

Town of Talala
Rogers County, Oklahoma

Independent Auditor's Report and Financial Statements

For the Fiscal Year Ended
June 30, 2011

Town of Talala
Rogers County, Oklahoma

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Kirkendall & Swindell CPAs, PLLC

Certified Public Accountant

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Independent Auditor's Report

Board of Trustees
Town of Talala

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, as of the ***Town of Talala, Rogers County, Oklahoma***, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. The financial statements are the responsibility of ***Town of Talala's, Rogers County, Oklahoma*** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the ***Town of Talala, Rogers County, Oklahoma*** as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, We have also issued our report dated October 7, 2011 on our consideration of the ***Town of Talala, Rogers County, Oklahoma*** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 2 through 10 are not a required part of the basic financial statements but are required by the accounting principles generally accepted in the United States of America. Additionally, the budgetary comparison schedule on page 31 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted mostly of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Kirkendall & Swindell CPAs, PLLC

October 7, 2011

Town of Talala
Management Discussion & Analysis
Unaudited
For the Year Ended June 30, 2011

The discussion and analysis of Town of Talala's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2011. Please review it in conjunction with the Town's accompanying basic financial statements, which begin on Page 11. This discussion includes the Talala Public Works, a component unit of the Town.

USING THIS ANNUAL REPORT

This annual report consists of two parts; Management's Discussion and Analysis and the Financial Statements. The Financial Statements also include notes that explain in more detail some of the information in the financial statements.

GOVERNING BOARD

As of June 30, 2011 the mayor, board members, clerk and treasurer, all of whom are elected, consist of the following:

Mayor	Lester Orwig
Board Members	Erich Dikeman Gerald Butch Griffin Pete Mitchell Ron Thomas
Treasurer	Marianne Henderson
Clerk	Dawn Orwig

The governing board, clerk, and treasurer for the Talala Public Works Authority are the same as the Town's.

FINANCIAL HIGHLIGHTS

- The Town approved two lease-purchase contracts for police cars: two 2010 Dodge Chargers. The first police car was purchased on August 25, 2010, replacing the 1995 Crown Victoria. The second car purchased was finalized in fiscal year 2012, replacing the 2003 Ford Crown Victoria. This car had a \$3,000 trade in value. Both vehicles were purchased with capital leases.
- The trustees approve the expense of removing the old TV cables. These cables were creating problems in several places in town as they fell on or near driveways.
- In February, the Board of Trustees approved an ordinance giving the trustees and the mayor pay increases. The Trustees' pay increased from \$50/month to \$65/month. The Mayor's pay increased from \$65/year to \$100/month. Trustees and the mayor are paid \$25 for any special meetings.
- The Town approved payment for the removal of snow. Two major snow storms in February made the \$5,360 expense necessary. FEMA did not reimburse the cost of either storm.
- The Talala Historical Society elected its own board of directors, separate from the Town's. The Talala Historical Society is now a regular agenda item on the Town's board meetings so that the Town board is kept abreast of the Talala Historical Society issues.

Town of Talala
Management Discussion & Analysis (Continued)
Unaudited
For the Year Ended June 30, 2011

FINANCIAL HIGHLIGHTS (Continued)

- The Talala Public Works Authority Board approved a new policy to help with the collection of sewer billings. The Board adopted a policy allowing the PWA to dig up, cut into, and cap both ends of the non-payer's sewer lines at the expense of the home owner. This costs approximately \$600. Sewer lines will only be reconnected when the payment of the past due sewer bill and the expense of the sewer line capping are made in full. The new policy was announced by certified letters to those with sewer bills past due greater than \$100 in August 2010. By November, 2010, the past due amount for sending certified letters was reduced to \$50. Several certified letters were not picked up by customers. The Board then approved that the letters could be mailed without being certified. The past due accounts have decreased from \$1,231 to \$279 as of June 2011. No sewers have been capped to date.
- Joel Baker was hired in November to replace Darrell Young as the sewer operator. Joel has a plumber's license and received his class D sewer operator's license in December 2010. Joel has resided in Talala his entire life. Talala Public Works Authority is pleased with his knowledge and believes he will serve the community well.

Town of Talala
Management Discussion & Analysis (Continued)
Unaudited
For the Year Ended June 30, 2011

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

Management's Discussion and Analysis is intended to serve as an introduction to the Town's basic financial statements. In accordance with Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments ("GASB 34"), the Town's basic financial statements include three components: government-wide financial statements, fund financial statements, and notes to the basic financial statements. The major features of these financial statements are summarized as follows:

	Government-Wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire Town government and the Town's component units	The activities of the Town that are not proprietary, such as police, fire, library, streets, etc.	Activities of the Public Works Authority consisting of water, sewer, and/or trash services
Required Financial Statements	Statement of net assets; Statement of activities	Balance sheet, statement of revenues, expenditures and changes in fund balances	Statement of net assets, statement revenues expenses, and changes in net assets, statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

Town of Talala
Management Discussion & Analysis (Continued)
Unaudited
For the Year Ended June 30, 2011

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to statements of a private sector business.

The *Statement of net assets* presents information on all the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *Statement of activities* presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus revenues and expenses are reported in this statement for some items that will result in cash flows in the future fiscal periods.

The government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include public safety activities, streets, cemetery, library and parks activities and general governmental activities. The business-type activities of the Town include utilities such as sewer.

