

**ACCOUNTANT'S AUDIT REPORT**

**TOWN OF TERRAL**

**JUNE 30, 2013**

BY



**Town of Terral**  
**Terral, Oklahoma**  
**Year Ended June 30, 2013**

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Town of Terral  
Terral, Oklahoma

We have audited the accompanying financial statements of Town of Terral, State of Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—modified cash basis of the governmental activities and the business-type activities of the Town of Terral, State of Oklahoma, as of June 30, 2013, and the respective changes in financial position—modified cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

## **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

## **Disclaimer of Opinion on Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Terral, State of Oklahoma's basic financial statements. The Town has not presented the Management's Discussion and Analysis required by the Government Accounting Standards Board (GASB), that GASB has determined is necessary to supplement the basic financial statements.

*Furrh and Associates, PC*

**FURRH & ASSOCIATES, PC**

Certified Public Accountants

Lawton, Oklahoma

March 21, 2014

# Town of Terral, Oklahoma

## Statement of Net Assets

(Modified Cash Basis)

June 30, 2013

	Primary Government		Total
	Governmental Activities	Business Type Activities	
<b><u>Assets</u></b>			
Cash and Cash Equivalents	\$ 18,073	\$ 13,116	\$ 31,189
Certificates of Deposits	31,382	69,583	100,965
Capital Assets	190,615	1,547,380	1,737,995
Accumulated Depreciation	(115,340)	(749,607)	(864,947)
Due From Other Funds	159	0	159
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 124,889	\$ 880,472	\$ 1,005,361
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b><u>Liabilities</u></b>			
Contractor Deposit Payable	\$ 1,633	\$ 0	\$ 1,633
Note Payable-Rural Development	0	318,155	318,155
Note Payable-First State Bank	0	10,950	10,950
Deposit Obligation	0	4,725	4,725
Payroll Liabilities	0	1,214	1,214
Accrued Interest Payable	0	706	706
Due to Other Funds	438	409	847
Total Liabilities	<hr/>	<hr/>	<hr/>
	2,071	336,159	338,230
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b><u>Net assets</u></b>			
Invested in Capital, Net of Related Debt	75,275	468,668	543,943
Restricted	0	18,953	18,953
Unrestricted	47,543	56,692	104,235
	<hr/>	<hr/>	<hr/>
Total Net Assets	122,818	544,313	667,131
	<hr/>	<hr/>	<hr/>
Total Net Assets and Liabilities	\$ 124,889	\$ 880,472	\$ 1,005,361
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Please see accompanying notes to the financial statements.

**Town of Terral, Oklahoma**  
**Statement of Activities**  
**(Modified Cash Basis)**  
**Year Ended June 30, 2013**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
<b>Primary Government</b>						
Governmental Activities:						
General Government	\$ 60,803	\$ 5,934	\$ 0	\$ (54,869)	\$ 0	\$ (54,869)
Public Safety	19,660	0	0	(19,660)	0	(19,660)
Street and Public Works	3,896	2,711	0	(1,185)	0	(1,185)
Culture and Recreation	5,436	0	0	(5,436)	0	(5,436)
Total Governmental Activities	89,795	8,645	0	(81,150)	0	(81,150)
Business Type Activities:						
Water	93,670	0	0	0	(12,350)	(12,350)
Garbage	62,535	0	0	0	(8,245)	(8,245)
Sewer	14,182	0	0	0	(1,870)	(1,870)
Total Business Type Activities	170,387	0	0	0	(22,465)	(22,465)
Total Primary Government	\$ 260,182	\$ 8,645	\$ 0	(81,150)	(22,465)	(103,615)
<b>General Revenue</b>						
Taxes:						
Sales & Use Taxes				41,632	0	41,632
Franchise Taxes				6,341	0	6,341
Gasoline Tax				4,407	0	4,407
Vehicle tax				18,094	0	18,094
Alcoholic Beverage Tax				6,151	0	6,151
Cigar Tax				458	0	458
Investment Income				10	413	423
Miscellaneous				121	0	121
Transfers				29,921	(29,921)	0
Total General Revenue				107,135	(29,508)	77,627
Change in Net Assets				25,985	(51,973)	(25,988)
Net Assets, June 30, 2012				96,833	596,286	693,119
Net Assets, June 30, 2013				\$ 122,818	\$ 544,313	\$ 667,131

Please see accompanying notes to the financial statements.

