opinions section of my report, the modified cash basis financial statements referred to above present fairly, in all material respects, the financial position of the Town as of June 30, 2022, and the changes in financial position thereof for the year then ended in accordance with the modified cash basis of accounting.

Unmodified Opinion on Aggregate Remaining Fund Information.

In my opinion, the modified cash basis financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate remaining fund information of the Town of Marshall, Oklahoma, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting.

Basis for Adverse, Qualified and Unmodified Opinions

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

Matter Giving Rise to Adverse Opinion on Business-Type Activities and Enterprise Fund

As discussed in Note 1.D to the financial statements, management has not recorded certain general infrastructure assets in business-type activities and, accordingly, has not recorded depreciation expense on those assets. Modified cash basis of accounting require that those general infrastructure assets be capitalized and depreciated, which would increase the assets and net position and change the expenses of the business-type activities and the enterprise fund. The amount by which this departure would affect the assets, net position, and expenses of the business-type activities has not been determined.

Matter Giving Rise to Qualified Opinion on General Fund and Government Activities – Fire Department Fund

The financial statements of the Town of Marshall Fire Department Fund have not been audited, and I am not engaged to audit the Fire Department Fund financial statements as a part of my audit of the Town’s basic financial statements. The Town’s Fire Department Fund financial activities are not included in the Town’s basic financial statements. The effect on the Town’s assets, liabilities, net position, revenues, and expenses are unknown.

Emphasis of Matter—Basis of Accounting

I draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinions are 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 described in Note 1, and for 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 Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- 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 of Marshall, Oklahoma’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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Marshall, Oklahoma's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Marshall, Oklahoma’s basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records

used to prepare the basic financial statements. The 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 our 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 November 14, 2022, on my consideration of the Town'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 solely 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 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 the Town's internal control over financial reporting and compliance.

Regards,

A handwritten signature in black ink, appearing to read "Mike Green", written in a cursive style.

Michael Green, CPA
Stilwell, Oklahoma

November 14, 2022

TOWN OF MARSHALL
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2022

	Government Activities	Business-Type Activities	Totals
Assets			
Current assets			
Cash and cash equivalents	\$ 72,543	\$ 104,879	\$ 177,422
Restricted cash and cash equivalents	42,767	-	42,767
Due from other funds	379	-	379
Investments	68,825	-	68,825
Total current assets	<u>184,514</u>	<u>104,879</u>	<u>289,393</u>
Noncurrent assets			
Capital assets:			
Equipment and vehicles	22,409	-	22,409
Land and improvements	-	-	-
Buildings	3,455	-	3,455
Infrastructure	268,532	828,406	1,096,938
Less accumulated depreciation	(113,796)	(351,626)	(465,422)
Construction in Progress	-	-	-
Total noncurrent assets	<u>180,600</u>	<u>476,780</u>	<u>657,380</u>
Total assets	<u>365,114</u>	<u>581,659</u>	<u>946,773</u>
Liabilities			
Current liabilities			
Due to other funds	-	379	379
Total current liabilities	<u>-</u>	<u>379</u>	<u>379</u>
Noncurrent liabilities			
Refundable deposits	-	12,300	12,300
Total noncurrent liabilities	<u>-</u>	<u>12,300</u>	<u>12,300</u>
Total liabilities	<u>-</u>	<u>12,679</u>	<u>12,679</u>
Net position (Note 1.D.)			
Net Investment in capital assets	180,600	476,780	657,380
Restricted for:			
Cemetery	19,669	-	19,669
Highways	15,371	-	15,371
Capital Projects	7,727	-	7,727
Unassigned	141,747	92,200	233,947
Total net position	<u>\$ 365,114</u>	<u>\$ 568,980</u>	<u>\$ 934,094</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