A component unit is included in the basic financial statements and consists of a legally separate entity for which the Town is financially accountable. The component unit has the same governing board as the Town. This blended component unit is the Talala Public Works Authority.

The government-wide financial statements can be found on pages 11 and 12 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and to demonstrate compliance with finance-related legal requirements. All the funds of the Town, excluding the Talala Public Works Authority, are governmental funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund's balance sheet and the governmental fund's statement of revenues, expenditures, and changes in fund balance provide a reconciliation to the governmental funds and governmental activities.

The Town maintains 6 individual governmental funds for financial reporting purposes. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General and Public Works Authority, which are considered to be major funds. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is not provided in this report.

Town of Talala
Management Discussion & Analysis (Continued)
Unaudited
For the Year Ended June 30, 2011

The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund in the basic financial statements.

The governmental funds financial statements can be found on pages 13 – 16 of this report.

Proprietary funds. Proprietary funds provide the same type of information as the government-wide financial statements, but in more detail. The proprietary fund financial statements provide information for the Talala Public Works Authority. The proprietary fund financial statements can be found on pages 15-17 of this report.

Notes to basic financial statements: The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 20 of this report.

FINANCIAL ANALYSIS OF THE TOWN

One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off as a result of the year's activities?". The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Assets report information about the Town and about its activities in a way that helps answer this question. These statements report the net assets of the Town and changes in them. You can think of the Town's net assets – the differences between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the net assets are one indicator of whether its financial health is improving or deteriorating.

The Town's total Net Assets at the end of the fiscal year were \$427,727. Our analysis below focuses on the Town's net assets (Table 1) and changes in net assets (Table 2) during the year.

Table 1
Summary of Net Assets

	Governmental Activities		Business-Type Activities		Total	
	6/30/2011	6/30/2010	6/30/2011	6/30/2010	6/30/2011	6/30/2010
Current and other assets	\$ 116,562.49	\$ 106,909.35	\$ 13,001.93	\$ 9,762.55	\$ 129,564.42	\$ 116,671.90
Capital assets (net)	116,758.63	103,408.45	208,227.95	217,997.16	324,986.58	321,405.61
Total Assets	\$ 233,321.12	\$ 210,317.80	\$ 221,229.88	\$ 227,759.71	\$ 454,551.00	\$ 438,077.51
Current liabilities	\$ 9,689.53	\$ 14,198.98	\$ 2,400.00	\$ 11,759.23	\$ 12,089.53	\$ 25,958.21
Long term liabilities	14,734.85	0	0.00	-	14,734.85	-
Total Liabilities	\$ 24,424.38	\$ 14,198.98	\$ 2,400.00	\$ 11,759.23	\$ 26,824.38	\$ 25,958.21
Net Assets						
Invested in Capital Assets	\$ 116,758.63	\$ 103,408.45	\$ 208,227.95	\$ 208,637.93	\$ 324,986.58	\$ 312,046.38
Restricted	2,912.49	3,014.49	0.00	-	2,912.49	3,014.49
Unrestricted	89,225.62	89,695.88	10,601.93	7,362.55	99,827.55	97,058.43
Total Net Assets	\$ 208,896.74	\$ 196,118.82	\$ 218,829.88	\$ 216,000.48	\$ 427,726.62	\$ 412,119.30

Town of Talala
Management Discussion & Analysis (Continued)
Unaudited
For the Year Ended June 30, 2011

As Table 1 indicates, current assets increased by \$12,893 or 11.1% while capital assets remained relatively stable. Total liabilities stayed relatively stable because the decrease in current liabilities offset the increase in long term liabilities, resulting in a net increase of \$866 or approximately 3.3%. Net assets increased by \$15,601 or 3.8 % in the current year.

TABLE 2
CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	<u>6/30/2011</u>	<u>6/30/2010</u>	<u>6/30/2011</u>	<u>6/30/2010</u>	<u>6/30/2011</u>	<u>6/30/2010</u>
Revenues						
Charges for services	\$ 153,935.16	\$ 143,993.61	\$ 27,981.77	\$ 22,560.05	\$ 181,916.93	\$ 166,553.66
Operating grants and contributions	8,295.00	9,744.56	0.00	-	8,295.00	9,744.56
Capital grants and contributions	0.00	0.00	0.00	0.00	0.00	0.00
General Revenues						
Sales tax	78,908.39	63,701.27	0.00	0.00	78,908.39	63,701.27
Other taxes	19,181.57	16,308.14	0.00	0.00	19,181.57	16,308.14
Other general revenues	<u>1,848.73</u>	<u>2,534.87</u>	<u>15.80</u>	<u>19.63</u>	<u>1,864.53</u>	<u>2,554.50</u>
Total revenues	\$ <u>262,168.85</u>	\$ <u>236,282.45</u>	\$ <u>27,997.57</u>	\$ <u>22,579.68</u>	\$ <u>290,166.42</u>	\$ <u>258,862.13</u>
Expenses						
General	\$ 64,647.29	\$ 71,700.99	\$ 0.00	\$ 0.00	\$ 64,647.29	\$ 71,700.99
Police/Public Safety	152,211.14	159,263.44	0.00	0.00	152,211.14	159,263.44
Library	18,333.50	16,634.92	0.00	0.00	18,333.50	16,634.92
Streets	14,199.64	7,632.93	0.00	0.00	14,199.64	7,632.93
Utilities	<u>0.00</u>	<u>0.00</u>	<u>27,568.17</u>	<u>25,302.40</u>	<u>27,568.17</u>	<u>25,302.40</u>
Total expenses	\$ <u>249,391.57</u>	\$ <u>255,232.28</u>	\$ <u>27,568.17</u>	\$ <u>25,302.40</u>	\$ <u>276,959.74</u>	\$ <u>280,534.68</u>
Increase (decrease) in net assets	\$ <u><u>12,777.28</u></u>	\$ <u><u>(18,949.83)</u></u>	\$ <u><u>429.40</u></u>	\$ <u><u>(2,722.72)</u></u>	\$ <u><u>13,206.68</u></u>	\$ <u><u>(21,672.55)</u></u>

