

TOWN OF TEMPLE, OKLAHOMA

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

JUNE 30, 2013

**TOWN OF TEMPLE, OKLAHOMA
TOWN OFFICIALS
JUNE 30, 2013**

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

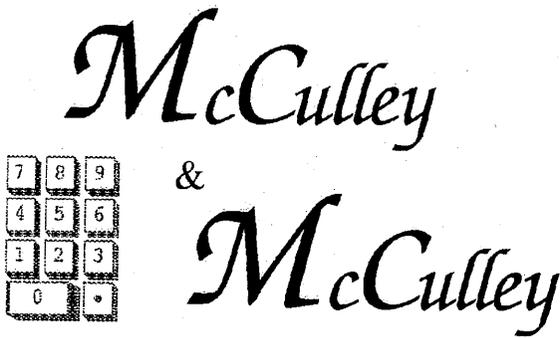
**TOWN OF TEMPLE, OKLAHOMA
TABLE OF CONTENTS
JUNE 30, 2013**

	<u>PAGE NUMBER</u>
INDEPENDENT AUDITOR'S REPORT	1 - 3
ACCOMPANYING FINANCIAL STATEMENTS - MODIFIED CASH BASIS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Assets, Liabilities and Net Position	4
Statement of Activities	5
FUND FINANCIAL STATEMENTS	
Governmental Funds	
Balance Sheet - Governmental Funds	6
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	8
Proprietary Fund Type - Enterprise Fund	
Statement of Assets, Liabilities and Net Position	9
Statement of Revenues, Expenses, and Changes in Net Position	10
Statement of Cash Flows	11
Notes to Financial Statements	12 - 27

**TOWN OF TEMPLE, OKLAHOMA
TABLE OF CONTENTS
JUNE 30, 2013**

(Continued)

	<u>PAGE NUMBER</u>
OTHER SUPPLEMENTARY INFORMATION	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Modified Cash Basis - General Fund	28
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Modified Cash Basis - Landfill Fund	29
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Modified Cash Basis - 14801 CDBG Grant Fund	30
Combining Balance Sheet - Other Governmental Funds - Modified Cash Basis	31
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Other Governmental Funds - Modified Cash Basis	32
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance Based on an Audit of the Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	33 - 35
Statement of Findings and Responses	36 - 37
Update on Prior Year Audit Finding and Responses	38 - 39



Certified Public Accountants

*Glenn L. McCulley
Roselind C. McCulley*

*204 North Caddo
Post Office Box 1626
Weatherford, Oklahoma 73096*

*Voice (580) 772-8820
Fax (580) 772-0672*

*<http://prep.1040.com/mcculleycpas>
email: mmcpas@cebridge.net*

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, 2013, and the related notes to the financial statements, which collectively comprise the Town's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinions

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, 2013, and the respective changes in financial position - modified cash basis and, where applicable, the cash flows - modified cash basis of the business-type activities for the year then ended in conformity with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The Town of Temple, Oklahoma, prepares its financial statements on the modified-cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

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. The budgetary comparison information have had certain limited procedures applied in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the

information for consistency with management's responses to our inquiries, the modified cash basis financial statements, and other knowledge we obtained during our audit of the modified cash basis financial statements. We do not express an opinion or provide any assurance on the budgetary comparison information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the accompanying modified cash basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the modified cash basis financial statements or to the modified cash basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the accompanying modified cash basis financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated October 3, 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 in considering the Town of Temple, Oklahoma's, internal control over financial reporting and compliance.