**Town of Terral, Oklahoma**  
**Balance Sheet**  
**(Modified Cash Basis)**  
**Governmental Funds**  
**June 30, 2013**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b><u>Assets</u></b>			
Certificates of Deposit	\$ 31,382	\$ 0	\$ 31,382
Cash and Cash Equivalents	2,669	15,404	18,073
Due from Other Funds	0	159	159
Total Assets	\$ 34,051	\$ 15,563	\$ 49,614
<b><u>Liabilities and Fund Balances</u></b>			
Contractor Deposit Payable	\$ 1,633	\$ 0	\$ 1,633
Due to Street & Alley	438	0	438
Total Liabilities	2,071	0	2,071
Fund Balances			
Unassigned	31,980	15,563	47,543
Total Liabilities and Fund Balances	\$ 34,051	\$ 15,563	

**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 \$190,615, Net of Accumulated Depreciation of \$115,340 are not financial resources and, therefore, are not reported in the funds.

75,275

Net Assets of Governmental Activities

\$ 122,818

**Town of Terral, Oklahoma**  
**Statement of Revenue, Expenditures, and Changes in Fund Balance**  
**(Modified Cash Basis)**  
**Governmental Funds**  
**Year Ended June 30, 2013**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b><u>Revenue</u></b>			
Taxes	\$ 54,161	\$ 7,539	\$ 61,700
Dues, Donations, and Fund Raising	217	18,094	18,311
Miscellaneous	121	2,030	2,151
Interest	3	7	10
Total Revenue	54,502	27,670	82,172
<b><u>Expenditures</u></b>			
Other Services and Charges	39,813	20,043	59,856
Personal Services	7,883	0	7,883
Materials and Supplies	4,849	1,700	6,549
Capital Outlay	0	3,312	3,312
Total Expenditures	52,545	25,055	77,600
Revenue Over (Under) Expenditures	1,957	2,615	4,572
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers In	29,921	0	29,921
Grant Revenue	5,717	0	5,717
Grant Expenditures	(5,717)	0	(5,717)
Total Other Financing Sources (Uses)	29,921	0	29,921
Net Changes in Fund Balance	31,878	2,615	34,493
Fund Balance, June 30, 2012	102	12,948	13,050
Fund Balance, June 30, 2013	\$ 31,980	\$ 15,563	\$ 47,543

**Reconciliation to the Statement of Activities**

Net Changes in Fund Balances - Total Governmental Funds \$ 34,493

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	0
Depreciation Expense	(12,195)

Change in Net Assets of Governmental Activities	\$ 22,298
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Please see accompanying notes to financial statements.

# Terral Public Works Authority

Terral, Oklahoma

Enterprise Fund

Statement of Net Assets

(Modified Cash Basis)

Year Ended June 30, 2013

## ASSETS

### Current Assets:

Certificates of Deposits	\$	55,355	
Restricted Certificates of Deposits		14,228	
Cash and Cash Equivalents		8,391	
Restricted Cash and Cash Equivalents		4,725	
Total Current Assets			\$ 82,699

### Noncurrent Assets:

Capital Assets		1,547,380	
Accumulated Depreciation		(749,607)	
Total Noncurrent Assets			<u>797,773</u>

Total Assets \$ 880,472

## LIABILITIES

### Current Liabilities:

Notes Payable- Rural Development	\$	10,951	
Deposit Obligation		4,725	
Payroll Liabilities		1,214	
Accrued Interest Payable		706	
Due to Other Funds		409	
Total Current Liabilities			\$ 18,005

### Noncurrent Liabilities:

Notes Payable- Rural Development		318,155	
Note Payable-First State Bank		10,950	
Less, Current Portion		(10,951)	

Total Liabilities 318,154

## NET ASSETS

Invested in Capital Assets, Net of Related Debt		468,668	
Unrestricted		56,692	
Restricted		18,953	
Total Net Assets			<u>544,313</u>
Total Net Assets and Liabilities			<u>\$ 880,472</u>