As Table 2 indicates, the governmental activities resulted in an increase of \$12,777 in net assets compared to a decrease in prior year of \$18,950. The primary reasons for the increase are an increase in sales revenues and other taxes. The business-type activities resulted in an increase in net assets of \$429 compared to prior year's decrease of \$2,723.

Town of Talala
Management Discussion & Analysis (Continued)
Unaudited
For the Year Ended June 30, 2011

General Fund Budgetary

Table 3 presents a summary analysis of the General Fund budget and actual for the current fiscal year.

TABLE 3
SUMMARY ANALYSIS OF GENERAL BUDGET
FISCAL YEAR ENDING

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Revenues:</u>			
Charges for services	\$ 163,040.00	\$ 152,857.54	\$ (10,182.46)
Taxes	74,905.00	98,089.96	23,184.96
Grants	6,681.00	6,681.00	0.00
Miscellaneous	<u>17,860.00</u>	<u>4,540.99</u>	<u>(13,319.01)</u>
Total revenues	\$ <u>262,486.00</u>	\$ <u>262,169.49</u>	\$ <u>(316.51)</u>
<u>Expenditures</u>			
Personnel Services	163,122.00	112,818.05	50,303.95
Maintenance and Operations	98,639.00	116,073.16	(17,434.16)
Other Services and Charges	70,090.00	0.00	0.00
Capital Outlay	<u>0.00</u>	<u>33,850.54</u>	<u>(33,850.54)</u>
Total Expenditures	\$ <u>331,851.00</u>	\$ <u>262,741.75</u>	\$ <u>(980.75)</u>
Excess of Revenues over/(under) expenditures	(69,365.00)	(572.26)	(68,792.74)

The basis of accounting for budgetary purposes for the General Fund is the cash basis, i. e., revenues are recognized when received and expenses are recognized when paid.

The budget method authorized by the Oklahoma Statute adopted by the Town for its general fund places a limit on the amount that can be budgeted. The amount to be budgeted for the next fiscal year is the unreserved fund balance at the beginning of the fiscal year plus 90% of its revenues for the year just ended.

The budgetary fund balance is reconciled to the balance sheet fund balance in the Required Supplementary Information.

Generally, the Town attempts to prepare a budget that will result in a small positive increase in the fund balance. Generally, this is accomplished by only budgeting 90% of the prior year revenues and budgeting amounts, primarily in General government, that will not be expended.

The fund balance for budgetary purposes decreased 69,365 in the current year.

Town of Talala
Management Discussion & Analysis (Continued)
Unaudited
For the Year Ended June 30, 2011

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town and the Authority's investment in capital assets as of June 30, 2011 amounted to \$324,987 (net of accumulated depreciation). This investment, detailed in Table 4, in a broad range of capital assets includes land, building structures and improvements, equipment, sewage plant and waste water plant. The changes in capital for the Town's assets are detailed below.

Additions	\$ 33,850.54
Disposals	0.00
Depreciation	<u>(20,500.36)</u>
Decrease	<u>\$ 13,350.18</u>

TABLE 4
CAPITAL ASSETS

	Beginning		Ending	
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Governmental activities:				
<i>Capital assets being depreciated:</i>				
Building	\$ 90,370.00	\$ 0.00	\$ 0.00	\$ 90,370.00
Equipment	<u>103,456.11</u>	<u>33,850.54</u>	<u>0.00</u>	<u>137,306.65</u>
Total capital assets being depreciated	<u>\$ 193,826.11</u>	<u>33,850.54</u>	<u>0.00</u>	<u>227,676.65</u>
Less accumulated depreciation	<u>(90,417.66)</u>	<u>(20,500.36)</u>	<u>0.00</u>	<u>(110,918.02)</u>
Governmental activity capital assets, net	<u>\$ 103,408.45</u>	<u>\$ 13,350.18</u>	<u>\$ 0.00</u>	<u>\$ 116,758.63</u>
Business-type activities:				
<i>Capital assets being depreciated:</i>				
Sanitary sewer system	\$ 261,428.99	\$ 0.00	\$ 0.00	\$ 261,428.99
Waste water plant improvements	<u>111,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>111,000.00</u>
Total capital assets being depreciated	<u>372,428.99</u>	<u>0.00</u>	<u>0.00</u>	<u>372,428.99</u>
Less accumulated depreciation for:				
Sewer System and equipment	<u>(154,431.83)</u>	<u>(9,769.21)</u>	<u>0.00</u>	<u>(164,201.03)</u>
Business-type activity capital assets, net	<u>\$ 217,997.16</u>	<u>\$ (9,769.21)</u>	<u>\$ 0.00</u>	<u>\$ 208,227.96</u>

Town of Talala
Management Discussion & Analysis (Continued)
Unaudited
For the Year Ended June 30, 2011

Debt Administration

The Public Works Authority's debt decreased from \$9,359.23 at the beginning of the year to \$0 at year end. This was the result of monthly payments on existing notes. The Town's debt increased by \$14,735 as a result of a capital lease for a police car acquired during the year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In 2011, the Town does not expect significant changes in either their revenues or their expenses. The PWA does not expect any significant changes in either their revenues or their expenses either.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Trustees at Town of Talala, PO Box 52, Talala, OK 74080-0052.