McCulley & McCulley

Weatherford, Oklahoma

October 3, 2014

TOWN OF TEMPLE, OKLAHOMA
STATEMENT OF ASSETS, LIABILITIES AND NET POSITION
MODIFIED CASH BASIS
JUNE 30, 2013

	PRIMARY GOVERNMENT		
	GOVERN- MENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
ASSETS			
Cash on Hand	\$ 250	\$ 125	\$ 375
Cash in Bank	63,152	89,374	152,526
Certificate of Deposits	6,511	25,000	31,511
Designated Assets:			
Cash in Bank	12,265	4,564	16,829
Certificate of Deposits		123,576	123,576
Water Storage Escrow Account		36,926	36,926
Due from (to) Other Funds	(687)	687	0
Restricted Assets:			
Cash in Bank		16,080	16,080
Certificate of Deposits		18,000	18,000
Debt Service Funds		13,161	13,161
Assets Held by Trustee	119,093		119,093
Capital Assets			
Net of Accumulated Depreciation		1,251,017	1,251,017
TOTAL ASSETS	<u>200,584</u>	<u>1,578,510</u>	<u>1,779,094</u>
LIABILITIES			
Accounts Payable	44		44
Payroll Taxes Payable	627	560	1,187
Customer Deposits Payable		34,055	34,055
Long-term Liabilities:			
Due Within One Year	20,942	18,620	39,562
Due in More Than One Year	477,857	279,034	756,891
TOTAL LIABILITIES	<u>499,470</u>	<u>332,269</u>	<u>831,739</u>
NET POSITION			
Net Investment in Capital Assets		953,363	953,363
Restricted Net Position:			
Restricted for Landfill Closure	119,093		119,093
Restricted for Street and Alleys	17,777		17,777
Restricted for Debt Service		12,111	12,111
Unrestricted Net Position	(435,756)	280,767	(154,989)
TOTAL NET POSITION	<u>\$ (298,886)</u>	<u>\$ 1,246,241</u>	<u>\$ 947,355</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, 2013

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
PRIMARY GOVERNMENT							
Governmental Activities:							
Landfill	\$ 55,550	\$ 42,652	\$	\$	\$ (12,898)	\$	\$ (12,898)
Animal Control and Court Department	601	546			(55)		(55)
Fire Department	26,502	21,526		4,484	(492)		(492)
Crow Park Fund	3,779		4,655		876		876
Street and Alleys	4,107		12,696		8,589		8,589
Interest on Debt	17,974				(17,974)		(17,974)
Capital Outlay	337,333			238,800	(98,533)		(98,533)
Other Expenditures	154,708				(154,708)		(154,708)
TOTAL GOVERNMENTAL ACTIVITIES	600,554	64,724	17,351	243,284	(275,195)	0	(275,195)
Business-type Activities:							
Temple Development Trust Activities	0	400				400	400
Interest on Debt	10,435					(10,435)	(10,435)
Water, Sewer, Garbage Utilities Services	421,355	435,540		314,649		328,834	328,834
TOTAL BUSINESS-TYPE ACTIVITIES	431,790	435,940	0	314,649	0	318,799	318,799
TOTAL PRIMARY GOVERNMENT	\$ 1,032,344	\$ 500,664	\$ 17,351	\$ 557,933	(275,195)	318,799	43,604
General Revenues							
Sales and Use Taxes					107,927		107,927
Cigarette Taxes					1,323		1,323
Intergovernmental Revenue					15,704		15,704
Franchise Taxes					25,187		25,187
Interest Income					1,236	2,266	3,502
Other Income					6,712	1,938	8,650
Transfers					134,600	(134,600)	0
Total General Revenues and Transfers					292,689	(130,396)	162,293
Change in Net Position					17,494	188,403	205,897
NET POSITION							
Beginning of Year					(316,380)	1,057,838	741,458
End of Year					\$ (298,886)	\$ 1,246,241	\$ 947,355

The accompanying notes are an integral part of these statements.

**TOWN OF TEMPLE, OKLAHOMA
BALANCE SHEET - GOVERNMENTAL FUNDS -
MODIFIED CASH BASIS
JUNE 30, 2013**

	GENERAL FUND	LANDFILL FUND	14801 CDBG 11 FUND	OTHER GOVERN- MENTAL FUNDS	TOTAL GOVERN- MENTAL FUNDS
ASSETS					
Cash on Hand	\$ 100	\$ 150	\$	\$	\$ 250
Cash in Bank	34,501	1,543		27,108	63,152
Certificate of Deposits	6,511				6,511
Designated Assets:					
Landfill Assurance Payment		12,265			12,265
Restricted Assets Held by Trustee		119,093			119,093
TOTAL ASSETS	\$ 41,112	\$ 133,051	\$ 0	\$ 27,108	\$ 201,271
 LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$	\$ 44	\$	\$	\$ 44
Due to Other Funds	687				687
Payroll Taxes Payable	459	168			627
TOTAL LIABILITIES	1,146	212	0	0	1,358
 FUND BALANCES					
Restricted		119,093		19,777	138,870
Assigned		13,746		7,331	21,077
Unassigned	39,966				39,966
TOTAL FUND BALANCES	39,966	132,839	0	27,108	199,913
TOTAL LIABILITIES AND FUND BALANCES	\$ 41,112	\$ 133,051	\$ 0	\$ 27,108	

