

ACCOUNTANT'S AUDIT REPORT

TOWN OF TERRAL

JUNE 30, 2012

BY



Town of Terral
Terral, Oklahoma
Year Ended June 30, 2012

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Town of Terral
Terral, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Terral, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Terral, Oklahoma's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Terral, Oklahoma, as of June 30 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2013, on our consideration of the Terral, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require the budgetary comparison information on page 23 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. We 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 management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Town has not presented the Management's Discussion and Analysis required by the Governmental Accounting Standards Board (GASB) that the GASB has determined is necessary to supplement the basic financial statements.



FURRH & ASSOCIATES, PC

Certified Public Accountants

November 11, 2013

Town of Terral, Oklahoma

Statement of Net Assets

(Modified Cash Basis)

June 30, 2012

	<u>Governmental Activities</u>	<u>Primary Government Business Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 13,050	\$ 8,323	\$ 21,373
Certificates of Deposits	0	100,563	100,563
Capital Assets	115,326	1,611,718	1,727,044
Accumulated Depreciation	(41,140)	(772,943)	(814,083)
 Total Assets	 <u>\$ 87,236</u>	 <u>\$ 947,661</u>	 <u>\$ 1,034,897</u>
<u>Liabilities</u>			
Note Payable	\$ 0	\$ 10,508	\$ 10,508
Note Payable-Long Term	0	318,073	318,073
Insurance Payable	0	2,262	2,262
Accounts Payable	0	8,249	8,249
 Total Liabilities	 <u>0</u>	 <u>339,092</u>	 <u>339,092</u>
<u>Net assets</u>			
Invested in Capital, Net of Related Debt	74,186	838,775	912,961
Restricted	0	32,456	32,456
Unrestricted	13,050	(262,662)	(249,612)
 Total Net Assets	 <u>87,236</u>	 <u>608,569</u>	 <u>695,805</u>
 Total Net Assets and Liabilities	 <u>\$ 87,236</u>	 <u>\$ 947,661</u>	 <u>\$ 1,034,897</u>

Please see accompanying notes to the financial statements.

Town of Terral, Oklahoma
Statement of Activities
(Modified Cash Basis)
Year Ended June 30, 2012

	Program Revenues			Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Primary Government							
Governmental Activities:							
General Government	\$ 30,780	\$ 0	\$ 5,803	\$ 0	\$ (24,977)	\$ 0	\$ (24,977)
Public Safety	25,117	0	0	0	(25,117)	0	(25,117)
Street and Public Works	4,105	0	0	0	(4,105)	0	(4,105)
Culture and Recreation	3,186	0	0	0	(3,186)	0	(3,186)
Total Governmental Activities	63,188	0	5,803	0	(57,385)	0	(57,385)
Business Type Activities:							
Water	90,454	80,962	0	0	0	(9,492)	(9,492)
Garbage	58,674	52,517	0	0	0	(6,157)	(6,157)
Sewer	14,051	12,577	0	0	0	(1,474)	(1,474)
Total Business Type Activities	163,179	146,056	0	0	0	(17,123)	(17,123)
Total Primary Government	\$ 226,367	\$ 146,056	\$ 5,803	\$ 0	(57,385)	(17,123)	(74,508)

General Revenue		Net (Expense) Revenue and Changes in Net Assets	
Taxes:		Primary Government	
Sales & Use Taxes	23,421		
Franchise Taxes	7,100		
Gasoline Tax	722		
Vehicle tax	2,592		
Alcoholic Beverage Tax	5,866		
Investment Income	33		
Miscellaneous	14,145		
Transfers	(47,569)		
Total General Revenue	6,310	48,384	54,694
Change in Net Assets	(51,075)	31,261	(19,814)
Net Assets, June 30, 2011	138,311	577,308	715,619
Net Assets, June 30, 2012	\$ 87,236	\$ 608,569	\$ 695,805

Town of Terral, Oklahoma
Balance Sheet
(Modified Cash Basis)
Governmental Funds
June 30, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>			
Cash and Cash Equivalents	\$ 261	\$ 12,789	\$ 13,050
Due from General Fund	(159)	159	0
Total Assets	\$ 102	\$ 12,948	\$ 13,050
<u>Liabilities and Fund Balances</u>			
Note Payable	\$ 0	\$ 0	\$ 0
Accounts Payable	0	0	0
Total Liabilities	0	0	0
 Fund Balances			
Unassigned	102	12,948	13,050
Total Liabilities and Fund Balances	\$ 102	\$ 12,948	

Reconciliation to Statement of Net Assets

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

Capital Assets used in governmental activities of \$115,326, Net of Accumulated Depreciation of \$41,140, are not financial resources and, therefore, are not reported in the funds.

