

TOWN OF TEMPLE, OKLAHOMA

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

JUNE 30, 2014

**TOWN OF TEMPLE, OKLAHOMA
TOWN OFFICIALS
JUNE 30, 2014**

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

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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, 2014, 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 judgment, 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, 2014, 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 August 13, 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

August 13, 2014

TOWN OF TEMPLE, OKLAHOMA
STATEMENT OF ASSETS, LIABILITIES AND NET POSITION
MODIFIED CASH BASIS
JUNE 30, 2014

PRIMARY GOVERNMENT

ASSETS	PRIMARY GOVERNMENT		TOTAL
	GOVERN- MENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	
Cash on Hand	\$ 250	\$ 125	\$ 375
Cash in Bank	61,533	67,152	128,685
Certificate of Deposits	6,511	25,000	31,511
Account Receivable	139		139
Designated Assets:			
Cash in Bank	16,592	5,980	22,572
Certificate of Deposits		124,266	124,266
Water Storage Escrow Account		37,344	37,344
Due from (to) Other Funds	(687)	687	0
Restricted Assets:			
Cash in Bank		16,022	16,022
Certificate of Deposits		18,000	18,000
Debt Service Funds		12,804	12,804
Assets Held by Trustee	118,499		118,499
Capital Assets			
Net of Accumulated Depreciation		1,178,948	1,178,948
TOTAL ASSETS	<u>202,837</u>	<u>1,486,328</u>	<u>1,689,165</u>
LIABILITIES			
Accounts Payable	50		50
Payroll Taxes Payable	361	568	929
Customer Deposits Payable		33,997	33,997
Long-term Liabilities:			
Due Within One Year	21,667	19,160	40,827
Due in More Than One Year	456,190	259,840	716,030
TOTAL LIABILITIES	<u>478,268</u>	<u>313,565</u>	<u>791,833</u>
NET POSITION			
Net Investment in Capital Assets		899,948	899,948
Restricted Net Position:			
Restricted for Landfill Closure	118,499		118,499
Restricted for Street and Alleys	23,001		23,001
Restricted for Debt Service		12,804	12,804
Unrestricted Net Position	(416,931)	260,011	(156,920)
TOTAL NET POSITION	<u>\$ (275,431)</u>	<u>\$ 1,172,763</u>	<u>\$ 897,332</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, 2014

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	\$ 52,790	\$ 42,292	\$	\$	\$ (10,498)	\$	\$ (10,498)
Animal Control and Court Department	2,722	387			(2,335)		(2,335)
Fire Department	18,573	20,656		6,901	8,984		8,984
Crow Park Fund	2,136		1,500		(636)		(636)
Street and Alleys	4,304		9,523		5,219		5,219
Interest on Debt	17,273				(17,273)		(17,273)
Capital Outlay	7,000				(7,000)		(7,000)
Other Expenditures	168,756				(168,756)		(168,756)
TOTAL GOVERNMENTAL ACTIVITIES	273,554	63,335	11,023	6,901	(192,295)	0	(192,295)
Business-type Activities:							
Temple Development Trust Activities		601				601	601
Interest on Debt	10,892					(10,892)	(10,892)
Water, Sewer, Garbage Utilities Services	430,079	404,848				(25,231)	(25,231)
TOTAL BUSINESS-TYPE ACTIVITIES	440,971	405,449	0	0	0	(35,522)	(35,522)
TOTAL PRIMARY GOVERNMENT	\$ 714,525	\$ 468,784	\$ 11,023	\$ 6,901	(192,295)	(35,522)	(227,817)
General Revenues							
Sales and Use Taxes					117,831		117,831
Cigarette Taxes					1,332		1,332
Intergovernmental Revenue					16,335		16,335
Franchise Taxes					24,637		24,637
Sales of Assets					325		325
Interest Income					848	1,867	2,715
Other Income					11,393	3,226	14,619
Transfers					43,049	(43,049)	0
Total General Revenues and Transfers					215,750	(37,956)	177,794
Change in Net Position					23,455	(73,478)	(50,023)
NET POSITION							
Beginning of Year					(298,886)	1,246,241	947,355
End of Year					<u>\$ (275,431)</u>	<u>\$ 1,172,763</u>	<u>\$ 897,332</u>

The accompanying notes are an integral part of these statements.