**TOWN OF MARSHALL
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2022**

Functions/programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating		Governmental Activities	Business-type Activities	Totals
			Grants and Contracts	Capital Grants and Contracts			
Governmental activities							
General Government	\$ 90,046	\$ -	\$ 26,810	\$ 50,000	\$ (13,236)	\$ -	\$ (13,236)
Public Safety	-	-	-	-	-	-	-
Streets	-	-	-	-	-	-	-
Airport	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Cemetery	11,605	2,800	-	-	(8,805)	-	(8,805)
Community development	-	-	-	-	-	-	-
Total government activities	101,651	2,800	26,810	50,000	(22,041)	-	(22,041)
Business-type activities							
Water	40,728	45,782	-	-	-	5,054	5,054
Wastewater	-	3,222	-	-	-	3,222	3,222
Distribution	-	-	-	-	-	-	-
Sanitation	22,617	19,120	-	-	-	(3,497)	(3,497)
Administrative and general	30,785	-	-	-	-	(30,785)	(30,785)
Total business-type activities	94,130	68,124	-	-	-	(26,006)	(26,006)
Totals	\$ 195,781	\$ 70,924	\$ 26,810	\$ 50,000	(22,041)	(26,006)	(48,047)
General revenues							
Sales tax					53,888	-	53,888
Tobacco tax					416	-	416
Intergovernmental revenue not restricted to specific programs					-	-	-
Intergovernmental revenue restricted for streets & alleys					6,556	-	6,556
Franchise fees					6,119	-	6,119
Miscellaneous					751	-	751
Donations					11,297	-	11,297
Investment earnings					69	25	94
Transfers: In					-	50,000	50,000
Transfers: Out					(50,000)	-	(50,000)
Total general revenues and transfers					29,096	50,025	79,121
Change in net position					7,055	24,019	31,074
Net position, beginning of year					358,059	544,961	903,020
Net position, end of year					\$ 365,114	\$ 568,980	\$ 934,094

The accompanying notes to the basic financial statements are an integral part of this statement.

**TOWN OF MARSHALL
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2022**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 72,543	\$ -	\$ 72,543
Restricted cash and investments	-	42,767	42,767
Receivable from other funds	379	-	379
Investments	68,825	-	68,825
Total assets	<u>141,747</u>	<u>42,767</u>	<u>184,514</u>
Liabilities			
Accounts payable	-	-	-
Total liabilities	-	-	-
Fund Balance (Note 1.D.)			
Restricted for:			
Cemetery	-	19,669	19,669
Highways	-	15,371	15,371
Assigned to:			
Capital projects	-	7,727	7,727
Unassigned	141,747	-	141,747
Total fund balances	<u>141,747</u>	<u>42,767</u>	<u>184,514</u>
Total liabilities and fund balances	<u>\$ 141,747</u>	<u>\$ 42,767</u>	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$ 294,396

The accumulated depreciation is \$ 113,795

Net effect for reconciliation 180,600

Net position of governmental activities \$ 365,114

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF MARSHALL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Sales tax	\$ 53,888	\$ -	\$ 53,888
Tobacco tax	416	-	416
Intergovernmental	3,924	2,632	6,556
Franchise fees	6,119	-	6,119
Donations	5,600	5,697	11,297
Rental Income	-	-	-
Cemetery	-	2,800	2,800
ARPA Grant	26,810	-	26,810
REAP Grant	50,000	-	50,000
Miscellaneous	750	-	750
Investment income	69	-	69
Total revenues	<u>147,576</u>	<u>11,129</u>	<u>158,705</u>
Expenditures:			
General government:			
General government	90,134	-	90,134
Cemetery	-	11,605	11,605
Streets	-	-	-
Water	-	-	-
Total expenditures paid	<u>90,134</u>	<u>11,605</u>	<u>101,739</u>
Excess of revenues collected over (under) expenditures	<u>57,442</u>	<u>(476)</u>	<u>56,966</u>
Other financing sources (uses)			
Operating transfers in	-	-	-
Operating transfers out	(50,000)	-	(50,000)
Total other financing sources (uses)	<u>(50,000)</u>	<u>-</u>	<u>(50,000)</u>
Change in Fund balance	<u>7,442.00</u>	<u>(476)</u>	<u>6,966</u>
Fund balances, beginning of year	<u>134,305</u>	<u>43,243</u>	<u>177,548</u>
Fund balances, end of year	<u>\$ 141,747</u>	<u>\$ 42,767</u>	<u>\$ 184,514</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

**TOWN OF MARSHALL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE, CONTINUED - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022**

