

TOWN OF TEMPLE, OKLAHOMA

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

JUNE 30, 2012

**TOWN OF TEMPLE, OKLAHOMA
TOWN OFFICIALS
JUNE 30, 2012**

| | |
|----------------------|----------------------|
| Mr. Joe Keaton | Mayor |
| Ms. Stephanie Holden | Vice-Mayor |
| Mr. Scott Morgan | Trustee |
| Mr. Terry Jensen | Trustee |
| Mr. Larry James | Trustee |
| Ms. DeDe Baze | Town Clerk/Treasurer |
| Mr. David Glenn | Town Manager |

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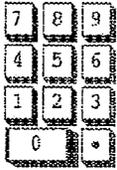
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McCulley



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Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Town Trustees
Town of Temple, Oklahoma

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Temple, Oklahoma, as of and for the year ended June 30, 2012, as listed in the table of contents. These accompanying financial statements are the responsibility of the Town of Temple, Oklahoma's, management. Our responsibility is to express opinions on these accompanying 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accompanying financial statements. An audit also includes assessing the accounting principles used and 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.

As described in Note 1, the Town of Temple, Oklahoma, prepares its financial statements on the modified-cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position-modified cash basis of the governmental

activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Temple, Oklahoma, as of June 30, 2012, and the respective changes in financial position - modified cash basis and the cash flows - modified cash basis of the business-type activities for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated June 24, 2014, on our consideration of the Town of Temple, Oklahoma's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 the 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's accompanying modified cash basis financial statements. The accompanying financial information presented in the Other Supplemental Information section is presented for purposes of additional analysis and is not a required part of the accompanying modified cash basis financial statements of the Town of Temple, Oklahoma. Such information has been subjected to the auditing procedures applied in the audit of the accompanying modified cash basis financial statements and, in our opinion, is fairly presented in all material respects in relation to the accompanying modified cash basis financial statements taken as a whole.

McCulley & McCulley

Weatherford, Oklahoma

June 24, 2014

TOWN OF TEMPLE, OKLAHOMA
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS
MODIFIED CASH BASIS
JUNE 30, 2012

| | PRIMARY GOVERNMENT | | |
|--|--|--|-------------------|
| | GOVERN- MENTAL ACTIVITIES | BUSINESS- TYPE ACTIVITIES | TOTAL |
| ASSETS | | | |
| Cash on Hand | \$ 250 | \$ 125 | \$ 375 |
| Cash in Bank | 72,983 | 125,685 | 198,668 |
| Certificate of Deposits | 6,511 | 25,000 | 31,511 |
| Designated Assets: | | | |
| Cash in Bank | 6,005 | 15,023 | 21,028 |
| Certificate of Deposits | | 122,889 | 122,889 |
| Water Storage Escrow Account | | 36,462 | 36,462 |
| Restricted Assets: | | | |
| Cash in Bank | | 15,000 | 15,000 |
| Certificate of Deposits | | 18,000 | 18,000 |
| Debt Service Funds | | 12,111 | 12,111 |
| Assets Held by Trustee | 117,980 | | 117,980 |
| Capital Assets | | | |
| Net of Accumulated Depreciation | | 957,877 | 957,877 |
| TOTAL ASSETS | <u>203,729</u> | <u>1,328,172</u> | <u>1,531,901</u> |
| LIABILITIES | | | |
| Payroll Taxes Payable | 1,069 | 2,421 | 3,490 |
| Customer Deposits Payable | | 32,975 | 32,975 |
| Long-term Liabilities: | | | |
| Due Within One Year | 20,241 | 6,637 | 26,878 |
| Due in More Than One Year | 498,799 | 228,301 | 727,100 |
| TOTAL LIABILITIES | <u>520,109</u> | <u>270,334</u> | <u>790,443</u> |
| NET ASSETS | | | |
| Investment in Capital Assets, Net of Related Debt | | 722,939 | 722,939 |
| Restricted Net Assets: | | | |
| Restricted for Landfill Closure | 117,980 | | 117,980 |
| Restricted for Street and Alleys | 9,188 | | 9,188 |
| Restricted for Debt Service | | 12,111 | 12,111 |
| Unrestricted Net Assets | (443,548) | 322,788 | (120,760) |
| TOTAL NET ASSETS (LIABILITIES) | <u>\$ (316,380)</u> | <u>\$ 1,057,838</u> | <u>\$ 741,458</u> |

The accompanying notes are an integral part of these statements.

TOWN OF TEMPLE, OKLAHOMA
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2012

| FUNCTIONS/PROGRAMS | EXPENSES | PROGRAM REVENUES | | | NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS | | |
|---|-------------------|----------------------------|---|---|--|---------------------------------|-------------------|
| | | CHARGES FOR SERVICES | OPERATING GRANTS AND CON- TRIBUTIONS | CAPITAL GRANTS AND CON- TRIBUTIONS | PRIMARY GOVERNMENT | | TOTAL |
| | | | | | GOVERN- MENTAL ACTIVITIES | BUSINESS- TYPE ACTIVITIES | |
| PRIMARY GOVERNMENT | | | | | | | |
| Governmental Activities: | | | | | | | |
| Landfill | \$ 62,138 | \$ 55,560 | \$ | \$ | \$ (6,578) | \$ | \$ (6,578) |
| Animal Control and Court Department | 1,576 | 1,236 | | | (340) | | (340) |
| Fire Department | 26,952 | 32,854 | | 4,413 | 10,315 | | 10,315 |
| Crow Park Fund | 40 | | 1,500 | | 1,460 | | 1,460 |
| Street and Alleys | 8,268 | | 8,810 | | 542 | | 542 |
| Interest on Debt | 18,652 | | | | (18,652) | | (18,652) |
| Capital Outlay | 62,066 | | | | (62,066) | | (62,066) |
| Other Expenditures | 163,874 | | | | (163,874) | | (163,874) |
| TOTAL GOVERNMENTAL ACTIVITIES | 343,566 | 89,650 | 10,310 | 4,413 | (239,193) | 0 | (239,193) |
| Business-type Activities: | | | | | | | |
| Temple Development Trust Activities | 0 | | | | | 0 | 0 |
| Interest on Water Rights Debt | 8,542 | | | | | (8,542) | (8,542) |
| Water, Sewer, Garbage Utilities Services | 434,097 | 461,741 | | 80,702 | | 108,346 | 108,346 |
| TOTAL BUSINESS-TYPE ACTIVITIES | 442,639 | 461,741 | 0 | 80,702 | 0 | 99,804 | 99,804 |
| TOTAL PRIMARY GOVERNMENT | \$ 786,205 | \$ 551,391 | \$ 10,310 | \$ 85,115 | (239,193) | 99,804 | (139,389) |
| General Revenues | | | | | | | |
| Sales and Use Taxes | | | | | 114,476 | | 114,476 |
| Cigarette Taxes | | | | | 1,629 | | 1,629 |
| Intergovernmental Revenue | | | | | 15,182 | | 15,182 |
| Franchise Taxes | | | | | 28,953 | | 28,953 |
| Interest Income | | | | | 1,743 | 2,987 | 4,730 |
| Other Income | | | | | 9,311 | 3,282 | 12,593 |
| Transfers | | | | | 57,867 | (57,867) | 0 |
| Total General Revenues and Transfers | | | | | 229,161 | (51,598) | 177,563 |
| Change in Net Assets | | | | | (10,032) | 48,206 | 38,174 |
| NET ASSETS (LIABILITIES) | | | | | | | |
| Beginning of Year | | | | | (306,348) | 1,009,632 | 703,284 |
| End of Year | | | | | <u>\$ (316,380)</u> | <u>\$ 1,057,838</u> | <u>\$ 741,458</u> |

The accompanying notes are an integral part of these statements.