Town of Talala
Rogers County, Oklahoma
Statement of Net Assets – Government Wide
June 30, 2011

	Primary Government		
	Governmental	Business-Type	Totals
	Activities	Activities	
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 107,900.60	\$ 9,610.68	\$ 117,511.28
Prepaid Assets	1,737.69	0.00	1,737.69
Accounts and Other Receivables	6,704.76	3,391.25	10,096.01
Due from other Governments	219.44	0.00	219.44
Total Current Assets	116,562.49	13,001.93	129,564.42
Non-current Assets:			
Capital Assets:			
Property, Plant and Equipment, net	116,758.63	208,227.95	324,986.58
Total Assets	233,321.12	221,229.88	454,551.00
LIABILITIES			
Current Liabilities:			
Accounts Payable	9,689.53	2,400.00	12,089.53
Other Current Liabilities:			
Amounts due in less than one year	0.00	0.00	0.00
Total Current Liabilities	9,689.53	2,400.00	12,089.53
LONG TERM LIABILITIES			
Lease Liability	14,734.85	0.00	14,734.85
Total Liabilities	24,424.38	2,400.00	26,824.38
NET ASSETS			
Invested in capital assets, net of related debt	116,758.63	208,227.95	324,986.58
Reserved for a specific purpose	2,912.49	0.00	2,912.49
Unrestricted	89,225.62	10,601.93	99,827.55
Total Net Assets	\$ 208,896.74	\$ 218,829.88	\$ 427,726.62

The accompanying notes are an integral part of the combined financial statements.

Town of Talala
Rogers County, Oklahoma
Statement of Activities
For the Year Ended June 30, 2011

Functions/Programs:	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<i>Governmental Activities:</i>					
General Government	\$ 64,647.29	\$ 152,857.5	\$	\$	\$ (64,647.29)
Police Department	152,211.14	4			646.40
Library	18,333.50	1,077.62	8,295.00		(8,960.88)
Streets	14,199.64				(14,199.64)
TOTAL GOVERNMENTAL ACTIVITIES	249,391.57	153,935.1 6	8,295.00	0.00	(87,161.41)
<i>Business Type Activities</i>					
Sewer	27,568.17	27,981.77	0.00	0.00	413.60
TOTAL	\$ 276,959.74	\$ 181,916.9 3	\$ 8,295.00	\$ 0.00	\$ (86,747.81)
			Primary Government	Business- Type	Totals
			Governmental Activities	Activities	
Changes in Net Assets:					
Net (expense) revenue			\$ (87,161.41)	\$ 413.60	\$ (86,747.81)
General revenues:					
Taxes:					
Sales Taxes			78,908.39		78,908.39
Cigarette Tax			1,179.95		1,179.95
Franchise Tax			6,698.49		6,698.49
Use Tax			7,187.47		7,187.47
Alcoholic Beverage Tax			1,588.24		1,588.24
Other Income			240.00		240.00
Restricted for transportation purposes:					
Motor Vehicle Tax			1,924.24		1,924.24
Gasoline Tax			603.18		603.18
Reimbursements			0.64		0.64
Interest Income			1,608.73	15.80	1,624.53
Total General Revenues			99,939.33	15.80	99,955.13
Change in Net Assets			12,777.92	429.40	13,207.32
PPA				2,400.00	2,400.00
Net Assets-beginning			196,118.82	216,000.48	412,119.30
Net Assets-ending			\$ 208,896.74	\$ 218,829.88	\$ 427,726.62

The accompanying notes are an integral part of the combined financial statements.

Town of Talala
Rogers County, Oklahoma
Statement of Net Assets – Governmental Funds
June 30, 2011

	General Fund	Other Governmental Funds	Totals
ASSETS			
Cash	\$ 105,207.55	\$ 2,693.05	\$ 107,900.60
Prepaid Assets	1,737.69	0.00	1,737.69
Accounts and Other Receivables	6,704.76	0.00	6,704.76
Due from other Governments	0.00	219.44	219.44
Total Assets	<u>\$ 113,650.00</u>	<u>\$ 2,912.49</u>	<u>\$ 116,562.49</u>
LIABILITIES & FUND EQUITY			
Liabilities:			
Accounts payable	\$ 9,689.53	\$ 0.00	\$ 9,689.53
Lease Liability	14,734.85		14,734.85
Total Liabilities	<u>\$ 24,424.38</u>	<u>\$ 0.00</u>	<u>\$ 24,424.38</u>
Fund Equity:			
Reserved for a specific purpose	0.00	2,912.49	2,912.49
Unreserved	89,225.62	0.00	89,225.62
Total Fund Equity	<u>89,225.62</u>	<u>2,912.49</u>	<u>92,138.11</u>
Total Liabilities & Fund Equity	<u>\$ 113,650.00</u>	<u>\$ 2,912.49</u>	<u>\$ 116,562.49</u>

The accompanying notes are an integral part of the combined financial statements.