	74,186
<u>Net Assets of Governmental Activities</u>	\$ 87,236

Town of Terral, Oklahoma
Statement of Revenue, Expenditures, and Changes in Fund Balance
(Modified Cash Basis)
Governmental Funds
Year Ended June 30, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenue</u>			
Taxes	\$ 33,832	\$ 5,869	\$ 39,701
Dues, Donations, and Fund Raising	978	12,767	13,745
Miscellaneous	0	400	400
Interest	0	33	33
Transfer In	0	0	0
Total Revenue	34,810	19,069	53,879
<u>Expenditures</u>			
Materials and Supplies	2,571	2,812	5,383
Other Services and Charges	13,959	19,542	33,501
Personal Services	14,250	0	14,250
Capital Outlay	0	6,576	6,576
Total Expenditures	30,780	28,930	59,710
<u>Revenue Over (Under) Expenditures</u>	4,030	(9,861)	(5,831)
<u>Other Financing Sources (Uses)</u>			
Grant Revenue	5,803	0	5,803
Transfers Out	(47,569)	0	0
Total Other Financing Sources (Uses)	(41,766)	0	(41,766)
<u>Net Changes in Fund Balance</u>	(37,736)	(9,861)	(47,597)
Fund Balance, June 30, 2011	37,838	22,809	60,647
Fund Balance, June 30, 2012	\$ 102	\$ 12,948	\$ 13,050

Reconciliation to the Statement of Activities

Net Changes in Fund Balances - Total Governmental Funds \$ (47,597)

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

Governmental funds report Capital Outlay as expenditures while governmental activities report depreciation expense to allocate those expenditures over the useful life of the assets.

Capital Assets Purchase Capitalized	6,576
Depreciation Expense	(10,054)

Change in Net Assets of Governmental Activities \$ (51,075)

Terral Public Works Authority

Terral, Oklahoma

Enterprise Fund

Statement of Net Assets

(Modified Cash Basis)

Year Ended June 30, 2012

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	8,237	
Certificates of Deposits		68,193	
Restricted Cash and Cash Equivalents		86	
Restricted Certificates of Deposits		32,370	
Total Current Assets			\$ 108,886

Noncurrent Assets:

Capital Assets		1,611,718	
Accumulated Depreciation		(772,943)	
Total Noncurrent Assets			838,775

Total Assets \$ 947,661

LIABILITIES

Current Liabilities:

Insurance Payable		2,262	
Deposit Obligation		5,000	
Accounts Payable		3,249	
Notes Payable- Rural Development		10,508	
Total Current Liabilities			21,019

Noncurrent Liabilities:

Notes Payable- Rural Development		328,581	
Less, Current Portion		(10,508)	
Total Noncurrent Liabilities			318,073

Total Liabilities \$ 339,092

NET ASSETS

Invested in Capital Assets, Net of Related Debt		510,194	
Restricted		32,456	
Unrestricted		65,919	

Total Net Assets 608,569

Total Net Assets and Liabilities \$ 947,661

Please see accompanying notes to the financial statements.

Terral Public Works Authority

Terral, Oklahoma

Enterprise Fund

Statement of Revenue, Expense, and Changes in Fund Net Assets

(Modified Cash Basis)

Year Ended June 30, 2012

Operating Revenue

Water Revenue Charges	\$	74,230	
Garbage Revenue Charges		52,517	
Sewer Revenue Charges		12,577	
Late Fees Revenue		5,032	
Connect Fee Revenue		1,700	
Total Operating Revenue			\$ 146,056

Operating Expense

Personal Services	45,206	
Depreciation	41,283	
Trash Service	40,349	
Water Purchased Expense	5,229	
Repairs and Maintenance	5,051	
Electricity	4,384	
Office Supplies and Expense	3,297	
Insurance	1,700	
Licenses and Memberships	1,091	
Miscellaneous Expense	615	
Total Operating Expense		148,205

Net Operating Income (Loss) (2,149)

Nonoperating Revenue (Expense)

Interest Expense	(14,974)	
Transfers In	47,569	
Interest Income	815	
Net Nonoperating Revenue (Expense)		33,410

Net Revenue (Loss) 31,261

Total Net Assets, June 30, 2011 577,308

Total Net Assets, June 30, 2012 \$ 608,569

Please see accompanying notes to the financial statements.