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

Long-term debt payable are reported in the General	
Long-term Debt Account Group and therefore are not reported in the funds.	(498,799)
Net Position of Governmental Activities-Modified Cash Basis	\$ (298,886)

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, 2013

	GENERAL FUND	LANDFILL FUND	14801 CDBG 11 FUND	OTHER GOVERN- MENTAL FUNDS	TOTAL GOVERN- MENTAL FUNDS
REVENUES					
Sales and Use Tax	\$ 107,927	\$	\$	\$	\$ 107,927
Cigarette Taxes	1,323				1,323
Franchise Tax	25,187				25,187
Intergovernmental Revenue	15,704		238,800	17,180	271,684
Charges for Services		42,652			42,652
Donations				26,181	26,181
Fines and Bonds	110			436	546
Interest	46	1,153		37	1,236
Other Income	6,712				6,712
TOTAL REVENUES	<u>157,009</u>	<u>43,805</u>	<u>238,800</u>	<u>43,834</u>	<u>483,448</u>
EXPENDITURES					
Personal Services	56,385	24,719			81,104
Maintenance and Operations	88,536	29,419	11,800	34,388	164,143
Debt Service Principal				20,241	20,241
Debt Service Interest				17,974	17,974
Capital Outlays	9,732	1,412	324,649	1,540	337,333
TOTAL EXPENDITURES	<u>154,653</u>	<u>55,550</u>	<u>336,449</u>	<u>74,143</u>	<u>620,795</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>2,356</u>	<u>(11,745)</u>	<u>(97,649)</u>	<u>(30,309)</u>	<u>(137,347)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In		12,986	100,000	38,215	151,201
Transfers (Out)	(14,250)		(2,351)	0	(16,601)
TOTAL OTHER FINANCING	<u>(14,250)</u>	<u>12,986</u>	<u>97,649</u>	<u>38,215</u>	<u>134,600</u>
NET CHANGE IN FUND BALANCES	<u>(11,894)</u>	<u>1,241</u>	<u>0</u>	<u>7,906</u>	<u>(2,747)</u>
FUND BALANCE					
Beginning of Year	51,860	131,598		19,202	202,660
End of Year	<u>\$ 39,966</u>	<u>\$ 132,839</u>	<u>\$ 0</u>	<u>\$ 27,108</u>	<u>\$ 199,913</u>

The accompanying notes are an integral part of these statements.

**TOWN OF TEMPLE, OKLAHOMA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2013**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	(2,747)
---	----	---------

Amounts reported for governmental activities in the Statement of Activities-
Modified Cash Basis are different because:

Debt Service Funds record repayment of debt principal as an expense.
It is recorded here as a reduction of the debt.

		20,241
--	--	--------

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	17,494
--	----	--------

The accompanying notes are an integral part of these statements.

TOWN OF TEMPLE, OKLAHOMA
STATEMENT OF ASSETS, LIABILITIES AND
NET POSITION - ENTERPRISE FUNDS - MODIFIED CASH BASIS
JUNE 30, 2013

	TEMPLE DEVELOPMENT TRUST	TEMPLE UTILITIES AUTHORITY	TOTAL
ASSETS			
Current Assets:			
Cash on Hand	\$	\$	\$
Cash in Bank	1,993	125	89,374
Certificate of Deposits		87,381	25,000
Due from Other Funds		25,000	687
Designated Assets:			
Cash in Bank		687	4,564
Certificate of Deposits		4,564	123,576
Water Storage Escrow Account		123,576	36,926
Restricted Assets:			
Cash in Bank		16,080	16,080
Certificate of Deposits		18,000	18,000
Debt Service Funds		13,161	13,161
Total Current Assets	1,993	325,500	327,493
Noncurrent Assets:			
Capital Assets, Net of Accumulated Depreciation		1,251,017	1,251,017
TOTAL ASSETS	\$ 1,993	\$ 1,576,517	\$ 1,578,510
LIABILITIES			
Current Liabilities:			
Payroll Taxes Payable	\$	\$	\$
Customer Deposits		560	34,055
Current Portion of Long-term Debt		34,055	18,620
Total Current Liabilities	0	53,235	53,235
Noncurrent Liabilities:			
Long term Debt		279,034	279,034
TOTAL LIABILITIES	0	332,269	332,269
NET POSITION			
Net Investment in Capital Assets		953,363	953,363
Restricted for Debt Service		12,111	12,111
Unrestricted	1,993	278,774	280,767
TOTAL NET POSITION	1,993	1,244,248	1,246,241
TOTAL LIABILITIES AND NET POSITION	\$ 1,993	\$ 1,576,517	\$ 1,578,510

The accompanying notes are an integral part of these statements.

