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*Town of Talala*  
*Rogers County, Oklahoma*

Independent Auditor's Report and Financial Statements

For the Fiscal Year Ended  
June 30, 2013

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*Town of Talala*  
*Rogers County, Oklahoma*

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# ***Violet F. Kirkendall CPA, P.C.***

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*405 W. Claremore St.*

*Claremore, OK 74017*

*(918) 342-5474*

## *Independent Auditor's Report*

Board of Trustees  
Town of Talala

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Talala, Rogers County, Oklahoma as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the Town of Talala, Rogers County, Oklahoma's basic financial statements as listed in the table of contents.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

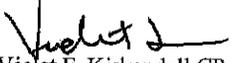
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depends on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

In my 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, each major fund, and the aggregate remaining fund information of the Town of Talala, Rogers County, Oklahoma as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with managements responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

In accordance with Government Auditing Standards, I have also issued my report dated August 29, 2013 on my consideration of the Town of Talala, Rogers County, Oklahoma internal control over financial reporting and my tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting or on compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Talala, Rogers County, Oklahoma's internal control over financial reporting and compliance.

  
Violet F. Kirkendall CPA, PC

August 29, 2013

**Town of Talala**  
Management Discussion & Analysis  
Unaudited  
For the Year Ended June 30, 2013

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, 2013. 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, 2013 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 Hall was updated in November 2012 with the help of town employees the cost was able to be kept to a lower cost of \$16,650 and the cost was shared equally between the Town and Public Works Authority.
- The Town also purchased new street signs which were purchased and installed in August and September 2012 at a cost of \$3,400.
- The Public Works Authority entered a contract to purchase the twenty acre irrigation filed with CHC Investments, LLC. Payments of \$866.66 started March 3, 2013 and will be required for 36 months at 0% interest.
- The Public Works Authority opened an Investors Account in August 2012 to obtain a better interest rate on deposits.
- The Public Works Authority customers are maintained in Quickbooks and accounted for by the Town Treasurer.
- There have not been any changes in personnel during the current fiscal year.

***Town of Talala***  
**Management Discussion & Analysis (Continued)**  
**Unaudited**  
**For the Year Ended June 30, 2013**

**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:

	<u>Government-Wide Statements</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
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, 2013

**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, 2013**

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 or whether its financial health of whether its financial health is improving or deteriorating.

The Town’s total Net Assets at the end of the fiscal year were \$438,463. 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	
	6/30/2011	6/30/2013	6/30/2011	6/30/2013
Current and other assets	\$ 116,562.49	\$ 108,380.35	\$ 13,001.93	\$ 25,029.19
Capital assets (net)	116,758.63	115,499.93	208,227.95	197,860.24
<b>Total Assets</b>	<b>\$ 233,321.12</b>	<b>\$ 223,880.38</b>	<b>\$ 221,229.88</b>	<b>\$ 222,889.43</b>
Current liabilities	\$ 9,689.53	\$ 5,906.79	\$ 2,400.00	\$ 2,400.00
Long term liabilities	14,734.85	0	0.00	-
<b>Total Liabilities</b>	<b>\$ 24,424.38</b>	<b>\$ 5,906.79</b>	<b>\$ 2,400.00</b>	<b>\$ 2,400.00</b>
<b>Net Assets</b>				
Invested in Capital Assets	\$ 116,758.63	\$ 115,499.93	\$ 208,227.95	\$ 197,860.24
Restricted	2,912.49	217.03	0.00	-
Unrestricted	89,225.62	102,256.53	10,601.93	22,629.19
<b>Total Net Assets</b>	<b>\$ 208,896.74</b>	<b>\$ 217,773.49</b>	<b>\$ 218,829.88</b>	<b>\$ 220,489.43</b>

*Town of Talala*  
Management Discussion & Analysis (Continued)  
Unaudited  
For the Year Ended June 30, 2013

