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ACCOUNTANT'S AUDIT REPORT

TOWN OF TERRAL

JUNE 30, 2011

BY

FURRH
& ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Town of Terral
Terral, Oklahoma
Year Ended June 30, 2011

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FURRH
& ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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, each major fund, and the aggregate remaining fund information of Terral, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility 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 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year than ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated October 24, 2011, 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, although not required to be part of, the basic financial statements.

Furrh & Associates, PC

FURRH & ASSOCIATES, PC
Certified Public Accountants
October 24, 2011

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Town of Terral

Terral, Oklahoma

Statement of Net Assets
(Modified Cash Basis)
June 30, 2011

	Primary Government		
	Governmental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents	$ 27,203	$ 7,775	$ 34,978
Certificates of Deposits	38,718	61,048	99,766
Capital Assets	108,750	1,603,762	1,712,512
Accumulated Depreciation	(30,086)	(731,660)	(761,746)
Total Assets	$ 144,585	$ 940,925	$ 1,085,510
Liabilities			
Note Payable	$ 0	$ 12,637	$ 12,637
Note Payable-Long Term	0	327,767	327,767
Insurance Payable	0	752	752
Accounts Payable	5,275	4,316	9,591
Total Liabilities	5,275	345,472	350,747
Net assets			
Invested in Capital, Net of Related Debt	78,664	534,298	612,962
Restricted	1,077	36,472	37,549
Unrestricted	59,569	24,683	84,252
Total Net Assets	139,310	595,453	734,763
Total Net Assets and Liabilities	$ 144,585	$ 940,925	$ 1,085,510

Please see accompanying notes to the financial statements.

Town of Terral

Terral, Oklahoma

Statement of Activities

(Modified Cash Basis)

Year Ended June 30, 2011

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets Primary Government		
Primary Government	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business Type Activities**	**Total**
Governmental Activities:							
General Government	$ 139,084	$ 0	$ 85,513	$ 0	$ (53,571)	$ 0	$ (53,571)
Public Safety	12,460	0	7,998	0	(4,462)	0	(4,462)
Street and Public Works	3,943	0	0	0	(3,943)	0	(3,943)
Culture and Recreation	4,480	0	4,677	0	197	0	197
Total Governmental Activities	159,967	0	98,188	0	(61,779)	0	(61,779)
Business Type Activities:							
Water	96,381	77,606	0	0	0	(18,775)	(18,775)
Sewer	6,696	12,585	0	0	0	5,889	5,889
Garbage	67,456	49,267	0	0	0	(18,189)	(18,189)
Total Business Type Activities	170,533	139,458	0	0	0	(31,075)	(31,075)
Total Primary Government	$ 330,500	$ 139,458	$ 98,188	$ 0	(61,779)	(31,075)	(92,854)
General Revenue							
Taxes:							
Sales & Use Taxes					33,178	0	33,178
Franchise Taxes					1,924	0	1,924
Gasoline Tax					646	0	646
Vehicle tax					2,999	0	2,999
Alcoholic Beverage Tax					5,330	0	5,330
Investment Income					128	1,358	1,486
Miscellaneous					1,234	13,853	15,087
Total General Revenue					45,439	15,211	60,650
Change in Net Assets					(16,340)	(15,864)	(32,204)
Net Assets, June 30, 2010					155,650	611,317	766,967
Net Assets, June 30, 2011					$ 139,310	$ 595,453	$ 734,763

Please see accompanying notes to the financial statements.

Town of Terral
Terral, Oklahoma
Balance Sheet
(Modified Cash Basis)
Governmental Funds
June 30, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and Cash Equivalents	$ 2,439	$ 24,764	$ 27,203
Certificates of Deposits	38,718	0	38,718
Due from General Fund	0	0	0
Total Assets	$ 41,157	$ 24,764	$ 65,921
Liabilities and Fund Balances			
Note Payable	$ 0	$ 0	$ 0
Accounts Payable	3,319	1,956	5,275
Total Liabilities	3,319	1,956	5,275
Fund Balances			
Unassigned	37,838	22,808	60,646
Total Liabilities and Fund Balances	$ 41,157	$ 24,764	

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 $108,750, Net of Accumulated Depreciation of $30,086, are not financial resources and, therefore, are not reported in the funds.	78,664
Net Assets of Governmental Activities	$ 139,310

Please see accompanying notes to the financial statements.