**TOWN OF TEMPLE, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION -
ENTERPRISE FUNDS - MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2013**

	TEMPLE DEVELOPMENT TRUST	TEMPLE UTILITIES AUTHORITY	TOTAL
OPERATING REVENUES			
Water, Sewer, Garbage and Other Fees	\$	\$ 435,540	\$ 435,540
Other Revenues	400	1,938	2,338
TOTAL OPERATING REVENUES	400	437,478	437,878
OPERATING EXPENSES			
Compensation and Benefits		117,821	117,821
Garbage Disposal and Truck Expense		55,461	55,461
Materials and Supplies		53,214	53,214
Depreciation		67,073	67,073
Repair and Maintenance		16,399	16,399
Fuel and Oil		6,865	6,865
License and Permits		13,792	13,792
Professional Fees		6,435	6,435
Utilities and Telephone		25,894	25,894
Waurika Project Participation Costs		25,479	25,479
Office Expense		8,432	8,432
Insurance and Bonds		18,118	18,118
Other Miscellaneous Expense		6,372	6,372
TOTAL OPERATING EXPENSES	0	421,355	421,355
INCOME FROM OPERATIONS	400	16,123	16,523
NONOPERATING REVENUES (EXPENSES)			
Interest Income	6	2,260	2,266
Interest Expense		(10,435)	(10,435)
Contributed Capital		314,649	314,649
TOTAL NONOPERATING REVENUES (EXPENSES)	6	306,474	306,480
INCOME BEFORE TRANSFERS	406	322,597	323,003
TRANSFERS IN (OUT)			
Transfers In		15,351	15,351
Transfers (Out)		(149,951)	(149,951)
NET TRANSFERS IN (OUT)	0	(134,600)	(134,600)
INCREASE IN NET POSITION	406	187,997	188,403
NET POSITION			
Beginning of Year	1,587	1,056,251	1,057,838
End of Year	\$ 1,993	\$ 1,244,248	\$ 1,246,241

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, 2013**

	TEMPLE DEVELOPMENT TRUST	TEMPLE UTILITIES AUTHORITY	TOTAL
Cash Flows from Operating Activities			
Cash Received from Customers	\$ 400	\$ 438,558	\$ 438,958
Cash Paid for Goods and Services		(237,148)	(237,148)
Cash Paid to Employees		(119,682)	(119,682)
Net Cash Provided by Operating Activities	<u>400</u>	<u>81,728</u>	<u>82,128</u>
Cash Flows from Noncapital Financing Activities			
Transfers In		15,351	15,351
Transfers (Out)		(149,951)	(149,951)
Net Cash (Used for) Noncapital Financing	<u>0</u>	<u>(134,600)</u>	<u>(134,600)</u>
Cash Flows from Capital and Related Financing Activities			
Proceeds from New Debt		75,050	75,050
Interest Payment on Long-term Debt		(10,435)	(10,435)
Principal Repayment of Long-term Debt		(12,334)	(12,334)
Net Cash Provided by Capital and Related Financing Activities	<u>0</u>	<u>52,281</u>	<u>52,281</u>
Cash Flows from Investing Activities			
Purchase of Capital Assets		(45,564)	(45,564)
Interest Received on Cash and Investments	6	2,260	2,266
Net Cash Provided by (Used for) Investing Activities	<u>6</u>	<u>(43,304)</u>	<u>(43,298)</u>
Increase (Decrease) in Cash and Cash Equivalents	406	(43,895)	(43,489)
Balance of Cash and Cash Equivalents			
Beginning of Year	<u>1,587</u>	<u>368,708</u>	<u>370,295</u>
End of Year	\$ <u>1,993</u>	\$ <u>324,813</u>	\$ <u>326,806</u>
Reconciliation of Change in Net Position to Net Cash Provided by Operating Activities:			
Increase in Net Position	\$ 406	\$ 187,997	\$ 188,403
Adjustments to Reconcile Change in Net Position to Net Cash Provided by Operating Activities			
Interest Income	(6)	(2,260)	(2,266)
Contributed Capital		(314,649)	(314,649)
Transfer (In)		(15,351)	(15,351)
Depreciation		67,073	67,073
Transfer Out		149,951	149,951
Interest Expense		10,435	10,435
Changes in Assets and Liabilities:			
(Increase) in Due From Other Funds		(687)	(687)
(Decrease) in Payroll Taxes Payable		(1,861)	(1,861)
Increase in Customer Deposits		1,080	1,080
Total Adjustments	<u>(6)</u>	<u>(106,269)</u>	<u>(106,275)</u>
Net Cash Provided by Operating Activities	<u>\$ 400</u>	<u>\$ 81,728</u>	<u>\$ 82,128</u>