**TABLE 2**  
**CHANGES IN NET ASSETS**

	Governmental Activities		Business-Type Activities	
	6/30/2011	6/30/2013	6/30/2011	6/30/2013
Revenues				
Charges for services	\$ 153,935.16	\$ 158,228.70	\$ 27,981.77	\$ 23,213.22
Operating grants and contributions	8,295.00	4,743.00	0.00	0.00
Capital grants and contributions	0.00	0.00	0.00	0.00
General Revenues				
Sales tax	78,908.39	77,302.54	0.00	0.00
Other taxes	19,181.57	22,198.83	0.00	0.00
Other general revenues	1,848.73	1,096.67	15.80	178.44
Total revenues	\$ 262,168.85	\$ 263,569.70	\$ 27,997.57	\$ 23,391.66
Expenses				
General	\$ 64,647.29	\$ 151,018.78	\$ 0.00	\$ 0.00
Police/Public Safety	152,211.14	90,490.78	0.00	0.00
Library	18,333.50	5,175.41	0.00	0.00
Streets	14,199.64	6,793.79	0.00	0.00
Utilities	0.00	0.00	27,568.17	21,732.11
Total expenses	\$ 249,391.57	\$ 253,478.76	\$ 27,568.17	\$ 21,732.11
Increase (decrease) in net assets	\$ 12,777.28	\$ 10,090.94	\$ 429.40	\$ 1,659.55

As Table 2 indicates, the governmental activities resulted in an increase of \$10,091 in net assets compared to a increase in prior year of \$12,777. The business-type activities resulted in an increase in net assets of \$1,660 compared to prior year's increase of \$429.

*Town of Talala*  
Management Discussion & Analysis (Continued)  
Unaudited  
For the Year Ended June 30, 2013

**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>Revenues:</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Charges for services	\$ 173,306.00	\$ 158,228.70	\$ (10,182.46)
Taxes	98,833.00	98,625.13	23,184.96
Grants	0.00	4,743.00	0.00
Miscellaneous	<u>1,181.00</u>	<u>1,096.63</u>	<u>(13,319.01)</u>
Total revenues	<u>273,320.00</u>	<u>262,693.46</u>	<u>(316.51)</u>
<u>Expenditures</u>			
Personnel Services	140,446.00	113,125.03	27,320.97
Maintenance and Operations	122,334.00	123,553.40	(1,219.40)
Capital Outlay	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Expenditures	<u>262,780.00</u>	<u>262,741.75</u>	<u>26,101.57</u>
Excess of Revenues over/(under) expenditures	<u>\$ 10,540.00</u>	<u>\$ 26,015.03</u>	<u>\$ 15,475.03</u>

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 increased \$26,015 in the current year.

*Town of Talala*  
Management Discussion & Analysis (Continued)  
Unaudited  
For the Year Ended June 30, 2013

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The Town and the Authority's investment in capital assets as of June 30, 2013 amounted to \$313,360 (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 fort the Town's assets are detailed below.

Additions	\$ 20,567.55
Disposals	0.00
Depreciation	<u>(33,809.46)</u>
Decrease	<u>\$ (13,241.91)</u>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

In 2013, 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.

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**Town of Talala**  
**Rogers County, Oklahoma**  
*Statement of Net Assets – Government Wide*  
June 30, 2013

	Primary Government		Totals
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 85,042.94	\$ 17,829.41	\$ 102,872.35
Prepaid Assets	1,574.80	0.00	1,574.80
Accounts and Other Receivables	0.00	5,487.31	5,487.31
Due from other Governments	8,969.71	0.00	8,969.71
Total Current Assets	95,587.45	23,316.72	118,904.17
Non-current Assets:			
Capital Assets:			
Property, Plant and Equipment, net	108,462.39	257,229.33	365,691.72
Total Assets	204,049.84	280,546.05	484,595.89
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	7,221.83	0.00	7,221.83
Other Current Liabilities:			
Amounts due in less than one year	0.00	10,399.92	10,399.92
Total Current Liabilities	7,221.83	10,399.92	17,621.75
Long Term Liabilities:			
Note Payable	0.00	48,533.44	48,533.44
Total Liabilities	7,221.83	58,933.36	66,155.19
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	108,462.39	198,295.97	306,758.36
Reserved for a specific purpose	208.65	0.00	208.65
Unrestricted	88,156.97	23,316.72	111,473.69
Total Net Assets	\$ 196,828.01	\$ 221,612.69	\$ 418,440.70