TOWN OF TEMPLE, OKLAHOMA
BALANCE SHEET - GOVERNMENTAL FUNDS -
MODIFIED CASH BASIS
JUNE 30, 2012

| | GENERAL FUND | LANDFILL FUND | STREET & ALLEY FUND | VOLUNTARY FIREFIGHTERS FUND | OTHER GOVERN- MENTAL FUNDS | TOTAL GOVERN- MENTAL FUNDS |
|--|-------------------------|--------------------------|------------------------------------|--|---|---|
| ASSETS | | | | | | |
| Cash on Hand | \$ 100 | \$ 150 | \$ | \$ | \$ | \$ 250 |
| Cash in Bank | 45,931 | 7,850 | 9,188 | 5,531 | 4,483 | 72,983 |
| Certificate of Deposits | 6,511 | | | | | 6,511 |
| Designated Assets: | | | | | | |
| Landfill Assurance Payment | | 6,005 | | | | 6,005 |
| Restricted Assets Held by Trustee | | 117,980 | | | | 117,980 |
| TOTAL ASSETS | \$ 52,542 | \$ 131,985 | \$ 9,188 | \$ 5,531 | \$ 4,483 | \$ 203,729 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| LIABILITIES | | | | | | |
| Payroll Taxes Payable | \$ 682 | \$ 387 | \$ | \$ | \$ | \$ 1,069 |
| TOTAL LIABILITIES | 682 | 387 | 0 | 0 | 0 | 1,069 |
| FUND BALANCES | | | | | | |
| Restricted | | 117,980 | 9,188 | | 1,124 | 128,292 |
| Assigned | | 13,618 | | 5,531 | 3,359 | 22,508 |
| Unassigned | 51,860 | | | | | 51,860 |
| TOTAL FUND BALANCES | 51,860 | 131,598 | 9,188 | 5,531 | 4,483 | 202,660 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 52,542 | \$ 131,985 | \$ 9,188 | \$ 5,531 | \$ 4,483 | |

Amounts reported for governmental activities in the Statement of Assets, Liabilities, and Net Assets-Modified Cash Basis are different because:

| | |
|---|--------------|
| Long-term debt payable are reported in the General | |
| Long-term Account Group and therefore are not reported in the funds. | (519,040) |
| Net Assets (Liabilities) of Governmental Activities-Modified Cash Basis | \$ (316,380) |

The accompanying notes are an integral part of these statements.

TOWN OF TEMPLE, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2012

| | GENERAL FUND | LANDFILL FUND | STREET & ALLEY FUND | VOLUNTARY FIREFIGHTERS FUND | OTHER GOVERN- MENTAL FUNDS | TOTAL GOVERN- MENTAL FUNDS |
|---|------------------|-------------------|------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| REVENUES | | | | | | |
| Sales and Use Tax | \$ 114,476 | \$ | \$ | \$ | \$ | \$ 114,476 |
| Cigarette Taxes | 1,629 | | | | | 1,629 |
| Franchise Tax | 28,953 | | | | | 28,953 |
| Intergovernmental Revenue | 15,182 | | 8,810 | 4,413 | | 28,405 |
| Charges for Services | | 55,560 | | | | 55,560 |
| Donations | | | | 32,854 | 1,500 | 34,354 |
| Fines and Bonds | 100 | | | | 1,136 | 1,236 |
| Interest | 83 | 1,577 | | 75 | 8 | 1,743 |
| Other Income | 6,962 | 1,961 | 238 | 150 | 0 | 9,311 |
| TOTAL REVENUES | <u>167,385</u> | <u>59,098</u> | <u>9,048</u> | <u>37,492</u> | <u>2,644</u> | <u>275,667</u> |
| EXPENDITURES | | | | | | |
| Personal Services | 56,010 | 25,753 | | | | 81,763 |
| Maintenance and Operations | 108,326 | 35,339 | 8,268 | 25,112 | 4,040 | 181,085 |
| Debt Service Principal | | | | | 19,563 | 19,563 |
| Debt Service Interest | | | | | 18,652 | 18,652 |
| Capital Outlays | 1,496 | 1,046 | 33,299 | 12,118 | 14,107 | 62,066 |
| TOTAL EXPENDITURES | <u>165,832</u> | <u>62,138</u> | <u>41,567</u> | <u>37,230</u> | <u>56,362</u> | <u>363,129</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES) | <u>1,553</u> | <u>(3,040)</u> | <u>(32,519)</u> | <u>262</u> | <u>(53,718)</u> | <u>(87,462)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers In | 14,178 | 11,736 | | | 46,131 | 72,045 |
| Transfers (Out) | | (8,998) | | (1,500) | (3,680) | (14,178) |
| TOTAL OTHER FINANCING | <u>14,178</u> | <u>2,738</u> | <u>0</u> | <u>(1,500)</u> | <u>42,451</u> | <u>57,867</u> |
| NET CHANGE IN FUND BALANCES | <u>15,731</u> | <u>(302)</u> | <u>(32,519)</u> | <u>(1,238)</u> | <u>(11,267)</u> | <u>(29,595)</u> |
| FUND BALANCE | | | | | | |
| Beginning of Year | 36,129 | 131,900 | 41,707 | 6,769 | 15,750 | 232,255 |
| End of Year | <u>\$ 51,860</u> | <u>\$ 131,598</u> | <u>\$ 9,188</u> | <u>\$ 5,531</u> | <u>\$ 4,483</u> | <u>\$ 202,660</u> |

The accompanying notes are an integral part of these statements.

TOWN OF TEMPLE, OKLAHOMA
STATEMENT OF ASSETS, LIABILITIES AND
NET ASSETS - ENTERPRISE FUNDS - MODIFIED CASH BASIS
JUNE 30, 2012

| | TEMPLE DEVELOPMENT TRUST | TEMPLE UTILITIES AUTHORITY | TOTAL |
|--|---|---|--------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash on Hand | \$ | \$ 125 | \$ 125 |
| Cash in Bank | 1,587 | 124,098 | 125,685 |
| Certificate of Deposits | | 25,000 | 25,000 |
| Designated Assets: | | | |
| Cash in Bank | | 15,023 | 15,023 |
| Certificate of Deposits | | 122,889 | 122,889 |
| Water Storage Escrow Account | | 36,462 | 36,462 |
| Restricted Assets: | | | |
| Cash in Bank | | 15,000 | 15,000 |
| Certificate of Deposits | | 18,000 | 18,000 |
| Debt Service Funds | | 12,111 | 12,111 |
| Total Current Assets | 1,587 | 368,708 | 370,295 |
| Noncurrent Assets: | | | |
| Capital Assets, Net of Accumulated Depreciation | | 957,877 | 957,877 |
| TOTAL ASSETS | \$ 1,587 | \$ 1,326,585 | \$ 1,328,172 |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Payroll Taxes Payable | \$ | \$ 2,421 | \$ 2,421 |
| Customer Deposits | | 32,975 | 32,975 |
| Current Portion of Long-term Debt | | 6,637 | 6,637 |
| Total Current Liabilities | 0 | 42,033 | 42,033 |
| Noncurrent Liabilities: | | | |
| Long term Debt | | 228,301 | 228,301 |
| TOTAL LIABILITIES | 0 | 270,334 | 270,334 |
| NET ASSETS | | | |
| Invested in Capital Assets, Net of Related Debt | | 722,939 | 722,939 |
| Restricted for Debt Service | | 12,111 | 12,111 |
| Unrestricted | 1,587 | 321,201 | 322,788 |
| TOTAL NET ASSETS | 1,587 | 1,056,251 | 1,057,838 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 1,587 | \$ 1,326,585 | \$ 1,328,172 |

The accompanying notes are an integral part of these statements.