Note: Capital assets increased by \$360,213 but \$314,649 was from contributed capital from the completion of a grant through the Town of Temple. Only \$45,564 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, 2013**

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, 2013**

1. Summary of Significant Accounting Policies (continued).

B. Accompanying Financial Statements.

Accompanying financial statements include a Statement of Assets, Liabilities, and Net Position-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 Position-Modified Cash Basis reports all financial and capital resources of the Town. It is displayed in a format of assets less liabilities equals net position, with the assets and liabilities shown in order of their relative liquidity. Net position is required to be displayed in three components: 1) net investment in capital assets, 2) restricted, and 3) unrestricted. Net investment in capital assets 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 position 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 position 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 positions are available.

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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 expenditures and the Statement of Activities does not reflect 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, 2013**

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. The general fund is always a major 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.

14801 CDBG 11 Fund - This special revenue fund was used to account for revenue granted by the Oklahoma Department of Commerce for expenditures for replacing some sewer lines, build a lift station, and related improvements.

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, 2013**

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, 2013**

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. 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.

G. 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.

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

1. Summary of Significant Accounting Policies (continued).

H. 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.

I. 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 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.

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

1. Summary of Significant Accounting Policies (continued).

I. Fund Balance Classifications (continued).

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, 2013, 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>108,522</u>	<u>127,583</u>
Total Deposits	<u>\$358,522</u>	<u>\$377,583</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 \$12,265 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.

Restricted assets held by the trustee bank of \$119,093 are assets restricted for landfill closure costs as required by the Oklahoma Department of Environmental Quality.

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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

The designated water escrow account of \$36,926 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 \$13,161 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	4,564	
Repairs to Waurika Project Master Conservancy District Supply Lines	98,576	
Restricted Assets for:		
Customer Deposits which are offset by a related liability payable.		\$ 34,055
Payments Collected for Others		25
Total	<u>\$ 128,140</u>	<u>\$ 34,080</u>

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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

	Primary Government			
CAPITAL ASSETS	Balance June 30, 2012	Additions	(Deletions)	Balance June 30, 2013
Business-type Activities:				
Cost:				
Land*	\$ 3,850	\$ 26,190	\$	\$ 30,040
Buildings	41,125			41,125
Water & Sewer System	1,448,021	334,023		1,782,044
Trash System	53,387			53,387
Water Rights	240,972			240,972
Equipment	77,334			77,334
Vehicles	160,945			160,945
Total Costs	2,025,634	360,213		2,385,847
Less Accumulated Depreciation:				
Buildings	(33,901)	(607)		(34,508)
Water & Sewer System	(741,126)	(60,280)		(801,406)
Trash System	(53,387)			(53,387)
Water Rights	(8,032)	(4,819)		(12,851)
Equipment	(70,774)	(1,231)		(72,005)
Vehicles	(160,537)	(136)		(160,673)
Total Accum. Depreciation	(1,067,757)	(67,073)		(1,134,830)
Net Business- type Activ- ities	\$ 957,877	\$293,140	\$ -0-	\$1,251,017

* non-depreciable

Depreciation expense of \$67,073 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, 2013**

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, 2013:

	Balance June 30, <u>2012</u>	Principal Repayments	Balance June 30, <u>2012</u>	Due Within <u>One Year</u>
Waurika LMC Dist.	<u>\$519,040</u>	<u>\$ 20,241</u>	<u>\$498,799</u>	<u>\$ 20,942</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>
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	23,997	14,218	38,215
2019-2023	133,041	58,036	191,077
2024-2028	157,729	33,348	191,077
2029-2031	<u>95,812</u>	<u>6,286</u>	<u>102,098</u>
Total	<u>\$ 498,799</u>	<u>\$176,528</u>	<u>\$ 675,327</u>

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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 Authority also entered into a note payable with its bank for the purpose of providing matching funds for the Town's Community Development Block Grant sewer project. This note was initiated on November 29, 2012, and matures on December 15, 2018. Amount borrowed was \$75,050 at 2.7% interest with monthly payments of \$1,131.60 beginning on January 15, 2013. It is secured by an assignment of the Authority's certificate of deposit with a balance of \$98,576 at June 30, 2013.