*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, 2013

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	\$ 81,289.30	\$ 97.00	\$	\$	\$ (81,192.30)																
Police Department	167,172.95	141,796.68	8,491.77		(16,884.30)																
Library	8,556.74	384.55	4,269.00		(3,903.19)																
Streets	11,922.38				(11,922.38)																
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>268,941.37</b>	<b>142,278.23</b>	<b>12,760.77</b>	<b>0.00</b>	<b>(113,902.37)</b>																
<i>Business Type Activities</i>																					
Sewer	23,999.56	25,942.82	0.00	0.00	1,943.26																
<b>TOTAL</b>	<b>\$ 292,940.93</b>	<b>\$ 168,221.05</b>	<b>\$ 12,760.77</b>	<b>\$ 0.00</b>	<b>\$ (111,959.11)</b>																
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">Primary Government</th> <th style="text-align: center;">Business- Type</th> <th style="text-align: center;">Totals</th> </tr> <tr> <th></th> <th style="text-align: center;">Governmental Activities</th> <th style="text-align: center;">Activities</th> <th></th> </tr> </thead> <tbody> <tr> <td>Changes in Net Assets:</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Net (expense) revenue</td> <td style="text-align: right;">\$ (113,902.37)</td> <td style="text-align: right;">\$ 1,943.26</td> <td style="text-align: right;">\$ (111,959.11)</td> </tr> </tbody> </table>							Primary Government	Business- Type	Totals		Governmental Activities	Activities		Changes in Net Assets:				Net (expense) revenue	\$ (113,902.37)	\$ 1,943.26	\$ (111,959.11)
	Primary Government	Business- Type	Totals																		
	Governmental Activities	Activities																			
Changes in Net Assets:																					
Net (expense) revenue	\$ (113,902.37)	\$ 1,943.26	\$ (111,959.11)																		
General revenues:																					
Taxes:																					
Sales Taxes			76,476.61		76,476.61																
Cigarette Tax			966.00		966.00																
Franchise Tax			6,909.80		6,909.80																
Use Tax			8,182.35		8,182.35																
Alcoholic Beverage Tax			1,576.72		1,576.72																
Other Income			250.13		250.13																
Restricted for transportation purposes:																					
Motor Vehicle Tax			1,913.91		1,913.91																
Gasoline Tax			546.99		546.99																
Interest Income			617.71		617.71																
<b>Total General Revenues</b>			<b>97,440.22</b>	<b>0.00</b>	<b>97,440.22</b>																
Change in Net Assets			(16,462.15)	1,943.26	(14,518.89)																
Net Assets-beginning			213,290.16	219,669.43	438,463.22																
Net Assets-ending			<b>\$ 196,828.01</b>	<b>\$ 221,612.69</b>	<b>\$ 418,440.70</b>																

*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, 2013

	General Fund	Other Governmental Funds	Totals
<b>ASSETS</b>			
Cash	\$ 85,042.94	\$ 0.00	\$ 85,042.94
Prepaid Assets	1,574.80	0.00	1,574.80
Due from other Governments	8,761.06	208.65	8,969.71
Total Assets	\$ 95,378.80	\$ 208.65	\$ 95,587.45
<b>LIABILITIES &amp; FUND EQUITY</b>			
Liabilities:			
Accounts payable	\$ 7,221.83	\$ 0.00	\$ 7,221.83
Fund Equity:			
Reserved for a specific purpose	0.00	208.65	208.65
Unreserved	88,156.97	0.00	88,156.97
Total Fund Equity	88,156.97	208.65	88,365.62
Total Liabilities & Fund Equity	\$ 95,378.80	\$ 208.65	\$ 95,587.45

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

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*Town of Talala*  
*Rogers County, Oklahoma*  
*Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets*  
For the Year Ended June 30, 2013

**Total Fund Balances – Governmental Funds** \$ 88,365.62

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. 108,462.39

**Net Assets of Governmental Activities** \$ 196,828.01

*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, 2013

	General Fund	Other Governmental Funds	Totals
<b>REVENUES</b>			
Charges for Services	\$ 384.55	\$	\$ 384.55
Fines	141,796.68		141,796.68
Investment Income	616.33	1.38	617.71
Grants	12,760.77		12,760.77
Taxes	94,111.48	2,460.90	96,572.38
Other Income	347.13		347.13
<b>Total Revenues</b>	<u>250,016.94</u>	<u>2,462.28</u>	<u>252,479.22</u>
<b>EXPENDITURES</b>			
Personnel Services	120,825.64		120,825.64
Maintenance and Operation	119,217.00	11,922.38	131,139.38
Capital Outlay (Net)	12,153.50		12,153.50
<b>Total Expenditures</b>	<u>252,196.14</u>	<u>11,922.38</u>	<u>264,118.52</u>
Net Change in Fund Balance	(2,179.20)	(9,460.10)	(11,639.30)
Fund Balance - Beginning of Year	90,336.17	9,668.75	100,004.92
Fund Balance - End of Year	<u>\$ 88,156.97</u>	<u>\$ 208.65</u>	<u>\$ 88,365.62</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, 2013

