

TOWN OF TEMPLE, OKLAHOMA

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

JUNE 30, 2010

**TOWN OF TEMPLE, OKLAHOMA
TOWN OFFICIALS
JUNE 30, 2010**

Mr. Joe Keaton	Mayor
Ms. Janice Cole	Vice-Mayor
Mr. Nathan Wiedow	Trustee
Ms. Stephanie Holden	Trustee
Mr. Scott Morgan	Trustee
Ms. DeDe Baze	Town Clerk
Mr. David Glenn	Town Manager and Acting Town Treasurer

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McCulley



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McCulley

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Town Trustees
Town of Temple, Oklahoma

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Temple, Oklahoma, as of and for the year ended June 30, 2010, as listed in the table of contents. These accompanying financial statements are the responsibility of the Town of Temple, Oklahoma's, management. Our responsibility is to express opinions on these accompanying financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accompanying financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

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

activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Temple, Oklahoma, as of June 30, 2010, and the respective changes in financial position - modified cash basis and the cash flows - modified cash basis of the business-type activities for the year then ended on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated June 14, 2012, on our consideration of the Town of Temple, Oklahoma's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Town has not presented the management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the accompanying financial statements. The budgetary comparison information on pages 25 - 27 are not a required part of the accompanying financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

McCulley & McCulley

Weatherford, Oklahoma

June 14, 2012

TOWN OF TEMPLE, OKLAHOMA
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS
MODIFIED CASH BASIS
JUNE 30, 2010

	PRIMARY GOVERNMENT		
	GOVERN- MENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
ASSETS			
Cash on Hand	\$ 250	\$ 125	\$ 375
Cash in Bank	77,993	76,984	154,977
Certificate of Deposits	6,511	25,000	31,511
Designated Assets:			
Cash in Bank	26,910	10,033	36,943
Certificate of Deposits		120,063	120,063
Water Storage Escrow Account	34,805		34,805
Restricted Assets:			
Cash in Bank		7,325	7,325
Certificate of Deposits		18,000	18,000
Assets Held by Trustee	93,347		93,347
Capital Assets			
Net of Accumulated Depreciation		736,804	736,804
TOTAL ASSETS	<u>239,816</u>	<u>994,334</u>	<u>1,234,150</u>
LIABILITIES			
Accounts Payable	661	2,055	2,716
Customer Deposits Payable		25,300	25,300
Long-term Liabilities:			
Due Within One Year	18,909		18,909
Due in More Than One Year	538,603		538,603
TOTAL LIABILITIES	<u>558,173</u>	<u>27,355</u>	<u>585,528</u>
NET ASSETS			
Investment in Capital Assets, Net of Related Debt		736,804	736,804
Restricted Net Assets:			
Restricted for Landfill Closure	93,347		93,347
Unrestricted Net Assets	(411,704)	230,175	(181,529)
TOTAL NET ASSETS (LIABILITIES)	<u>\$ (318,357)</u>	<u>\$ 966,979</u>	<u>\$ 648,622</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, 2010

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
PRIMARY GOVERNMENT							
Governmental Activities:							
Landfill	\$ 105,139	\$ 94,921	\$	\$	\$ (10,218)	\$	\$ (10,218)
Police Department	5,178	1,700			(3,478)		(3,478)
Fire Department	33,505	19,927		15,100	1,522		1,522
Crow Park Fund	566				(566)		(566)
Street and Alleys	16,297		10,961		(5,336)		(5,336)
Interest on Debt	19,939				(19,939)		(19,939)
Other Expenditures	132,522				(132,522)		(132,522)
TOTAL GOVERNMENTAL ACTIVITIES	313,146	116,548	10,961	15,100	(170,537)	0	(170,537)
Business-type Activities:							
Temple Development Trust Activities	0						0
Water, Sewer, Garbage Utilities Services	362,774	354,870				(7,904)	(7,904)
TOTAL BUSINESS-TYPE ACTIVITIES	362,774	354,870	0	0	0	(7,904)	(7,904)
TOTAL PRIMARY GOVERNMENT	\$ 675,920	\$ 471,418	\$ 10,961	\$ 15,100	(170,537)	(7,904)	(178,441)
General Revenues							
Sales and Use Taxes					95,685		95,685
Cigarette Taxes					1,233		1,233
Intergovernmental Revenue					30,242		30,242
Franchise Taxes					26,984		26,984
Donations					75		75
Sales of Assets					1,564		1,564
Refund of Loss Reserves					6,123		6,123
Interest Income					2,928	4,120	7,048
Other Income					4,741	2,215	6,956
Transfers					29,628	(29,628)	0
Total General Revenues and Transfers					199,203	(23,293)	175,910
Change in Net Assets					28,666	(31,197)	(2,531)
NET ASSETS (LIABILITIES)							
Beginning of Year					(347,023)	998,176	651,153
End of Year					\$ (318,357)	\$ 966,979	\$ 648,622

The accompanying notes are an integral part of these statements.

TOWN OF TEMPLE, OKLAHOMA
BALANCE SHEET - GOVERNMENTAL FUNDS -
MODIFIED CASH BASIS
JUNE 30, 2010

	GENERAL FUND	LANDFILL FUND	VOLUNTARY FIREFIGHTERS FUND	OTHER GOVERN- MENTAL FUNDS	TOTAL GOVERN- MENTAL FUNDS
ASSETS					
Cash on Hand	\$ 100	\$ 150	\$	\$	\$ 250
Cash in Bank	36,194	9,438	15,881	16,480	77,993
Certificate of Deposits	6,511				6,511
Designated Assets:					
Landfill Assurance Payment		26,910			26,910
Water Storage Escrow Account				34,805	34,805
Restricted Assets Held by Trustee		93,347			93,347
TOTAL ASSETS	\$ 42,805	\$ 129,845	\$ 15,881	\$ 51,285	\$ 239,816
 LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 391	\$ 270	\$	\$	\$ 661
TOTAL LIABILITIES	391	270	0	0	661
 FUND BALANCES					
Unreserved, Reported in:					
General Fund	42,414				42,414
Special Revenue Funds		36,228	15,881	51,285	103,394
Reserved					
Special Revenue Funds		93,347			93,347
Debt Service Fund					0
TOTAL FUND BALANCES	42,414	129,575	15,881	51,285	239,155
TOTAL LIABILITIES AND FUND BALANCES	\$ 42,805	\$ 129,845	\$ 15,881	\$ 51,285	