**TOWN OF TEMPLE, OKLAHOMA
BALANCE SHEET - GOVERNMENTAL FUNDS -
MODIFIED CASH BASIS
JUNE 30, 2014**

	GENERAL FUND	LANDFILL FUND	OTHER GOVERN- MENTAL FUNDS	TOTAL GOVERN- MENTAL FUNDS
ASSETS				
Cash on Hand	\$ 100	\$ 150	\$	\$ 250
Cash in Bank	17,951	3,232	40,350	61,533
Certificate of Deposits	6,511			6,511
Account Receivable	139			139
Designated Assets:				
Landfill Assurance Payment		16,592		16,592
Restricted Assets Held by Trustee		118,499		118,499
TOTAL ASSETS	\$ 24,701	\$ 138,473	\$ 40,350	\$ 203,524
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$	\$ 50	\$	\$ 50
Due to Other Funds	687			687
Payroll Taxes Payable	203	158		361
TOTAL LIABILITIES	890	208	0	1,098
 FUND BALANCES				
Restricted		118,499	24,365	142,864
Assigned		19,766	15,985	35,751
Unassigned	23,811			23,811
TOTAL FUND BALANCES	23,811	138,265	40,350	202,426
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 24,701	 \$ 138,473	 \$ 40,350	

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.	(477,857)
Net Position of Governmental Activities-Modified Cash Basis	\$ (275,431)

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, 2014

	GENERAL FUND	LANDFILL FUND	OTHER GOVERN- MENTAL FUNDS	TOTAL GOVERN- MENTAL FUNDS
REVENUES				
Sales and Use Tax	\$ 117,831	\$	\$	\$ 117,831
Cigarette Taxes	1,332			1,332
Franchise Tax	24,637			24,637
Intergovernmental Revenue	16,335		16,424	32,759
Charges for Services		42,292		42,292
Donations			22,156	22,156
Fines and Bonds	316		71	387
Interest	36	770	42	848
Sales of Assets	325			325
Other Income	7,036	4,352	5	11,393
	<u>167,848</u>	<u>47,414</u>	<u>38,698</u>	<u>253,960</u>
TOTAL REVENUES				
EXPENDITURES				
Personal Services	56,087	25,916		82,003
Maintenance and Operations	113,539	26,874	26,865	167,278
Debt Service Principal			20,942	20,942
Debt Service Interest			17,273	17,273
Capital Outlays	0	0	7,000	7,000
	<u>169,626</u>	<u>52,790</u>	<u>72,080</u>	<u>294,496</u>
TOTAL EXPENDITURES				
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>(1,778)</u>	<u>(5,376)</u>	<u>(33,382)</u>	<u>(40,536)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	1,623	10,802	48,247	60,672
Transfers (Out)	(16,000)		(1,623)	(17,623)
	<u>(14,377)</u>	<u>10,802</u>	<u>46,624</u>	<u>43,049</u>
TOTAL OTHER FINANCING				
NET CHANGE IN FUND BALANCES	(16,155)	5,426	13,242	2,513
FUND BALANCE				
Beginning of Year	39,966	132,839	27,108	199,913
	<u>39,966</u>	<u>132,839</u>	<u>27,108</u>	<u>199,913</u>
End of Year	\$ <u>23,811</u>	\$ <u>138,265</u>	\$ <u>40,350</u>	\$ <u>202,426</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, 2014**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	2,513
<p>Amounts reported for governmental activities in the Statement of Activities- Modified Cash Basis are different because:</p>		
<p>Debt Service Funds record repayment of debt principal as an expense. It is recorded here as a reduction of the debt.</p>		<u>20,942</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>23,455</u></u>

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, 2014

	TEMPLE DEVELOPMENT TRUST	TEMPLE UTILITIES AUTHORITY	TOTAL
ASSETS			
Current Assets:			
Cash on Hand	\$	\$ 125	\$ 125
Cash in Bank	2,599	64,553	67,152
Certificate of Deposits		25,000	25,000
Due from Other Funds		687	687
Designated Assets:			
Cash in Bank		5,980	5,980
Certificate of Deposits		124,266	124,266
Water Storage Escrow Account		37,344	37,344
Restricted Assets:			
Cash in Bank		16,022	16,022
Certificate of Deposits		18,000	18,000
Debt Service Funds		12,804	12,804
Total Current Assets	<u>2,599</u>	<u>304,781</u>	<u>307,380</u>
Noncurrent Assets:			
Capital Assets, Net of Accumulated Depreciation		<u>1,178,948</u>	<u>1,178,948</u>
TOTAL ASSETS	<u>\$ 2,599</u>	<u>\$ 1,483,729</u>	<u>\$ 1,486,328</u>
LIABILITIES			
Current Liabilities:			
Payroll Taxes Payable	\$	\$ 568	\$ 568
Customer Deposits		33,997	33,997
Current Portion of Long-term Debt		19,160	19,160
Total Current Liabilities	<u>0</u>	<u>53,725</u>	<u>53,725</u>
Noncurrent Liabilities:			
Long term Debt		<u>259,840</u>	<u>259,840</u>
TOTAL LIABILITIES	<u>0</u>	<u>313,565</u>	<u>313,565</u>
NET POSITION			
Net Investment in Capital Assets		899,948	899,948
Restricted for Debt Service		12,804	12,804
Unrestricted	2,599	257,412	260,011
TOTAL NET POSITION	<u>2,599</u>	<u>1,170,164</u>	<u>1,172,763</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 2,599</u>	<u>\$ 1,483,729</u>	<u>\$ 1,486,328</u>