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, 2013

### Operating Revenue

Water Revenue Charges	\$	74,906	
Garbage Revenue Charges		54,290	
Sewer Revenue Charges		12,312	
Late Fees Revenue		5,181	
Connect Fee Revenue		1,233	
Total Operating Revenue			\$ 147,922

### Operating Expense

Trash Service	49,472	
Personal Services	41,359	
Depreciation	39,669	
Mileage/Travel	4,773	
Water Purchased Expense	4,629	
Electricity	4,076	
Repairs and Maintenance	3,960	
Miscellaneous Expense	2,929	
Lab Fees Purchased Expense	2,308	
Office Supplies and Expense	1,584	
Insurance	352	
Licenses and Memberships	92	
Total Operating Expense		155,203

Net Operating Income (Loss) (7,281)

### Nonoperating Revenue (Expense)

Interest Expense	(15,184)	
Transfers to General Fund	(29,921)	
Interest Income	413	
Net Nonoperating Revenue (Expense)		(44,692)

Net Revenue (Loss) (51,973)

Total Net Assets, June 30, 2012 596,286

Total Net Assets, June 30, 2013 \$ 544,313

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, 2013

## Reconciliation of Operating Income (Loss) to Net Cash

### Provided by Operating Activities

Operating Loss		\$	(7,281)
Adjustments to Reconcile Operating Income to Net Cash			
Provided (Used) by Operating Activities:			
Depreciation Expense	\$	39,669	
Increase / (Decrease) in Deposit Obligation		(275)	
Increase / (Decrease) in Accounts Payable		(920)	
Increase / (Decrease) in Insurance Payable		(2,262)	
			<u>36,212</u>
Net Cash Provided by Operating Activities			28,931

### Cash Flows from Capital and Related Financing Activities

Interest Paid on Capital Debt		(15,184)	
Principal Paid on Capital Debt		(10,426)	
Net Cash Provided (Used) by			
Capital and Related Financing Activities			(25,610)

### Cash Flows from Investing Activities

Interest Income		413	
Certificate of Deposit cashed		30,980	
Transfers to General Fund		(29,921)	
Net Cash Provided by Investing Activities			<u>1,472</u>

Net Increase (Decrease) in Cash and Cash Equivalents 4,793

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

Cash and Cash Equivalents, June 30, 2013 \$ 13,116

### Cash Flows from Operating Activities

Receipts from Customers		147,922	
Payments for Garbage Service		(49,472)	
Payments to Suppliers		(69,519)	

Net Cash Provided by Operating Activities \$ 28,931

Please see accompanying notes to the financial statements.

# Town of Terral, Oklahoma

## Notes to Financial Statements

Year Ended June 30, 2013

### 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, 2013

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, 2013**

**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, 2013

### 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, 2011 June 30, 2012, and June 30, 2013, the following contributions were made:

	<u>Employee</u>	<u>Employer</u>	<u>Total</u>
06/30/11	\$ 2,139	\$ 2,139	\$ 4,278
06/30/12	2,139	2,139	4,278
06/30/13	<u>2,183</u>	<u>2,183</u>	<u>4,366</u>
Total	<u>\$ 6,461</u>	<u>\$ 6,461</u>	<u>\$ 12,922</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 07/01/2012	\$ 190,615	\$ (103,145)
Additions	0	(12,195)
Disposals	<u>0</u>	<u>0</u>
Balance as of 06/30/2013	<u>\$ 190,615</u>	<u>\$ (115,340)</u>

# Town of Terral, Oklahoma

## Notes to Financial Statements

Year Ended June 30, 2013

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, 2013, were as follows:

	Property, Plant, and Equipment	Accumulated Depreciation
Balance as of 07/01/2012	\$ 1,536,430	\$ (709,938)
Additions	10,950	(39,669)
Disposals	0	0
Balance as of 06/30/2013	<u>\$ 1,547,380</u>	<u>\$ (749,607)</u>

Total depreciation expense for the year of \$41,698 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, 2013, was \$15,184, which was charged to current operations.

