# CITY OF TEMPLE, GEORGIA

**Financial Statements and Supplementary Information**
**For the Year Ended December 31, 2011**

**And**

**Independent Auditor's Report**

City of Temple, Georgia
Annual Financial Report
For the Year Ended December 31, 2011


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Garrett
Stephens
Thomas &
Fazio, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

| | | | |
|---|---|---|---|
| Ann M. Fazio | CPA | Julie M. George | CPA |
| Frederick G. Thomas | CPA | Amber E. Ash | CPA |
| Deborah W. Cooke | CPA | Kevin G. Bush | CPA |
| Johanna H. Tallent | CPA | Shari L. Reid | CPA |

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Members of American Institute of Certified Public Accountants
Members of Private Companies Practice Section, Division for CPA Firms

# Independent Auditor's Report

To the Mayor and Council
City of Temple, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Temple, Georgia, as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Temple, Georgia, as of December 31, 2011, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated June 26, 2012, on our consideration of the City of Temple, Georgia's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 8 and 35 through 36, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Temple's basic financial statements. The accompanying other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Garrett, Stephens, Thomas, and Razio, PC

June 26, 2012

# FINANCIAL SECTION

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

***Government-wide Financial Statements***

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Assets.* This is the City-wide statement of position presenting information that includes all of the City's assets and liabilities with the difference reported as *net assets.* Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities* which reports how the City's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and user charges from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public works, recreation and culture. Business-type activities include the water and sewer system and garbage collection.

The government-wide financial statements are presented on pages 9 and 10 of this report.

***Fund Financial Statements***

A fund is an accountable unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations.

The City has two kinds of funds:

*Governmental funds* are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to assist in understanding the differences between these two perspectives.

The basic governmental fund financial statements are presented on pages 11 to 13 of this report.

*Proprietary funds* are reported in the fund financial statements the same way the business-type activities are reported in the Statement of Net Assets and the Statement of Activities. The basic proprietary fund financial statements are presented on pages 14 to 16 of this report.

***Notes to the basic financial statements***

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements are on pages 17 to 34 of this report.

**Financial Analysis of the City as a Whole**

The City's net assets at year-end are $10,820,968. This is a $798,051 increase from last year's net assets of $10,022,917. This includes $7,052,831 invested in capital assets, net of related debt.

The following table provides a summary of the City's net assets for the current and prior year:

**Summary of Net Assets**

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Cash | $ 1,767,196 | $ 2,073,735 | $ 1,692,845 | $ 1,078,103 | $ 3,460,041 | $ 3,151,838 |
| Receivables, net | 552,976 | 637,420 | 203,346 | 188,339 | 756,322 | 825,759 |
| Capital assets, net | 4,260,326 | 3,863,914 | 10,034,681 | 9,891,770 | 14,295,007 | 13,755,684 |
| Other assets | 24,071 | 17,553 | 187,040 | 205,217 | 211,111 | 222,770 |
| Internal balances | 237,384 | 237,384 | (237,384) | (237,384) | 00 | 00 |
| Total assets | 6,841,953 | 6,830,006 | 11,880,528 | 11,126,045 | 18,722,481 | 17,956,051 |
| Current liabilities | 91,212 | 127,444 | 856,703 | 589,232 | 947,915 | 716,676 |
| Long-term liabilities | 00 | 00 | 6,953,598 | 7,216,458 | 6,953,598 | 7,216,458 |
| Total liabilities | 91,212 | 127,444 | 7,810,301 | 7,805,690 | 7,901,513 | 7,933,134 |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 4,260,326 | 3,863,914 | 2,792,505 | 2,804,716 | 7,052,831 | 6,668,630 |
| Unrestricted | 2,166,774 | 1,998,214 | 1,277,722 | 515,639 | 3,444,496 | 2,513,853 |
| Restricted | 323,641 | 840,434 | 00 | 00 | 323,641 | 840,434 |
| Total net assets | $ 6,750,741 | $ 6,702,562 | $ 4,070,227 | $ 3,320,355 | $ 10,820,968 | $ 10,022,917 |

The following table provides a summary of changes in net assets for the current and prior year:

**Summary of Changes in Net Assets**

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | $ 474,450 | $ 417,827 | $ 1,734,185 | $ 1,398,504 | $ 2,208,635 | $ 1,816,331 |
| Operating and capital grants | 720,348 | 662,187 | 00 | 357,300 | 720,348 | 1,019,487 |
| General revenues: | | | | | | |
| Property taxes | 735,476 | 827,161 | 00 | 00 | 735,476 | 827,161 |
| Sales taxes | 433,951 | 413,657 | 00 | 00 | 433,951 | 413,657 |
| Insurance premium taxes | 198,311 | 128,281 | 00 | 00 | 198,311 | 128,281 |
| Other taxes and miscellaneous | 437,381 | 411,665 | 3,626 | 6,390 | 441,007 | 418,055 |
| Total revenues | 2,999,917 | 2,860,778 | 1,737,811 | 1,762,194 | 4,737,728 | 4,622,972 |
| Expenses: | | | | | | |
| General government | 372,911 | 413,987 | | | 372,911 | 413,987 |
| Public safety | 964,973 | 956,891 | | | 964,973 | 956,891 |
| Public works | 440,313 | 369,142 | | | 440,313 | 369,142 |
| Recreation and culture | 499,225 | 417,061 | | | 499,225 | 417,061 |
| | 2,277,422 | 2,157,081 | | | | |
| Water and sewer | | | 1,669,700 | 1,792,896 | 1,669,700 | 1,792,896 |
| Total expenses | | | | | 3,947,122 | 3,949,977 |
| Gain on sale of assets | 7,445 | 00 | 00 | 00 | 7,445 | 00 |
| Transfers | (681,761) | (411,327) | 681,761 | 411,327 | 00 | 00 |
| Change in net assets | 48,179 | 292,370 | 749,872 | 380,625 | 798,051 | 672,995 |
| Beginning net assets | 6,702,562 | 6,410,192 | 3,320,355 | 2,939,730 | 10,022,917 | 9,349,922 |
| Ending net assets | $ 6,750,741 | $ 6,702,562 | $ 4,070,227 | $ 3,320,355 | $ 10,820,968 | $ 10,022,917 |

## Financial Analysis of the City's Funds

### *Governmental funds*

Governmental funds are reported in the fund statements with a short-term inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of $2,419,844. The total ending fund balances of governmental funds decreased $350,170 from the prior year.

### *The Major Governmental Funds*

The General Fund is the City's primary operating fund. The fund balance of the General Fund increased by $172,412 to $2,105,633.

The SPLOST Capital Projects Fund is used to account for resources restricted for the acquisition or construction of specific capital projects from the Special Purpose Local Option Sales Tax. The fund balance of the SPLOST Capital Projects Fund decreased $532,838 to $302,517.

The Police Asset Special Revenue Fund was established to account for monies confiscated under Federal and Georgia law related to controlled substance offenses. The fund balance of the Police Asset Fund increased by $10,256 to $11,694.

### *Proprietary funds*

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long- term information about financial status.

### *The Major Proprietary Fund*

The water and sewer system provides services to both residential and commercial customers. The net assets of this fund increased $749,872 to $4,070,227.

### *General Fund Budgetary Highlights*

The budget was approved by the Council with budgeted revenues and expenditures in the amount of $2,041,790. Actual revenues were $2,284,658, a variance of $242,868. Actual expenditures were $1,892,819, a variance of $148,971.

## Capital Assets

At the end of year 2011, the City had $14,295,007 invested in a broad range of capital assets including buildings, recreation facilities, and water and sewer infrastructure.

More detailed information about the City's capital assets is presented in Note 6 to the basic financial statements.

## Debt

At the end of year 2011, the City had consolidated its total debt to bonds payable in the amount of $7,900,000 less deferred loss of $621,402. More detailed information about the City's debt is presented in Note 7.

City of Temple, Georgia
Statement of Net Assets
December 31, 2011

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| Assets | | | |
| Current assets: | | | |
| Cash | $ 1,767,196 | $ 1,692,845 | $ 3,460,041 |
| Receivables, net | 552,976 | 203,346 | 756,322 |
| Internal balances | 237,384 | (237,384) | 00 |
| Prepaid expenses | 24,071 | 4,468 | 28,539 |
| Total current assets | 2,581,627 | 1,663,275 | 4,244,902 |
| Noncurrent assets: | | | |
| Capital assets (non-depreciable) | 292,006 | 1,035,757 | 1,327,763 |
| Capital assets (depreciable), net | 3,968,320 | 8,998,924 | 12,967,244 |
| Deferred costs | 00 | 182,572 | 182,572 |
| Total noncurrent assets | 4,260,326 | 10,217,253 | 14,477,579 |
| Total assets | $ 6,841,953 | $ 11,880,528 | $ 18,722,481 |
| Liabilities: | | | |
| Current liabilities: | | | |
| Accounts payable | $ 58,530 | $ 44,812 | $ 103,342 |
| Customer deposits | 00 | 335,852 | 335,852 |
| Accrued expenses | 32,682 | 151,039 | 183,721 |
| Current portion of long-term obligations | 00 | 325,000 | 325,000 |
| Total current liabilities | 91,212 | 856,703 | 947,915 |
| Noncurrent liabilities: | | | |
| Noncurrent portion of long-term obligations | 00 | 6,953,598 | 6,953,598 |
| Total noncurrent liabilities | 00 | 6,953,598 | 6,953,598 |
| Total liabilities | 91,212 | 7,810,301 | 7,901,513 |
| Net assets: | | | |
| Invested in capital assets, net of related debt | 4,260,326 | 2,792,505 | 7,052,831 |
| Restricted: | | | |
| Contributions | 9,430 | 00 | 9,430 |
| Capital projects | 302,517 | 00 | 302,517 |
| Public safety | 11,694 | 00 | 11,694 |
| Unrestricted | 2,166,774 | 1,277,722 | 3,444,496 |
| Total net assets | 6,750,741 | 4,070,227 | 10,820,968 |
| Total liabilities and net assets | $ 6,841,953 | $ 11,880,528 | $ 18,722,481 |

See accompanying notes to financial statements.