Reconciliation of the change in fund balances: total governmental funds to the change
in net position of governmental activities:

Net change in fund balances: total governmental funds	\$	6,966
---	----	-------

Amounts reported for governmental activities in the Statement of Activities are
different because:

Governmental funds report capital outlays as expenditures while governmental
activities report depreciation expense to allocate those expenditures over the life
of the assets:

Capital outlay purchases capitalized		11,705
Depreciation		<u>(11,616)</u>

Change in net position of governmental activities	<u>\$</u>	<u>7,055</u>
---	-----------	--------------

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF MARSHALL
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUND
JUNE 30, 2022

	Municipal Authority
	Enterprise Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 104,879
Restricted cash and cash equivalents	-
Total current assets	104,879
Noncurrent assets	
Capital assets:	
Infrastructure	828,406
Less accumulated depreciation	(351,626)
Total capital assets	476,780
Total assets	581,659
Liabilities	
Current liabilities	
Due to General Fund	379
Refundable deposits	12,300
Total current liabilities	12,679
Total liabilities	12,679
Net position	
Net Investment in capital assets	476,780
Restricted for debt service	-
Unrestricted	92,200
Total net position	\$ 568,980

The accompanying notes to the basic financial statements are an integral part of this statement.

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

	Municipal Authority <hr/> Enterprise Fund <hr/>
Operating revenue	
Charges for services:	
Water	\$ 45,782
Wastewater	3,222
Sanitation	<u>19,120</u>
Total operating revenue	<u>68,124</u>
 Operating expenses:	
Water	40,728
Wastewater	-
Distribution	-
Sanitation	22,617
Administration and general	<u>30,785</u>
Total operating expenses	<u>94,130</u>
 Net operating income	 <u>(26,006)</u>
 Nonoperating revenue (expense)	
Investment income	25
Interest expense	-
Other Income	<u>-</u>
Total nonoperating revenue (expense)	<u>25</u>
 Other financing sources (uses)	
Operating transfers in	50,000
Operating transfers out	<u>-</u>
Total other financing sources (uses)	<u>50,000</u>
 Change in net position	 24,019
 Net position, Beginning of year	 <u>544,961</u>
 Net position, end of year	 <u><u>\$ 568,980</u></u>

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF MARSHALL
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2022

	Municipal Authority
	Enterprise Fund
Cash flows from operating activities	
Receipts from customers	\$ 68,641
Payments to suppliers	(40,277)
Payments to employees	(27,815)
Net cash provided (used) by operating activities	549
Cash flows from investing activities	
Grant Awards	50,000
Interest income	25
Net cash provided (used) by investing activities	50,025
Cash flows from financing activities	
Transfers in	(50,000)
Net cash provided (used) by financing activities	(50,000)
Net increase (decrease) in cash and cash equivalents	574
Cash balance beginning of year	104,305
Cash balance end of year	\$ 104,879
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (26,006)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Cash flows reported in other categories:	
Depreciation and amortization expense	26,038
Change in assets and liabilities:	
Customer Deposits	517
Net cash provided by operating activities	\$ 549

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF MARSHALL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 1.B., these financial statements, for the Town of Marshall, Oklahoma, 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 measurement and recognition criteria of the modified cash basis of accounting.

1.A. FINANCIAL REPORTING ENTITY

The municipality is a corporate body for public purposes created under Title 11 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The general operating authority for the municipality is the Oklahoma Municipal Code contained in Title 11, Oklahoma Statutes. The governing body of the municipality is the Town Council composed of elected members. The mayor is the executive officer of the municipality.

In evaluating how to define the reporting entity, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB), GASB Statement No. 14, *The Financial Reporting Entity*, as amended by Statement No. 61.

Based upon the application of these criteria, the Town’s financial reporting entity is composed of the following:

Primary Government:	Town of Marshall
Blended Component Units:	None

Component units are public trusts established pursuant to Title 60 of Oklahoma state law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance Town services through issuance of revenue bonds or other non-general obligation debt and to enable the Town Council to delegate certain functions to the governing body (Trustees) of the Authority. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. The Town, as beneficiary of the public trusts, receives title to any residual assets when the public trusts are dissolved.