**Net Change in Fund Balances – Total Governmental Funds** \$ (11,639.30)

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	12,153.50
Depreciation expense	<u>(16,976.35)</u>

**Change in Net Assets of Governmental Activities** \$ (16,462.15)

*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, 2013

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 17,829.41
Accounts receivable	<u>5,487.31</u>
Total Current Assets	23,316.72

Non-current Assets:

Capital Assets:

Property, Plant and Equipment, net of accumulated depreciation	<u>257,229.33</u>
Total Assets	280,546.05

**LIABILITIES**

Current Liabilities:

Current Portion of Notes Payable	10,399.92
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Long Term Liabilities:

Notes Payable	<u>48,533.44</u>
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Total Liabilities	<u>58,933.36</u>
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**NET ASSETS**

Invested in capital assets	198,295.97
Unrestricted	<u>23,316.72</u>
Total Net Assets	<u>\$ 221,612.69</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, 2013*

**Operating Revenues:**

Sales - Sewer	\$ <u>25,904.32</u>
---------------	---------------------

**Operating Expenses:**

Administrative Fee	429.60
Office Expenses	1,005.04
Legal Expenses	175.00
Bank Fees	127.71
Depreciation	10,517.91
Lease Expense	7,200.00
Salaries and Contracted Services	633.00
Insurance	200.00
Utilities	1,335.41
Repairs and maintenance	<u>2,375.89</u>
Total Operating Expenses	<u>23,999.56</u>
 Operating Income	 <u>1,904.76</u>

**Non-Operating Revenues (Expenses):**

Interest revenues	<u>38.50</u>
 Change in Net Assets	 1,943.26
Total Net Assets-Beginning	<u>219,669.43</u>
Total Net Assets-Ending	<u>\$ 221,612.69</u>

*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, 2013

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from customers	\$ 22,497.24
Expenses paid for operations and services	<u>(13,865.89)</u>
Net Cash Provided (Used) by Operating Activities	<u>8,631.35</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

Other	<u>0.00</u>
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**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Loan Proceeds	62,400.00
Purchase of Fixed Assets	(70,779.50)
Principal Payments on Loan	<u>(3,466.64)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(11,846.14)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Interest and dividends on investments	<u>0.00</u>
---------------------------------------	-------------

Net increase (decrease) in cash	(3,214.79)
Cash and cash equivalents, beginning of year	<u>21,044.20</u>
Cash and cash equivalents, end of year <i>(Note 1)</i>	<u>\$ 17,829.41</u>

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

Operating income (loss)	\$ 1,904.76
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	10,517.91
Net changes in assets and liabilities:	
Increase (Decrease) in Accounts Payable	(2,400.00)
(Increase) Decrease in Accounts receivable	<u>(1,391.32)</u>
Net cash provided (used) by operating activities	<u>\$ 8,631.35</u>

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

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NOTES TO THE FINANCIAL STATEMENTS

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*Town of Talala*  
*Rogers County, Oklahoma*  
*Notes to the Financial Statements*  
June 30, 2013

**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.

<b>Component Unit</b>	<b>Brief Description/Inclusion Criteria</b>	<b>Reporting</b>
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, 2013

**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, 2013

**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:

<i>Major:</i>	General fund
	Proprietary Fund: Talala Public Works Authority
<i>Non-Major:</i>	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.

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, 2013

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

**D. Measurement Focus, Basis of Accounting (Continued)**

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**

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.

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, 2013

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

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.

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, 2013

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

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.

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**

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".

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, 2013

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

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, 2013.

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*Town of Talala*  
*Rogers County, Oklahoma*  
*Notes to the Financial Statements*  
June 30, 2013

**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:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Gasoline Excise Tax	Street and Alley Purposes
Commercial Vehicle Tax	Street and Alley Purposes
Sewer Revenue Utility Operations	

For the year ended June 30, 2013 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, 2013, 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, 2013

**Note 3 - Detailed Notes on Transactions Classes/Accounts**

**A. Cash and Investments**

State statutes govern the Town's investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Investments are stated at cost. The Town invests entirely in certificates of deposit.