Terral Public Works Authority

Terral, Oklahoma

Statement of Cash Flows

Enterprise Fund

(Modified Cash Basis)

Year Ended June 30, 2012

Reconciliation of Operating Income (Loss) to Net Cash

Provided by Operating Activities

Operating Loss		\$	(2,149)
Adjustments to Reconcile Operating Income to Net Cash			
Provided (Used) by Operating Activities:			
Depreciation Expense	\$	41,283	
Insurance Payable		1,510	
Deposit Obligation		2,400	
Accounts Payable		(1,067)	
			<u>44,126</u>
Net Cash Provided by Operating Activities			41,977

Cash Flows from Capital and Related Financing Activities

Interest Paid on Capital Debt	(14,974)	
Principal Paid on Capital Debt	(9,223)	
Purchase of Capital Assets	(7,956)	
	<u>(32,153)</u>	
Net Cash Provided (Used) by Capital and Related Financing Activities		(32,153)

Cash Flows from Investing Activities

Interest Income	815	
Increase in Certificates of Deposits	(39,515)	
Transfers from General Fund	29,424	
	<u>(9,276)</u>	
Net Cash Provided by Investing Activities		(9,276)

Net Increase (Decrease) in Cash and Cash Equivalents 548

Cash and Cash Equivalents, June 30, 2011 7,775

Cash and Cash Equivalents, June 30, 2012 \$ 8,323

Cash Flows from Operating Activities

Receipts from Customers	148,456
Payments for Garbage Service	(40,349)
Payments to Suppliers	(66,130)
	<u>41,977</u>

Net Cash Provided by Operating Activities \$ 41,977

Please see accompanying notes to the financial statements.

Town of Terral, Oklahoma

Notes to Financial Statements

Year Ended June 30, 2012

Note 1 – Accounting Policies

These financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from generally accepted accounting principles in the United States of America. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board pronouncements.

Reporting Entity

For financial reporting purposes, the Town of Terral, Oklahoma (the Town) includes all funds, agencies, boards, commissions and authorities that are controlled by or dependent on the Town's executive or legislative branches. Control by or dependence on the Town was determined on the basis of oversight responsibility, scope of public service, and special financing relationships. Oversight responsibility includes financial interdependence, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Based on an overall evaluation of the foregoing criteria, the Terral Public Works Authority (the Authority) is included in the Town's annual report. The Authority is a public trust created under Title 60 of the Oklahoma Statutes. The Town is the sole beneficiary of the trust which was organized to provide water, sewer, and refuse services to the residents of the Town. The Authority's governing body is the current members of the Town's Board of Trustees. The Authority is accounted for as the Town's Enterprise Fund in these financial statements.

Fund Accounting

The accounts of the Town of Terral are organized on a basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The various funds are summarized by type in the financial statements and are classified as governmental, proprietary, and fiduciary fund types.

Governmental Fund Types

1. General Fund – The general fund is the primary operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. All general operating revenues not restricted as to use are recorded in the general fund.

Town of Terral, Oklahoma

Notes to Financial Statements

Year Ended June 30, 2012

2. Special Revenue Fund – Special revenue funds are used to account for the proceeds of specific revenue resources that are legally or administratively restricted to expenditures for specific purposes. The Town’s current special revenue funds include:

- a. Street and Alley Fund
- b. Volunteer Fire Department Fund
- c. Community Center Fund

3. Proprietary Fund Types

- (a) Enterprise Fund– is used to account for operations that are financed and operated in a manner similar to private business enterprises. The Terral Public Works Authority is accounted for as the Town’s Enterprise Fund.

Note 2 – Basis of Accounting

Basis of accounting refers to the time when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting is related to the timing of the measurement made, regardless of the measurement focus applied.

The Town uses the modified cash basis of accounting for preparing its financial statements. Generally accepted accounting principles would require the Town to use the accrual basis of accounting and to report its assets and infrastructures in its financial statements. The Town has elected to not follow generally accepted accounting principles and to continue to use the modified cash basis of accounting.

The modified cash basis of accounting is utilized by all funds of the Town, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this modified cash basis of accounting, revenues are recorded when received and expenditures are recorded when paid. In accordance with generally accepted accounting principles, governmental fund types and agency funds would utilize the modified accrual basis of accounting.

If the books of the governmental fund types were maintained on the basis of accounting required by generally accepted accounting principles, revenues would be recorded when susceptible to accrual (i.e. both measurable and available) and expenditures would be recorded when the current fund liability is incurred. If the books of the proprietary fund types were maintained on the basis of accounting required by generally accepted accounting principles, revenues would be recognized when earned and expenses would be recorded when the liability is incurred.