Town of Talala
Rogers County, Oklahoma
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
For the Year Ended June 30, 2011

Total Fund Balances – Governmental Funds	\$ 92,138.11
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the governmental funds. The cost of the assets is \$227,676.65 and the accumulated depreciation is \$110,918.02 for a net book value of \$116,758.63.

<u>116,758.63</u>

Net Assets of Governmental Activities

<u>\$ 208,896.74</u>

The accompanying notes are an integral part of the combined financial statements.

Town of Talala
Rogers County, Oklahoma
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
REVENUES			
Charges for Services	\$ 1,077.62	\$	\$ 1,077.62
Fines	152,857.54		152,857.54
Investment Income	1,607.07	1.66	1,608.73
Grants	6,681.00		6,681.00
Other Income	1,854.64		1,854.64
Taxes	95,562.54	2,527.42	98,089.96
Transfers In	<u>-</u>		<u>-</u>
Total Revenues	259,640.41	2,529.08	262,169.49
EXPENDITURES			
Personnel Services	112,818.05		112,818.05
Maintenance and Operation	101,873.52	14,199.64	116,073.16
Capital Outlay (Net)	<u>33,850.54</u>		<u>33,850.54</u>
Total Expenditures	<u>248,542.11</u>	<u>14,199.64</u>	<u>262,741.75</u>
Net Change in Fund Balance	11,098.30	(11,670.56)	(572.26)
Fund Balance - Beginning of Year	<u>91,024.54</u>	<u>1,685.83</u>	<u>92,710.37</u>
Fund Balance - End of Year	\$ <u><u>102,122.84</u></u>	\$ <u><u>(9,984.73)</u></u>	\$ <u><u>92,138.11</u></u>

The accompanying notes are an integral part of the combined financial statements.

Town of Talala
Rogers County, Oklahoma
Reconciliation of Change in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2011

Net Change in Fund Balances – Total Governmental Funds \$ (12,777.92)

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

In the governmental funds, capital outlays are reported as expenditures while in the government-wide statement of activities, depreciation expense is reported to allocate those expenditures over the life of the assets.

Capital asset purchases	33,850.54
Disposals	0.00
Depreciation expense	<u>(20,500.36)</u>
Total Change	13,350.18

Change in Net Assets of Governmental Activities \$ 572.26

The accompanying notes are an integral part of the combined financial statements.

Town of Talala
Rogers County, Oklahoma
Statement of Net Assets
Proprietary Funds-Enterprise Funds
June 30, 2011

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 9,610.68
Accounts receivable	<u>3,391.25</u>
Total Current Assets	13,001.93

Non-current Assets:

Capital Assets:

Property, Plant and Equipment, net of accumulated depreciation	<u>208,227.95</u>
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Total Assets	<u><u>221,229.88</u></u>
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LIABILITIES

Current Liabilities:

Accounts Payable	2,400.00
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NET ASSETS

Invested in capital assets	208,227.95
Unrestricted	<u>10,601.93</u>
Total Net Assets	<u><u>\$ 218,829.88</u></u>

The accompanying notes are an integral part of the combined financial statements.

Town of Talala
Rogers County, Oklahoma
Statement of Revenues, Expenses and
Changes in Fund Net Assets
Proprietary Funds
June 30, 2011

Operating Revenues:

Sales - Sewer	\$	26,966.28
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Operating Expenses:

Administrative Fee		
Office Expenses	206.80	
Legal Expenses	50.00	
Bank Fees	16.28	
Mileage	167.00	
Depreciation	9,769.21	
Lease Expense	2,400.00	
Salaries and Contracted Services	6,272.00	
Insurance	754.28	
Miscellaneous	200.00	
Licenses/Permits	393.00	
Utilities	1,776.99	
Training	205.00	
Repairs and maintenance	5,113.30	
Total Operating Expenses		27,323.86

Operating Income		(357.58)
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Non-Operating Revenues (Expenses):

Grand Gateway Grant		-
FEMA Storm Reimbursement		-
Miscellaneous	1,015.49	
Interest revenues	15.80	
Interest expense	(244.31)	
Total Non-Operating Revenues (Expenses)		786.98

Change in Net Assets		429.40
Prior Period Adjustment		2,400.00
Total Net Assets-Beginning		216,000.48
Total Net Assets-Ending	\$	218,829.88

The accompanying notes are an integral part of the combined financial statements.

Town of Talala
Rogers County, Oklahoma
Statement of Cash Flows
Proprietary Fund Type - Enterprise Fund
For the Year Ended June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 24,694.45
Cash received from grants	-
Expenses paid for operations and services	<u>(17,554.65)</u>
Net Cash Provided (Used) by Operating Activities	<u>7,139.80</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Cash Provided (Used) by NonCapital Financing Activities	<u>-</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

FEMA Insurance Reimbursement	-
Miscellaneous Revenues	1,015.50
Principal Paid	(9,359.24)
Interest Paid	<u>(244.31)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(8,588.05)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest and dividends on investments	<u>15.80</u>
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Net increase (decrease) in cash	(1,432.45)
Prior period adjustment	2,400.00
Cash and cash equivalents, beginning of year	<u>8,643.13</u>
Cash and cash equivalents, end of year (<i>Note 1</i>)	<u>\$ 9,610.68</u>

Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:

Operating income (loss)	\$ (357.58)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	9,769.21
Net changes in assets and liabilities:	
(Increase) Decrease inAccounts receivable	<u>(2,271.83)</u>
Net cash provided (used) by operating activities	<u>\$ 7,139.80</u>

The accompanying notes are an integral part of the combined financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Town of Talala
Rogers County, Oklahoma
Notes to the Financial Statements
June 30, 2011

NOTE 1 - Summary of Significant Accounting Policies

The following notes to the financial statements are an integral part of the Town's financial statements.

