

TOWN OF TALALA

TALALA, OK

FINANCIAL STATEMENTS AND AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2022

TOWN OF TALALA TALALA, OKLAHOMA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Town of Talala, Oklahoma

Opinions

I have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund, of the Town of Talala, Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Talala, Oklahoma's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund information of the Town of Talala, Oklahoma, as of June 30, 2022, and the respective changes in modified cash basis financial position, and where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1B.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. 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 Talala, 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 audit opinions.

Emphasis of Matter—Basis of Accounting

I draw attention to Note 1.B. 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 Talala, 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 Talala, 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.

Other Matters

Other Information

Management is responsible for the other information included in the annual report. The other information is comprised of the Schedule of Grant Funds but does not include the basic financial statements and my auditor's report thereon. My opinions on the basic financial statements do not cover the other information, and I do not express an opinion or any form of assurance thereon.

In connection with my audit of the basic financial statements, my responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, I conclude that an uncorrected material misstatement of the other information exists, I am required to describe it in my report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated October 28, 2022, on my consideration of the Town of Talala, Oklahoma'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 of Talala, Oklahoma'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 the Town of Talala, Oklahoma's internal control over financial reporting and compliance.

Regards,



Michael Green, CPA

Stilwell, Oklahoma
October 28, 2022

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

	Government Activities	Business-Type Activities	Totals
Assets			
Current assets			
Cash and cash equivalents	\$ 159,178	\$ 63,598	\$ 222,776
Total current assets	<u>159,178</u>	<u>63,598</u>	<u>222,776</u>
Noncurrent assets			
Capital assets:			
Equipment	291,407	527,609	819,016
Irrigation Field	-	87,720	87,720
Fencing at irrigation field	-	8,500	8,500
Less accumulated depreciation	(277,228)	(285,755)	(562,983)
Total noncurrent assets	<u>14,179</u>	<u>338,074</u>	<u>352,253</u>
Total assets	<u>173,357</u>	<u>401,672</u>	<u>575,029</u>
Liabilities			
Current liabilities			
Notes payable - current portion	-	7,200	7,200
Total current liabilities	<u>-</u>	<u>7,200</u>	<u>7,200</u>
Long-term liabilities			
Notes payable-long term portion	-	73,920	73,920
Total long term liabilities	<u>-</u>	<u>73,920</u>	<u>73,920</u>
Total liabilities	<u>- -</u>	<u>81,120 -</u>	<u>81,120</u>
Net position (Note 1.D.)			
Invested in capital assets	14,179	256,954	271,133
Restricted	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	<u>159,178</u>	<u>63,598</u>	<u>222,776</u>
Total net position	<u>\$ 173,357</u>	<u>\$ 320,552</u>	<u>\$ 493,909</u>

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

TOWN OF TALALA
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 Grants and Contracts	Capital Grants and Contracts	Primary Government		
					Governmental Activities	Business-type Activities	Totals
Governmental activities							
General Government	\$ 152,745	\$ 3,289	\$ 5,819	\$ -	\$ (143,637)	\$ -	\$ (143,637)
Police Department	39,548	56,371	-	-	16,823	-	16,823
Librarys	1,092	-	-	-	(1,092)	-	(1,092)
Streets	6,437	-	-	-	(6,437)	-	(6,437)
Total government activities	199,822	59,660	5,819	-	(134,343)	-	(134,343)
Business-type activities							
Sewer	50,082	54,352	79,277	-	-	83,547	83,547
Total business-type activities	50,082	54,352	79,277	-	-	83,547	83,547
Totals	\$ 249,904	\$ 114,012	\$ 85,096	\$ -	(134,343)	83,547	(50,796)
General revenues							
Sales tax					115,872	-	115,872
Use tax					33,507	-	33,507
Cigarette tax					917	-	917
Intergovernmental revenue not restricted to specific programs					3,483	-	3,483
Intergovernmental revenue restricted for streets & alleys					1,885	-	1,885
Franchise fees					13,353	-	13,353
Donations					2,717	-	2,717
Miscellaneous Income					7,814	-	7,814
Investment earnings					316	74	390
Transfers: In					-	-	-
Transfers: Out					-	-	-
Total general revenues and transfers					179,864	74	179,938
Change in net position					45,521	83,621	129,142
Net position, beginning of year					127,837	236,931	364,768
Net position, end of year				-	\$ 173,357	\$ 320,552	\$ 493,909