**TOWN OF TEMPLE, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS -
ENTERPRISE FUNDS - MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2012**

| | TEMPLE DEVELOPMENT TRUST | TEMPLE UTILITIES AUTHORITY | TOTAL |
|---|---|---|-----------------|
| OPERATING REVENUES | | | |
| Water, Sewer, Garbage and Other Fees | \$ | \$ 461,741 | \$ 461,741 |
| Other Revenues | | 3,282 | 3,282 |
| TOTAL OPERATING REVENUES | 0 | 465,023 | 465,023 |
| OPERATING EXPENSES | | | |
| Compensation and Benefits | | 117,632 | 117,632 |
| Garbage Disposal and Truck Expense | | 49,768 | 49,768 |
| Materials and Supplies | | 66,091 | 66,091 |
| Depreciation | | 60,647 | 60,647 |
| Repair and Maintenance | | 40,856 | 40,856 |
| Fuel and Oil | | 8,941 | 8,941 |
| License and Permits | | 9,380 | 9,380 |
| Professional Fees | | 2,760 | 2,760 |
| Utilities and Telephone | | 24,105 | 24,105 |
| Waurika Project Participation Costs | | 23,043 | 23,043 |
| Office Expense | | 7,830 | 7,830 |
| Insurance and Bonds | | 17,167 | 17,167 |
| Other Miscellaneous Expense | | 5,877 | 5,877 |
| TOTAL OPERATING EXPENSES | 0 | 434,097 | 434,097 |
| INCOME (LOSS) FROM OPERATIONS | 0 | 30,926 | 30,926 |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest Income | 5 | 2,982 | 2,987 |
| Interest Expense | | (8,542) | (8,542) |
| Contributed Capital | | 80,702 | 80,702 |
| TOTAL NONOPERATING REVENUES (EXPENSES) | 5 | 75,142 | 75,147 |
| INCOME (LOSS) BEFORE OPERATING TRANSFERS | 5 | 106,068 | 106,073 |
| OPERATING TRANSFERS | | | |
| Operating Transfers In | | | 0 |
| Operating Transfers (Out) | | (57,867) | (57,867) |
| NET OPERATING TRANSFERS | 0 | (57,867) | (57,867) |
| INCREASE IN NET ASSETS | 5 | 48,201 | 48,206 |
| NET ASSETS | | | |
| Beginning of Year | 1,582 | 1,008,050 | 1,009,632 |
| End of Year | \$ 1,587 | \$ 1,056,251 | \$ 1,057,838 |

The accompanying notes are an integral part of these statements.

TOWN OF TEMPLE, OKLAHOMA
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS - MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2012

| | <u>TEMPLE DEVELOPMENT TRUST</u> | <u>TEMPLE UTILITIES AUTHORITY</u> | <u>TOTAL</u> |
|---|---|---|-------------------|
| Cash Flows from Operating Activities | | | |
| Cash Received from Customers | \$ | \$ 469,693 | \$ 469,693 |
| Cash Paid for Goods and Services | | (255,818) | (255,818) |
| Cash Paid to Employees | | (115,211) | (115,211) |
| Net Cash Provided by Operating Activities | <u>0</u> | <u>98,664</u> | <u>98,664</u> |
| Cash Flows from Noncapital Financing Activities | | | |
| Operating Transfers (Out) | | (57,867) | (57,867) |
| Net Cash (Used for) Noncapital Financing | <u>0</u> | <u>(57,867)</u> | <u>(57,867)</u> |
| Cash Flows from Capital and Related Financing Activities | | | |
| Interest Payment on Long-term Debt | | (8,542) | (8,542) |
| Principal Repayment of Long-term Debt | | (6,034) | (6,034) |
| Net Cash (Used for) Capital and Related Financing Activities | <u>0</u> | <u>(14,576)</u> | <u>(14,576)</u> |
| Cash Flows from Investing Activities | | | |
| Purchase of Capital Assets | | (11,593) | (11,593) |
| Interest Received on Cash and Investments | 5 | 2,982 | 2,987 |
| Net Cash Provided by (Used for) Investing Activities | <u>5</u> | <u>(8,611)</u> | <u>(8,606)</u> |
| Increase in Cash and Cash Equivalents | 5 | 17,610 | 17,615 |
| Balance of Cash and Cash Equivalents | | | |
| Beginning of Year | <u>1,582</u> | <u>351,098</u> | <u>352,680</u> |
| End of Year | <u>\$ 1,587</u> | <u>\$ 368,708</u> | <u>\$ 370,295</u> |
| Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities: | | | |
| Increase in Net Assets | \$ 5 | \$ 48,201 | \$ 48,206 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities | | | |
| Interest Income | (5) | (2,982) | (2,987) |
| Contributed Capital | | (80,702) | (80,702) |
| Depreciation | | 60,647 | 60,647 |
| Operating Transfer Out | | 57,867 | 57,867 |
| Interest Expense | | 8,542 | 8,542 |
| Changes in Assets and Liabilities: | | | |
| Increase in Payroll Taxes Payable | | 2,421 | 2,421 |
| Increase in Customer Deposits | | 4,670 | 4,670 |
| Total Adjustments | <u>(5)</u> | <u>50,463</u> | <u>50,458</u> |
| Net Cash Provided by Operating Activities | <u>\$ 0</u> | <u>\$ 98,664</u> | <u>\$ 98,664</u> |

Note: Capital assets increased by \$92,295, but \$80,702 was from contributed capital from the completion of a grant through the Town of Temple. Only \$11,593 was paid in cash by the Temple Utilities Authority.

The accompanying notes are an integral part of these statements.

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

1. Summary of Significant Accounting Policies.

The accounting policies of the Town of Temple, Oklahoma, (the Town) do not conform to accounting principles generally accepted in the United States of America as applicable to governments. These standards are set by the Governmental Accounting Standards Board (GASB). The Town uses the modified cash basis of accounting as described below. The following is a summary of the more significant policies.

A. Reporting Entity.

The Town of Temple, Oklahoma, is an incorporated town under the provisions of the State of Oklahoma. The Town provides the following services: public safety (fire), streets, and general administrative services. Other services include water, trash and sewer utility operations.

The Town, for financial purposes, includes all of the funds and account groups relevant to the operations of the Town of Temple. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Town of Temple.

The financial statements of the Town include those of any separately administered organization that is controlled by or dependent on the Town. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board. Based on the foregoing criteria, the financial statements of the Temple Utilities Authority (Authority) and Temple Development Trust (Trust) are included in the accompanying financial statements and reported as enterprise funds within the Proprietary fund type. Both entities were created as a public trust with the Town as the sole beneficiary. The Town Trustees also serve as the trustees of the Authority and Trust.