Town of Terral

Terral, Oklahoma

Statement of Revenue, Expenditures, and Changes in Fund Balance
(Modified Cash Basis)
Governmental Funds
Year Ended June 30, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenue			
Taxes	$ 37,149	$ 6,921	$ 44,070
Dues, Donations, and Fund Raising	1,352	11,065	12,417
Miscellaneous	1,711	1,610	3,321
Interest	34	94	128
Transfer In	0	0	0
Total Revenue	40,246	19,690	59,936
Expenditures			
Materials and Supplies	87,024	2,112	89,136
Other Services and Charges	31,119	18,773	49,892
Personal Services	10,085	0	10,085
Capital Outlay	1,249	1,884	3,133
Total Expenditures	129,477	22,769	152,246
Revenue Over (Under) Expenditures			
Other Financing Sources (Uses)			
Grant Revenue	83,692	0	83,692
Transfers Out	0	0	0
Total Other Financing Sources (Uses)	83,692	0	83,692
Net Changes in Fund Balance	(5,539)	(3,079)	(8,618)
Fund Balance, June 30, 2010	43,377	25,887	69,264
Fund Balance, June 30, 2011	$ 37,838	$ 22,808	$ 60,646

Reconciliation to the Statement of Activities

Net Changes in Fund Balances - Total Governmental Funds	$ (8,618)
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	1,884
Depreciation Expense	(9,606)
Change in Net Assets of Governmental Activities	$ (16,340)

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, 2011

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 3,371	
Certificates of Deposits	28,980	
Restricted Cash and Cash Equivalents	4,404	
Restricted Certificates of Deposits	32,068	
Total Current Assets		$ 68,823
Noncurrent Assets:		
Capital Assets	1,603,762	
Accumulated Depreciation	(731,660)	
Total Noncurrent Assets		872,102
Total Assets		$ 940,925
LIABILITIES		
Current Liabilities:		
Insurance Payable	752	
Deposit Obligation	2,600	
Accounts Payable	4,316	
Notes Payable- Rural Development	12,637	
		20,305
Noncurrent Liabilities:		
Notes Payable- Rural Development	337,804	
Less, Current Portion	(12,637)	
Total Noncurrent Liabilities		325,167
Total Liabilities		$ 345,472
Net Assets		
Invested in Capital Assets, Net of Related Debt	534,298	
Restricted	36,472	
Unrestricted	24,683	
Total Net Assets		595,453
Total Net Assets and Liabilities		$ 940,925

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, 2011

Operating Revenue				
Water Revenue Charges	$	77,606		
Garbage Revenue Charges		49,267		
Sewer Revenue Charges		12,585		
Connect Fee Revenue		8,623		
Late Fees Revenue		5,230		
Total Operating Revenue			$	153,311
Operating Expense				
Personal Services		44,066		
Trash Service		44,021		
Depreciation		40,286		
Water Purchased Expense		8,157		
Electricity		4,840		
Office Supplies and Expense		4,421		
Repairs and Maintenance		4,321		
Accounting and Legal		3,500		
Insurance		2,750		
Miscellaneous Expense		1,059		
Total Operating Expense				157,421
Net Operating Income (Loss)				(4,110)
Nonoperating Revenue (Expense)				
Interest Expense		(13,112)		
Interest Income		1,358		
Net Nonoperating Revenue (Expense)				(11,754)
Net Revenue (Loss)				(15,864)
Total Net Assets, June 30, 2010				611,317
Total Net Assets, June 30, 2011			$	595,453