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town's cash deposits, including interest-bearing certificates of deposits, are maintained in financial institutions. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2013, none of the Town's investments were exposed to custodial credit risk because there were uninsured or uncollateralized.

**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, 2013 is as follows:

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ 8,969.71	\$ 5,487.31	\$ 14,457.02

*Town of Talala*  
*Rogers County, Oklahoma*  
*Notes to the Financial Statements*  
June 30, 2013

**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>
<b>Governmental activities:</b>				
<i>Capital assets being depreciated:</i>				
Building	\$ 120,799.63	\$	\$	\$ 120,799.63
Equipment/Fixtures	<u>127,444.43</u>	<u>12,153.50</u>	<u></u>	<u>139,597.93</u>
Total capital assets being depreciated	<u>248,244.06</u>	<u>\$ 12,153.50</u>	<u>\$ 0.00</u>	<u>260,397.56</u>
Less accumulated depreciation	<u>(134,958.82)</u>	<u>\$ (16,976.35)</u>	<u>\$ 0.00</u>	<u>(151,935.17)</u>
Governmental activity capital assets, net	<u>\$ 113,285.24</u>			<u>\$ 108,463.08</u>
<b>Business-type activities:</b>				
<i>Capital assets being depreciated:</i>				
Sanitary sewer system/irrigation system	\$ 259,938.00	\$ 63,292.50	\$	\$ 323,230.50
Waste water plant improvements/furniture	<u>111,000.00</u>	<u>7,487.00</u>	<u></u>	<u>118,487.00</u>
Total capital assets being depreciated	<u>370,938.00</u>	<u>\$ 70,779.50</u>	<u>\$ 0.00</u>	<u>441,717.50</u>
Less accumulated depreciation for:				
Sewer System and equipment	<u>(173,970.71)</u>	<u>\$ (10,517.91)</u>	<u>\$ 0.00</u>	<u>(184,488.17)</u>
Business-type activity capital assets, net	<u>\$ 196,967.29</u>			<u>\$ 257,229.33</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, 2013, the Town incurred no such indebtedness.

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*Town of Talala*  
*Rogers County, Oklahoma*  
*Notes to the Financial Statements*  
June 30, 2013

**A. Business Type Activities**

**Note 4 – 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 5 – 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.

**Note 6 – Note Payable**

Talala Public Works Authority entered into a contract for deed agreement with CHC Investments, LLC beginning March, 2013. The agreement is for the purchase of the twenty acre irrigation field in the amount of \$62,400 with payments of \$866.66 per month for 36 months at 0% interest rate.

***Violet F. Kirkendall CPA, P.C.***

*Certified Public Accountant*

*405 W. Claremore St.*

*Claremore, OK 74017*

*(918) 342-5474*

**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

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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Talala, Rogers County, Oklahoma as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise which comprise Town of Talala, Rogers County, Oklahoma basic financial statements, and have issued my report thereon dated August 29, 2013.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the Town of Talala, Rogers County, Oklahoma internal control over financial reporting in order to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but, not for the purpose of expressing an opinion on the effectiveness of the Town of Talala, Rogers County, Oklahoma internal control.

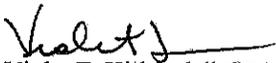
*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination 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 the 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 I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompany schedule of audit findings that I consider to be significant deficiencies as Findings 2013-1 and 2013-2

**Compliance**

As part of obtaining reasonable assurance about whether the Town of Talala, Rogers County, Oklahoma financial statements are free of material misstatement, I 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, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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



Violet F. Kirkendall CPA, P.C.

August 29, 2013

**Town of Talala**  
**Rogers County, Oklahoma**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2013

**Prior Year Audit Findings:**  
**Compliance**

NONE

**Internal Control Over Financial Reporting**

**2012 – 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, 2013, 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.

**2012 - 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 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. 115, 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 in unable to implement steps to comply with SAS 115 at this time.

**Town of Talala**  
**Rogers County, Oklahoma**  
Schedule of Findings and Questioned Costs (cont.d)  
For the Year Ended June 30, 2013

**Current Year Audit Findings :**

**Compliance**

NONE

**Internal Control Over Financial Reporting**

**2013 – 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, 2013, 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.

**2013 - 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:

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. 115, 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 that inconsequential will not be prevented or detected.

**Management Response:**

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

**B. Questioned Costs**

NONE