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

1. Summary of Significant Accounting Policies (continued).

B. Accompanying Financial Statements.

Accompanying financial statements include a Statement of Assets, Liabilities, and Net Assets-Modified Cash Basis and Statement of Activities-Modified Cash Basis for the government-wide and business-type activities. The government-wide financial statements report on the Town as a whole. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the modified cash basis of accounting versus the economic resources measurement focus and the accrual basis of accounting required by generally accepted accounting principles, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the Town as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Generally, the effects of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

The government-wide Statement of Assets, Liabilities, and Net Assets-Modified Cash Basis reports all financial and capital resources of the Town. It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. Invested in capital assets, net of related debt are capital assets net of accumulated depreciation and reduced by the outstanding balances of any mortgages or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants, grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provision or enabling legislation. All net assets not otherwise classified as restricted are shown as unrestricted. Generally, the Town would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

1. Summary of Significant Accounting Policies (continued).

B. Accompanying Financial Statements (continued).

The government-wide Statement of Activities-Modified Cash Basis demonstrates the degree to which the direct expenses of a functional category or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or activity. The Town does not departmentalize its accounting records for payroll expenditures and the Statement of Activities does not reflect payroll expenditures by function or activity. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, 2) grant and contributions that are restricted to meeting the operational requirements of a particular function or activity, and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues. General revenues normally support the net costs of the functions and programs not covered by program revenues.

Accompanying financial statements also include fund financial statements for the governmental and proprietary funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds based upon a percentage of assets, liabilities, revenues, or expenditures/expenses of fund category and of the governmental and enterprise funds combined, it also gives governments the option of displaying other funds as major funds. Other nonmajor funds are combined in a single column on the fund financial statements.

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2012**

1. Summary of Significant Accounting Policies (continued).

B. Accompanying Financial Statements (continued).

The following are presented as major funds for the Town:

Governmental Funds.

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted in another fund.

Landfill Fund - This special revenue fund was used to account for revenue and expenditures for landfill operations and other purposes as deemed appropriate by the governing body.

Street and Alley Fund - This special revenue fund was used to account for revenue and expenditures for street and alley operations as required by state statutes.

Voluntary Firefighters Fund - This special revenue fund was used to account for revenue and expenditures for the local voluntary firefighters operations as deemed appropriate by the governing body.

Proprietary Fund Types.

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises (ie. where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town has two major enterprise funds - the Temple Utilities Authority and Temple Development Trust.

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

1. Summary of Significant Accounting Policies (continued).

B. Accompanying Financial Statements (continued).

Other Governmental Funds - This column is the summarization of all the nonmajor governmental funds. These were known as special revenue funds and debt service fund under the previous reporting model. Special revenue funds were used to account for all proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Debt Service Funds are used to accumulate resources for payment of debt in the general long-term debt account group.

C. Measurement Focus and Basis of Accounting.

The Town uses the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The government-wide financial statements, governmental fund types, and proprietary fund types are reported using the modified cash basis of accounting. Their revenues are recognized when they are actually received and expenditures (expenses) are recognized when actually paid except as noted below. The governmental funds does record its payroll taxes accrued and withheld and long-term debt as a liability. The Temple Utilities Authority books capital assets as assets and depreciates them over their estimated useful lives and books the accrual for payroll taxes accrued and withheld as a payable. It also records any debt incurred. These variations of the cash basis of accounting are generally accepted modifications of the cash basis of accounting.

Under generally accepted accounting principles, the government-wide financial statements would be reported using the economic resources measurement focus and the accrual basis of accounting, as would the proprietary fund statements. Revenues would be recorded when earned and expenses would be recorded when a liability is incurred, regardless of the timing of the related cash flows. The governmental funds would use the modified accrual basis of accounting. Under the modified accrual basis of

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

1. Summary of Significant Accounting Policies (continued).

C. Measurement Focus and Basis of Accounting (continued).

accounting, revenues would be recognized when they become measurable and available. Expenditures would be generally recognized when the related fund liability is incurred, provided the liability normally would be liquidated with expendable available financial resources.

D. Intergovernmental Revenue.

Intergovernmental revenue represents revenue received from other governmental agencies. These include such items as alcoholic beverage taxes, motor vehicle taxes, gas excise taxes, and grant funds.

E. Operating Revenues and Expenses.

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the respective enterprise funds. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from nonexchange transactions or ancillary activities.

F. Policy Regarding Use of Financial Accounting Standard Board (FASB) Pronouncements - Proprietary Funds.

The Town applies all applicable Government Accounting Standards Board (GASB) pronouncements as well as the pronouncements issued on or before November 30, 1989, by the FASB or predecessor Boards, unless those pronouncements conflict with or contradict GASB pronouncements. GASB has adopted GASB Statement No. 62 which effectively removes this disclosure and specifically adopts those pronouncements that apply to government entities. It is effective for periods beginning after December 15, 2011.

G. Cash and Cash Equivalents.

Cash and cash equivalents for cash flow presentation purposes includes the entity's cash on hand, cash in bank, designated and restricted assets, and certificates of deposits.

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

1. Summary of Significant Accounting Policies (continued).

**H. Capital Assets, Net of Accumulated Depreciation
- Temple Utilities Authority.**

Capital assets for the Temple Utilities Authority are recorded at their historical cost. These assets are depreciated over the estimated useful life of the related asset.

I. Compensated Absences.

The Town and Authority employees are granted vacation and sick leave in varying amounts. Employees are allowed to accumulate up to 25 days sick leave. Vacation leave cannot accumulate nor be carried from year to year. In the event of termination, an employee is paid for earned vacation time but not for accumulated sick leave. The Town and Authority record compensated absences expenditures (expenses) at the time they are claimed and paid.

J. Fund Balance Classifications.

The following fund balance classifications have been required by the Governmental Accounting Standards Board:

Nonspendable - Amounts that are not in a spendable form or are required to be maintained intact.

Restricted - Amounts that can be spent only for the specific purposes stipulated by external resource providers, or through enabling legislation. Effectively, restrictions may be changed or lifted only with the consent of resource providers.

Committed - Amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.

Assigned - Amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

1. Summary of Significant Accounting Policies (continued).

J. Fund Balance Classifications (continued).

is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned - residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. If another governmental fund has a fund balance deficit, than it will be reported as a negative amount in the unassigned classification in that fund. Positive unassigned amounts will be reported only in the general fund.

Generally, the Town would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

2. Cash in Bank, Certificate of Deposits and Restricted Assets.

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town has a policy of requiring collateral for amounts in excess of FDIC insurance levels.

The Town's cash in bank and certificates of deposits, including those designated and restricted held at June 30, 2012, are insured or collateralized as noted below:

| <u>Total Deposits</u> | <u>Carrying Amount</u> | <u>Bank Balance</u> |
|--|----------------------------|-------------------------|
| Insured by Federal Depository Insurance | \$250,000 | \$250,000 |
| Uninsured but Collateralized | <u>157,096</u> | <u>163,160</u> |
| Total Deposits | <u>\$407,096</u> | <u>\$413,160</u> |

Authorized investments by state statute include certificate of deposits, obligations of the U. S. Treasury, and funds secured by obligations of the U. S. Treasury.

The designated assets for landfill assurance payment totaling \$6,005 are funds held in savings and designated by the Board of Trustees to be used for the landfill financial assurance payment when it becomes due.

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

**2. Cash in Bank, Certificate of Deposits and Restricted Assets
(continued) .**

Restricted assets held by the trustee bank of \$117,980 are assets restricted for landfill closure costs as required by the Oklahoma Department of Environmental Quality.