# Town of Terral, Oklahoma

## Notes to Financial Statements

Year Ended June 30, 2013

### 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, 2013**

Cash and cash equivalents include the following accounts:

Cash on Hand:	
General Fund	\$ 75
First State Bank, Ryan, Oklahoma:	
Rural Fire Department	13,197
Terral Public Works Authority	7,613 *
Terral Public Works Authority Deposit	4,725 *
Contractors Account	1,633
Volunteer Fire Department	1,502 *
Terral Public Works Authority-Savings	703 *
General Fund - Checking	690 *
Community Center Account	682 *
Fireworks Account	346 *
Street and Alley Fund	<u>24</u>
Total	<u><u>\$ 31,190</u></u>

\* Interest Bearing Accounts

The above accounts are covered by F.D.I.C. insurance or collateral pledge. The Town and Authority have investments in Certificates of Deposit interest bearing accounts. The Authority has CD's totaling \$69,583.00 with an original maturity date of 1 year. The Town has CD's totaling \$31,382.00 with an original maturity date of 1 year. Restricted Cash and cash equivalents include the following:

First State Bank, Ryan, Oklahoma:	
PWA Deposit Account	\$ 4,725
Contractors Account	<u>1,633</u>
Total	<u><u>\$ 6,358</u></u>

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.

# Town of Terral, Oklahoma

## Notes to Financial Statements

Year Ended June 30, 2013

	A	B	C	Total
Town of Terral	\$ 18,074	\$ 0	\$ 0	\$ 18,074
Terral PWA	13,041	0	75	13,116
	\$ 31,115	\$ 0	\$ 75	\$ 31,190

### Note 15 – Long Term Debt

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

- Note #91-02 had an original balance of \$365,000. The principal balance as of June 30, 2013 was \$273,411. 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
06/30/14	\$ 19,896	\$ 12,169	\$ 7,727
06/30/15	\$ 19,896	\$ 11,814	\$ 8,082
06/30/16	\$ 19,896	\$ 11,443	\$ 8,453
06/30/17	\$ 19,896	\$ 11,055	\$ 8,841
06/30/18	\$ 19,896	\$ 10,649	\$ 9,247
5 years ended 06/30/23	\$ 99,480	\$ 46,567	\$ 52,913
5 years ended 06/30/28	\$ 99,480	\$ 34,215	\$ 65,265
5 years ended 06/30/33	\$ 99,480	\$ 21,532	\$ 77,948
2 years ended 06/30/35	\$ 39,792	\$ 4,797	\$ 34,995
Total	\$ 437,712	\$ 164,241	\$ 273,471

- Note #91-04 had an original balance of \$95,000. The principal balance as of June 30, 2013 was \$44,744. 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
06/30/14	\$ 5,184	\$ 1,960	\$ 3,224
06/30/15	\$ 5,184	\$ 1,812	\$ 3,372
06/30/16	\$ 5,184	\$ 1,657	\$ 3,527
06/30/17	\$ 5,184	\$ 1,495	\$ 3,689
06/30/18	\$ 5,184	\$ 1,325	\$ 3,859
5 years ended 06/30/23	\$ 25,920	\$ 3,796	\$ 22,124
1 years ended 06/30/24	\$ 5,184	\$ 235	\$ 4,949
Total	\$ 57,024	\$ 12,280	\$ 44,744

# Town of Terral, Oklahoma

## Notes to Financial Statements

Year Ended June 30, 2013

### 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.

Escrow Balance	( \$ 2,151)
R S R Balance	0
Interest Earned	4
Loss Fund Available:	
Year 2012	\$ 935
Year 2011	878
Year 2010	966

# Town of Terral, Oklahoma

## Notes to Financial Statements

Year Ended June 30, 2013

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.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees  
Town of Terral  
Terral, Oklahoma

We 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 and the business-type activities of Town of Terral, State of Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of Terral, State of Oklahoma's basic financial statements, and have issued our report thereon dated March 21, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Town of Terral, State of Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Terral, State of Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Terral, State of Oklahoma's internal control.

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

Our 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 our audit we did

not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Town of Terral, State of Oklahoma's financial statements are free from 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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our 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.