The modified cash basis of accounting is an acceptable method of accounting under the budgetary laws of the State of Oklahoma.

Town of Terral, Oklahoma
Notes to Financial Statements
Year Ended June 30, 2012

Note 3 – Investments

Investments are stated at cost which approximates market. During the current year, the Town had no investments other than time deposit cash accounts.

Note 4 – Inventories

The Town records materials and supplies inventory as expenditures at the time the inventory is purchased and at year-end such inventories are not considered material in amount. Therefore, no inventory balances for materials and supplies not yet consumed are reported in the basic statement of assets, liabilities, and fund balance.

Note 5 – Encumbrances

The Town does not use encumbrance accounting in any of its funds. Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of funds are often recorded in order to reserve that portion of the applicable appropriation. Presently, the Town prepares purchase orders in the same period the claim is paid.

Note 6 – Compensated Absences

Under personnel policies, the Town and Authority employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is not paid for accumulated vacation time or accumulated sick leave. The Town records compensated absence costs at the time the claim is paid.

Note 7 – Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Enterprise Fund considers all highly liquid investments (including restricted assets) to be cash equivalents. Certificates of deposit and other time deposits with an original maturity date of 90 days or less are considered cash equivalents.

Note 8 – Reserves of Fund Equity

Reserves are recorded to signify that a portion of the fund equity is legally segregated for future use or is not available for appropriation or expenditure.

Town of Terral, Oklahoma

Notes to Financial Statements

Year Ended June 30, 2012

Note 9 – Pension

The Town established a Defined Contribution Plan to be known as the Town of Terral Plan (the Plan) in the form of the Oklahoma Municipal Retirement Fund Master Defined Contribution Plan. The Plan started on September 1, 2002. The Plan requires all participating employees to contribute 5% of their wages and the Town contributes 5% of the employee's wages. For the years ended June 30, 2010 June 30, 2011, and June 30, 2012, the following contributions were made:

	<u>Employee</u>	<u>Employer</u>	<u>Total</u>
06/30/10	\$ 2,066	\$ 2,066	\$ 4,132
06/30/11	2,139	2,139	4,278
06/30/12	<u>2,139</u>	<u>2,139</u>	<u>4,278</u>
Total	<u>\$ 6,344</u>	<u>\$ 6,344</u>	<u>\$ 12,688</u>

Note 10 – Budgetary Accounting and Control

The Town's budgetary accounting and control procedures are discussed in the notes to supplementary information.

Note 11 – Fixed Assets

Prior year's expenditures for property and equipment of governmental fund types were recorded as fund expenditures; however, no detailed fixed asset records were maintained for such assets still in service. Beginning in the year ended June 30, 2006, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the Town reports capital assets resulting from cash transactions and reports depreciation where appropriate. Therefore, financial statements of fixed assets required by generally accepted accounting principles are not presented.

Current year changes in fixed assets for the Town were as follows:

	<u>Property, Plant, and Equipment</u>	<u>Accumulated Depreciation</u>
Balance as of 07/01/2011	\$ 108,750	\$ (30,086)
Additions	6,576	(10,054)
Disposals	<u>0</u>	<u>0</u>
Balance as of 06/30/2012	<u>\$ 115,326</u>	<u>\$ (40,140)</u>

Town of Terral, Oklahoma

Notes to Financial Statements

Year Ended June 30, 2012

Certain fixed assets acquired by the Enterprise Fund have been capitalized as property and equipment within the Fund, and contain a provision for depreciation expense. Depreciation has been provided over the estimated useful lives using the straight-line method. Fixed assets of the Enterprise Fund are pledged as collateral on the long-term mortgage notes due to the Rural Utilities Service.

Capital acquisition costs include certain debt issue costs and interest cost during constructions which are amortized over the term of the loans, with the amortization expense included in depreciation expense.

Changes in fixed assets for Terral Public Works Authority during the year June 30, 2012, were as follows:

	Property, Plant, and Equipment	Accumulated Depreciation
Balance as of 07/01/2011	\$1,603,762	(\$731,660)
Additions	7,956	(41,283)
Disposals	0	0
	<u>0</u>	<u>0</u>
Balance as of 06/30/2012	<u>\$ 1,611,718</u>	<u>\$ (772,943)</u>

Total depreciation expense for the year of \$41,283 was charged to current operations.