The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide Statement of Net Assets and Statement of Activities, Financial Accounting Standards Board (FASB) pronouncement and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Proprietary funds also apply the same principles. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent sections of this Note.

A. Financial Reporting Entity

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

Primary Government:	Town of Talala
Blended Component Unit:	Talala Public Works Authority

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

Blended Component Units

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

Component Unit	Brief Description/Inclusion Criteria	Reporting
Talala Public Works Authority	Created to finance, develop and operate the sewer services activities.	Enterprise Fund

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the Town has no discretely presented component units.

Town of Talala
Rogers County, Oklahoma
Notes to the Financial Statements
June 30, 2011

NOTE 1 - Summary of Significant Accounting Policies (Continued)

In evaluating how to define the Town, for financial reporting purposes, management has considered all the 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). The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility include, but are not limited to, the selection of the governing Town, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the Town and/or its citizens, or whether the activity is conducted within the geographic boundaries of the Town and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion and exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. The *Town of Talala* and component units consist of all fund accounts of the oversight unit, the *Town of Talala*, referred to as "the Town", and the Talala Public Works Authority, referred to as "the Town", a component unit.

The Talala Public Works Authority was organized under Title 60, Oklahoma Statutes, 1971, Section 176-180.3 as amended, for the purpose of providing sanitary sewer services to the residents of its beneficiary.

B. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the Town). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-accounting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

- A. Total assets, liabilities, revenues or expenditure/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- B. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Town of Talala
Rogers County, Oklahoma
Notes to the Financial Statements
June 30, 2011

NOTE 1 - Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

1. Governmental Fund

General Fund. This 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.

2. Proprietary Fund

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

Talala Public Works Authority:	Accounts for activities of the public trust in providing sewer services to the public.
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Major and Non-Major Funds:

Major:	General fund
	Proprietary Fund: Talala Public Works Authority
Non-Major:	Street & Alley Fund

C. Measurement Focus, Basis of Accounting

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

1. Measurement Focus

The government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applied to them.

Town of Talala
Rogers County, Oklahoma
Notes to the Financial Statements
June 30, 2011

NOTE 1 - Summary of Significant Accounting Policies (Continued)

D. Measurement Focus, Basis of Accounting (Continued)

2. Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expense, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of account, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

E. Assets, Liabilities and Equity

1. Cash and Cash Equivalents

For the purpose of Statement of Net Assets, “cash, including time deposits” includes all demand, savings accounts and certificates of deposit of the Town. For the purposes of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

2. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include sales, use and franchise taxes. Business-type activities report water and sewer charges as its major receivable.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax and other intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis of accounting. Interest and investment earnings are recorded only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year end and not yet received. Utility accounts receivable comprise the majority of proprietary fund receivables.

Town of Talala
Rogers County, Oklahoma
Notes to the Financial Statements
June 30, 2011

NOTE 1 - Summary of Significant Accounting Policies (Continued)

3. Capital Assets

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund 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 fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Prior to July 2, 2003, governmental funds' infrastructure assets were not capitalized. The Town is not required to account for infrastructure assets as acquired prior to July 1, 2003. Governmental fund infrastructure assets have not been recorded for the period prior to July 1, 2003.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of asset is as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives (Years)</u>
Buildings	40-60
Building improvements	10-25
Utility system	10-50
Infrastructure	25-50
Equipment	3-20

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in government-wide statements.

4. Equity Classifications

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets – consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Town of Talala
Rogers County, Oklahoma
Notes to the Financial Statements
June 30, 2011

NOTE 1 - Summary of Significant Accounting Policies (Continued)

4. Equity Classifications (Continued)

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, the unreserved further split between designated. Proprietary fund equity is classified the same as in the government-wide statements.

5. Liabilities

Compensated Absences

The Town is not able to reasonably estimate the accrual for compensated absences. Therefore, the balance sheet has not been recorded.

Employee Pension Plans

The Town does not offer a pension plan to its employees.

F. Revenues, Expenditures and Expenses

1. Sales Tax

The town presently levies a sales tax on taxable sales within the Town. The sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Oklahoma Tax Commission. The Tax Commission receives the sales tax approximately on month after collection by vendors. The sales tax is recorded entirely in the General Fund. Sales taxes collected by the State in June and July (which represent sales for May and June) are received by the Town in July and August have been accrued and are included under the caption "Due from other governments".

2. Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expense not related to capital and related financing, noncapital financing or investing activities.

Town of Talala
Rogers County, Oklahoma
Notes to the Financial Statements
June 30, 2011

NOTE 1 - Summary of Significant Accounting Policies (Continued)

3. Expenditures and Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character: Current (further classified by function), Debt Service,
Capital Outlay
Proprietary Funds – By Operating and Non-Operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

G. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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. 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:

A. Fund Accounting Requirements

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

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

B. Fund Equity Restrictions

Deficit Prohibition

Title 11, Section 17-211 of Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. The Town complied with this statute in all material respects for the year ended June 30, 2011.

Town of Talala
Rogers County, Oklahoma
Notes to the Financial Statements
June 30, 2011

Note 2 - Stewardship, Compliance and Accountability (Continued)

C. Revenue Restrictions

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

Revenue SourceLegal Restrictions of Use

Gasoline Excise Tax	Street and Alley Purposes
Commercial Vehicle Tax	Street and Alley Purposes
Sewer Revenue Utility Operations	

For the year ended June 30, 2011 the Town complied, in all material respects, with those revenue restrictions.