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

Long-term debt payable are reported in the General Long-term Account Group and therefore are not reported in the funds.	(557,512)
Net Assets (Liabilities) of Governmental Activities-Modified Cash Basis	\$ (318,357)

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, 2010

	GENERAL FUND	LANDFILL FUND	VOLUNTARY FIREFIGHTERS FUND	OTHER GOVERN- MENTAL FUNDS	TOTAL GOVERN- MENTAL FUNDS
REVENUES					
Sales and Use Tax	\$ 95,685	\$	\$	\$	\$ 95,685
Cigarette Taxes	1,233				1,233
Franchise Tax	26,984				26,984
Intergovernmental Revenue	16,242		15,100	24,961	56,303
Charges for Services		94,921			94,921
Donations	75		19,927		20,002
Sales of Assets	1,564				1,564
Refund of Loss Reserves	6,123				6,123
Fines and Bonds				1,700	1,700
Interest	129	2,322	181	296	2,928
Other Income	1,974	2,502	30	235	4,741
TOTAL REVENUES	<u>150,009</u>	<u>99,745</u>	<u>35,238</u>	<u>27,192</u>	<u>312,184</u>
EXPENDITURES					
Personal Services	46,379	23,632	1,140	1,842	72,993
Maintenance and Operations	72,783	77,979	19,713	13,990	184,465
Debt Service Principal				18,276	18,276
Debt Service Interest				19,939	19,939
Capital Outlays	5,569	3,528	12,652	14,000	35,749
TOTAL EXPENDITURES	<u>124,731</u>	<u>105,139</u>	<u>33,505</u>	<u>68,047</u>	<u>331,422</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>25,278</u>	<u>(5,394)</u>	<u>1,733</u>	<u>(40,855)</u>	<u>(19,238)</u>
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	1,116	3,978	952	76,866	82,912
Operating Transfers (Out)	(14,190)			(39,094)	(53,284)
TOTAL OTHER FINANCING	<u>(13,074)</u>	<u>3,978</u>	<u>952</u>	<u>37,772</u>	<u>29,628</u>
NET CHANGE IN FUND BALANCES	12,204	(1,416)	2,685	(3,083)	10,390
FUND BALANCE					
Beginning of Year	30,210	130,991	13,196	54,368	228,765
End of Year	<u>\$ 42,414</u>	<u>\$ 129,575</u>	<u>\$ 15,881</u>	<u>\$ 51,285</u>	<u>\$ 239,155</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, 2010**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	10,390
 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.		
		<u>18,276</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>28,666</u></u>

The accompanying notes are an integral part of these statements.

**TOWN OF TEMPLE, OKLAHOMA
STATEMENT OF ASSETS, LIABILITIES AND
NET ASSETS - ENTERPRISE FUNDS - MODIFIED CASH BASIS
JUNE 30, 2010**

	TEMPLE DEVELOPMENT TRUST	TEMPLE UTILITIES AUTHORITY	TOTAL
ASSETS			
Current Assets:			
Petty Cash	\$	\$ 125	\$ 125
Cash in Bank		76,984	76,984
Certificate of Deposits		25,000	25,000
Designated Assets:			
Cash in Bank		10,033	10,033
Certificate of Deposits		120,063	120,063
Restricted Assets::			
Cash in Bank		7,325	7,325
Certificate of Deposits		18,000	18,000
Total Current Assets	0	257,530	257,530
Noncurrent Assets:			
Capital Assets			
Net of Accumulated Depreciation		736,804	736,804
TOTAL ASSETS	\$ 0	\$ 994,334	\$ 994,334
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$	\$ 2,055	\$ 2,055
Customer Deposits		25,300	25,300
TOTAL LIABILITIES	0	27,355	27,355
NET ASSETS			
Invested in Capital Assets, Net of Related Debt		736,804	736,804
Unrestricted		230,175	230,175
TOTAL NET ASSETS	0	966,979	966,979
TOTAL LIABILITIES AND NET ASSETS	\$ 0	\$ 994,334	\$ 994,334

The accompanying notes are an integral part of these statements.

**TOWN OF TEMPLE, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS -
ENTERPRISE FUNDS - MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2010**

	TEMPLE DEVELOPMENT TRUST	TEMPLE UTILITIES AUTHORITY	TOTAL
OPERATING REVENUES			
Water, Sewer, Garbage and Other Fees	\$	\$ 354,870	\$ 354,870
Other Revenues		2,215	2,215
TOTAL OPERATING REVENUES	0	357,085	357,085
OPERATING EXPENSES			
Compensation and Benefits		131,559	131,559
Garbage Disposal and Truck Expense		25,803	25,803
Materials and Supplies		45,520	45,520
Depreciation		51,212	51,212
Repair and Maintenance		6,655	6,655
Fuel and Oil		4,352	4,352
License and Permits		14,323	14,323
Professional Fees		11,467	11,467
Utilities and Telephone		25,716	25,716
Waurika Project Participation Costs		21,500	21,500
Office Expense		2,652	2,652
Insurance and Bonds		20,686	20,686
Other Miscellaneous Expense		1,329	1,329
TOTAL OPERATING EXPENSES	0	362,774	362,774
(LOSS) FROM OPERATIONS	0	(5,689)	(5,689)
NONOPERATING REVENUES (EXPENSES)			
Interest Income		4,120	4,120
Contributed Capital			0
TOTAL NONOPERATING REVENUES (EXPENSES)	0	4,120	4,120
(LOSS) BEFORE OPERATING TRANSFERS	0	(1,569)	(1,569)
OPERATING TRANSFERS			
Operating Transfers In		9,565	9,565
Operating Transfers (Out)		(39,193)	(39,193)
NET OPERATING TRANSFERS	0	(29,628)	(29,628)
(DECREASE) IN NET ASSETS	0	(31,197)	(31,197)
NET ASSETS			
Beginning of Year		998,176	998,176
End of Year	\$ 0	\$ 966,979	\$ 966,979