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

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

	General Fund	Total Governmental Funds
Assets		
Cash and cash equivalents	\$ 159,178	\$ 159,178
Restricted cash and cash equivalents	-	-
Total assets	<u>159,178</u>	<u>159,178</u>
Liabilities		
Current liabilities:		
Payable to other funds	-	-
Total current liabilities	<u>-</u>	<u>-</u>
Fund Balance (Note 1. D.)		
Restricted	-	-
Committed	-	-
Assigned	-	-
Unassigned	159,178	159,178
Total fund balances	<u>\$ 159,178</u>	<u>\$ 159,178</u>
Total liabilities and fund balances	<u>\$ 159,178</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 \$ 291,407

The accumulated depreciation is \$ 277,228

Net effect for reconciliation	\$ 14,179
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Net position of governmental activities	<u>\$ 173,357</u>
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The accompanying notes are an integral part of these financial statements.

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

	General Fund	Total Governmental Funds
Revenues:		
Sales tax	\$ 115,872	\$ 115,872
Use tax	33,507	33,507
Cigarette tax	917	917
Franchise tax	13,353	13,353
Intergovernmental	5,368	5,368
Fines	56,371	56,371
Grants	5,819	5,819
Charges for services	3,289	3,289
Donations	2,717	2,717
Miscellaneous Income	7,814	7,814
Investment income	316	316
Total revenues	<u>245,343</u>	<u>245,343</u>
Expenditures:		
General government:		
Personnel	60,632	60,632
Maintenance and Operations	129,396	129,396
Capital Outlay	5,769	5,769
Total expenditures	<u>195,797</u>	<u>195,797</u>
Excess of revenues over (under) expenditures	<u>49,546</u>	<u>49,546</u>
Net change in fund balance	49,546	49,546
Fund balances, Beginning of year	<u>109,632</u>	<u>109,632</u>
Fund balances, End of year	<u><u>\$ 159,178</u></u>	<u><u>\$ 159,178</u></u>

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

TOWN OF TALALA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - 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	\$	49,546
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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:

Depreciation		(9,794)
Capital Outlay		5,769

Change in net position of governmental activities	\$	<div style="border-top: 1px solid black; border-bottom: 3px double black; padding: 2px 0;">45,521</div>
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The accompanying notes are an integral part of these financial statements.

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

	Public Works Authority Enterprise Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 63,598
Restricted cash and cash equivalents	-
Total current assets	<u>63,598</u>
Noncurrent assets	
Capital assets:	
Equipment	527,609
Fencing at Irrigation Field	8,500
Irrigation Field and Improvements	87,720
Less accumulated depreciation	<u>(285,755)</u>
Total noncurrent assets	<u>338,074</u>
Total assets	<u>401,672</u>
Liabilities	
Current liabilities	
Notes payable - current portion	<u>7,200</u>
Total current liabilities	<u>7,200</u>
Long-term liabilities	
Notes payable-long term	<u>73,920</u>
Total long-term liabilities	<u>73,920</u>
Total liabilities	<u>81,120</u>
Net position	
Invested in capital assets	256,954
Restricted for debt service	-
Unrestricted	<u>63,598</u>
Total net position	<u>\$ 320,552</u>

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

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

	Public Works Authority Enterprise Fund
Operating revenue	
Charges for services:	
Sewer	\$ 54,352
Total operating revenue	<u>54,352</u>
 Operating expenses:	
Salaries and Contracted Services	7,824
Other supplies and expenses	18,432
Utilities	1,724
Repairs and Maintenance	6,383
Depreciation	15,719
Total operating expenses	<u>50,082</u>
 Net operating income (loss)	<u>4,270</u>
 Nonoperating revenue (expense)	
Investment income	74
Interest expense	-
Grant income	55,000
ARPA Grant income	24,277
Other income	-
Total nonoperating revenue (expense)	<u>79,351</u>
 Net income (loss) before transfers	83,621
 Operating transfers: In	-
Operating transfers: Out	<u>-</u>
 Net change in net position	83,621
 Net position beginning of year	<u>236,931</u>
 Net position end of year	<u><u>\$ 320,552</u></u>