The following is a summary of the Authority's long-term debt transactions for the year ended June 30, 2013:

	<u>Balance</u> <u>June 30,</u> <u>2012</u>	<u>New</u> <u>Debt</u>	<u>Principal</u> <u>Repayment</u>	<u>Balance</u> <u>June 30,</u> <u>2013</u>	<u>Due Within</u> <u>One Year</u>
Waurika LMC Dist.	\$234,938	\$	\$ 6,637	\$228,301	\$ 6,767
Bank Note	<u> </u>	75,050	<u>5,697</u>	<u>69,353</u>	<u>11,853</u>
Total	<u>\$234,938</u>	<u>\$75,050</u>	<u>\$ 12,334</u>	<u>\$297,654</u>	<u>\$ 18,620</u>

The following schedule gives the stated annual requirements to amortize the long-term debt.

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 18,619	\$ 10,927	\$ 29,546
2015	19,159	10,390	29,549
2016	19,664	9,838	29,502
2017	20,178	9,343	29,521
2018	20,659	8,835	29,494
2019-2023	47,878	38,352	86,230
2024-2028	49,608	29,494	79,102
2029-2033	59,349	19,293	78,642
2034-2036	42,540	4,448	46,988
Total	<u>\$ 297,654</u>	<u>\$140,920</u>	<u>\$ 438,574</u>

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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 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, 2013, the Town contributed \$2,340 to the Plan. The actuarial valuation report, dated July 1, 2013, 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, 2013, was 20 years.

Historical three and ten year trend information are not available.

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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, 2013, is estimated to be \$45,091. The workers compensation plan purchases excess workers compensation insurance so the Town's liability is limited to their loss retention level.

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 years 2011 through 2013. The Town did not make a deposit in this trust account for fiscal year 2013. Total trust account balance at June 30, 2013, was \$119,093 (cost basis). Since the Town reports on the modified cash basis, the related liability and related amortization are not recorded in these financial statements.

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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, 2013, 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	\$	\$ (14,250)
Debt Service Fund	38,215	
Landfill Fund	12,986	
14801 CDBG 11	100,000	(2,351)
Business-type:		
Temple Utilities	<u>15,351</u>	<u>(149,951)</u>
Totals	<u>\$166,552</u>	<u>\$(166,552)</u>

10. Commitments and Contingencies.

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

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

10. Commitments and Contingencies (continued).

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. The Town received a letter from ODEQ dated June 24, 2014, stating this consent order was closed.

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, 2013

	BUDGET		ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUES				
Sales and Use Tax	\$ 116,900	\$ 116,900	\$ 107,927	\$ (8,973)
Cigarette Tax	1,600	1,600	1,323	(277)
Franchise Tax	30,600	30,600	25,187	(5,413)
Intergovernmental Revenue	15,100	15,100	15,704	604
Interest	50	50	46	(4)
Fines and Bonds			110	110
Other	10,655	10,655	6,712	(3,943)
TOTAL REVENUES	174,905	174,905	157,009	(17,896)
EXPENDITURES				
Personal Services	55,000	55,000	56,385	(1,385)
Maintenance and Operations	102,000	102,000	88,536	13,464
Capital Outlay	20,000	20,000	9,732	10,268
TOTAL EXPENDITURES	177,000	177,000	154,653	22,347
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(2,095)	(2,095)	2,356	4,451
OTHER FINANCIAL SOURCES (USES)				
Transfers In			0	0
Transfers (Out)	(22,500)	(22,500)	(14,250)	8,250
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	\$ (24,595)	\$ (24,595)	(11,894)	\$ 12,701
FUND BALANCE				
Beginning of Year			51,860	
End of Year			<u>\$ 39,966</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, 2013