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, 2014**

	TEMPLE DEVELOPMENT TRUST	TEMPLE UTILITIES AUTHORITY	TOTAL
OPERATING REVENUES			
Water, Sewer, Garbage and Other Fees	\$	\$ 404,848	\$ 404,848
Other Revenues	601	3,226	3,827
TOTAL OPERATING REVENUES	601	408,074	408,675
OPERATING EXPENSES			
Compensation and Benefits		126,154	126,154
Garbage Disposal and Truck Expense		41,031	41,031
Materials and Supplies		43,939	43,939
Depreciation		76,169	76,169
Repair and Maintenance		6,471	6,471
Fuel and Oil		8,544	8,544
License and Permits		20,621	20,621
Professional Fees		3,112	3,112
Utilities and Telephone		24,541	24,541
Waurika Project Participation Costs		41,370	41,370
Office Expense		8,162	8,162
Insurance and Bonds		27,537	27,537
Other Miscellaneous Expense		2,428	2,428
TOTAL OPERATING EXPENSES	0	430,079	430,079
INCOME FROM OPERATIONS	601	(22,005)	(21,404)
NONOPERATING REVENUES (EXPENSES)			
Interest Income	5	1,862	1,867
Interest Expense		(10,892)	(10,892)
Contributed Capital			0
TOTAL NONOPERATING REVENUES (EXPENSES)	5	(9,030)	(9,025)
INCOME BEFORE TRANSFERS	606	(31,035)	(30,429)
TRANSFERS IN (OUT)			
Transfers In		14,000	14,000
Transfers (Out)		(57,049)	(57,049)
NET TRANSFERS IN (OUT)	0	(43,049)	(43,049)
INCREASE IN NET POSITION	606	(74,084)	(73,478)
NET POSITION			
Beginning of Year	1,993	1,244,248	1,246,241
End of Year	\$ 2,599	\$ 1,170,164	\$ 1,172,763

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, 2014**

	TEMPLE DEVELOPMENT TRUST	TEMPLE UTILITIES AUTHORITY	TOTAL
Cash Flows from Operating Activities			
Cash Received from Customers	\$ 601	\$ 408,016	\$ 408,617
Cash Paid for Goods and Services		(227,756)	(227,756)
Cash Paid to Employees		(126,146)	(126,146)
Net Cash Provided by Operating Activities	<u>601</u>	<u>54,114</u>	<u>54,715</u>
Cash Flows from Noncapital Financing Activities			
Transfers In		14,000	14,000
Transfers (Out)		(57,049)	(57,049)
Net Cash (Used for) Noncapital Financing	<u>0</u>	<u>(43,049)</u>	<u>(43,049)</u>
Cash Flows from Capital and Related Financing Activities			
Interest Payment on Long-term Debt		(10,892)	(10,892)
Principal Repayment of Long-term Debt		(18,654)	(18,654)
Net Cash (Used for) Capital and Related Financing Activities	<u>0</u>	<u>(29,546)</u>	<u>(29,546)</u>
Cash Flows from Investing Activities			
Purchase of Capital Assets		(4,100)	(4,100)
Interest Received on Cash and Investments	5	1,862	1,867
Net Cash Provided by (Used for) Investing Activities	<u>5</u>	<u>(2,238)</u>	<u>(2,233)</u>
Increase (Decrease) in Cash and Cash Equivalents	606	(20,719)	(20,113)
Balance of Cash and Cash Equivalents			
Beginning of Year	<u>1,993</u>	<u>324,813</u>	<u>326,806</u>
End of Year	<u>\$ 2,599</u>	<u>\$ 304,094</u>	<u>\$ 306,693</u>
Reconciliation of Change in Net Position to Net Cash Provided by Operating Activities:			
Increase (Decrease) in Net Position	\$ 606	\$ (74,084)	\$ (73,478)
Adjustments to Reconcile Change in Net Position to Net Cash Provided by Operating Activities			
Interest Income	(5)	(1,862)	(1,867)
Transfer (In)		(14,000)	(14,000)
Depreciation		76,169	76,169
Transfer Out		57,049	57,049
Interest Expense		10,892	10,892
Changes in Assets and Liabilities:			
Increase in Payroll Taxes Payable		8	8
(Decrease) in Customer Deposits		(58)	(58)
Total Adjustments	<u>(5)</u>	<u>128,198</u>	<u>128,193</u>
Net Cash Provided by Operating Activities	<u>\$ 601</u>	<u>\$ 54,114</u>	<u>\$ 54,715</u>