Note 12 – Insurance and Bond Coverage of Contingencies

The Town and the Authority carry the following insurance coverage as protection against possible loss contingencies:

- Workers Compensation and Employer Liability
- Comprehensive General Liability
- Comprehensive Auto Liability
- Automobile Physical Damage
- Fire Vehicle Liability
- Building and Contents Physical Damage
- Employee Position Bond

Note 13 – Supplemental Disclosure of Cash Flow Information

Interest expense paid by the Enterprise Fund for the year ended June 30, 2012, was \$14,974, which was charged to current operations.

Town of Terral, Oklahoma
Notes to Financial Statements
Year Ended June 30, 2012

Note 14 – Deposits, Investments and Collateral

- A. Oklahoma Statutes generally provide for investment of excess funds in the following.
1. Direct obligations of the United States.
 2. Certificates of deposit of savings and loan associations, banks, and trust companies when the certificates of deposit are secured by acceptable collateral.
 3. Savings accounts or savings certificates of savings and loan associations, banks, and trust companies, to the extent that the accounts or certificates are fully insured by the federal government.
 4. Negotiable certificates of deposit, prime bankers acceptance, prime commercial paper and repurchase agreements with certain limitations. Any investments in these instruments must be fully collateralized in investments specified in paragraphs 1 through 3 above.
- B. Public trusts, such as the Terral Public Works Authority, may invest funds as directed by the trustees. The limitations noted above do not apply.
- C. The Oklahoma Statutes generally provide that collateral to secure deposits of public funds must be:
1. U. S. Treasury bonds, notes or certificates.
 2. State of Oklahoma bonds, notes or certificates.
 3. Bonds issued by any county in Oklahoma.
 4. Bonds issued by any school district or board of education in Oklahoma.
 5. Bonds issued by any city or town where an ad valorem tax levy is pledged to the payment.
 6. A surety bond.

Town of Terral, Oklahoma

Notes to Financial Statements

Year Ended June 30, 2012

Cash and cash equivalents include the following accounts:

Cash on Hand:	
General Fund	\$ 75
First State Bank, Ryan, Oklahoma:	
Terral Public Works Authority - CD	38,955 *
Terral Public Works Authority - CD	14,159 *
Volunteer Fire Department	11,757
Terral Public Works Authority Reserve Account	3,918 *
Terral Public Works Authority Reserve Account	2,618 *
Terral Public Works Authority	1,344 *
Fireworks Account	988 *
Community Center Fund	774 *
General Fund - Checking	280
Street and Alley Fund	258 *
TOT Benefit Account	23 *
Peoples Bank and Trust Company, Ryan, Oklahoma:	
Terral Public Works Authority-CD	15,079 *
Total	\$ 90,228

* Interest Bearing Accounts

The above accounts are covered by F.D.I.C. insurance or collateral pledge. The Town and Authority have no investments other than the above interest bearing accounts. Restricted Cash and cash equivalents include the following:

First State Bank, Ryan, Oklahoma:	
Terral Public Works Authority - REAP Grant	\$ 86
Certificate of Deposit	16,262
Peoples Bank and Trust Company, Ryan, Oklahoma:	
Terral Public Works Authority - Reserve Account	
Certificate of Deposit	16,108 *
Total	\$ 32,456

*(Restricted by Trustee action to create a reserve in the Authority contingency payments on the note to Rural Utilities Service)

Town of Terral, Oklahoma
Notes to Financial Statements
Year Ended June 30, 2012

The Town's deposits are classified in the following categories:

- A. Insured or collateralized with securities held by the entity or by its agent in the entity's name.
- B. Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
- C. Uncollateralized.

	A	B	C	Total
Town of Terral	\$ 13,873	\$ 0	\$	\$ 13,873
Terral PWA	108,811	0	75	108,886
Total	\$ 122,684	\$ 0	\$ 0	\$ 122,684

Note 15 – Long Term Debt

The Authority is liable under the following long term loan agreements with Rural Utilities Service.