1.B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for certain modifications that have substantial support in generally accepted accounting principles. The Town has chosen to include adjustments for the following balances arising from cash transactions:

- capital assets and the depreciation of those assets, where applicable
- long-term debt
- cash-based interfund receivables and payables
- other cash-based receivables/payables
- investments
- utility deposit liabilities

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

As a result of the Town's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and sick leave) and compensatory time earned but unpaid at year-end, and any employer-related costs earned and unpaid, are not reflected in the financial statements as liabilities, but are normally reported as a commitment disclosure.

Program revenues within the statement of activities that are derived directly from each activity or from parties outside the Town's taxpayers are reported as program revenues. The Town has the following program revenues in each activity:

- General government: License and permits, operating and capital grants and contributions
- Public safety: Fine revenue, operating and capital grants and contributions
- Streets: Gas excise and commercial vehicle taxes

Governmental Funds

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

Major Fund

- General Fund - accounts for all activities not accounted for in other special-purpose funds

Non-Major Funds (Reported as Other Governmental Funds)

- Special Revenue and Capital Project funds
 - Street & Alley Fund-accounts for state shared gasoline excise and commercial vehicle taxes legally restricted for street and alley improvements, as well as sales tax earmarked for street purposes
 - Grant Fund-accounts for contributions and specific revenues and transfers from other Town funds and expenditures for various capital projects

The governmental funds are reported on a modified cash basis of accounting. Only current financial assets and liabilities arising from cash transactions are generally included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period.

PROPRIETARY FUNDS

Enterprise Fund

The Town's proprietary fund is comprised of the following:

- Marshall Enterprise Fund – an enterprise fund that accounts for the operation of the water, sewer and sanitation activities

For purposes of the statement of revenues, expenses and changes in fund net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

1.C. BUDGETS AND BUDGETARY ACCOUNTING

The Town adopted a budget, under the provisions of Titles 62 and 68 of the Oklahoma Statutes (Estimate of Needs Law).

1.D. ASSETS, LIABILITIES, AND EQUITY

CASH AND CASH EQUIVALENTS

For the purpose of the statements of net position, balance sheets, and statement of cash flows, "cash and cash equivalents" includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three months or less and money market accounts.

INVESTMENTS

Investments classified in the financial statements; consist entirely of certificates of deposit whose original maturity term exceeds three months. Investments are carried at cost, which approximates fair value.

INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables."

Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note 3.F for details of interfund transactions, including receivables and payables at year-end.

CAPITAL ASSETS

The accounting treatment of 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, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable. Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. Under GASB No. 34, small towns are not

required to retroactively report infrastructure assets, and the Town of Marshall has elected not to retroactively report. Infrastructure assets in governmental funds acquired since July 1, 2003, are recorded at cost.

Detail fixed asset records at historical cost have not been maintained of such assets which are still in service for the proprietary fund (Marshall Public Works). The modified cash basis of accounting requires that these assets be capitalized, and the related depreciation be recorded, which would increase the assets and expenses of the activities.

Depreciation of all exhaustible capital assets 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. A capitalization threshold of \$ 2,000 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

<u>Type of Asset</u>	<u>Years</u>
Equipment	10
Building Improvements	10-25
Infrastructure	25-40

Fund Financial Statements

In the fund financial statements, capital assets used 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 accounted for the same as in the government-wide statements.

RESTRICTED ASSETS

Restricted assets include cash and investments that are legally restricted as to their use. The primary restricted assets, of the proprietary fund, are related to promissory note trustee accounts and utility meter deposits. The primary restricted assets of the governmental funds are the sales tax amounts of the Capital Improvement Funds, and the grant and other restricted bank accounts of the General Fund.

COMPENSATED ABSENCES

The Town does not have a formal policy for vacation or sick leave. Due to the limited staff of the Town, employees schedule their vacations, or other time off, so that the Town does not have to hire additional employees. Thus, any vacation time (or sick leave) taken is compensated at the employees' regular wage rates.

FUND BALANCES AND NET POSITION

Fund Balances

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned, and unassigned. These classifications are defined as:

- *Non-spendable* – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- *Restricted* – consists of fund balance with constraints placed on the use of resources either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (b) laws through constitutional provisions or enabling legislation.