The accompanying notes are an integral part of these statements.

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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.

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

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

1. Summary of Significant Accounting Policies (continued).

B. Accompanying Financial Statements (continued).

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

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

1. Summary of Significant Accounting Policies (continued).

B. Accompanying Financial Statements (continued).

would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

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, 2014

1. Summary of Significant Accounting Policies (continued).

B. Accompanying Financial Statements (continued).

Major Funds.

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.

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.

Nonmajor Funds.

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

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

1. Summary of Significant Accounting Policies (continued).

B. Accompanying Financial Statements (continued).

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 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.

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

1. Summary of Significant Accounting Policies (continued).

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.

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.

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

1. Summary of Significant Accounting Policies (continued).

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.

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, then 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.

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

1. Summary of Significant Accounting Policies (continued).

I. Fund Balance Classifications (continued).

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, 2014, 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>91,056</u>	<u>131,584</u>
Total Deposits	<u>\$341,056</u>	<u>\$381,584</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 \$16,592 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 \$118,499 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, 2014**

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

The designated water escrow account of \$37,344 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 \$12,804 for the Authority are funds transferred monthly to the Waurika Lake Master Conservancy District 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 debt service funds are insured, collateralized, or invested is not known.

Other 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	5,980	
Repairs to Waurika Project Master Conservancy District Supply Lines	99,266	
Restricted Assets for:		
Customer Deposits which are offset by a related liability payable.		\$ 33,977
Payments Collected for Others		25
Total	<u>\$ 130,246</u>	<u>\$ 34,002</u>

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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

	Primary Government			
CAPITAL ASSETS	Balance June 30, 2013	Additions	(Deletions)	Balance June 30, 2014
Business-type Activities:				
Cost:				
Land*	\$ 30,040	\$	\$	\$ 30,040
Buildings	41,125			41,125
Water & Sewer System	1,782,044			1,782,044
Trash System	53,387			53,387
Water Rights	240,972			240,972
Equipment	77,334	4,100		81,434
Vehicles	160,945			160,945
Total Costs	2,385,847	4,100		2,389,947
Less Accumulated Depreciation:				
Buildings	(34,508)	(606)		(35,114)
Water & Sewer System	(801,406)	(69,229)		(870,635)
Trash System	(53,387)			(53,387)
Water Rights	(12,851)	(4,820)		(17,671)
Equipment	(72,005)	(1,377)		(73,382)
Vehicles	(160,673)	(137)		(160,810)
Total Accum. Depreciation	(1,134,830)	(76,169)		(1,210,999)
Net Business- type Activ- ities	\$1,251,017	\$(72,069)	\$ -0-	\$1,178,948

* non-depreciable

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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

Depreciation expense of \$76,169 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.

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, 2014:

	Balance June 30, <u>2013</u>	Principal Repayments	Balance June 30, <u>2014</u>	Due Within <u>One Year</u>
Waurika LMC Dist.	<u>\$498,799</u>	<u>\$ 20,942</u>	<u>\$477,857</u>	<u>\$ 21,667</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.

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

4. Long-term Liabilities (continued).

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>
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	24,828	13,387	38,215
2020-2024	137,649	53,428	191,077
2025-2029	163,191	27,886	191,077
2030-2031	<u>60,914</u>	<u>2,970</u>	<u>63,884</u>
Total	<u>\$ 477,857</u>	<u>\$159,256</u>	<u>\$ 637,113</u>

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 \$99,266 at June 30, 2014.