The designated water escrow account of \$36,462 are funds held in escrow by the Waurika Lake Master Conservancy District for the purchase of additional water storage area as approved by the Board of Trustees on November 19, 2007. The District does pay the Town interest on this escrow account and adds it to the principal balance. Whether or not these escrow funds are insured, collateralized, or invested is not known.

The restricted debt service funds of \$12,111 for the Authority are funds transferred monthly to the Trustee to accumulate payments for the principal and interest payment due on the long-term debt to the Waurika Lake Master Conservancy District for the additional water storage purchased. Whether or not these escrow funds are insured, collateralized, or invested is not known.

Designated and restricted cash in bank and certificates of deposits for the Temple Utilities Authority consist of the following:

| | <u>Designated</u> | <u>Restricted</u> |
|---|-------------------|-------------------|
| Designated by Board of Trustees for: | | |
| Equipment Replacement | \$ 25,000 | |
| Matching Funds for Potential CDBG Grant | 15,023 | |
| Repairs to Waurika Project Master Conservancy District Supply Lines | 97,889 | |
| Restricted Assets for: | | |
| Customer Deposits which are offset by a related liability payable. | | \$ 32,975 |
| Payments Collected for Others | | 25 |
| Total | <u>\$ 137,912</u> | <u>\$ 33,000</u> |

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

**3. Capital Assets, Net of Accumulated Depreciation -
Temple Utilities Authority.**

| <u>CAPITAL ASSETS</u> | <u>Primary Government</u> | | | <u>Balance June 30, 2012</u> |
|---------------------------------------|---|-------------------------|---------------------------|---|
| | <u>Balance June 30, 2011</u> | <u>Additions</u> | <u>(Deletions)</u> | |
| Business-type Activities: | | | | |
| Cost: | | | | |
| Land* | \$ 3,850 | \$ | \$ | \$ 3,850 |
| Buildings | 41,125 | | | 41,125 |
| Water & Sewer System | 1,372,798 | 89,619 | (14,396) | 1,448,021 |
| Trash System | 53,387 | | | 53,387 |
| Water Rights | 240,972 | | | 240,972 |
| Equipment | 74,658 | 2,676 | | 77,334 |
| Vehicles | 160,945 | | | 160,945 |
| Total Costs | <u>1,947,735</u> | <u>92,295</u> | <u>(14,396)</u> | <u>2,025,634</u> |
| Less Accumulated Depreciation: | | | | |
| Buildings | (31,994) | (1,907) | | (33,901) |
| Water & Sewer System | (702,694) | (52,828) | 14,396 | (741,126) |
| Trash System | (53,387) | | | (53,387) |
| Water Rights | (3,213) | (4,819) | | (8,032) |
| Equipment | (69,818) | (956) | | (70,774) |
| Vehicles | (160,400) | (137) | | (160,537) |
| Total Accum. Depreciation | <u>(1,021,506)</u> | <u>(60,647)</u> | <u>14,396</u> | <u>(1,067,757)</u> |
| Net Business- type Activ- ities | <u>\$ 926,229</u> | <u>\$ 31,648</u> | <u>\$ -0-</u> | <u>\$ 957,877</u> |

* non-depreciable

Depreciation expense of \$60,647 is not allocated between functions/programs.

Temple Utilities Authority only capitalizes and depreciates assets with a historical cost equal to or greater than \$1,000 and with an useful life greater than one year.

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

4. Long-term Liabilities.

On January 10, 1978, the citizens of the Town of Temple approved for the Town to enter into a long-term contract with the Waurika Lake Master Conservancy District (the District) for participation in construction costs and operations of the District. The Town's share of the original estimated construction costs was \$724,780. Interest is computed at 3.463% and payments are made annually on September 1 for a 25 year period. At the end of the 25 year period, a final balloon payment was required unless the Town elected to renew the contract for an additional 25 year term. In August, 2002, the Town elected to renew the contract for the additional 25 year term. If the actual project construction costs should vary from the estimates in the contract, then the Town's pro-rata portion will be adjusted accordingly.

The following is a summary of the Town's long-term debt transactions for the year ended June 30, 2012:

| | Balance June 30, <u>2011</u> | Principal Repayments | Balance June 30, <u>2012</u> | Due Within <u>One Year</u> |
|-------------------|------------------------------------|-------------------------|------------------------------------|-------------------------------|
| Waurika LMC Dist. | <u>\$538,603</u> | <u>\$ 19,563</u> | <u>\$519,040</u> | <u>\$ 20,241</u> |

The revenues from the water system are pledged as security for the repayment of this obligation.

The following schedule gives the projected annual requirements to amortize the long-term debt based upon current debt service payments on the 1986 construction cost and reflects the Town's election to renew the contract for another 25 years.

Actual amortization may differ from the below schedule. Those estimated requirements are as follows:

| <u>Year ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|-------------------|------------------|-------------------|
| 2013 | \$ 20,241 | \$ 17,974 | \$ 38,215 |
| 2014 | 20,942 | 17,273 | 38,215 |
| 2015 | 21,667 | 16,548 | 38,215 |
| 2016 | 22,417 | 15,798 | 38,215 |
| 2017 | 23,194 | 15,021 | 38,215 |
| 2018-2022 | 128,588 | 62,489 | 191,077 |
| 2023-2027 | 152,450 | 38,627 | 191,077 |
| 2028-2031 | <u>129,541</u> | <u>10,772</u> | <u>140,313</u> |
| Total | <u>\$ 519,040</u> | <u>\$194,502</u> | <u>\$ 713,542</u> |

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

4. Long-term Liabilities (continued).

On November 1, 2010, the Town and Authority entered into an addendum of its contract with the Waurika Lake Master Conservancy District to purchase additional storage capacity. The addendum specifically states the Authority is liable to pay the debt service amounts. The Authority's portion of the additional debt is \$240,972 (0.862% of the total obligation). Payments are made annually on October 1 over a 25 year period. The addendum contract has a stated principal and interest repayment schedule. It has no stated interest rate on the contract. The revenues from the water and sanitary sewer system are pledged as security for the repayment of this obligation.

The following is a summary of the Authority's long-term debt transactions for the year ended June 30, 2012:

| | Balance June 30, <u>2011</u> | Principal Repayment | Balance June 30, <u>2012</u> | Due Within <u>One Year</u> |
|-------------------|------------------------------------|------------------------|------------------------------------|-------------------------------|
| Waurika LMC Dist. | <u>\$240,972</u> | <u>\$ 6,034</u> | <u>\$ 234,938</u> | <u>\$ 6,637</u> |

The following schedule gives the stated annual requirements to amortize the long-term debt over a 25 year period.

| <u>Year ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|-------------------|------------------|-------------------|
| 2013 | \$ 6,637 | \$ 9,343 | \$ 15,980 |
| 2014 | 6,767 | 9,200 | 15,967 |
| 2015 | 6,982 | 8,987 | 15,969 |
| 2016 | 7,155 | 8,769 | 15,924 |
| 2017 | 7,327 | 8,615 | 15,942 |
| 2018-2022 | 39,781 | 39,713 | 79,494 |
| 2023-2027 | 47,712 | 31,420 | 79,132 |
| 2028-2032 | 57,194 | 21,561 | 78,755 |
| 2033-2036 | <u>55,383</u> | <u>7,298</u> | <u>62,681</u> |
| Total | <u>\$ 234,938</u> | <u>\$144,906</u> | <u>\$ 379,844</u> |

5. Volunteer Firemen Pension.

Plan Description. The Town participates in the Oklahoma Firefighters Pension and Retirement System (the Plan) for its volunteer fire fighters. The Plan provides retirement, death and disability benefits to plan members and beneficiaries. The Plan is an agent multiple-employer (or municipality) contributory defined benefit pension plan. The authority to amend and establish the benefit provisions of the Plan rests with the Board

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

5. Volunteer Firemen Pension.

of Trustees of the Plan. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Oklahoma Fire Pension and Retirement System, c/o Oklahoma State Fire Fighters Association, 4545 N. Lincoln Blvd., Oklahoma City, OK 73105-3414.