1. Note #91-02 had an original balance of \$365,000. The principal balance as of June 30, 2011 was \$279,592. The loan is payable in monthly payments of \$1,658, including 4.5% interest. Payments for the succeeding five-year period and thereafter will be approximately as follows:

	Total	Interest	Principal
06/30/13	\$ 19,896	\$ 12,485	\$ 7,411
06/30/14	\$ 19,896	\$ 12,145	\$ 7,751
06/30/15	\$ 19,896	\$ 11,789	\$ 8,107
06/30/16	\$ 19,896	\$ 11,416	\$ 8,480
06/30/17	\$ 19,896	\$ 11,807	\$ 8,089
5 years ended 06/30/22	\$ 99,480	\$ 48,043	\$ 51,437
5 years ended 06/30/27	\$ 99,480	\$ 36,033	\$ 63,447
5 years ended 06/30/32	\$ 99,480	\$ 21,532	\$ 77,948
3 years ended 06/30/35	\$ 49,740	\$ 2,818	\$ 46,922
Total	\$ 447,660	\$ 168,068	\$ 279,592

Town of Terral, Oklahoma

Notes to Financial Statements

Year Ended June 30, 2012

2. Note #91-04 had an original balance of \$95,000. The principal balance as of June 30, 2011 was \$48,291. The loan is payable in monthly payments of \$432, including 4.5% interest. Payments for the succeeding five-year period and thereafter will be approximately as follows:

	Total	Interest	Principal
06/30/13	\$ 5,184	\$ 2,090	\$ 3,094
06/30/14	\$ 5,184	\$ 1,948	\$ 3,236
06/30/15	\$ 5,184	\$ 1,799	\$ 3,385
06/30/16	\$ 5,184	\$ 1,648	\$ 3,536
06/30/17	\$ 5,184	\$ 1,494	\$ 3,690
5 years ended 06/30/22	\$ 25,920	\$ 4,455	\$ 21,465
2 years ended 06/30/24	\$ 10,368	\$ 483	\$ 9,885
Total	<u>\$ 62,208</u>	<u>\$ 13,917</u>	<u>\$ 48,291</u>

Note 16 – Public Entity Risk Pool

The Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan) became effective October 1, 1984. The purpose of the Plan is to provide workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities including obtaining contract agreements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the Plan year. A plan year normally begins at 12:01 a.m. July 1, in any year and ends at Midnight June 30, of the following calendar year. The Plan, or its designated agent, has a right to audit at all reasonable times such books and records of the participant as necessary to determine the monies owed for benefits provided to the municipality or its employees.

A municipality may apply and enter into agreement with the Plan to participate in the coverages and services that the Plan offers as outlined above. Upon acceptance into the Plan, a participant has the responsibility to pay fees set by the Plan and to pay those fees from funds appropriated for that purpose according to the established payment schedule. In addition, a participant in the Plan is responsible for complying with the requirements of the Oklahoma Workers' Compensation Act. Participants have a right to the return of the Loss Funds set aside for claims, which have not been paid out as benefits.

The following list of funds is being held by the Group for your municipality. These funds represent both current and past plan year participation with the Loss Fund balances in respect to your workers' compensation retention. Comp Source Oklahoma provides coverage in excess of these respective retention levels so each participant's liability for claim losses is limited to these retention levels. Failure of Comp Source Oklahoma to honor its obligation could result in losses to the Plan. However, OMAG's evaluation of the financial condition of Comp Source Oklahoma indicates that Comp Source Oklahoma is presently sound and will be able to meet its contractual obligations.

Town of Terral, Oklahoma

Notes to Financial Statements

Year Ended June 30, 2012

Escrow Balance	(\$3,142)
R S R Balance	0
Interest Earned	0

Loss Fund Available:	
Year 2011	\$ 878
Year 2010	966
Year 2009	1,017
Year 2008	1,017
Year 2007	1,017

All of these funds earn interest, which is reported annually. Accounts shown on the report are:

Escrow – Typically past refunds or interest earnings left on deposit with the Oklahoma Municipal Assurance Group, to be distributed upon instruction by the governing body.

Rate Stabilization Reserve (RSR) – Reserves developed under the Premium Modification Guidelines to be applied against future premium increases.

Loss Fund – That portion of premium to pay claims. Shown is the remaining balance for each year after payments to date. If no balance, all funds were used to pay claims or have been refunded to the municipality.



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*

Board of Trustees
Town of Terral
Terral, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Terral, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the Terral, Oklahoma's basic financial statements and have issued our report thereon dated November 11, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Terral, Oklahoma's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Terral, Oklahoma's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Terral, Oklahoma's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Terral, Oklahoma's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



FURRH & ASSOCIATES, PC

Certified Public Accountants

November 11, 2013

Town of Terral, Oklahoma
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
(Modified Cash Basis)
Budget and Actual
Year Ended June 30, 2012