*Furrh and Associates, PC*

FURRH & ASSOCIATES, PC  
Certified Public Accountants  
Lawton, Oklahoma  
March 21, 2014

**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, 2013**

	<b>Budget Amount Original / Final</b>	<b>Actual</b>	<b>(Over) Under Budget</b>
<b><u>Revenue</u></b>			
Sales and Use Tax	\$ 25,000	\$ 41,211	\$ (16,211)
Transfers from PWA	0	29,921	(29,921)
Alcohol Beverage Tax	4,000	6,151	(2,151)
Franchise Tax	2,000	6,341	(4,341)
Interest Income	500	3	497
Dues, Donations, Fund Raising	500	217	283
Miscellaneous Income	50	121	(71)
Cigar Tax	0	458	(458)
Grant Income	0	5,717	(5,717)
	<hr/>	<hr/>	<hr/>
Total Revenue	32,050	90,140	(58,090)
<b><u>Expenditures</u></b>			
Personal Services	14,000	7,883	6,117
Other Services and Charges	10,050	39,813	(29,763)
Capital Outlay	5,000	0	5,000
Materials and Supplies	3,102	4,849	(1,747)
Grant Expenditures	0	5,717	(5,717)
Total Expenditures	<hr/>	<hr/>	<hr/>
	32,152	58,262	(26,110)
<b><u>Revenue and Over (Under)</u></b>	(102)	31,878	(31,980)
<b><u>Fund Balance, June 30, 2012</u></b>	<hr/>	<hr/>	<hr/>
	102	102	0
<b><u>Fund Balance, June 30, 2013</u></b>	<hr/>	<hr/>	<hr/>
	\$ 0	\$ 31,980	\$ (31,980)

Please see accompanying notes to the financial statements.

**Town of Terral, Oklahoma**  
**Notes to Required Supplemental Information**  
**Year Ended June 30, 2013**

**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, 2013.

**Town of Terral, Oklahoma**  
**Nonmajor Governmental Funds**

**Balance Sheet**

(Modified Cash Basis)

June 30, 2013

	<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	\$ 23	14,699	\$ 682	\$ 15,404
Due from General Fund	159	0	0	159
Total Assets	<u>\$ 182</u>	<u>\$ 14,699</u>	<u>\$ 682</u>	<u>\$ 15,563</u>
<u>Liabilities</u>				
Accounts Payable	\$ 0	0	\$ 0	0
<u>Fund Equity</u>				
Fund Balance	182	14,699	682	15,563
Unreserved				
Total Liabilities and Fund Equity	<u>\$ 182</u>	<u>\$ 14,699</u>	<u>\$ 682</u>	<u>\$ 15,563</u>

# Town of Terral, Oklahoma

## Nonmajor Governmental Funds

### Schedule of Revenue, Expenditures, and Changes in Fund Balance

(Modified Cash Basis)

Year Ended June 30, 2013

	Street and Alley Fund	Volunteer Firefighters Fund	Community Center Fund	Total Nonmajor Governmental Funds
<b><u>Revenue</u></b>				
Vehicle Tax	\$ 0	\$ 15,519	\$ 2,575	\$ 18,094
Gasoline Tax	0	4,407	0	4,407
Contributions and Fund Raising (Net)	2,711	0	0	2,711
Rental Income	0	0	2,030	2,030
Sales and Use Tax	421	0	0	421
Interest Earned	0	6	1	7
<b>Total Revenue</b>	<b>3,132</b>	<b>19,932</b>	<b>4,606</b>	<b>27,670</b>
<b><u>Expenditures</u></b>				
Other Services and Charges	0	5,675	1,861	7,536
Utilities	3,342	1,701	2,342	7,385
Insurance	0	3,675	0	3,675
Capital Outlay	0	3,312	0	3,312
Materials and Supplies	0	1,205	495	1,700
Repairs and Maintenance	25	1,422	0	1,447
<b>Total Expenditures</b>	<b>3,367</b>	<b>16,990</b>	<b>4,698</b>	<b>25,055</b>
<b>Revenue Over (Under) Expenditures</b>	<b>(235)</b>	<b>2,942</b>	<b>(92)</b>	<b>2,615</b>
<b>Fund Balance, June 30, 2012</b>	<b>417</b>	<b>11,757</b>	<b>774</b>	<b>12,948</b>
<b>Fund Balance, June 30, 2013</b>	<b>\$ 182</b>	<b>\$ 14,699</b>	<b>\$ 682</b>	<b>\$ 15,563</b>