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

4. Long-term Liabilities (continued).

The following is a summary of the Authority's long-term debt transactions for the year ended June 30, 2014:

	Balance June 30, <u>2013</u>	New Debt	Principal Repayment	Balance June 30, <u>2014</u>	Due Within <u>One Year</u>
Waurika LMC Dist.	\$228,301	\$	\$ 6,767	\$221,534	\$ 6,982
Bank Note	<u>69,353</u>	<u> </u>	<u>11,887</u>	<u>57,466</u>	<u>12,178</u>
Total	<u>\$297,654</u>	<u>\$</u>	<u>\$ 18,654</u>	<u>\$279,000</u>	<u>\$ 19,160</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>
2015	\$ 19,160	\$ 10,390	\$ 29,550
2016	19,665	9,837	29,502
2017	20,179	9,342	29,521
2018	20,660	8,833	29,493
2019	14,351	8,351	22,702
2020-2024	42,669	36,680	79,349
2025-2029	51,461	27,543	79,004
2030-2034	61,806	16,753	78,559
2035-2036	29,049	2,260	31,309
Total	<u>\$ 279,000</u>	<u>\$129,989</u>	<u>\$ 408,989</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 of Trustees of the Plan. The Plan issues a publicly available

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

5. Volunteer Firemen Pension. (continued).

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, 2014, the Town contributed \$900 to the Plan. The actuarial valuation report, dated July 1, 2014, 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, 2014, was 19 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.

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

6. Risk Management (continued).

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, 2014, is estimated to be \$12,111. 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 2014. The Town did not make a deposit in this trust account for fiscal year 2014. Total trust account balance at June 30, 2014, was \$118,499 (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, 2014**

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, Crow park 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, 2014, 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	\$ 1,623	\$ (16,000)
Debt Service Fund	38,215	
Landfill Fund	10,802	
Court Fund		(1,623)
CDBG Funds	10,032	
Business-type:		
Temple Utilities	<u>14,000</u>	<u>(57,049)</u>
Totals	<u>\$ 74,672</u>	<u>\$ (74,672)</u>

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, 2014

	BUDGET		ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUES				
Sales and Use Tax	\$ 99,900	\$ 99,900	\$ 117,831	\$ 17,931
Cigarette Tax	1,600	1,600	1,332	(268)
Franchise Tax	26,800	26,800	24,637	(2,163)
Intergovernmental Revenue	16,000	16,000	16,335	335
Interest	50	50	36	(14)
Fines and Bonds			316	316
Sales of Assets			325	325
Other	16,575	16,575	7,036	(9,539)
TOTAL REVENUES	<u>160,925</u>	<u>160,925</u>	<u>167,848</u>	<u>6,923</u>
EXPENDITURES				
Personal Services	55,000	55,000	56,087	(1,087)
Maintenance and Operations	103,000	103,000	113,539	(10,539)
Capital Outlay	10,000	10,000	0	10,000
TOTAL EXPENDITURES	<u>168,000</u>	<u>168,000</u>	<u>169,626</u>	<u>(1,626)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(7,075)	(7,075)	(1,778)	5,297
OTHER FINANCIAL SOURCES (USES)				
Transfers In	6,500	6,500	1,623	(4,877)
Transfers (Out)	(20,000)	(20,000)	(16,000)	4,000
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>\$ (20,575)</u>	<u>\$ (20,575)</u>	(16,155)	<u>\$ 4,420</u>
FUND BALANCE				
Beginning of Year			39,966	
End of Year			<u>\$ 23,811</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, 2014**

	BUDGET		ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUES				
Charges for Services	\$ 45,000	\$ 45,000	\$ 42,292	\$ (2,708)
Interest	100	100	770	670
Other	1,500	1,500	4,352	2,852
TOTAL REVENUES	<u>46,600</u>	<u>46,600</u>	<u>47,414</u>	<u>814</u>
EXPENDITURES				
Personal Services	26,500	26,500	25,916	584
Maintenance and Operations	59,000	59,000	26,874	32,126
Capital Outlay			0	0
TOTAL EXPENDITURES	<u>85,500</u>	<u>85,500</u>	<u>52,790</u>	<u>32,710</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(38,900)	(38,900)	(5,376)	33,524
OTHER FINANCIAL SOURCES (USES)				
Transfers In	26,736	26,736	10,802	(15,934)
Transfers (Out)			0	0
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>\$ (12,164)</u>	<u>\$ (12,164)</u>	5,426	<u>\$ 17,590</u>
FUND BALANCE				
Beginning of Year			132,839	
End of Year			<u>\$ 138,265</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, 2014