	BUDGET		ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUES				
Charges for Services	\$ 55,000	\$ 55,000	\$ 42,652	\$ (12,348)
Interest	100	100	1,153	1,053
Other			0	0
TOTAL REVENUES	<u>55,100</u>	<u>55,100</u>	<u>43,805</u>	<u>(11,295)</u>
EXPENDITURES				
Personal Services	26,000	26,000	24,719	1,281
Maintenance and Operations	57,000	57,000	29,419	27,581
Capital Outlay			1,412	(1,412)
TOTAL EXPENDITURES	<u>83,000</u>	<u>83,000</u>	<u>55,550</u>	<u>27,450</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(27,900)	(27,900)	(11,745)	16,155
OTHER FINANCIAL SOURCES (USES)				
Transfers In	31,736	31,736	12,986	(18,750)
Transfers (Out)			0	0
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>\$ 3,836</u>	<u>\$ 3,836</u>	1,241	<u>\$ (2,595)</u>
FUND BALANCE				
Beginning of Year			131,598	
End of Year			<u>\$ 132,839</u>	

See the accompanying auditor's report.

**TOWN OF TEMPLE, OKLAHOMA
 COMBINED STATEMENTS OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - MODIFIED CASH BASIS
 14801 CDBG 11 GRANT FUND
 YEAR ENDED JUNE 30, 2013**

	ACTUAL			BUDGET	VARIANCE - FAVORABLE (UNFAVORABLE)
	PRIOR YEARS	CURRENT YEAR	TOTAL FOR GRANT		
REVENUES					
14801 CDBG 11 Grant	\$	\$ 197,800	\$ 197,800	\$ 197,800	\$ 0
ASCOG REAP 09 Grant	14,000	41,000	55,000	55,000	0
TOTAL REVENUES	14,000	238,800	252,800	252,800	0
EXPENDITURES					
Administration	4,000	11,800	15,800	2,000	(13,800)
Capital Outlays	14,000	324,649	338,649	314,800	(23,849)
TOTAL EXPENDITURES	18,000	336,449	354,449	316,800	(37,649)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(4,000)	(97,649)	(101,649)	(64,000)	(37,649)
OTHER FINANCIAL SOURCES (USES)					
Transfers In (Out)	4,000	97,649	101,649	64,000	37,649
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>\$ 0</u>	0	0	<u>\$ 0</u>	<u>\$ 0</u>
FUND BALANCE					
Beginning of Year					
End of Year		<u>\$ 0</u>	<u>\$ 0</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, 2013**

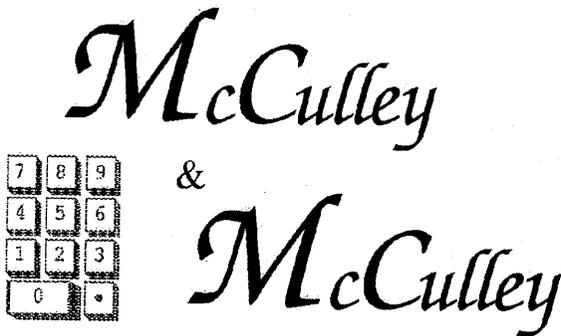
	NONMAJOR SPECIAL REVENUE FUNDS					TOTAL OTHER GOVERNMENTAL FUNDS
	STREET & ALLEY FUND	CROW PARK FUND	COURT FUND	VOLUNTARY FIREFIGHTERS FUND	DEBT SERVICE FUND	
ASSETS						
Cash in Bank	\$ 17,777	\$ 2,000	\$ 3,795	\$ 3,536	\$	\$ 27,108 0
TOTAL ASSETS	<u>\$ 17,777</u>	<u>\$ 2,000</u>	<u>\$ 3,795</u>	<u>\$ 3,536</u>	<u>\$ 0</u>	<u>\$ 27,108</u>
LIABILITIES						
Accounts Payable	\$	\$	\$	\$	\$	\$ 0
FUND BALANCE						
Restricted	17,777	2,000		3,536		19,777
Assigned			3,795			7,331
TOTAL FUND BALANCE	<u>\$ 17,777</u>	<u>\$ 2,000</u>	<u>\$ 3,795</u>	<u>\$ 3,536</u>	<u>\$ 0</u>	<u>\$ 27,108</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 17,777</u>	<u>\$ 2,000</u>	<u>\$ 3,795</u>	<u>\$ 3,536</u>	<u>\$ 0</u>	<u>\$ 27,108</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, 2013**