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, 2010

	TEMPLE DEVELOPMENT TRUST	TEMPLE UTILITIES AUTHORITY	TOTAL
Cash Flows from Operating Activities			
Cash Received from Customers	\$ 0	\$ 358,415	\$ 358,415
Cash Paid for Goods and Services		(180,003)	(180,003)
Cash Paid to Employees		(129,958)	(129,958)
Net Cash Provided by Operating Activities	<u>0</u>	<u>48,454</u>	<u>48,454</u>
Cash Flows from Noncapital Financing Activities			
Operating Transfers In		9,565	9,565
Operating Transfers (Out)		(39,193)	(39,193)
Net Cash (Used for) Noncapital Financing Activities	<u>0</u>	<u>(29,628)</u>	<u>(29,628)</u>
Cash Flows from Capital and Related Financing Activities			
Net Cash Provided by Capital and Related Financing Activities	<u>0</u>	<u>0</u>	<u>0</u>
Cash Flows from Investing Activities			
Purchase of Capital Assets		(2,228)	(2,228)
Interest Received on Cash and Investments		4,120	4,120
Net Cash Provided by Investing Activities	<u>0</u>	<u>1,892</u>	<u>1,892</u>
Increase in Cash and Cash Equivalents	0	20,718	20,718
Balance of Cash and Cash Equivalents			
Beginning of Year		236,812	236,812
End of Year	\$ <u>0</u>	\$ <u>257,530</u>	\$ <u>257,530</u>
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities:			
(Decrease) in Net Assets	\$ 0	\$ (31,197)	\$ (31,197)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities			
Interest Income		(4,120)	(4,120)
Operating Transfer (In)		(9,565)	(9,565)
Depreciation		51,212	51,212
Operating Transfer Out		39,193	39,193
Changes in Assets and Liabilities:			
Increase in Payroll Taxes Payable		1,601	1,601
Increase in Customer Deposits		1,330	1,330
Total Adjustments	<u>0</u>	<u>79,651</u>	<u>79,651</u>
Net Cash Provided by Operating Activities	<u>\$ 0</u>	<u>\$ 48,454</u>	<u>\$ 48,454</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, 2010**

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, 2010**

1. Summary of Significant Accounting Policies (continued).

B. Accompanying Financial Statements.

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

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

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

1. Summary of Significant Accounting Policies (continued).

B. Accompanying Financial Statements (continued).

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

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

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2010**

1. Summary of Significant Accounting Policies (continued).

B. Accompanying Financial Statements (continued).

The following are presented as major funds for the Town:

Governmental Funds.

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

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

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

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. The escrow account are extra payments held in escrow by the Waurika Lake Master Conservancy District to be used as the Town's governing body approves. Currently the Town has approved the District to hold the funds for future water storage purchase.

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, 2010**

1. Summary of Significant Accounting Policies (continued).

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 withholdings 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 paid as a payable. 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 are 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.

D. Intergovernmental Revenue.

Intergovernmental revenue represents revenue received or earned 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.

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

1. Summary of Significant Accounting Policies (continued).

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

The Town applies all applicable Government Accounting Standards Board (GASB) pronouncements as well as the pronouncements issued on or before November 30, 1989, by the FASB or predecessor Boards, unless those pronouncements conflict with or contradict GASB pronouncements.

G. Cash and Cash Equivalents.

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

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

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

I. Compensated Absences.

The Town and Authority employees are granted vacation and sick leave in varying amounts. Employees are allowed to accumulate up to 25 days sick leave. Vacation leave can be carried forward to a subsequent 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.

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, 2010,

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

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

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>118,819</u>	<u>128,841</u>
Total Deposits	<u>\$368,819</u>	<u>\$378,841</u>

On October 3, 2008, the federal government temporarily increased the amount of insurance for deposits from \$100,000 to \$250,000. This increased insurance amount became permanent on July 21, 2010.

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 \$26,910 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. The designated water escrow account of \$34,805 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 or collateralized is not known.

Restricted assets held by the trustee bank of \$93,347 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, 2010**

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

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	10,033	
Repairs to Waurika Project Master Conservancy District Supply Lines	95,063	
Restricted Assets for:		
Customer Deposits which are offset by a related liability payable.		\$ 25,300
Payments Collected for Others		25
Total	<u>\$ 130,096</u>	<u>\$ 25,325</u>

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

	<u>Primary Government</u>			
	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>(Deletions)</u>	
<u>CAPITAL ASSETS</u>				
Business-type Activities:				
Cost:				
Land	\$ 3,850	\$	\$	\$ 3,850
Buildings	41,125			41,125
Water & Sewer System	1,372,798			1,372,798
Trash System	53,387			53,387
Equipment	71,180	2,228		73,408
Vehicles	160,945			160,945
Total Costs	<u>1,703,285</u>	<u>2,228</u>	<u></u>	<u>1,705,513</u>

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

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

<u>CAPITAL ASSETS</u>	<u>Primary Government</u>			<u>Balance June 30, 2010</u>
	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>(Deletions)</u>	
Less Accumulated Depreciation:				
Buildings	(28,180)	(1,654)		(29,834)
Water & Sewer System	(612,204)	(46,235)		(658,439)
Trash System	(53,387)			(53,387)
Equipment	(63,599)	(3,187)		(66,786)
Vehicles	(160,127)	(136)		(160,263)
Total Accum. Depreciation	<u>(917,497)</u>	<u>(51,212)</u>		<u>(968,709)</u>
Net Business- type Activ- ities	<u>\$ 785,788</u>	<u>\$(48,984)</u>	<u>\$</u>	<u>\$ 736,804</u>

Depreciation expense of \$51,212 is not allocated between functions/programs.

Depreciation for capital assets is computed using the straight line method over the estimated useful life of the related asset.

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.

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

4. Long-term Liabilities (continued).

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 long-term debt transactions for the year ended June 30, 2010:

	Balance June 30, <u>2009</u>	Principal Repayments	Balance June 30, <u>2010</u>	Due Within <u>One Year</u>
Waurika PMC Dist.	<u>\$575,788</u>	<u>\$ 18,276</u>	<u>\$557,512</u>	<u>\$ 18,909</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>
2011	\$ 18,909	\$ 19,306	\$ 38,215
2012	19,563	18,652	38,215
2013	20,241	17,974	38,215
2014	20,942	17,273	38,215
2015	21,667	16,548	38,215
2016-2020	120,125	70,952	191,077
2021-2025	142,415	48,662	191,077
2026-2030	168,843	22,234	191,077
2031	<u>24,807</u>	<u>861</u>	<u>25,668</u>
Total	<u>\$ 557,512</u>	<u>\$232,462</u>	<u>\$ 789,974</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 Town's portion of the additional debt is \$240,972 (0.862% of the total obligation).