	NONMAJOR SPECIAL REVENUE FUNDS						TOTAL OTHER GOVERNMENTAL FUNDS
	STREET & ALLEY FUND	CROW PARK FUND	COURT FUND	15639 CDBG 13 16181 CDBG 14 FUND	VOLUNTARY FIREFIGHTERS FUND	DEBT SERVICE FUND	
ASSETS							
Cash in Bank	\$ 23,001	\$ 1,364	\$ 2,243	\$ 0	\$ 13,742	\$ 0	\$ 40,350
							0
TOTAL ASSETS	<u>\$ 23,001</u>	<u>\$ 1,364</u>	<u>\$ 2,243</u>	<u>\$ 0</u>	<u>\$ 13,742</u>	<u>\$ 0</u>	<u>\$ 40,350</u>
LIABILITIES							
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
FUND BALANCE							
Restricted	23,001	1,364			13,742		24,365
Assigned			2,243				15,985
TOTAL FUND BALANCE	<u>\$ 23,001</u>	<u>\$ 1,364</u>	<u>\$ 2,243</u>	<u>\$ 0</u>	<u>\$ 13,742</u>	<u>\$ 0</u>	<u>\$ 40,350</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 23,001</u>	<u>\$ 1,364</u>	<u>\$ 2,243</u>	<u>\$ 0</u>	<u>\$ 13,742</u>	<u>\$ 0</u>	<u>\$ 40,350</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, 2014**

	NONMAJOR SPECIAL REVENUE FUNDS						TOTAL OTHER GOVERNMENTAL FUNDS
	STREET & ALLEY FUND	CROW PARK FUND	COURT FUND	15639 CDBG 13 16181 CDBG 14 FUND	VOLUNTARY FIREFIGHTERS FUND	DEBT SERVICE FUND	
REVENUES							
Intergovernmental Revenue	\$ 9,523				\$ 6,901		\$ 16,424
Police Fines			71				71
Donations		1,500			20,656		22,156
Interest		0			42		42
Other	5						5
TOTAL REVENUES	<u>9,528</u>	<u>1,500</u>	<u>71</u>	<u>0</u>	<u>27,599</u>	<u>0</u>	<u>38,698</u>
EXPENDITURES							
Personal Service							0
Debt Service Principal						20,942	20,942
Debt Service Interest						17,273	17,273
Maintenance & Operations	4,304	2,136		3,032	17,393		26,865
Capital Outlay				7,000			7,000
TOTAL EXPENDITURES	<u>4,304</u>	<u>2,136</u>	<u>0</u>	<u>10,032</u>	<u>17,393</u>	<u>38,215</u>	<u>72,080</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	5,224	(636)	71	(10,032)	10,206	(38,215)	(33,382)
OTHER FINANCING SOURCES (USES)							
Transfers In	0			10,032		38,215	48,247
Transfers (Out)		0	(1,623)	0			(1,623)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	5,224	(636)	(1,552)	0	10,206	0	13,242
FUND BALANCE							
Beginning of Year	17,777	2,000	3,795	0	3,536	0	27,108
End of Year	<u>\$ 23,001</u>	<u>\$ 1,364</u>	<u>\$ 2,243</u>	<u>\$ 0</u>	<u>\$ 13,742</u>	<u>\$ 0</u>	<u>\$ 40,350</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, 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, 2014, 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 August 13, 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

August 13, 2014

**TOWN OF TEMPLE
STATEMENT OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2014**

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 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 accounted for in the financial statements. However, proper internal controls would require these reconciliations so that all activity (including adjustments and write-offs) are properly approved and recorded. 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 in the prior fiscal year, 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. In the current year noted some meter deposits received that were not on the billing records, and some that were refunded or paid to the Authority that were not taken off the billing records.

**TOWN OF TEMPLE
STATEMENT OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2014**

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

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

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 didn't really understand how to perform the reconciliations recommended. They will acquire additional training and will work on implementing these recommendations.

TOWN OF TEMPLE
UPDATE ON PRIOR YEAR AUDIT FINDINGS AND RESPONSES
JUNE 30, 2014

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. 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 accounted 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.

TOWN OF TEMPLE
UPDATE ON PRIOR YEAR AUDIT FINDINGS AND RESPONSES
JUNE 30, 2014

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

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

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.

Updated Comment - The Authority worked on implementing the recommendations but couldn't get it to balance nor really understood what to do. Comment revised.