D. Uninsured and uncollateralized Deposits

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

Deposits and Investment Laws and Regulations

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

- 1- Direct obligations of the U.S. Government, its agencies or instrumentalities to the payment of which the full faith and credit of the Government of the United States is pledged, or obligations to the payment of which the full faith and credit of this state is pledged;
- 2- Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions;
- 3- With certain limitation, negotiable certificates of deposit, prime bankers acceptance, prime commercial paper and repurchase agreements with certain limitations;
- 4- County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district;
- 5- Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligation of national mortgage associations;
- 6- Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c., and d.

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, 2011, the Town and its public trusts complied, in all material respects, with these investment restrictions.

Town of Talala
Rogers County, Oklahoma
Notes to the Financial Statements
June 30, 2011

Note 3 - Detailed Notes on Transactions Classes/Accounts

A. Cash and Investments

1. Custodial Credit Risk - Deposits

B. Accounts Receivable

Accounts receivable of the governmental activities consists of franchise tax, occupation tax, sales tax, motor vehicle collections and gasoline tax, and alcoholic beverage tax. Accounts receivable of the business-type activities consists of utilities receivable.

Accounts receivable as of June 30, 2011 is as follows:

Governmental Activities	Business-Type Activities	Total
<u>\$ 6,704.76</u>	<u>\$ 3,391.25</u>	<u>\$ 10,096.01</u>

Town of Talala
Rogers County, Oklahoma
Notes to the Financial Statements
June 30, 2011

Note 3 - Detailed Notes on Transactions Classes/Accounts (Continued)

C. Capital Assets

	Beginning		Ending	
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Governmental activities:				
<i>Capital assets being depreciated:</i>				
Building	\$ 90,370.00	\$	\$	\$ 90,370.00
Equipment	<u>103,456.11</u>	<u>33,850.54</u>		<u>137,306.65</u>
Total capital assets being depreciated	\$ <u>193,826.11</u>	\$ <u>33,850.54</u>	\$ <u>0.00</u>	\$ <u>227,676.65</u>
Less accumulated depreciation	<u>(90,417.66)</u>	<u>(20,500.36)</u>		<u>(110,918.02)</u>
Governmental activity capital assets, net	\$ <u><u>103,408.45</u></u>	\$ <u><u>13,350.18</u></u>	\$ <u><u>0.00</u></u>	\$ <u><u>116,758.63</u></u>
Business-type activities:				
<i>Capital assets being depreciated:</i>				
Sanitary sewer system	\$ 261,428.99	\$	\$	\$ 261,428.99
Waste water plant improvements	<u>111,000.00</u>			<u>111,000.00</u>
Total capital assets being depreciated	<u>372,428.99</u>	<u>0.00</u>	<u>0.00</u>	<u>372,428.99</u>
Less accumulated depreciation for:				
Sewer System and equipment	<u>(154,431.83)</u>	<u>(9,769.21)</u>		<u>(164,201.03)</u>
Business-type activity capital assets, net	\$ <u><u>217,997.16</u></u>	\$ <u><u>(9,769.21)</u></u>	\$ <u><u>0.00</u></u>	\$ <u><u>208,227.96</u></u>

D. Other Long-Term Debt

As required by the Oklahoma State Constitution, the Town (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval. For the year ended June 30, 2011, the Town incurred no such indebtedness.

Note 4 - Long Term Debt

A. Business Type Activities

As of June 30, 2011, the long-term debt, the authority had extinguished its debt with the Oklahoma Water Resources Board. The liability of \$9,359.23 was paid during the current year.

Town of Talala
Rogers County, Oklahoma
Notes to the Financial Statements
June 30, 2011

NOTE 4 - Long Term Debt (continued)

The Town entered into an equipment lease-purchase agreement with Welch State Bank on August 25, 2010 for the purchase of a police car, a 2010 Dodge Charger. The cost of the vehicle was \$28,700. The lease amount is \$14,734.54 and the term is for fifty months, with a rate of 3.91%

Note 5 – Sewer Revenue

Effective for the year ending June 30, 2010, the Talala Public Works Authority ended an agreement with the local rural water district whereby the district included the billing for sewer services with the monthly water bill. The Town now mails annual coupon books to its customers for submission of sewer payments directly to the Town. The Town continued this billing practice in the current year.

Note 6 – Fees and Transfer Charges

Talala Public Works Authority charges \$17.00 per month for each user connection. New users are charged \$200 per tap. Transfers are charged \$25.

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Report on Internal Control Over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Trustees

Town of Talala

We have audited the financial statements of Town of Talala, Rogers County, Oklahoma for the year ended June 30, 2011, and have issued our report thereon dated October 7, 2011. Town of Talala's management has not presented the Management's Discussion and Analysis required by the Governmental Accounting Standards Board (GASB) that the GASB has determined is necessary to supplement, although not required to be a part of, the basic financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Talala's, Rogers County, Oklahoma internal controls over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be significant deficiencies. A control deficiency 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 on a timely basis misstatements or noncompliance with applicable requirements of a governmental entity. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that (a) a material misstatement of the entity's financial statements, or (b) noncompliance with applicable governmental entities, that is more than inconsequential will not be prevented or detected. We consider the deficiencies in internal control described in the accompanying schedule of findings as items, 2011 - 1 and 2011 - 2 to be significant deficiencies.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Talala, Rogers County, Oklahoma financial statements are free of material misstatement, We performed tests of the compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

This report is intended for the information of the Board of Trustees, management, and State of Oklahoma and is not intended to be and should not be used by anyone other than these specified parties.