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, 2011

Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Loss		$ (4,110)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	$ 40,286	
Insurance Payable	752	
Accounts Payable	1,404	
		42,442
Net Cash Provided by Operating Activities		$ 38,332
Cash Flows from Capital and Related Financing Activities		
Interest Paid on Capital Debt	(13,112)	
Principal Paid on Capital Debt	(10,500)	
Purchase of Capital Assets	(14,746)	
Net Cash Provided (Used) by Capital and Related Financing Activities		(38,358)
Cash Flows from Investing Activities		
Interest Income	1,358	
Increase in Certificate of Deposits	(850)	
Net Cash Provided by Investing Activities		508
Net Increase (Decrease) in Cash and Cash Equivalents		482
Cash and Cash Equivalents, June 30, 2010		7,293
Cash and Cash Equivalents, June 30, 2011		$ 7,775
Cash Flows from Operating Activities		
Receipts from Customers		153,310
Payments for Garbage Service		(44,021)
Payments to Suppliers		(70,957)
Net Cash Provided by Operating Activities		$ 38,332

Please see accompanying notes to the financial statements.

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 Statues. 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.

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.

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.

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, 2009 June 30, 2010, and June 30, 2011, the following contributions were made:

	Employee	Employer	Total
06/30/09	$ 1,859	$ 1,859	$ 3,718
06/30/10	2,066	2,066	4,132
06/30/11	2,139	2,139	4,278
Total	$ 6,064	$ 6,064	$ 12,128

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:

	Property, Plant, and Equipment	Accumulated Depreciation
Balance as of 07/01/2010	$ 106,866	$ (20,480)
Additions	1,884	(9,606)
Disposals	0	0
Balance as of 06/30/2011	$ 108,750	$ (30,086)

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, 2011, were as follows:

	Property, Plant, and Equipment	Accumulated Depreciation
Balance as of 07/01/2010	$1,603,762	($691,374)
Additions	14,746	(40,286)
Disposals	0	0
Balance as of 06/30/2011	$ 1,618,508	$ (731,660)

Total depreciation expense for the year of $40,286 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, 2011, was $13,112, which was charged to current operations.

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.

Cash and cash equivalents include the following accounts:

Cash on Hand:		
General Fund	$	75
First State Bank, Ryan, Oklahoma:		
General Fund - CD		38,718 *
Volunteer Fire Department		22,548
Terral Public Works Authority Reserve Fund - CD		16,143 *
Terral Public Works Authority - CD		14,032
Terral Public Works Authority		3,371 *
Terral Public Works Authority Reserve Account		2,610 *
Terral Public Works Authority Reserve Account		1,794 *
Street and Alley Fund		1,522 *
General Fund - Checking		1,264
Fireworks Account		1,077 *
Community Center Fund		694 *
TOT Benefit Account		23 *
Peoples Bank and Trust Company, Ryan, Oklahoma:		
Terral Public Works Authority Reserve Fund - CD		15,925 *
Terral Public Works Authority-CD		14,948 *
Total	$	134,744

* 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 - Reserve Account	$	2,610 *
Terral Public Works Authority - Reserve Account		1,794
Terral Public Works Authority - Reserve Account		
Certificate of Deposit		16,144 *
Fireworks Account		1,077
Peoples Bank and Trust Company, Ryan, Oklahoma:		
Terral Public Works Authority - Reserve Account		
Certificate of Deposit		15,925 *
Total	$	37,550

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

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	$ 65,846	$ 0	$ 0	$ 65,846
Terral PWA	68,823	0	0	68,823
Total	$ 134,669	$ 0	$ 0	$ 134,669

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 $287,903. 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
06/30/12	$ 19,896	$ 12,811	$ 7,085
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
5 years ended 06/30/21	$ 99,480	$ 50,867	$ 48,613
5 years ended 06/30/26	$ 99,480	$ 38,627	$ 60,853
5 years ended 06/30/31	$ 99,480	$ 23,304	$ 76,176
4 years ended 06/30/35	$ 68,594	$ 5,167	$ 63,427
Total	$ 466,514	$ 178,611	$ 287,903

2. Note #91-04 had an original balance of $95,000. The principal balance as of June 30, 2011 was $49,901. 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
06/30/12	$ 5,184	$ 2,232	$ 2,952
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
5 years ended 06/30/21	$ 25,920	$ 6,523	$ 19,397
3 years ended 06/30/24	$ 15,299	$ 998	$ 14,301
Total	$ 67,139	$ 17,238	$ 49,901

Note 16 – Grant Revenue and Expenditures

The following is the list of grant income and expenses for the year ended 6/30/11.