Funding Policy. Voluntary firemen do not contribute to the Plan. The Town contributes \$60 for each volunteer fireman as set by the Oklahoma Statutes. Historically, the State contributes 34% of the Insurance Premium Tax to the plan.

Annual Pension Cost. During the year ended June 30, 2012, the Town contributed \$1,140 to the Plan. The actuarial valuation report, dated July 1, 2012, does not give disclosure information by municipality or employer.

Actuarial Assumptions. Significant actuarial assumptions used include: (a) a rate of return on the investment of present and future assets of 7.5%, and (b) a constant benefit level. The actuarial value of the Plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of the insurance premium tax allocation fund on a closed basis. The remaining amortization period at July 1, 2012, was 21 years.

Historical three and ten year trend information are not available.

6. Risk Management.

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Town purchases commercial insurance to reduce their risk of loss. These insurance policies have a deductible ranging from zero to \$2,000, depending upon the coverage and item covered.

The Town also participates in a workers compensation plan that carries a requirement for a self-funded retention level. The amount of the Town's loss retention level at June 30, 2012, is estimated to be \$41,468. The workers compensation plan purchases excess workers compensation insurance so the Town's liability is limited to their loss retention level.

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

7. Landfill Closure and Post Closure Care Costs.

The Town is operating a construction and demolition landfill under a permit granted by the Oklahoma Department of Health. The Town has provided financial assurance for the operation, closure, and post-closure monitoring of the landfill through a standby trust account. State and federal laws and regulations impose strict and expensive requirements for monitoring closed landfills and for the correction of any potential environmental problems caused by the landfill. The estimated closure and post-closure costs initially approved by the Oklahoma Department of Environmental Quality (ODEQ) was \$55,267. (At June 30, 2011, this amount was estimated at \$119,815 by the Town's engineers). This amount is adjusted annually by the implicit price deflators for gross domestic product index. An amount as determined by the ODEQ is to be deposited annually into the trust account until the total amount exceeds the current estimated costs. However, the Town and ODEQ has not agreed upon the estimated costs for fiscal year 2011 and 2012. In this trust account the Town deposited \$14,680 in fiscal year 2012. Total trust account balance at June 30, 2012, was \$117,980 (cost basis). Since the Town reports on the modified cash basis, the related liability and related amortization are not recorded in these financial statements.

8. Government-wide Net Assets - Restricted and Negative Net Assets.

Net Assets - Restricted are amounts restricted for landfill post-closure costs, street and alley fund, and debt service funds.

Negative net assets for the governmental activities is a result of the governmental activities not booking any of its capital assets but booking its long-term debt.

9. Interfund Transfers.

The Town periodically makes transfers to different funds to move funds from the other funds to increase their liquidity and ability to purchase goods and services. Interfund transfers for the year ending June 30, 2012, consisted of liquidity and debt service funds per the agreement with the Waurika Master Conservancy Lake Project as follows:

| <u>Fund</u> | <u>Transfers In</u> | <u>Transfers (Out)</u> |
|---------------------|---------------------|------------------------|
| Governmental Funds: | | |
| General Fund | \$ 14,178 | \$ |
| Debt Service Fund | 38,215 | |
| Landfill Fund | 11,736 | (8,998) |
| 14801 CDBG 11 | 4,000 | |

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

9. Interfund Transfers (continued).

| Fund | Transfers In | Transfers (Out) |
|------------------|--------------|-----------------|
| Volunteer Fire | | (1,500) |
| Crow Park | | (3,680) |
| OWRB REAP Fund | 3,916 | |
| Business-type: | | |
| Temple Utilities | _____ | (57,867) |
| Totals | \$ 72,045 | \$(72,045) |

10. Commitments and Contingencies.

The Town received approval on January 30, 2009, for a Rural Economic Action Plan Grant (REAP) for \$55,000 to assist the Town in updating the Town's wastewater system. Only \$14,000 had been received as of June 30, 2012. The balance was received in fiscal year 2013.

The Town received a consent order from the Oklahoma Department of Environmental Quality (ODEQ) on April 25, 2005, alleging permit violations of the Town's wastewater treatment facility. This consent order has had two addendums. It requires certain tasks be performed in order to upgrade the wastewater treatment facility and the public water supply system. Failure to comply with this consent order may result in monetary penalties being assessed by the Oklahoma Department of Environmental Quality. The Town has been notified of an assessment of \$35,000 in penalties for not complying with the consent order. The Town met with ODEQ on April 25, 2012, and a verbal settlement was reached that payment of this penalty will not be required as long as the Town completes construction by April 2013 and acquires land for new lagoons by April 2013 as part of a Supplemental Environmental Project. Town records states that ODEQ would waive \$30,000 of the penalty and allow the other \$5,000 be applied to the purchase of the additional land. The Town states it has met its requirements and is waiting on ODEQ to close the consent order. ODEQ is alleging the Town has not fulfilled the settlement agreement and is seeking payment of the \$5,000 penalty or for the Town to convert its wastewater treatment facility to a total retention system. On February 21, 2013, the Town has requested another meeting with ODEQ to address this matter. ODEQ wrote on April 24, 2014, that it considers the \$5,000 cash penalty satisfied and it may close the consent order once it reviews all other requirements of the consent order and notice of violation.

OTHER SUPPLEMENTAL INFORMATION

TOWN OF TEMPLE, OKLAHOMA
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND - MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2012

| | BUDGET | | ACTUAL | VARIANCE - FAVORABLE (UNFAVORABLE) |
|---|-----------------|-----------------|------------------|--|
| | ORIGINAL | FINAL | | |
| REVENUES | | | | |
| Sales and Use Tax | \$ 116,000 | \$ 116,000 | \$ 114,476 | \$ (1,524) |
| Cigarette Tax | 1,450 | 1,450 | 1,629 | 179 |
| Franchise Tax | 28,920 | 28,920 | 28,953 | 33 |
| Intergovernmental Revenue | 15,500 | 15,500 | 15,182 | (318) |
| Interest | 500 | 500 | 83 | (417) |
| Fines and Bonds | | | 100 | 100 |
| Other | 3,755 | 3,755 | 6,962 | 3,207 |
| TOTAL REVENUES | <u>166,125</u> | <u>166,125</u> | <u>167,385</u> | <u>1,260</u> |
| EXPENDITURES | | | | |
| Personal Services | 44,000 | 44,000 | 56,010 | (12,010) |
| Maintenance and Operations | 84,000 | 84,000 | 108,326 | (24,326) |
| Capital Outlay | 21,500 | 21,500 | 1,496 | 20,004 |
| TOTAL EXPENDITURES | <u>149,500</u> | <u>149,500</u> | <u>165,832</u> | <u>(16,332)</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES) | 16,625 | 16,625 | 1,553 | (15,072) |
| OTHER FINANCIAL SOURCES (USES) | | | | |
| Transfers In | | | 14,178 | 14,178 |
| Transfers (Out) | (15,000) | (15,000) | 0 | 15,000 |
| EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES | <u>\$ 1,625</u> | <u>\$ 1,625</u> | 15,731 | <u>\$ 14,106</u> |
| FUND BALANCE | | | | |
| Beginning of Year | | | 36,129 | |
| End of Year | | | <u>\$ 51,860</u> | |

See the accompanying auditor's report.