- *Committed* - includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town’s highest level of decision-making authority. The Town’s highest level of decision-making authority is made by ordinance.
- *Assigned* – includes amounts that are constrained by the Town’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by Town Council action or management decision when the Town Council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through budgetary process.
- *Unassigned* – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the General Fund.

It is the Town’s policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balances are available. The Town’s policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net Position

Net position is displayed in two components:

- Restricted net position* – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation
- Unrestricted net position* – All remaining net position that does not meet the definition of “restricted”

It is the Town’s policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund balances as of June 30, 2022, for the governmental funds are as follows:

	General Fund	Other Gov Funds	Total
Fund Balances:			
Invested in Capital Assets, Net	\$ 180,600	\$ -	\$ 180,600
Restricted for:			
Cemetery	-	19,669	19,669
Highways	-	15,371	15,371
Capital Projects	-	7,727	7,727
Total Restricted	-	42,767	42,767
Committed to:			
Capital Improvement Projects	-	-	-
Assigned to:			
Capital Projects	-	-	-
Total Assigned	-	-	-
Unassigned	141,747	-	141,747
Total Fund Balances	<u>\$ 322,347</u>	<u>\$ 42,767</u>	<u>\$ 365,114</u>

1.E. REVENUES, EXPENDITURES, AND EXPENSES

SALES TAX

The Town presently levies a four-cent 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 Tax Commission. The Tax Commission receives the sales tax approximately one month after collection by vendors.

PROGRAM REVENUES

In the Statement of Activities, revenues that are derived directly from each activity or from parties outside the Town's taxpayers are reported as program revenues.

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose, except for the commercial vehicle tax and the gasoline excise tax, both of which are restricted for street and alley purposes.

OPERATING REVENUE AND EXPENSES

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

1.F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

The Town's policy is to eliminate interfund transfers and balances in the statement of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances then offset in the total column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements.

1.G. USE OF ESTIMATES

The preparation of financial statements in conformity with the modified cash basis requires management to make estimates and assumptions that affect the 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 (such as estimated useful lives in determining depreciation expense.) Accordingly, 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 and regulations and demonstration of its stewardship over Town resources follows.

2.A. UNINSURED AND UNCOLLATERALIZED DEPOSITS

In accordance with State law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral. Acceptable collateral includes certain U.S. Government or Government

Agency securities, certain State or political subdivision debt obligations, surety bonds, or certain letters of credit. As reflected in Note 3.A., all deposits were fully insured or collateralized at June 30, 2022.

NOTE 3. DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS

3.A. DEPOSITS AND INVESTMENTS

Custodial Credit Risk - Custodial credit risk related to deposits exists when the Town holds deposits that are uninsured and uncollateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Town's name, or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the Town holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Town's name. The Town's policy for custodial credit risk is to secure its uninsured deposits with collateral. At June 30, 2022, the Town's bank balances of \$289,015 were covered by FDIC insurance.

Investment Credit Risk - The Town has no investment policy that limits its investments choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies or instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. 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.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper, and repurchase agreements with certain limitations.
- d. County, municipal, or school district tax-supported debt obligation, 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.
- e. 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 obligations of the National Mortgage Association.
- f. Money market funds regulated by the Securities and Exchange Commission and in which investments consist of the investments mentioned in the previous paragraphs a, b, c, and d.

As of June 30, 2022, the Town did not hold any securities with credit ratings since they are all non-negotiable time deposits.

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 the Marshall Municipal Authority complied, in all material respects, with these investment restrictions.

Investment Interest Rate Risk – the Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk – The Town places no limit on the amount it may invest in any one issuer. Since the Town has all investments in certificates of deposit, there is no concentration of investment credit risk exposure.