Grant Revenue Received:	
Oklahoma Department of Commerce	
(Contract No. Terral-092280)	$ 39,390
Grant Revenue Expenditures:	
Oklahoma Department of Commerce	
(Contract No. Terral-092280)	$ 39,390
Grant Revenue Received:	
Oklahoma Department of Commerce	
(Contract No. Terral-112272)	$ 44,302

Grant Revenue Expenditures:	
Oklahoma Department of Commerce	
(Contract No. Terral-112272)	$ 44,302

Note 17 – Net Working Capital Summary

The net working capital changes of the Enterprise Fund are summarized as follows:

	6/30/10	6/30/11	Change
Current Assets (Excluding Restricted Reserve Acct.)	$ 33,292	$ 32,351	$ (941)
Current Liabilities	15,116	20,305	5,189
Net Working Capital	$ 18,176	$ 12,046	$ (6,130)

Note 18 – 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 withal 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 meets its contractual obligations.

Escrow Balance	$2,195
R S R Balance	0
Interest Earned	72
Loss Fund Available:	
Year 2010	$966
Year 2009	1,017
Year 2008	1,017
Year 2007	1,017
Year 2006	1,049

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.

Note 19 – Town Officials

Town officials as of June 30, 2011:

Board of Trustees
Faye Tanner, Mayor
Josie Garcia, Vice-Mayor
Vincente Villarreal-Trustee
Wiley Vanover-Trustee
Kenny Wilkerson-Trustee

Clerk/Treasurer
Candis Smith

Utility Superintendent
Barry Alsup

City Attorney
David Hammond

FURRH
& ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATERS 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, 2011, which collectively comprise the Terral, Oklahoma's basic financial statements and have issued our report thereon dated October 24, 2011. 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

FURRH & ASSOCIATES, PC
Certified Public Accountants
October 24, 2011

Town of Terral
Notes to Required Supplemental Information
Year Ended June 30, 2011

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, 2011.

Town of Terral

Terral, Oklahoma

Nonmajor Governmental Funds
Balance Sheet
(Modified Cash Basis)
June 30, 2011

	Street and Alley Fund	Volunteer Firefighters Fund	Community Center Fund	Total Nonmajor Governmental Funds
Assets				
Cash in Bank	$ 1,522	22,548	$ 694	$ 24,764
Due from General Fund	0	0	0	0
Total Assets	$ 1,522	$ 22,548	$ 694	$ 24,764
Liabilities				
Accounts Payable	$ 313	$ 1,396	$ 247	$ 1,956
Fund Equity				
Fund Balance				
Unreserved	1,209	21,152	447	22,808
Total Liabilities and Fund Equity	$ 1,522	$ 22,548	$ 694	$ 24,764

Please see accompanying notes to the financial statements.

Town of Terral

Terral, Oklahoma

Nonmajor Governmental Funds

Schedule of Revenue, Expenditures, and Changes in Fund Balance

(Modified Cash Basis)

Budget and Actual

Year Ended June 30, 2011

	Firefighters Fund			
	Original Budget	Final Budget	Actual	(Over) Under Budget
Revenue				
Contributions and Fund Raising (Net)	$ 1,000	1,000	7,998	$ (6,998)
Interest Earned	89	89	88	1
Grant Revenue	0	0	0	0
Sales and Use Tax	3,000	3,000	3,276	(276)
Total Revenue	4,089	4,089	11,362	(7,273)
Expenditures				
Materials and Supplies	950	950	901	49
Repairs & Maintenance	1,050	1,050	416	634
Insurance Expense	5,200	5,200	5,173	27
Other Services and Charges	6,500	6,500	5,970	530
Capital Outlay	14,525	14,525	1,884	12,641
Total Expenditures	28,225	28,225	14,344	13,881
Revenue Over (Under) Expenditures	(24,136)	(24,136)	(2,982)	(21,154)
Fund Balance, June 30, 2010	24,136	24,136	24,136	0
Fund Balance, June 30, 2011	$ 0	$ 0	$ 21,154	$ (21,154)

Please see accompanying notes to the financial statements.