**TOWN OF TEMPLE, OKLAHOMA
 STATEMENTS OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 LANDFILL FUND - MODIFIED CASH BASIS
 YEAR ENDED JUNE 30, 2012**

| | BUDGET | | ACTUAL | VARIANCE - FAVORABLE (UNFAVORABLE) |
|---|--------------------|--------------------|-------------------|--|
| | ORIGINAL | FINAL | | |
| REVENUES | | | | |
| Charges for Services | \$ 75,000 | \$ 75,000 | \$ 55,560 | \$ (19,440) |
| Interest | 2,000 | 2,000 | 1,577 | (423) |
| Other | | | 1,961 | 1,961 |
| TOTAL REVENUES | <u>77,000</u> | <u>77,000</u> | <u>59,098</u> | <u>(17,902)</u> |
| EXPENDITURES | | | | |
| Personal Services | 26,000 | 26,000 | 25,753 | 247 |
| Maintenance and Operations | 53,000 | 53,000 | 35,339 | 17,661 |
| Capital Outlay | 35,000 | 35,000 | 1,046 | 33,954 |
| TOTAL EXPENDITURES | <u>114,000</u> | <u>114,000</u> | <u>62,138</u> | <u>51,862</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES) | (37,000) | (37,000) | (3,040) | 33,960 |
| OTHER FINANCIAL SOURCES (USES) | | | | |
| Transfers In | 11,736 | 11,736 | 11,736 | 0 |
| Transfers (Out) | | | (8,998) | (8,998) |
| EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES | <u>\$ (25,264)</u> | <u>\$ (25,264)</u> | (302) | <u>\$ 24,962</u> |
| FUND BALANCE | | | | |
| Beginning of Year | | | 131,900 | |
| End of Year | | | <u>\$ 131,598</u> | |

See the accompanying auditor's report.

TOWN OF TEMPLE, OKLAHOMA
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
STREET AND ALLEY FUND - MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2012

| | BUDGET | | ACTUAL | VARIANCE - FAVORABLE (UNFAVORABLE) |
|---|-----------------|-----------------|-----------------|--|
| | ORIGINAL | FINAL | | |
| REVENUES | | | | |
| Intergovernmental Revenue | \$ 56,200 | \$ 56,200 | \$ 8,810 | \$ (47,390) |
| Other | 2,000 | 2,000 | 238 | (1,762) |
| TOTAL REVENUES | <u>58,200</u> | <u>58,200</u> | <u>9,048</u> | <u>(49,152)</u> |
| EXPENDITURES | | | | |
| Personal Services | | | | 0 |
| Maintenance and Operations | 23,500 | 23,500 | 8,268 | 15,232 |
| Capital Outlay | 45,000 | 45,000 | 33,299 | 11,701 |
| TOTAL EXPENDITURES | <u>68,500</u> | <u>68,500</u> | <u>41,567</u> | <u>26,933</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES) | (10,300) | (10,300) | (32,519) | (22,219) |
| OTHER FINANCIAL SOURCES (USES) | | | | |
| Transfers In | 10,000 | 10,000 | | (10,000) |
| Transfers (Out) | | | | 0 |
| EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES | <u>\$ (300)</u> | <u>\$ (300)</u> | (32,519) | <u>\$ (32,219)</u> |
| FUND BALANCE | | | | |
| Beginning of Year | | | 41,707 | |
| End of Year | | | <u>\$ 9,188</u> | |

See the accompanying auditor's report.

**TOWN OF TEMPLE, OKLAHOMA
 STATEMENTS OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 VOLUNTARY FIREFIGHTERS FUND - MODIFIED CASH BASIS
 YEAR ENDED JUNE 30, 2012**

| | BUDGET | | ACTUAL | VARIANCE - FAVORABLE (UNFAVORABLE) |
|---|---------------|---------------|-----------------|--|
| | ORIGINAL | FINAL | | |
| REVENUES | | | | |
| Intergovernmental Revenue | \$ 25,000 | \$ 25,000 | \$ 4,413 | \$ (20,587) |
| Donations | 17,000 | 17,000 | 32,854 | 15,854 |
| Interest | 225 | 225 | 75 | (150) |
| Other | | | 150 | 150 |
| TOTAL REVENUES | <u>42,225</u> | <u>42,225</u> | <u>37,492</u> | <u>(4,733)</u> |
| EXPENDITURES | | | | |
| Personal Services | | | | 0 |
| Maintenance and Operations | 17,200 | 17,200 | 25,112 | (7,912) |
| Capital Outlay | 25,000 | 25,000 | 12,118 | 12,882 |
| TOTAL EXPENDITURES | <u>42,200</u> | <u>42,200</u> | <u>37,230</u> | <u>4,970</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES) | 25 | 25 | 262 | 237 |
| OTHER FINANCIAL SOURCES (USES) | | | | |
| Transfers In | | | | 0 |
| Transfers (Out) | | | (1,500) | (1,500) |
| EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES | <u>\$ 25</u> | <u>\$ 25</u> | (1,238) | <u>\$ (1,263)</u> |
| FUND BALANCE | | | | |
| Beginning of Year | | | 6,769 | |
| End of Year | | | <u>\$ 5,531</u> | |

See the accompanying auditor's report.

TOWN OF TEMPLE, OKLAHOMA
 COMBINING STATEMENTS OF ASSETS, LIABILITIES, AND FUND EQUITY
 OTHER GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
 JUNE 30, 2012

| | CROW PARK FUND | COURT FUND | REAP TEMPLE 09 FUND | 14801 CDBG 11 FUND | OWRB REAP FAP 08-0032-R FUND | DEBT SERVICE FUND | TOTAL OTHER GOVERNMENTAL FUNDS |
|--|----------------------|-----------------|---------------------------|--------------------------|------------------------------------|-------------------------|--------------------------------------|
| ASSETS | | | | | | | |
| Cash in Bank | \$ 1,124 | \$ 3,359 | \$ | \$ | \$ | \$ | \$ 4,483 |
| | | | | | | | 0 |
| TOTAL ASSETS | <u>\$ 1,124</u> | <u>\$ 3,359</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 4,483</u> |
| LIABILITIES | | | | | | | |
| Accounts Payable | \$ | \$ | \$ | \$ | \$ | \$ | \$ 0 |
| FUND BALANCE | | | | | | | |
| Restricted | 1,124 | | | | | | 1,124 |
| Assigned | | 3,359 | | | | | 3,359 |
| TOTAL FUND BALANCE | <u>\$ 1,124</u> | <u>\$ 3,359</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 4,483</u> |
| TOTAL LIABILITIES AND FUND EQUITY | <u>\$ 1,124</u> | <u>\$ 3,359</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 4,483</u> |

See accompanying auditor's report.