	NONMAJOR SPECIAL REVENUE FUNDS					TOTAL OTHER GOVERNMENTAL FUNDS
	STREET & ALLEY FUND	CROW PARK FUND	COURT FUND	VOLUNTARY FIREFIGHTERS FUND	DEBT SERVICE FUND	
REVENUES						
Intergovernmental Revenue	\$ 12,696			\$ 4,484		\$ 17,180
Police Fines			436			436
Donations		4,655		21,526		26,181
Interest		0		37		37
Other						0
TOTAL REVENUES	<u>12,696</u>	<u>4,655</u>	<u>436</u>	<u>26,047</u>	<u>0</u>	<u>43,834</u>
EXPENDITURES						
Personal Service						0
Debt Service Principal					20,241	20,241
Debt Service Interest					17,974	17,974
Maintenance & Operations	4,107	3,779		26,502		34,388
Capital Outlay				1,540		1,540
TOTAL EXPENDITURES	<u>4,107</u>	<u>3,779</u>	<u>0</u>	<u>28,042</u>	<u>38,215</u>	<u>74,143</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	8,589	876	436	(1,995)	(38,215)	(30,309)
OTHER FINANCING SOURCES (USES)						
Transfers In	0				38,215	38,215
Transfers (Out)		0				0
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	8,589	876	436	(1,995)	0	7,906
FUND BALANCE						
Beginning of Year	9,188	1,124	3,359	5,531	0	19,202
End of Year	<u>\$ 17,777</u>	<u>\$ 2,000</u>	<u>\$ 3,795</u>	<u>\$ 3,536</u>	<u>\$ 0</u>	<u>\$ 27,108</u>

See accompanying auditor's report.



Certified Public Accountants

Glenn L. McCulley
Roselind C. McCulley

204 North Caddo
Post Office Box 1626
Weatherford, Oklahoma 73096

Voice (580) 772-8820
Fax (580) 772-0672

<http://prep.1040.com/mcculleycpas>
email: mmcpas@cebridge.net

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, 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the Town of Temple, Oklahoma's, financial statements and have issued our report dated October 3, 2014. The Town reports its financial statements on the modified cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, material weaknesses or significant deficiencies may exist that were not 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 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 described in the accompanying statement of findings and responses to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency #2 described in the accompany statement of findings and responses to be a significant deficiency.

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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Town of Temple, Oklahoma's, Response Findings

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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness

of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McCulley & McCulley

Weatherford, Oklahoma

October 3, 2014

**TOWN OF TEMPLE
STATEMENT OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2013**

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. Summarizing and Reconciling the Utility Billing Records.

Condition - The Authority failed to prepare the monthly summary /reconciliation report for the utility billing activity for this fiscal year. The reports were created by current personnel but they did not balance at the end of the fiscal year. The difference could not be explained based upon the documentation in the files. The effect of this condition did not affect the financial statements since the Authority reports on the modified cash basis. All of the cash activity going through the billing program was accounting for in the financial statements. The Authority also did not reconcile monthly the customer meter deposits outstanding reports to the respective general ledger accounts. At the end of the fiscal year, the customer meter deposits outstanding also had an unknown, but immaterial, difference. During testing, noted at least one transaction where the meter deposit was taken off the billing program but the actual cash transfer/deposit refund was never done. Also noted some timing differences since billing records and accounting records were posted on different dates.

Criteria - Management should establish effective internal controls to ensure all utility billing and customer meter deposits activity are appropriately accounted for.

**TOWN OF TEMPLE
STATEMENT OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2013**

**2. Summarizing and Reconciling the Utility Billing Records
(continued).**

Recommendation - The Authority should prepare the utility billing activity report monthly and reconcile it monthly to the end of month balance shown on the billing journal or end of month aging report. This report would be prepared from the documentation maintained in the billing files. This would ensure accuracy and accountability within the billing system and all relevant reports are printed and in the file. The Authority should also reconcile the customer meter deposit outstanding print-outs (which would include both active and inactive accounts) to the accounting records. This would ensure that all activity is posted to the accounting records and that both programs are in agreement. Posting dates on the billing records and accounting records should be on the same date.

Response - The Authority is working on implementing these recommendations.

TOWN OF TEMPLE
UPDATE ON PRIOR YEAR AUDIT FINDINGS AND RESPONSES
JUNE 30, 2013

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 (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.

TOWN OF TEMPLE
UPDATE ON PRIOR YEAR AUDIT FINDINGS AND RESPONSES
JUNE 30, 2013

2. Compliance with Environmental Laws (continued).

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

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.

Updated Comment - The consent order has been closed by ODEQ. The Town received a letter from ODEQ dated June 24, 2014, stating that ODEQ is closing the consent order. Comment removed from this report.