	Budget Amount Original / Final	Actual	(Over) Under Budget
<u>Revenue</u>			
Sales and Use Tax	\$ 21,000	\$ 20,866	\$ 134
Franchise Tax	7,500	7,100	400
Alcohol Beverage Tax	6,000	5,866	134
Grant income	5,100	5,803	(703)
Dues, Donations, Fund Raising	1,000	978	22
Total Revenue	40,600	40,613	(13)
<u>Expenditures</u>			
Personal Services	15,000	14,250	750
Other Services and Charges	15,000	13,959	1,041
Materials and Supplies	3,438	2,571	867
Capital Outlay	45,000	0	45,000
Transfers Out	0	47,569	(47,569)
Total Expenditures	78,438	78,349	89
<u>Revenue and Over (Under)</u>	(37,838)	(37,736)	(102)
<u>Fund Balance, June 30, 2011</u>	37,838	37,838	0
<u>Fund Balance, June 30, 2012</u>	\$ 0	\$ 102	\$ (102)

Please see accompanying notes to the financial statements.

Town of Terral, Oklahoma
Notes to Required Supplemental Information
Year Ended June 30, 2012

Note 1 - Notes to Required Supplemental Information

The Town's annual operating budget represents appropriations as authorized by the Governing Board in accordance with the provisions of the Oklahoma statutes.

The Town operates under the guidelines of the "Municipal Budget Act" which allows the Governing Board to prepare its budgets based upon its estimated revenue. In addition, revisions may be made to the budget throughout the year as authorized by the Governing Board. The legal level of control of the budget is the expenditure category. The expenditure categories required by the applicable state statutes are:

1. Personal Services
2. Maintenance and Operations
3. Other Services and Charges
4. Capital Outlays
5. Debt Service
6. Fund Transfers

It is the Town's policy that all appropriations lapse at the end of the fiscal year.

The Town prepares an annual operating budget on the modified cash basis of accounting, the same basis of accounting used to account for actual revenues and expenditures. Grant funds are operated under the grant budget which may not coincide with the fiscal year.

The town operated within its budget during the year June 30, 2012.

Town of Terral, Oklahoma
Nonmajor Governmental Funds

Balance Sheet
(Modified Cash Basis)
June 30, 2012

	<u>Street and Alley Fund</u>	<u>Volunteer Firefighters Fund</u>	<u>Community Center Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Assets</u>				
Cash in Bank	\$ 258	\$ 11,757	\$ 774	\$ 12,789
Due from General Fund	159	0	0	159
Total Assets	<u>\$ 417</u>	<u>\$ 11,757</u>	<u>\$ 774</u>	<u>\$ 12,948</u>
<u>Liabilities</u>				
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fund Equity</u>				
Fund Balance				
Unreserved	<u>417</u>	<u>11,757</u>	<u>774</u>	<u>12,948</u>
Total Liabilities and Fund Equity	<u>\$ 417</u>	<u>\$ 11,757</u>	<u>\$ 774</u>	<u>\$ 12,948</u>

Please see accompanying notes to the financial statements.

Town of Terral, Oklahoma
Nonmajor Governmental Funds

Schedule of Revenue, Expenditures, and Changes in Fund Balance
(Modified Cash Basis)
Year Ended June 30, 2012

	Street and Alley Fund	Volunteer Firefighters Fund	Community Center Fund	Total Nonmajor Governmental Funds
<u>Revenue</u>				
Gasoline Tax	\$ 722	\$ 0	\$ 0	\$ 722
Vehicle Tax	2,592	0	0	2,592
Contributions and Fund Raising (Net)	0	9,656	3,111	12,767
Rental Income	0	0	400	400
Sales and Use Tax	0	2,555	0	2,555
Interest Earned	0	31	2	33
Total Revenue	3,314	12,242	3,513	19,069
<u>Expenditures</u>				
Materials and Supplies	51	2,587	174	2,812
Utilities	3,793	2,235	2,436	8,464
Insurance	0	1,930	0	1,930
Other Services and Charges	0	4,983	0	4,983
Capital Outlay	0	6,576	0	6,576
Repairs and Maintenance	261	3,328	576	4,165
Total Expenditures	4,105	21,639	3,186	28,930
<u>Revenue Over (Under) Expenditures</u>	(791)	(9,397)	327	(9,861)
<u>Fund Balance, June 30, 2011</u>	1,208	21,154	447	22,809
<u>Fund Balance, June 30, 2012</u>	\$ 417	\$ 11,757	\$ 774	\$ 12,948

Please see accompanying notes to the financial statements.