TOWN OF TEMPLE, OKLAHOMA
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - OTHER GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
 YEAR ENDED JUNE 30, 2012

| | CROW PARK FUND | COURT FUND | REAP TEMPLE 09 FUND | 14801 CDBG 11 FUND | OWRB REAP FAP 08-0032-R FUND | DEBT SERVICE FUND | TOTAL OTHER GOVERNMENTAL FUNDS |
|--|----------------------|-----------------|---------------------------|--------------------------|------------------------------------|-------------------------|--------------------------------------|
| REVENUES | | | | | | | |
| Intergovernmental Revenue | \$ | \$ | \$ | \$ | \$ | \$ | \$ 0 |
| Police Fines | | 1,136 | | | | | 1,136 |
| Donations | 1,500 | | | | | | 1,500 |
| Interest | 8 | | | | | | 8 |
| Other | | | | | | | 0 |
| TOTAL REVENUES | <u>1,508</u> | <u>1,136</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>2,644</u> |
| EXPENDITURES | | | | | | | |
| Personal Service | | | | | | | 0 |
| Debt Service Principal | | | | | | 19,563 | 19,563 |
| Debt Service Interest | | | | | | 18,652 | 18,652 |
| Maintenance & Operations | 40 | | | 4,000 | | | 4,040 |
| Capital Outlay | | | | | 14,107 | | 14,107 |
| TOTAL EXPENDITURES | <u>40</u> | <u>0</u> | <u>0</u> | <u>4,000</u> | <u>14,107</u> | <u>38,215</u> | <u>56,362</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 1,468 | 1,136 | 0 | (4,000) | (14,107) | (38,215) | (53,718) |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Transfers In | | | | 4,000 | 3,916 | 38,215 | 46,131 |
| Transfers (Out) | (3,680) | | | | | | (3,680) |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES) | (2,212) | 1,136 | 0 | 0 | (10,191) | 0 | (11,267) |
| FUND BALANCE | | | | | | | |
| Beginning of Year | 3,336 | 2,223 | | | 10,191 | 0 | 15,750 |
| End of Year | <u>\$ 1,124</u> | <u>\$ 3,359</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 4,483</u> |

See accompanying auditor's report.



Certified Public Accountants

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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**

To the Town Trustees
Town of Temple, Oklahoma

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Temple, Oklahoma, for the year ended June 30, 2012, which collectively comprise the Town of Temple, Oklahoma's, financial statements and have issued our report dated June 24, 2014. The Town reports its financial statements on the modified cash basis of accounting. We have 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

Management of the Town of Temple, Oklahoma, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Temple'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 the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the statement of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

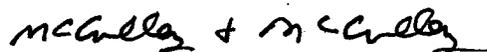
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination 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. We consider the deficiency #1 as described in the accompanying statement of findings and responses to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 test disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards as item #2.

Town of Temple, Oklahoma's, response to the findings identified in our audit is described in the accompanying statement of findings and responses. We did not audit the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town Trustees, management, and the grant awarding agencies. It is not intended to be and should not be used by anyone other than these specified parties.



Weatherford, Oklahoma

June 24, 2014

**TOWN OF TEMPLE
STATEMENT OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2012**

1. Inadequate Segregation of Duties.

Condition - There is a lack of segregation of duties among personnel that would allow the internal control over financial reporting and compliance with grant programs to function appropriately. The cause of this condition is the limited size of the staff of the Town and Authority. The Town and Authority only has two full time administrative staff people.

Criteria - Internal controls should be in place that would provide reasonable assurance that all the Town and Authority's assets are properly safeguarded.

Recommendation - Recommend the Town and Authority continue to monitor this situation and segregate duties to the extent possible if new staff are hired.

Response - The Town and Authority considers hiring additional staff as not being economically feasible.

2. Compliance with Environmental Laws.

Condition - The Town received a consent order from the Oklahoma Department of Environmental Quality (ODEQ) on April 25, 2005, alleging permit violations of the Town's wastewater treatment facility. It requires certain tasks be performed in order to upgrade the wastewater treatment facility. Failure to comply with the consent orders may result in monetary penalties being assessed by the Oklahoma Department of Environmental Quality. The Town has been notified of an assessment of \$35,000 in penalties for not complying with the consent order. The Town met with ODEQ on April 25, 2012, and a verbal settlement was reached that payment of this penalty will not be required as long as the Town completes construction by April 2013 and acquires land for new lagoons by April 2013 as part of a Supplemental Environmental Project. Town records state that ODEQ would waive \$30,000 of the penalty and allow the other \$5,000 be applied to the purchase of the additional land. The Town states it has met its requirements and is waiting on ODEQ to close the consent order. ODEQ is alleging the Town has not fulfilled the settlement agreement and is seeking payment of the \$5,000 penalty or for the Town to convert its wastewater treatment facility to a total retention system. ODEQ wrote on April 24, 2014, that it considers the \$5,000 cash penalty satisfied and it may close the consent order once it reviews all other requirements of the consent order and notice of violation.

Criteria and Recommendation - The Town should comply with environmental laws.

TOWN OF TEMPLE
STATEMENT OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2012

2. Compliance with Environmental Laws (continued).

Response - The Town believes it has fulfilled all the requirements of the settlement agreement and consent order. It is waiting on ODEQ to close the consent order.

**TOWN OF TEMPLE
UPDATE ON PRIOR YEAR AUDIT FINDINGS AND RESPONSES
JUNE 30, 2012**

1. Inadequate Segregation of Duties.

Condition - There is a lack of segregation of duties among personnel that would allow the internal control over financial reporting and compliance with grant programs to function appropriately. The cause of this condition is the limited size of the staff of the Town and Authority. The Town and Authority only has two full-time administrative staff people.

Criteria - Internal controls should be in place that would provide reasonable assurance that all the Town and Authority's assets are properly safeguarded.

Recommendation - Recommend the Town and Authority continue to monitor this situation and segregate duties to the extent possible if new staff are hired.

Response - The Town and Authority considers hiring additional staff as not being economically feasible.

Updated Comment - Situation the same. Comment repeated.

2. Compliance with Environmental Laws.

Condition - The Town received a consent order from the Oklahoma Department of Environmental Quality on April 25, 2005, alleging permit violations of the Town's wastewater treatment facility. It requires certain tasks be performed in order to upgrade the wastewater treatment facility. Failure to comply with the consent orders may result in monetary penalties being assessed by the Oklahoma Department of Environmental Quality. The Town has been notified of an assessment of \$35,000 in penalties for not complying with the consent order. The Town has met with ODEQ on April 25, 2012, and a verbal settlement was reached that payment of this penalty will not be required as long as the Town completes construction by April 2013 and acquires land for new lagoons by April 2013 as part of a Supplemental Environmental Project. Town records states that ODEQ would waive \$30,000 of the penalty and allow the other \$5,000 be applied to the purchase of the additional land. The Town states it has met its requirements and is waiting on ODEQ to close the consent order. ODEQ is alleging the Town has not fulfilled the settlement agreement and is seeking payment of the \$5,000 penalty or for the Town to convert its wastewater treatment facility to a total retention system.

Criteria and Recommendation - The Town should comply with environmental laws.

**TOWN OF TEMPLE
UPDATE ON PRIOR YEAR AUDIT FINDINGS AND RESPONSES
JUNE 30, 2012**

2. Compliance with Environmental Laws (continued).

Response - The Town believes it has fulfilled all the requirements of the settlement agreement and consent order. On February 21, 2013, the Town requested another meeting with ODEQ to address this matter. ODEQ has not yet responded.

Updated Comment - The consent order is still in effect. The Town received a letter from ODEQ dated April 24, 2014, stating that ODEQ may close the consent order pending a final review of all other requirements of the consent order and notice of violation. No other correspondence has been received by the Town. Comment revised in the current year's audit report.