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, 2013**

	<b>Street and Alley Fund</b>		
	<b>Original / Final Budget</b>	<b>Actual</b>	<b>(Over) Under Budget</b>
<b><u>Revenue</u></b>			
Vehicle Tax	\$ 2,700	\$ 2,711	\$ (11)
Gasoline Tax	700	421	279
Total Revenue	3,400	3,132	268
<b><u>Expenditures</u></b>			
Utilities Expense	3,300	3,342	(42)
Repairs and Maintenance	100	25	75
Materials and Supplies	0	0	0
Total Expenditures	3,400	3,367	33
<u>Revenue Over (Under) Expenditures</u>	0	(235)	235
<u>Fund Balance, June 30, 2012</u>	0	417	(417)
<u>Fund Balance, June 30, 2013</u>	\$ 0	\$ 182	\$ (182)

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, 2013**

	<b>Firefighters Fund</b>		
	<b>Original / Final Budget</b>	<b>Actual</b>	<b>(Over) Under Budget</b>
<b><u>Revenue</u></b>			
Contributions and Fund Raising (Net)	\$ 14,000	\$ 15,519	\$ (1,519)
Sales and Use Tax	4,000	4,407	(407)
Interest Earned	0	6	(6)
Total Revenue	18,000	19,932	(1,932)
<b><u>Expenditures</u></b>			
Other Services and Charges	6,000	5,675	325
Insurance Expense	3,700	3,675	25
Capital Outlay	3,500	3,312	188
Utilities	1,800	1,701	99
Repairs & Maintenance	1,500	1,422	78
Materials and Supplies	1,500	1,205	295
Total Expenditures	18,000	16,990	1,010
<b><u>Revenue Over (Under) Expenditures</u></b>	0	2,942	(2,942)
<b><u>Fund Balance, June 30, 2012</u></b>	0	11,757	(11,757)
<b><u>Fund Balance, June 30, 2013</u></b>	\$ 0	\$ 14,699	\$ (14,699)

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, 2013**

	<b>Community Center Fund</b>		
	<b>Original / Final Budget</b>	<b>Actual</b>	<b>(Over) Under Budget</b>
<b><u>Revenue</u></b>			
Contributions and Fund Raising (Net)	\$ 2,500	\$ 2,575	\$ (75)
Rental Income	2,000	2,030	(30)
Interest Income	0	1	(1)
	4,500	4,606	(106)
<b><u>Expenditures</u></b>			
Utilities Expense	2,200	2,342	(142)
Other Services and Charges	1,500	1,861	(361)
Materials and Supplies	800	495	305
	4,500	4,698	(198)
<u>Revenue Over (Under) Expenditures</u>	0	(92)	92
<u>Fund Balance, June 30, 2012</u>	0	774	(774)
<u>Fund Balance, June 30, 2013</u>	\$ 0	\$ 682	\$ (682)

Please see accompanying notes to the financial statements.

**Town of Terral, Oklahoma**  
**Oklahoma Department of Commerce - Contract No. 14264 CDBG-CIP 10**  
**Schedule of Revenue and Expenditures Compared to Budget**  
**(Modified Cash Basis)**  
**Year Ended June 30, 2013**

	<u>Budget</u>	<u>Cumulative 6/30/12</u>	<u>Current Year</u>	<u>Total</u>	<u>(Over) Under Budget</u>
<u>Revenue</u>					
Grant Funds	\$ 11,434	\$ 5,717	\$ 5,717	\$ 11,434	\$ 0
<u>Expenditures</u>					
Planning Expenses	3,812	0	3,812	3,812	0
Inventory Expenses	3,811	3,811	0	3,811	0
Analysis Expenses	3,811	1,906	1,905	3,811	0
Total Expenditures	11,434	5,717	5,717	11,434	0
<u>Revenue Over (Under) Expenditures</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Budget Period 08/02/2010-08/05/2011