Town of Terral, Oklahoma
Nonmajor Governmental Funds
Schedule of Revenue, Expenditures, and Changes in Fund Balance
(Modified Cash Basis)
Budget and Actual
Year Ended June 30, 2012

	Street and Alley Fund		
	Original / Final Budget	Actual	(Over) Under Budget
<u>Revenue</u>			
Gasoline Tax	\$ 700	\$ 722	\$ (22)
Vehicle Tax	2,700	2,592	108
Total Revenue	3,400	3,314	86
<u>Expenditures</u>			
Materials and Supplies	108	51	57
Repairs and Maintenance	500	261	239
Utilities Expense	4,000	3,793	207
Total Expenditures	4,608	4,105	503
<u>Revenue Over (Under) Expenditures</u>	(1,208)	(791)	(417)
<u>Fund Balance, June 30, 2011</u>	1,208	1,208	0
<u>Fund Balance, June 30, 2012</u>	\$ 0	\$ 417	\$ (417)

Please see accompanying notes to the financial statements.

Town of Terral, Oklahoma
Nonmajor Governmental Funds
Schedule of Revenue, Expenditures, and Changes in Fund Balance
(Modified Cash Basis)
Budget and Actual
Year Ended June 30, 2012

	Firefighters Fund		
	Original / Final Budget	Actual	(Over) Under Budget
<u>Revenue</u>			
Contributions and Fund Raising (Net)	\$ 5,000	9,656	\$ (4,656)
Sales and Use Tax	3,000	2,555	445
Interest Earned	50	31	19
Total Revenue	8,050	12,242	(4,192)
<u>Expenditures</u>			
Capital Outlay	13,904	6,576	7,328
Other Services and Charges	5,000	4,983	17
Repairs & Maintenance	3,400	3,328	72
Materials and Supplies	2,600	2,587	13
Utilities	2,300	2,235	65
Insurance Expense	2,000	1,930	70
Total Expenditures	29,204	21,639	7,565
Revenue Over (Under) Expenditures	(21,154)	(9,397)	(11,757)
Fund Balance, June 30, 2011	21,154	21,154	0
Fund Balance, June 30, 2012	\$ 0	\$ 11,757	\$ (11,757)

Please see accompanying notes to the financial statements.

Town of Terral, Oklahoma
Nonmajor Governmental Funds
Schedule of Revenue, Expenditures, and Changes in Fund Balance
(Modified Cash Basis)
Budget and Actual
Year Ended June 30, 2012

	Community Center Fund		
	Original / Final Budget	Actual	(Over) Under Budget
<u>Revenue</u>			
Contributions and Fund Raising (Net)	\$ 3,000	3,111	\$ (111)
Rental Income	500	400	100
Interest Income	0	2	(2)
	3,500	3,513	(13)
<u>Expenditures</u>			
Materials and Supplies	647	174	473
Other Services and Charges	600	576	24
Utilities Expense	2,700	2,436	264
	3,947	3,186	761
<u>Revenue Over (Under) Expenditures</u>	(447)	327	(774)
<u>Fund Balance, June 30, 2011</u>	447	447	0
<u>Fund Balance, June 30, 2012</u>	\$ 0	\$ 774	\$ (774)

Please see accompanying notes to the financial statements.

Town of Terral, Oklahoma
Oklahoma Arts Council - Grant No. FY2011 1193-1949
Schedule of Revenue and Expenditures Compared to Budget
(Modified Cash Basis)
Year Ended June 30, 2012

	<u>Budget</u>	<u>Current Year</u>	<u>(Over) Under Budget</u>
<u>Revenue</u>			
Grant Funds	\$ 476	\$ 476	\$ 0
<u>Expenditures</u>			
Watermelon Jubilee Expenses	<u>476</u>	<u>476</u>	<u>0</u>
Total Expenditures	476	476	0
<u>Revenue Over (Under) Expenditures</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Budget Period 07/01/10 - 06/30/2012

Town of Terral, Oklahoma

ASCOG - REAP 2010

Schedule of Revenue and Expenditures Compared to Budget

(Modified Cash Basis)

Year Ended June 30, 2012

<u>Revenue</u>	<u>Budget</u>	<u>Cumulative 06/30/11</u>	<u>Current Year</u>	<u>Total</u>	<u>(Over) Under Budget</u>
Federal Funds	45,000	44,302	698	45,000	0
Matching Funds	0	0	0	0	0
Total Income	45,000	44,302	698	45,000	0
<u>Expenditures</u>					
Engineering Expense	45,000	44,269	0	44,269	731
Materials	0	33	698	731	(731)
Total Expenditures	45,000	44,302	698	45,000	0
Revenue Over (Under) Expenditures	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

Contract No. - Terral 112272

Budget Period 07/01/10 - 06/30/12