Deposits and Investments at June 30, 2022:		Maturity			
Asset Classification:		(Months)	Credit Rating	Market Value	Cost
Cash		N/A	N/A	\$ 220,190	\$ 220,190
Investments:					
Certificates of Deposit		12	N/A	68,825	68,825
Total Deposits and Investments:				<u>\$ 289,015</u>	<u>\$ 289,015</u>

Reconciliation to Statement of Net Position

Governmental Activities	\$ 184,136
Business-Type Activities	104,879
	<u>\$ 289,015</u>

RESERVES

In April 1999, the Town approved, by resolution, to reserve \$150.00 per month, from the water and sewer revenue, for emergencies. The balance in this reserve at June 30, 2022 was \$25,074 and is included in Cash on the balance sheet.

3.B. RESTRICTED ASSETS

The amounts reported as restricted assets are composed of the balance of the Street and Alley fund of \$15,371, the balance of the Cemetery fund of \$ 19,669, and the balance in the Capital Improvement fund of \$ 7,727.

3.C. RESTRICTED REVENUES

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

Revenue Source	Legal Restrictions of Use
Gasoline Excise & Commercial Vehicle Tax	Street & Alley purposes
Water, Sewer and Trash revenue	Utility Operations
Grant proceeds	Grant expenditures

3.D. CAPITAL ASSETS

Depreciation expense was charged to functions as follows in the Statement of Activities:

Primary Government:	
General Government	\$ 654
Streets	10,961
Total depreciation expense for governmental activities	<u>\$ 11,615</u>
Business-Type Activities:	
Infrastructure	\$ 26,037
Total depreciation expense for business-type activities	<u>\$ 26,037</u>

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	Balance at July 1, 2021	Additions	Deletions	Balance at June 30, 2022
<i>Governmental activities</i>				
Other capital assets:				
Equipment	\$ 22,409	\$ -	\$ -	\$ 22,409
Building Improvements	3,455	-	-	3,455
Infrastructure	256,828	11,704	-	268,532
Total other capital assets	282,692	11,704	-	294,396
Less accumulated depreciation for:				
Equipment	14,179	516	-	14,695
Building Improvements	7,240	138	-	7,378
Infrastructure	80,762	10,961	-	91,723
Total accumulated depreciation	102,181	11,615	-	113,796
Government activities capital assets, net	<u>\$ 180,511</u>	<u>\$ 89</u>	<u>-</u>	<u>\$ 180,600</u>
<i>Business-type activities</i>				
Other capital assets:				
Infrastructure	778,405	50,000	-	828,405
Total other capital assets	778,405	50,000	-	828,405
Less accumulated depreciation for:				
Infrastructure	325,588	26,037	-	351,625
Total accumulated depreciation	325,588	26,037	-	351,625
Business-type activities capital assets, net	<u>\$ 452,817</u>	<u>\$ 23,963</u>	<u>\$ -</u>	<u>\$ 476,780</u>

3.E. LONG-TERM DEBT

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

BUSINESS-TYPE ACTIVITIES

Refundable Deposits:

- Refundable deposits reported as a liability with the Statement of Net Assets are composed of the following:

Utility Deposits-Refundable \$ 12,300

Type of Debt	Balance 7/1/2021	Additions	Reductions	Balance 6/30/2022	Amount Due Within One Year
Business-Type Activities:					
Refundable deposits	\$ 11,784	\$ 1,100	\$ 584	\$ 12,300	\$ 12,300
Total Business-Type Activities	<u>\$ 11,784</u>	<u>\$ 1,100</u>	<u>\$ 584</u>	<u>\$ 12,300</u>	<u>\$ 12,300</u>

3.F. INTERFUND TRANSFERS AND BALANCES

INTERFUND TRANSFERS

Transfers are used to move restricted resources collected by the General Fund and the Capital Improvement Fund to the funds authorized to spend the resources.

There were no transfers between funds of the primary government for the year ended June 30, 2022.

NOTE 4: OTHER NOTES

4.A. PENSION PLANS

The Town of Marshall does not participate in any pension plans.

4.A.1. TERMINATION BENEFITS

The Town of Marshall does not offer any termination benefits.

4.B. 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; and natural disasters. The Town manages these various risks of loss by securing commercial insurance for all risks. 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.