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

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, 2010, the Town contributed \$1,140 to the Plan. The actuarial valuation report, dated July 1, 2010, 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, 2010, was 23 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, 2010**

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, 2010, is estimated to be \$24,865. 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, 2010, this amount was estimated at \$115,764). 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. In this trust account the Town deposited \$16,628 in the 2010 fiscal year. Total trust account balance at June 30, 2010, was \$93,347. 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, 2010**

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

Net Assets - Restricted are amounts restricted for landfill post-closure costs.

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, 2010, 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	\$ 1,116	\$(14,190)
Debt Service Fund	38,215	
Animal Control	4,115	
Volunteer Fire	952	
Reap Grant		(3,442)
Crow Park		(1,116)
Landfill Fund	3,978	
Business-type:		
Temple Development		
Temple Utilities	<u>9,565</u>	<u>(39,193)</u>
Totals	<u>\$ 57,941</u>	<u>\$(57,941)</u>

**TOWN OF TEMPLE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

10. Commitments and Contingencies.

The Town received approval on January 30, 2009, for a Rural Economic Action Plan Grant (REAP) for \$55,000 to assist the Town in updating the Town's wastewater system. Only \$14,000 had been received as of June 30, 2010. Another REAP grant for \$97,000 from the Oklahoma Water Resources Board was approved on July 14, 2009. Its purpose was for water system improvements. Funding for this grant was received after the 2010 fiscal year end.

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 has met with ODEQ in April 2012 and has been verbally assured that payment of this penalty will not be required as long as the Town completes construction within a specified time and acquires land for new lagoons.

REQUIRED SUPPLEMENTARY 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, 2010

	BUDGET		ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUES				
Sales and Use Tax	\$ 111,221	\$ 111,221	\$ 95,685	\$ (15,536)
Cigarette Tax	1,383	1,383	1,233	(150)
Franchise Tax	29,932	29,932	26,984	(2,948)
Intergovernmental Revenue	14,904	14,904	16,242	1,338
Interest	600	600	129	(471)
Donations			75	75
Sales of Assets			1,564	1,564
Refund of Loss Reserves			6,123	6,123
Other	8,300	8,300	1,974	(6,326)
TOTAL REVENUES	<u>166,340</u>	<u>166,340</u>	<u>150,009</u>	<u>(16,331)</u>
EXPENDITURES				
Personal Services	40,915	40,915	46,379	(5,464)
Maintenance and Operations	95,000	95,000	72,783	22,217
Capital Outlay	5,000	5,000	5,569	(569)
TOTAL EXPENDITURES	<u>140,915</u>	<u>140,915</u>	<u>124,731</u>	<u>16,184</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	25,425	25,425	25,278	(147)
OTHER FINANCIAL SOURCES (USES)				
Transfers In			1,116	1,116
Transfers (Out)		(3,000)	(14,190)	(11,190)
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>\$ 25,425</u>	<u>\$ 22,425</u>	12,204	<u>\$ (10,221)</u>
FUND BALANCE				
Beginning of Year			30,210	
End of Year			<u>\$ 42,414</u>	

See the accompanying auditor's report and notes to required supplementary information.

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, 2010

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE -</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FAVORABLE</u>
				<u>(UNFAVORABLE)</u>
REVENUES				
Charges for Services	\$ 94,500	\$ 94,500	\$ 94,921	\$ 421
Interest			2,322	2,322
Other			2,502	2,502
TOTAL REVENUES	<u>94,500</u>	<u>94,500</u>	<u>99,745</u>	<u>5,245</u>
EXPENDITURES				
Personal Services	26,000	26,000	23,632	2,368
Maintenance and Operations	53,000	53,000	77,979	(24,979)
Capital Outlay	20,000	20,000	3,528	16,472
TOTAL EXPENDITURES	<u>99,000</u>	<u>99,000</u>	<u>105,139</u>	<u>(6,139)</u>
EXCESS OF REVENUES				
OVER (UNDER) EXPENDITURES				
BEFORE OTHER FINANCING				
SOURCES (USES)				
	(4,500)	(4,500)	(5,394)	(894)
OTHER FINANCIAL				
SOURCES (USES)				
Transfers In	11,736	3,978	3,978	0
Transfers (Out)	(14,986)	(14,986)		14,986
EXCESS OF REVENUE AND				
OTHER FINANCING SOURCES OVER				
(UNDER) EXPENDITURES				
	<u>\$ (7,750)</u>	<u>\$ (15,508)</u>	(1,416)	<u>\$ 14,092</u>
FUND BALANCE				
Beginning of Year			130,991	
End of Year			<u>\$ 129,575</u>	

See the accompanying auditor's report and notes to required supplementary information.

**TOWN OF TEMPLE, OKLAHOMA
 STATEMENTS OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 VOLUNTARY FIREFIGHTERS FUND - MODIFIED CASH BASIS
 YEAR ENDED JUNE 30, 2010**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Intergovernmental Revenue	\$ 15,100	\$ 15,100	\$ 15,100	\$ 0
Donations	20,600	20,600	19,927	
Interest	100	100	181	81
Other			30	30
TOTAL REVENUES	<u>35,800</u>	<u>35,800</u>	<u>35,238</u>	<u>111</u>
EXPENDITURES				
Personal Services			1,140	(1,140)
Maintenance and Operations	27,250	27,250	19,713	7,537
Capital Outlay	<u>10,000</u>	<u>10,000</u>	<u>12,652</u>	<u>(2,652)</u>
TOTAL EXPENDITURES	<u>37,250</u>	<u>37,250</u>	<u>33,505</u>	<u>3,745</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(1,450)	(1,450)	1,733	3,856
OTHER FINANCIAL SOURCES (USES)				
Transfers In	100	100	952	852
Transfers (Out)				<u>0</u>
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>\$ (1,350)</u>	<u>\$ (1,350)</u>	2,685	<u>\$ 4,708</u>
FUND BALANCE				
Beginning of Year			13,196	
End of Year			<u>\$ 15,881</u>	

See the accompanying auditor's report and notes to required supplementary information.