Kirkendall & Swindell CPAs, PLLC

October 7, 2011

Town of Talala
Rogers County, Oklahoma
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Prior Year Audit Findings:

Current Year Audit Findings :

Compliance

2010 – 1:

The Talala Public Works Authority's loan agreement with General Electric Credit Corporation, purchased by GMAC Commercial Mortgage, and subsequently by Capmark with no changes in the structure of the loan agreement, includes a covenant that requires \$85 per month to be set aside in the Debt Service Reserve Account until \$10,248 is accumulated, after which no further deposits are required.

As of June 30, 2011, Talala Public Works Authority has not set aside any of the required funds in a Debt Service Reserve Account, and a Debt Service Reserve Account has not been established.

Management Response:

At this point in the contract, the Town does not intend to establish the Debt Service Reserve Account to fulfill the requirements of the loan agreement. The loan will mature in 2011.

Internal Control Over Financial Reporting

2010 – 2: Segregation of Duties

Currently, individual responsible for receiving payments of the Town and of the Town are the same individuals who post the accounting records, deposit money, pay invoices, and reconcile bank accounts.

For the fiscal year ending June 30, 2011, lack of segregation of duties is a concern. Efficient and effective separation of duties is difficult to obtain without hiring additional personnel. However, the governing body and management need to be aware of the continued risk associated with this lack of segregation of duties, and attempt to exercise maximum oversight control over possible areas of risk, such as cash receipts and cash payments.

Management Response:

Due to financial constraints, hiring additional personnel is not feasible at this time. The governing body (Board) will continue to exercise oversight to minimize risk.

2010 - 3: SAS 115

A control deficiency 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 on a timely basis misstatements or noncompliance with applicable requirements of a governmental entity. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that (a) a material misstatement of the entity's financial statements, or (b) noncompliance with applicable governmental entities, that is more than inconsequential will not be prevented or detected. We consider the deficiencies describe below to be significant deficiencies:

The Town of Talala and the Talala Public Works Authority currently does not have the capability report their financial data reliably in accordance with generally accepted accounting principles. According to SAS No. 112, the inability to produce materially accurate financial statements is a significant control deficiency. Thus, there is a more than remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

Management Response:

Management is unable to implement steps to comply with SAS 115 at this time.

B. Questioned Costs

NONE

Town of Talala
Rogers County, Oklahoma
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Current Year Audit Findings :

Compliance

NONE

Internal Control Over Financial Reporting

2011 – 1: Segregation of Duties

Currently, individual responsible for receiving payments of the Town and of the Town are the same individuals who post the accounting records, deposit money, pay invoices, and reconcile bank accounts.

For the fiscal year ending June 30, 2011, lack of segregation of duties is a concern. Efficient and effective separation of duties is difficult to obtain without hiring additional personnel. However, the governing body and management need to be aware of the continued risk associated with this lack of segregation of duties, and attempt to exercise maximum oversight control over possible areas of risk, such as cash receipts and cash payments.

Management Response:

Due to financial constraints, hiring additional personnel is not feasible at this time. The governing body (Board) will continue to exercise oversight to minimize risk.

2011 - 2: SAS 115

A control deficiency 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 on a timely basis misstatements or noncompliance with applicable requirements of a governmental entity. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that (a) a material misstatement of the entity's financial statements, or (b) noncompliance with applicable governmental entities, that is more that inconsequential will not be prevented or detected. We consider the deficiencies describe below to be significant deficiencies:

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Management Response:

Management in unable to implement steps to comply with SAS 115 at this time.

B. Questioned Costs

NONE

OTHER SUPPORTING INFORMATION

Town of Talala
Rogers County, Oklahoma
Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balance
Budget and Actual - Regulatory Basis
Unaudited
For the Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Revenues:</u>			
Charges for services	\$ 163,040.00	\$ 152,857.54	\$ (10,182.46)
Taxes	74,905.00	98,089.96	23,184.96
Grants	6,681.00	6,681.00	0.00
Miscellaneous	<u>17,860.00</u>	<u>4,540.99</u>	<u>(13,319.01)</u>
Total revenues	<u>262,486.00</u>	<u>262,169.49</u>	<u>(316.51)</u>
<u>Expenditures</u>			
Personnel Services	163,122.00	112,818.05	50,303.95
Maintenance and Operations	98,639.00	116,927.16	(18,288.16)
Other Services and Charges	70,090.00	0.00	0.00
Capital Outlay	<u>0.00</u>	<u>33,850.54</u>	<u>(33,850.54)</u>
Total Expenditures	<u>331,851.00</u>	<u>263,595.75</u>	<u>(1,834.75)</u>
Excess of Revenues over/(under) expenditures	(69,365.00)	(1,426.26)	(67,938.74)
Fund Balance, beginning	<u>(92,064.00)</u>	<u>92,710.37</u>	<u>(184,774.37)</u>
Fund Balance, end of year	\$ <u><u>(161,429.00)</u></u>	\$ <u><u>91,284.11</u></u>	\$ <u><u>(252,713.11)</u></u>

The accompanying notes are an integral part of the combined financial statements.