4.C. COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES

CONTINGENCIES

Grant Program Involvement

In the normal course of operations, the Town participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability of reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Litigation

The Town is a party to various legal proceedings that normally occur in the course of governmental operations. The financial statements do not include any accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a 3-year period by a Town "Sinking Fund" for the payment of any court assessed judgment rendered against the Town. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the Town and the State statute relating to judgments, the Town feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the Town.

UNCERTAINTIES

In March 2020, the State of Oklahoma and the CDC issued guidelines due to the Covid-19 pandemic. This resulted in a massive disruption in daily business and the overall economy as nonessential businesses were advised to close and hundreds of employees were laid off their jobs. The impact of the shutdown to the economy is immeasurable at this time. However, as of the date of issuance of this report there have been no difficulties in continuing the operations of services for the Town. As of June 30, 2022, the effects of the Covid-19 pandemic on these financial statements has not been determined

4.D. SUBSEQUENT EVENTS

Subsequent events have been evaluated November 14, 2022, which is the date the financial statements were available to be issued.

**TOWN OF MARSHALL
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2022**

	SPECIAL REVENUE FUNDS		CAPITAL IMPROVEMENT FUND		Total Nonmajor Governmental Funds
	Street and Alley Fund	Cemetery Fund	Grant Fund		
ASSETS					
Cash and cash equivalents	\$ 15,371	\$ 19,669	\$ 7,727		\$ 42,767
Total assets	\$ 15,371	\$ 19,669	\$ 7,727		\$ 42,767
LIABILITIES AND FUND BALANCE					
Current liabilities:					
Accounts payable	-	-	-		-
Total current liabilities	-	-	-		-
Fund Balance:					
Restricted	15,371	19,669	7,727		42,767
Unassigned	-	-	-		-
Total Fund Balance	15,371	19,669	7,727		42,767
Total Liabilities and Fund Balance	\$ 15,371	\$ 19,669	\$ 7,727		\$ 42,767

**TOWN OF MARSHALL
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - MODIFIED CASH BASIS
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2022**

	SPECIAL REVENUE FUNDS		CAPITAL IMPROVEMENT FUND		Total Nonmajor Governmental Funds
	Street and Alley Fund	Cemetery Fund	Grant Fund		
Revenues:					
Vehicle tax	\$ 2,013	\$ -	\$ -		\$ 2,013
Gas tax	619	-	-		619
Lot Sales	-	2,800	-		2,800
Donations	-	5,697	-		5,697
Miscellaneous	-	-	-		-
Total Revenues	\$ 2,632	\$ 8,497	\$ -		\$ 11,129
Expenditures:					
General government	-	-	-		-
Cemetery	-	11,605	-		11,605
Total Expenditures	-	11,605	-		11,605
Excess (deficiency) of revenues over expenditures	2,632	(3,108)	-		(476)
Net change in fund balances	2,632	(3,108)	-		(476)
Fund Balances - beginning of year	12,739	22,777	7,727		43,243
Fund Balances - end of year	\$ 15,371	\$ 19,669	\$ 7,727		\$ 42,767

MICHAEL W. GREEN
Certified Public Accountant
827 W. Locust Street
STILWELL, OK. 74960
(918) 696-6298

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 Marshall, 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 *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, each major fund, and the aggregate remaining fund information of the Town of Marshall, 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 and have issued our report thereon dated November 14, 2022. The report included an emphasis-of-matter paragraph related to the Town's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. My report on the governmental activities, business-type activities and the enterprise fund was modified because the Town has not included the fire department fund or recorded depreciable assets, accumulated depreciation, and depreciation expense except for infrastructure.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Town's internal control over financial reporting (internal control) as a basis for designing 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.

My consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, I did identify certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

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 Town's financial statements will not be prevented, or detected and corrected, on a timely basis. I consider the deficiencies described in the accompanying schedule of findings and responses as item 2022-3, 2022-4, and 2022-5 to be a material weakness.

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. I consider the deficiencies described in the accompanying schedule of findings and responses as items 2022-1 and 2022-2 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from 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 financial statements.

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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* (2022-5).