TOWN OF TEMPLE, OKLAHOMA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDING JUNE 30, 2010

The Budget and Actual statements report the original budget as approved and the final budget as amended. The Town prepares budgets for almost all its funds in accordance with the State of Oklahoma's Municipal Budget Act. The Town's budget is adopted the month prior to the beginning of each fiscal year and published in the local or regional newspaper. Unused appropriations lapse at the end of the year. Amendments to the budgetary data can be made by a vote of the Board of Trustees. Total estimated revenues and expenditures (expenses) are budgeted as expenditures for the next fiscal year. Several amendments to the budget were made for fiscal year 2010.

Only the general fund and major special revenue funds are required to be presented by generally accepted accounting principles. Accordingly, only these budget to actual comparisons are presented in these financial statements.

OTHER SUPPLEMENTAL INFORMATION

TOWN OF TEMPLE, OKLAHOMA
 COMBINING STATEMENTS OF ASSETS, LIABILITIES, AND FUND EQUITY
 OTHER GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
 JUNE 30, 2010

	NONMAJOR SPECIAL REVENUE FUNDS							TOTAL OTHER GOVERNMENTAL FUNDS
	STREET & ALLEY FUND	CROW PARK FUND	COURT FUND	REAP FAP 96-148 R GRANT	WATER STORAGE ESCROW FUND	ANIMAL CONTROL FUND	REAP TEMPLE 09 FUND	
ASSETS								
Cash in Bank	\$ 9,150	\$ 4,373	\$ 2,184	\$	\$	\$ 773	\$	\$ 16,480
Water Storage Escrow Account					34,805			34,805
TOTAL ASSETS	<u>\$ 9,150</u>	<u>\$ 4,373</u>	<u>\$ 2,184</u>	<u>\$ 0</u>	<u>\$ 34,805</u>	<u>\$ 773</u>	<u>\$ 0</u>	<u>\$ 51,285</u>
LIABILITIES								
Accounts Payable	\$	\$	\$	\$	\$	\$	\$	\$ 0
FUND EQUITY								
Fund Balance	9,150	4,373	2,184		34,805	773		51,285
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 9,150</u>	<u>\$ 4,373</u>	<u>\$ 2,184</u>	<u>\$ 0</u>	<u>\$ 34,805</u>	<u>\$ 773</u>	<u>\$ 0</u>	<u>\$ 51,285</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, 2010

	NONMAJOR SPECIAL REVENUE FUNDS								
	STREET & ALLEY FUND	CROW PARK FUND	COURT FUND	REAP FAP 96-148 R GRANT	WATER STORAGE ESCROW FUND	ANIMAL CONTROL FUND	REAP TEMPLE 09 FUND	DEBT SERVICE FUND	TOTAL OTHER GOVERNMENTAL FUNDS
REVENUES									
Intergovernmental Revenue	\$ 10,961						\$ 14,000		\$ 24,961
Police Fines			1,610			90			1,700
Interest		27			269				296
Other	235								235
TOTAL REVENUES	<u>11,196</u>	<u>27</u>	<u>1,610</u>	<u>0</u>	<u>269</u>	<u>90</u>	<u>14,000</u>	<u>0</u>	<u>27,192</u>
EXPENDITURES									
Personal Service						1,842			1,842
Debt Service Principal							18,276		18,276
Debt Service Interest							19,939		19,939
Maintenance & Operations	10,654		1,388			1,948			13,990
Capital Outlay	0				0		14,000		14,000
TOTAL EXPENDITURES	<u>10,654</u>	<u>0</u>	<u>1,388</u>	<u>0</u>	<u>0</u>	<u>3,790</u>	<u>14,000</u>	<u>38,215</u>	<u>68,047</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	542	27	222	0	269	(3,700)	0	(38,215)	(40,855)
OTHER FINANCING SOURCES (USES)									
Operating Transfers In					34,536	4,115		38,215	76,866
Operating Transfers (Out)		(1,116)		(3,442)				(34,536)	(39,094)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	542	(1,089)	222	(3,442)	34,805	415	0	(34,536)	(3,083)
FUND BALANCE									
Beginning of Year	8,608	5,462	1,962	3,442	0	358		34,536	54,368
End of Year	<u>\$ 9,150</u>	<u>\$ 4,373</u>	<u>\$ 2,184</u>	<u>\$ 0</u>	<u>\$ 34,805</u>	<u>\$ 773</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 51,285</u>

See accompanying auditor's report.



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

To the Town Trustees
Town of Temple, Oklahoma

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Temple, Oklahoma, for the year ended June 30, 2010, which collectively comprise the Town of Temple, Oklahoma's, financial statements and have issued our report dated June 14, 2012. The Town reports its financial statements on the modified cash basis of accounting. The Town has elected to omit the management discussion and analysis that is supplementary information required by generally accepted accounting principles. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Temple's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies #1, #3, #5, and #6 described in the accompanying statement of deficiencies to be a material weaknesses.

A significant deficiency is a deficiency, or 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 described in the accompanying statement of deficiencies as #4 and #6 to be a significant deficiency in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards as items #2 and #4.

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

This report is intended solely for the information and use of the Town Trustees, management, and the grant awarding agencies. It

is not intended to be and should not be used by anyone other than these specified parties.

McCulley & McCulley

Weatherford, Oklahoma

June 14, 2012

**TOWN OF TEMPLE
STATEMENT OF DEFICIENCIES
YEAR ENDED JUNE 30, 2010**

1. Inadequate Segregation of Duties.

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

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

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

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

2. Compliance with Environmental Laws.

Condition - The Town received a consent order from the Oklahoma Department of Environmental Quality on April 25, 2005, alleging permit violations of the Town's wastewater treatment facility. It requires certain tasks be performed in order to upgrade the wastewater treatment facility. Failure to comply with the consent orders may result in monetary penalties being assessed by the Oklahoma Department of Environmental Quality. The Town has been notified of an assessment of \$35,000 in penalties for not complying with the consent order. The Town has met with ODEQ in April 2012 and has been verbally assured that payment of this penalty will not be required as long as the Town completes construction within a specified time and acquires land for new lagoons.

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

Response - The Town has applied for grants to assist with the costs and has been trying to comply with the consent order.