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

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

	Public Works Authority Enterprise Fund
Cash flows from operating activities	
Receipts from customers	\$ 54,352
Payments to suppliers	(26,539)
Payments to employees	(7,824)
Net cash provided (used) by operating activities	<u>19,989</u>
Cash flows from capital and related financing activities	
Purchase of capital assets	(149,220)
Capital debt issued	84,120
Principal paid on capital debt	(3,000)
Net cash provided (used) by capital related financing activities	<u>(68,100)</u>
Cash flows from investing activities	
Grant revenue	79,277
Interest income	74
Net cash provided by investing activities	<u>79,351</u>
Net increase (decrease) in cash and cash equivalents	31,240
Cash balance beginning of year	<u>32,358</u>
Cash balance end of year	<u><u>\$ 63,598</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	4,270
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Cash flows reported in other categories:	
Depreciation expense	15,719
Change in assets and liabilities:	
Accounts receivable	-
Accounts payable	-
Net cash provided by operating activities	<u><u>\$ 19,989</u></u>

The accompanying notes are an integral part of these financial statements

TOWN OF TALALA
NOTES TO THE FINANCIAL STATEMENTS
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 Talala, 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 Talala
Blended Component Unit:	Talala Public Works Authority

The component unit is a public trust 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

The Talala Public Works Authority was created 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.

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

TOWN OF TALALA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

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

The Town does not have any non-major funds.

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.

TOWN OF TALALA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

PROPRIETARY FUNDS

Enterprise Fund

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

Talala Public Works Authority – an enterprise fund that accounts for the operation of the sewer 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 New Budget Act, for the year ended June 30, 2022.

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.

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.

INVENTORIES

The cost of consumable materials and supplies on hand are immaterial to the financial statements, and the Town has therefore chosen to report these items as expenditures at the time of purchase.

CAPITAL ASSETS

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and similar discretely presented component unit operations and whether they are reported in the government-wide or fund financial statements.

TOWN OF TALALA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

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. And, under GASB No. 34, small towns are not required to retroactively report infrastructure assets, and the Town of Talala has elected not to retroactively report. Infrastructure assets in governmental funds acquired since July 1, 2003, are recorded at cost.

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 \$ 500 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

	<u>Years</u>
Buildings	40-60
Building Improvements	10-25
Utility property and improvements	10-50
Infrastructure	25-50
Equipment	3-20

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 governmental funds are the motor vehicle tax and gasoline excise tax, related to the Street and Alley Department.

LONG-TERM DEBT

The accounting treatment of long-term debt 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. All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists of notes payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

COMPENSATED ABSENCES

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

TOWN OF TALALA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

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:

- a. *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
- b. *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.

TOWN OF TALALA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

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

Fund Balance:	General Fund
Invested in capital assets, net of related depreciation	\$ 14,179
Unassigned	159,178
Total Fund Balances	<u>\$ 173,357</u>

1.E. REVENUES, EXPENDITURES, AND EXPENSES

SALES TAX

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

USE TAX

The Town levies a use tax on personal property purchased outside the city limits but stored, used, or consumed within the Town. The use tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission, which is one month after the tax is received from the vendors. The use tax is allocated entirely to the General Fund.

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.

General Government	Permit Fees
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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.

TOWN OF TALALA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

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 the Town's deposits were fully insured or collateralized as of June 30, 2022.

NOTE 3. DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS

3.A. DEPOSITS AND INVESTMENTS

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town is governed by the State Public Deposit Act which requires that the Town obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and if held by either a counterparty or a counterparty's trust department or agent, but not in the government's name. As of June 30, 2022, the Town held deposits of \$ 141,991 at financial institutions. The Town's cash deposits, including interest-bearing certificates of deposit and savings accounts, are entirely covered by Federal Depositary Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the Town or by its agent in the Town's name..

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.

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

TOWN OF TALALA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

- a. Direct obligations of the U.S. Government, its agencies, and 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 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.
- 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.

Concentration of Credit Risk – The Town places no limit on the amount it may invest in any one issuer.

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 complied, in all material respects, with these investment restrictions.