Town of Terral

Terral, Oklahoma

Nonmajor Governmental Funds

Schedule of Revenue, Expenditures, and Changes in Fund Balance

(Modified Cash Basis)

Budget and Actual

Year Ended June 30, 2011

	Community Center Fund			
	Original Budget	Final Budget	Actual	(Over) Under Budget
Revenue				
Contributions and Fund Raising (Net)	$ 3,000	3,000	3,067	$ (67)
Rental Income	1,700	1,700	1,610	90
Interest Income	0	0	6	(6)
Total Revenue	4,700	4,700	4,683	17
Expenditures				
Materials and Supplies	800	800	795	5
Other Services and Charges	945	945	987	(42)
Insurance Expense	500	500	0	500
Utilities Expense	2,700	2,700	2,699	1
Total Expenditures	4,945	4,945	4,481	464
Revenue Over (Under) Expenditures	(245)	(245)	202	(447)
Fund Balance, June 30, 2010	245	245	245	0
Fund Balance, June 30, 2011	$ 0	$ 0	$ 447	$ (447)

Please see accompanying notes to the financial statements.

Town of Terral, Oklahoma

ASCOG - REAP 2009

Schedule of Revenue and Expenditures Compared with Budget
(Modified Cash Basis)
Year Ended June 30, 2011

	Budget	Cumulative 06/30/10	Current Year	Total	(Over) Under Budget
Revenue					
Federal Funds	45,000	5,610	39,390	45,000	0
Matching Funds	0	0	675	675	(675)
Total Income	45,000	5,610	40,065	45,675	(675)
Expenditures					
Engineering Expense	5,000	5,610	0	5,610	(610)
Materials	40,000	0	40,065	40,065	(65)
Total Expenditures	45,000	5,610	40,065	45,675	(675)
Revenue Over (Under) Expenditures	$ 0	$ 0	$ 0	$ 0	$ 0

Contract No. - Terral 092280
Budget Period 08/02/10 - 08/05/2011

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 with Budget
(Modified Cash Basis)
Year Ended June 30, 2011

	Budget	Current Year	(Over) Under Budget
Revenue			
Grant Funds	$ 476	$ 0	$ 476
Expenditures			
Watermelon Jubilee Expenses	476	0	476
Revenue Over (Under) Expenditures	$ 0	$ 0	$ 0

Budget Period 07/01/10 - 06/30/2011

Please see accompanying notes to the financial statements.

Town of Terral, Oklahoma

ASCOG - REAP 2010

Schedule of Revenue and Expenditures Compared with Budget
(Modified Cash Basis)
Year Ended June 30, 2011

	Budget	Current Year	(Over) Under Budget
Revenue			
Federal Funds	$ 45,000	$ 44,302	$ 698
Expenditures			
Engineering Expense	45,000	44,269	731
Expenses	0	33	(33)
Total Expenditures	45,000	44,302	698
Revenue Over (Under) Expenditures	$ 0	$ 0	$ 0

Contract No. - Terral 112272
Budget Period 07/01/10 - 06/30/2011

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 with Budget
(Modified Cash Basis)
Year Ended June 30, 2011

	Budget	Current Year	(Over) Under Budget
Revenue			
Grant Funds	$ 11,434	$ 0	$ 11,434
Expenditures			
Expenses	11,434	0	11,434
Revenue Over (Under) Expenditures	$ 0	$ 0	$ 0

Budget Period 08/02/10 - 08/05/2011

Please see accompanying notes to the financial statements.