**TOWN OF TEMPLE
STATEMENT OF DEFICIENCIES
YEAR ENDED JUNE 30, 2010**

3. Accounting Records.

Condition - At the beginning of the 2010 audit, no Town books were available for audit. The Authority did have books available. Town had to bring the books current in order for the audit to proceed. They were received in December, 2011. Management stated they had placed a higher priority in changing accounting systems to a computerized system and getting the next fiscal year accounting records on it and keeping it current. Consequently, the 2010 fiscal year was set aside and not done until needed. Noted that several of the manual general ledgers did not balance. Noted a few instances in the Town records for fiscal year 2010 where a bank account was posted to the accounting records but the beginning balance of those accounts were not recorded. Only the activity that occurred through out the year was recorded. No balancing of these accounts to the bank statements were done. One bank account had the cash transactions posted to the general ledger, but the other side of the transactions was not posted to the general ledger. These conditions could allow errors or fraud occur without being found in a timely manner.

Criteria and Recommendation - All funds should have accounting records prepared and balanced. Accounting records should be recorded as soon as possible after the end of each month, balanced, and reconciled to the bank statement. All cash in bank accounting records should be balanced to the bank statement monthly. The Town Board of Trustees should ensure that accounting records are completed as soon as possible after the end of each month. These accounting records should be the basis for preparing the other reports the Town may use.

Response - The Town Board passed a motion on December 18, 2008, for the employees to provide them with the previous month's financial information by the 10th of the month. They have been having difficulty in getting the information in the requested time frame. When a new employee was hired, the implementation of a new accounting system was given the highest priority so management could have better financial information and make better decisions. The Town has corrected this situation beginning in fiscal year 2011.

4. Recording and Reporting Payroll Transactions.

Condition - The Town and Authority had established a cafeteria plan for their employees for health insurance. However, on the Town side, it is taxing all of the employee gross wages versus taxing the adjusted gross wages by deducting the amount paid by the employee. Payroll tax forms are not being reconciled to the

**TOWN OF TEMPLE
STATEMENT OF DEFICIENCIES
YEAR ENDED JUNE 30, 2010**

4. Recording and Reporting Payroll Transactions (continued).

manual accounting and individual payroll ledgers to ensure accuracy in reporting and all taxes are properly withheld and paid. The Town converted their general ledger to a computerized system beginning in fiscal year 2011. A quick review of the set-up for payroll in fiscal year 2011 revealed there is still some confusion about how to set up this plan. The health insurance was still not being subtracted to get the adjusted gross salary for 941 and unemployment tax purposes.

Criteria and Recommendation - Cafeteria plans provide for the amount paid by the employee to be deducted from gross wages and the adjusted gross wages are the amounts the Town should use to compute the payroll taxes owed. Recommend the Town amend the reports for calendar year 2010 and 2011 and related W-2 and W-3s. Correct the subsequent 2012 payroll calculations. The cost of amending the prior year reports may exceed the benefit. Since the cafeteria plan extends to both the Town and Authority, then the payroll reporting should be the same. The payroll reports should be reconciled to the accounting records to ensure all payroll transactions are properly reported to the taxing authorities.

Response - The Town has changed to a computerized accounting system which gives the payroll information for payroll tax forms from the accounting information for fiscal year 2011. The Town will adjust the setup on the computer and consider amending the prior reports.

5. Reimbursement by the State for Health Insurance Premiums.

Condition - The Town has one employee whose health insurance is subsidized by the State under the Oklahoma Employer/Employee Partnership for Insurance Coverage (OEPIC or Insure Oklahoma) program. Under this program, the employer provides the employee health insurance under a qualified plan and the State subsidizes the premium costs by reimbursing the Town a portion of the premium. The cost to the Town is 25% of the premium amount, the State pays at least 60% of the premium amount, and the employee pays the balance through payroll deductions. The State determines the amount of the premium the State and employee pays based upon the employee's earnings. The employee must reapply for this insurance plan each year. During the audit for fiscal year 2009, no state reimbursement had been received by the Town. Expanding the audit procedures, found that no state reimbursement had been received by the Town since February, 2008. No

**TOWN OF TEMPLE
STATEMENT OF DEFICIENCIES
YEAR ENDED JUNE 30, 2010**

**5. Reimbursement by the State for Health Insurance Premiums
(continued).**

documentation was found documenting what health insurance invoice the February, 2008, payment was reimbursing, but it appears it was the December, 2007, invoice. Consequently, no reimbursement was received for all of calendar year 2008 and 2009, and to April, 2010. As of the end of February, 2010, this amount approximated \$8,208 due from the state. After having the Town's Mayor contact OEPIC, it was learned that OEPIC showed that the last payment paid to the Town was in February, 2008, and that they still showed the payments going to the general fund account. They had received only 4 months of 2008 invoices but they were incomplete. The employee had not reapplied in June, 2009, as required. The Town did not have any documentation to show they had sent the invoices to OEPIC. The clerk stated she would just fax the invoice to them without putting the OEPIC employer number on it. No cover page with the OEPIC employer number and the retention of fax receipt was done. The clerk also stated that the employee re-application was done on-line. Noted a copy was retained and it was dated 9/29/09. This situation also showed a failure in the Town's internal control since it should never have gone on this long. Since the health insurance premiums should be faxed monthly, and the state pays monthly, then if not caught by the clerk and corrected the next month, then the treasurer should have caught it and followed up on it as to why the state was not paying. Keeping the accounting records current and up to date would have helped in noticing something was missing.

Criteria and Recommendation - Once the OEPIC plan is approved by the state, the health insurance premium invoices are faxed to them and should contain the OEPIC employer number on them or on a cover page. When processed, the monies are direct deposited into the Town's account. The State then sends to the Town written verification of the deposited amount. Recommend the Town resubmit all the invoices and make sure the OEPIC employer number is on them. Send a copy of the employee annual application form. Send them the forms by a carrier that will require a signed receipt to be able to prove that the state received them. Continue to follow up with the state until this situation is resolved. Documentation of all invoices and documents sent should be retained. Documentation of all invoices faxed, including the fax sent receipt, the payments received from the state, and all other correspondence should be retained and easily accessible.