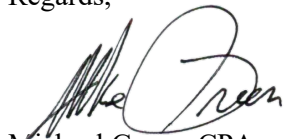
The Town’s Response to Findings

The Town’s response to the findings identified in my audit is described in the accompanying schedule of findings and responses. The Town’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 Town’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 Town’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Regards,



Michael Green, CPA
November 14, 2022

TOWN OF MARSHALL
Marshall, Oklahoma

SCHEDULE OF FINDINGS AND RESPONSES
For the year ended June 30, 2022

2022-1 Segregation of Duties

Condition: The same individual that receives payments is also responsible for billing and adjustments and posting payments to customers' accounts. In addition, only limited oversight is provided over this individual in the conduct of their daily functions.

Criteria: The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets and reconciliation of those asset accounts is an important control activity needed to adequately protect the Town's assets and ensure accurate financial reporting.

Cause: The Town's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Effect or Potential Effect: Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to billing and collection activities including misappropriation of assets could occur and not be detected within a timely basis.

Recommendation: I recommend that the council consider a formal evaluation of the risks associated with this lack of segregation of duties over cash and receivables. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with the lack of segregation of duties, such as providing increased management oversight and/or an independent reconciliation of accounts. For example, the Town might consider soliciting the assistance of independent labor to perform certain functions including performing compensating procedures where applicable.

Responsible Official's Response: The Town concurs with the recommendation, although the costs to correct this condition might exceed the benefit.

2022-2 Internal Controls over Bank Statements and Bank Reconciliations

Criteria: Proper internal controls dictate that the employee who has cash receipts and disbursements capabilities should not receive the bank statements, to allow for independent reconciliation of the bank and general ledger accounts.

Condition: The Town's bank statements are not received by, and bank accounts are not reconciled by, personnel independent of the cash receipts and disbursements functions.

Criteria: Employees who also have cash receipts and disbursements capabilities, could make changes to the bank statements, and/or checks, which could lead to misstatements in the financial statements.

Cause: The Town's limited size and staffing resources have made it difficult for management to provide sufficient segregation of duties.

Effect or Potential Effect: There is the possibility that the financial statements could include material misstatements.

Recommendation: The Town should provide training to its employees, and/or contract with an independent party to reconcile the bank statements on a monthly basis.

Responsible Official's Response: The Town concurs with the recommendation, although the costs to correct this condition might exceed the benefit.

2022-3 Recording of Capital Assets

Criteria: According to the modified cash basis of accounting, capital assets should be recorded at fair value upon purchase or as of the date of donation.

Condition: The Town's Municipal Authority has not recorded capital assets (buildings, equipment, etc.) for the Proprietary Fund – Marshall Municipal Authority. The only capital assets recorded are the infrastructure assets that have been put in place in recent years.

Cause: The Town's limited size and staffing resources have made it difficult for management to provide staffing to perform capital asset inventory and corrections.

Effect or Potential Effect: There is the possibility that the financial statements could include material misstatements.

Recommendation: The Town should perform an inventory of capital assets and correct its records for capital assets.

Responsible Official's Response: The Town concurs with the recommendation, although the costs to correct this condition might exceed the benefit.

2022-4 Inclusion of Fire Department in General Fund

Criteria: Ordinance #62 of the Town of Marshall established that the Fire Department be a part of the Town.

Condition: The Fire Department has not been included in the Town's financial statements.

Cause: Management failed to include the Fire Department in the General Fund financial statements.

Effect or Potential Effect: There is the possibility that the financial statements could include material misstatements.

Recommendation: The Town should include the Fire Department in their financial statements.

Responsible Official's Response: The Town concurs with the recommendation and will consider including the Fire Department in the future.

2022-5 Control of Fire Department Funds

Criteria: State statute (62 O.S. § 511-516) requires that all funds of the Town be placed in the Treasurer's position and deposited daily. Funds of the Fire Department should be under the control of the Town.

Condition: The Fire Department is attempting to operate independently of the Town and managing its own finances.

Cause: Management failed to include the Fire Department in the General Fund financial statements.

Effect or Potential Effect: There is the possibility that the financial statements could include material misstatements.

Recommendation: The Town should include the Fire Department cash in their financial statements and the funds should be in the custody of the Treasurer and subject to the financial controls of the Town.

Responsible Official's Response: The Town concurs with the recommendation and will consider including the Fire Department in the future.