3.B. RESTRICTED ASSETS

There are no restricted assets as of June 30, 2022

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
Sewer revenue	

3.D. CAPITAL ASSETS

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

TOWN OF TALALA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Governmental activities:				
<i>Capital assets being depreciated</i>				
Buildings and Equipment	\$ 285,638	\$ 5,769	-	291,407
Less accumulated depreciation	(267,433)	(9,795)		(277,228)
Governmental activity capital assets, net	<u>\$ 18,205</u>	<u>\$ (4,026)</u>	<u>\$ -</u>	<u>\$ 14,179</u>
Business-type assets:				
<i>Capital assets being depreciated</i>				
Sewer system and equipment	\$ 474,609	53,000	-	527,609
Improvements at irrigation field	-	8,500	-	8,500
Irrigation Field	-	87,720	-	87,720
Less accumulated depreciation	(270,035)	(15,719)		(285,754)
Business-type activity capital assets, net	<u>\$ 204,574</u>	<u>\$ 133,501</u>	<u>\$ -</u>	<u>\$ 338,075</u>

3.E. LONG-TERM DEBT

Governmental Activities:

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, 2022, the Town incurred no such indebtedness

Business-type Activities:

For the year ended June 30, 2022, the Authority entered into an agreement with CHC Investments, LLC for the purchase of 22.29 acres. The loan payment is \$600.00 per month and carries a 0% interest rate. Below is the change in long-term debt.

Type of Debt	Balance 6/30/2021	Additions	Reductions	Balance 6/30/2022	Amount Due Within One Year
Business Type Activities:					
CHC Investments, LLC	\$ -	\$ 84,120	\$ (3,000)	\$ 81,120	\$ 7,200
Total Business Type Activities:	<u>\$ -</u>	<u>\$ 84,120</u>	<u>\$ (3,000)</u>	<u>\$ 81,120</u>	<u>\$ 7,200</u>

TOWN OF TALALA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

Long- term debt service requirements to maturity are as follows:

Notes Payable:	Principal
2023	\$ 7,200
2024	\$ 7,200
2025	\$ 7,200
2026	\$ 7,200
2027	\$ 7,200
2028-2032	36,000
2033-2037	9,120
	<u>\$ 81,120</u>

3.F. INTERFUND TRANSFERS AND BALANCES

INTERFUND TRANSFERS

There were no interfund transfers during the year ended June 30, 2022.

NOTE 4: OTHER NOTES

4.A. PENSION PLAN PARTICIPATION

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

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

TOWN OF TALALA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

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 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

During March 2020, the World Health Organization declared a pandemic with the outbreak of the COVID-19 and declared a “Public Health Emergency of International Concern”. The U.S. Government and local governmental authorities implemented procedures to attempt to contain the virus and lessen its impact. The spread of this virus has caused business interruptions that are expected to continue for the foreseeable future. During fiscal 2021 and the first half of 2022, the pandemic continued to interrupt supply chains all across the world as well as local businesses and processes. The extent of the impact of COVID-19 on the Organization’s operational and financial performance has not yet been determined. As such, these financial statements do not include any adjustments that might result from the outcome of this uncertainty.

4.D. GRANTS

During the prior year, a grant was awarded from Rural Economic Action Plan (REAP) in the amount of \$ 36,378. This grant came through the Grand Gateway Economic Development Association (GGEDA). The amount expended this current fiscal year was \$ 8,000. During the current year, a grant was awarded in the amount of \$47,000. The amount awarded and expended during the current year was \$47,000.

During the prior year, a grant was awarded from TSET in the amount of \$ 10,000 and was all expended during this current fiscal year.

4.E. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 28, 2022, which is the date the financial statements were available to be issued.

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 Board of Trustees
Town of Talala, 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, and each major fund, of the Town of Talala, 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 my report thereon dated October 28, 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.

Report on 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.

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

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

Report on 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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,

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

Michael Green, CPA
October 28, 2022

**TOWN OF TALALA
SCHEDULE OF GRANT FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

<u>Federal/State Grantor/ Pass Through Grantor/ Program Title</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>	<u>Contract Receipts Revenue Recognized</u>	<u>Contract Disbursements Expenditures</u>
<u>Tobacco Settlement endowment Trust</u>				
Passed through the State of Oklahoma				
		\$ 10,000	-	10,000
<u>Rural Economic Action Plan Grant</u>				
Passed through Grand Gateway Economic Development Association # 2020-2021 REAP		\$ 36,378	\$ 8,000	\$ 8,000
Passed through Grand Gateway Economic Development Association # 2021-2022 REAP		\$ 50,000	\$ 47,000	\$ 47,000