**TOWN OF TEMPLE
STATEMENT OF DEFICIENCIES
YEAR ENDED JUNE 30, 2010**

**5. Reimbursement by the State for Health Insurance Premiums
(continued).**

Response - The Mayor has talked with the state who is working on sending the payments for the invoices they have. They have said the Town would probably lose the amounts since June, 2009, since they did not have the employee's annual application. The Town did receive \$4,208 in April, 2010, from the state for the prior periods. Management has stated they would not receive any more funds. The one employee had resigned in April, 2010, and any subsequent qualified employee claims were properly filed.

6. Documentation of Vacation Leave.

Condition - Reviewed the documentation the Town and Authority uses for vacation leave. The only record is the request for vacation leave form. No running balance is kept from the date of employment showing the amount earned, used, lost, and remaining balance as of a particular date was found. Consequently, an employee could have taken more vacation than entitled, especially if the request for vacation leave form was incorrectly prepared. Reviewed one employee's file for vacation leave noting that the amounts from one request to another did not flow correctly and the amount earned did not agree with the personnel manual. A more detail schedule was prepared showing the vacation time activity and the remaining balance. The end result was that the employee had actually taken more vacation than allowed by policy. The personnel manual stated that an employee could carryover vacation time (no limit specified) and sick leave could accumulate up to 25 days. By going through the minutes, found on October 17, 2006, where the Board approved maximum carryover of 15 days of vacation time and sick leave can accumulate up to 15 days, resulting in an inconsistency with the personnel manual. On July 20, 2009, the Board passed a resolution removing any carryover for vacation leave after the current year.

Criteria and Recommendation - Vacation and sick leave policy is set by the Board of Trustees. When the policy changes, then the personnel manual should change as well. Recommend the Town amend the personnel manual to agree with the Board's actions. It is our understanding that vacation carryover was not allowed prior to October 17, 2006, so would recommend the Town and Authority create a vacation form (or spreadsheet) starting with the 2006 carryover amount and bringing it forward to the current date and show the vacation days earned (based upon the years of service), days taken or used, and the remaining balance for each employee. These amounts should initially be verified by a Board member, and

**TOWN OF TEMPLE
STATEMENT OF DEFICIENCIES
YEAR ENDED JUNE 30, 2010**

6. Documentation of Vacation Leave (continued).

then annually reviewed and approved. The request for vacation leave should be revised so that it only shows the days of vacation requested, the amount available as of that date, and the adjusted amount remaining. The form would still be signed by the employee and approved by the Mayor or Vice-Mayor. The request for vacation leave can also be signed by the person keeping the vacation leave records verifying the amount of vacation available, unless that person is also the employee requesting the vacation. Then it should be verified by another employee or Board member. Similar forms can be created for other types of paid absences, such as sick leave.

Response - The Mayor has already been updating the Human Resources (personnel) manual. The other forms can be created and updated. The current clerk has stated that new forms have been created.

**TOWN OF TEMPLE
UPDATE ON PRIOR YEAR AUDIT DEFICIENCIES
JUNE 30, 2010**

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 only has one full time administrative staff person and the Authority has two full-time administrative staff.

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 revised since the Town has combined offices and now only two full-time administrative staff are employed.

2. Compliance with Environmental Laws.

Condition - The Town received a consent order from the Oklahoma Department of Environmental Quality on April 25, 2005, alleging permit violations of the Town's wastewater treatment facility. It requires certain tasks be performed in order to upgrade the wastewater treatment facility. Failure to comply with the consent orders may result in monetary penalties being assessed by the Oklahoma Department of Environmental Quality.

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

Response - The Town has been complying with the consent order and has applied for grants to assist with the costs.

Updated Comment - The consent order is still in effect. The Town has received notification from the Oklahoma Department of Environmental Quality (ODEQ) of an assessment of \$35,000 in penalties for not complying with the consent order. The Town has

**TOWN OF TEMPLE
UPDATE ON PRIOR YEAR AUDIT DEFICIENCIES
JUNE 30, 2010**

2. Compliance with Environmental Laws (continued).

met with ODEQ in April 2012 and has been verbally assured that payment of this penalty will not be required as long as the Town completes construction within a specified time and acquires land for new lagoons. Comment revised in the current year's audit report.

3. Accounting Records.

Condition - Noted several governmental funds and one trust fund did not have accounting registers or books done at the beginning of the audit. Also noted that accounting records for the Town for fiscal year 2010 was not done at all. The Authority has kept up with their cash receipts and disbursements through December, 2009. The Authority general ledger was only posted through August, 2009. Noted a few instances in the Town records for fiscal year 2009 where a bank account was posted to the accounting records but the beginning balance of those accounts were not recorded. Only the activity that occurred through out the year was recorded. No balancing of these accounts to the bank statements were done. These conditions could allow errors or fraud occur without being found in a timely manner.

Criteria and Recommendation - All funds should have accounting records prepared and balanced. Accounting records should be recorded as soon as possible after the end of each month, balanced, and reconciled to the bank statement. All cash in bank accounting records should be balanced to the bank statement monthly. The Town Board of Trustees should ensure that accounting records are completed as soon as possible after the end of each month. These accounting records should be the basis for preparing the other reports the Town may use.

Response - The Town Board passed a motion on December 18, 2008, for the employees to provide them with the previous month's financial information by the 10th of the month. They have been having difficulty in getting the information in the requested time frame. The Town will continue to work on implementing this recommendation.

Updated Comment - At the beginning of the 2010 audit, no Town books were available for audit. The Authority did have books available. Town had to bring the books current in order for the audit to proceed. They were received in December, 2011. Comment revised in the current year's audit report.

**TOWN OF TEMPLE
UPDATE ON PRIOR YEAR AUDIT DEFICIENCIES
JUNE 30, 2010**

4. Recording and Reporting Payroll Transactions.

Condition - The Town and Authority had established a cafeteria plan for their employees for health insurance. However, on the Town side, it is taxing all of the employee gross wages versus taxing the adjusted gross wages by deducting the amount paid by the employee. Payroll tax forms are not being reconciled to the manual accounting and individual payroll ledgers to ensure accuracy in reporting and all taxes are properly withheld and paid.

Criteria and Recommendation - Cafeteria plans provide for the amount paid by the employee to be deducted from gross wages and the adjusted gross wages are the amounts the Town should use to compute the payroll taxes owed. Recommend the Town amend the reports for calendar year 2010 and correct subsequent payroll calculations. Prior year reports could be amended if the Town so desired, but they would also have to correct the W-2s for those years. The cost of amending prior year reports would probably exceed the benefit. Since the cafeteria plan extends to both the Town and Authority, then the payroll reporting should be the same. The payroll reports should be reconciled to the accounting records to ensure all payroll transactions are properly reported to the taxing authorities.

Response - The Town will implement this recommendation.

Updated Comment - The Town has partially corrected this deficiency since the Authority corrected its payroll records. The Town side is not showing the health insurance as a cafeteria plan after September 2008. Comment repeated in the current year's audit report.

5. Reimbursement by the State for Health Insurance Premiums.

Condition - The Town has one employee whose health insurance is subsidized by the State under the Oklahoma Employer/Employee Partnership for Insurance Coverage (OEPIC or Insure Oklahoma) program. Under this program, the employer provides the employee health insurance under a qualified plan and the State subsidizes the premium costs by reimbursing the Town a portion of the premium. The cost to the Town is 25% of the premium amount, the State pays at least 60% of the premium amount, and the employee pays the balance through payroll deductions. The State determines the amount of the premium the State and employee pays based upon the employee's earnings. The employee must reapply for this insurance plan each year. During the audit for fiscal

**TOWN OF TEMPLE
UPDATE ON PRIOR YEAR AUDIT DEFICIENCIES
JUNE 30, 2010**

**5. Reimbursement by the State for Health Insurance Premiums
(continued).**

year 2009, no state reimbursement had been received by the Town. Expanding the audit procedures, found that no state reimbursement had been received by the Town since February, 2008. No documentation was found documenting what health insurance invoice the February, 2008, payment was reimbursing, but it appears it was the December, 2007, invoice. Consequently, no reimbursement was received for all of calendar year 2008 and 2009, and to the present for 2010. As of the end of February, 2010, this amount approximated \$8,208 due from the state. After having the Town's Mayor contact OEPIC, it was learned that OEPIC showed that the last payment paid to the Town was in February, 2008, and that they still showed the payments going to the general fund account. They had received only 4 months of 2008 invoices but they were incomplete. The employee had not reapplied in June, 2009, as required. The Town did not have any documentation to show they had sent the invoices to OEPIC. The clerk stated she would just fax the invoice to them without putting the OEPIC employer number on it. No cover page with the OEPIC employer number and the retention of fax receipt was done. The clerk also stated that the employee re-application was done on-line. Noted a copy was retained and it was dated 9/29/09. This situation also showed a failure in the Town's internal control since it should never have gone on this long. Since the health insurance premiums should be faxed monthly, and the state pays monthly, then if not caught by the clerk and corrected the next month, then the treasurer should have caught it and followed up on it as to why the state was not paying. Keeping the accounting records current and up to date would have helped in noticing something was missing.

Criteria and Recommendation - Once the OEPIC plan is approved by the state, the health insurance premium invoices are faxed to them and should contain the OEPIC employer number on them or on a cover page. When processed, the monies are direct deposited into the Town's account. The State then sends to the Town written verification of the deposited amount. Recommend the Town resubmit all the invoices and make sure the OEPIC employer number is on them. Send a copy of the employee annual application form. Send them the forms by a carrier that will require a signed receipt to be able to prove that the state received them. Continue to follow up with the state until this situation is resolved. Documentation of all invoices and documents sent should be retained. Documentation of all invoices faxed, including the fax sent receipt, the payments received from the state, and all other correspondence should be retained and easily accessible.

**TOWN OF TEMPLE
UPDATE ON PRIOR YEAR AUDIT DEFICIENCIES
JUNE 30, 2010**

**5. Reimbursement by the State for Health Insurance Premiums
(continued).**

Response - The Mayor has talked with the state who is working on sending the payments for the invoices they have. They have said the Town would probably lose the amounts since June, 2009, since they did not have the employee's annual application.

Updated Comment - The Town did receive \$4,208 in April, 2010, from the state for the prior periods. Comment will be repeated in the current year audit since it did occur during this fiscal year as well.

6. Documentation of Vacation Leave.

Condition - Reviewed the documentation the Town and Authority uses for vacation leave. The only record is the request for vacation leave form. No running balance is kept from the date of employment showing the amount earned, used, lost, and remaining balance as of a particular date was found. Consequently, an employee could have taken more vacation than entitled, especially if the request for vacation leave form was incorrectly prepared. Reviewed one employee's file for vacation leave noting that the amounts from one request to another did not flow correctly and the amount earned did not agree with the personnel manual. A more detail schedule was prepared showing the vacation time activity and the remaining balance. The end result was that employee had actually taken more vacation than allowed by policy. The personnel manual stated that an employee could carryover vacation time (no limit specified) and sick leave could accumulate up to 25 days. By going through the minutes, found on October 17, 2006, where the Board approved maximum carryover of 15 days of vacation time and sick leave can accumulate up to 15 days, resulting in an inconsistency with the personnel manual. On July 20, 2009, the Board passed a resolution removing any carryover for vacation leave after the current year.

Criteria and Recommendation - Vacation and sick leave policy is set by the Board of Trustees. When the policy changes, then the personnel manual should change as well. Recommend the Town amend the personnel manual to agree with the Board's actions. It is our understanding that vacation carryover was not allowed prior to October 17, 2006, so would recommend the Town and Authority create a vacation form (or spreadsheet) starting with the 2006 carryover amount and bringing it forward to the current date and show the vacation days earned (based upon the years of service), days taken or used, and the remaining balance for each employee.

**TOWN OF TEMPLE
UPDATE ON PRIOR YEAR AUDIT DEFICIENCIES
JUNE 30, 2010**

6. Documentation of Vacation Leave (continued).

These amounts should initially be verified by a Board member, and then annually reviewed and approved. The request for vacation leave should be revised so that it only shows the days of vacation requested, the amount available as of that date, and the adjusted amount remaining. The form would still be signed by the employee and approved by the Mayor or Vice-Mayor. The request for vacation leave can also be signed by the person keeping the vacation leave records verifying the amount of vacation available, unless that person is also the employee requesting the vacation. Then it should be verified by another employee or Board member. Similar forms can be created for other types of paid absences, such as sick leave.

Response - The Mayor has already been updating the Human Resources (personnel) manual. The other forms can be created and updated.

Updated Comment - Comment will be repeated in the current year audit since it did occur during this fiscal year as well. After this fiscal year the Town had new personnel hired and better records were kept.