City of Temple, Georgia
Statement of Activities
For the Year Ended December 31, 2011

| Function/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expenses) Revenue and Changes in Net Assets: Primary Government: Governmental Activities | Net (Expenses) Revenue and Changes in Net Assets: Primary Government: Business-Type Activities | Net (Expenses) Revenue and Changes in Net Assets: Primary Government: Total |
|---|---|---|---|---|---|---|---|
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | $ 372,911 | $ 16,388 | $ 00 | $ 276,270 | $ (80,253) | $ 00 | $ (80,253) |
| Public safety | 964,973 | 291,933 | 00 | 141,744 | (531,296) | 00 | (531,296) |
| Public works | 440,313 | 00 | 00 | 250,704 | (189,609) | 00 | (189,609) |
| Recreation and culture | 499,225 | 166,129 | 00 | 51,630 | (281,466) | 00 | (281,466) |
| Total governmental activities | 2,277,422 | 474,450 | 00 | 720,348 | (1,082,624) | 00 | (1,082,624) |
| Business-type activities: | | | | | | | |
| Water and sewer | 1,669,700 | 1,734,185 | 00 | 00 | 00 | 64,485 | 64,485 |
| Total business-type activities | 1,669,700 | 1,734,185 | 00 | 00 | 00 | 64,485 | 64,485 |
| Total primary government | $ 3,947,122 | $ 2,208,635 | $ 00 | $ 720,348 | (1,082,624) | 64,485 | (1,018,139) |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes | | | | | 735,476 | 00 | 735,476 |
| Sales taxes | | | | | 433,951 | 00 | 433,951 |
| Insurance premium taxes | | | | | 198,311 | 00 | 198,311 |
| Other taxes | | | | | 413,885 | 00 | 413,885 |
| Interest and investment earnings | | | | | 1,643 | 3,626 | 5,269 |
| Miscellaneous | | | | | 21,853 | 00 | 21,853 |
| Gain on sale of assets | | | | | 7,445 | 00 | 7,445 |
| Total general revenues | | | | | 1,812,564 | 3,626 | 1,816,190 |
| Transfers | | | | | (681,761) | 681,761 | 00 |
| Total general revenues and transfers | | | | | 1,130,803 | 685,387 | 1,816,190 |
| Change in net assets | | | | | 48,179 | 749,872 | 798,051 |
| Net assets - January 1 | | | | | 6,702,562 | 3,320,355 | 10,022,917 |
| Net assets - December 31 | | | | | $ 6,750,741 | $ 4,070,227 | $ 10,820,968 |

See accompanying notes to financial statements.

City of Temple, Georgia
Balance Sheet
Governmental Funds
December 31, 2011

| | General Fund | SPLOST Capital Projects Fund | Police Asset Fund | Total Governmental Funds |
|---|---|---|---|---|
| Assets | | | | |
| Cash | $ 1,562,101 | $ 192,883 | $ 12,212 | $ 1,767,196 |
| Taxes receivable | 372,045 | 00 | 00 | 372,045 |
| Intergovernmental receivable | 46,460 | 132,885 | 00 | 179,345 |
| Interfund receivable | 251,826 | 00 | 00 | 251,826 |
| Other receivables | 300 | 1,286 | 00 | 1,586 |
| Total assets | $ 2,232,732 | $ 327,054 | $ 12,212 | $ 2,571,998 |
| Liabilities | | | | |
| Accounts payable | $ 47,917 | $ 10,095 | $ 518 | $ 58,530 |
| Accrued liabilities | 32,682 | 00 | 00 | 32,682 |
| Interfund payable | 00 | 14,442 | 00 | 14,442 |
| Deferred income | 46,500 | 00 | 00 | 46,500 |
| Total liabilities | 127,099 | 24,537 | 518 | 152,154 |
| Fund Balances | | | | |
| Unassigned | | | | |
| General fund | 2,096,203 | 00 | 00 | 2,096,203 |
| Restricted | | | | |
| General fund – contributions | 9,430 | 00 | 00 | 9,430 |
| Capital projects fund | 00 | 302,517 | 00 | 302,517 |
| Police asset fund - investigations | 00 | 00 | 11,694 | 11,694 |
| Total fund balances | 2,105,633 | 302,517 | 11,694 | 2,419,844 |
| Total liabilities and fund balances | $ 2,232,732 | $ 327,054 | $ 12,212 | |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | | | | |
| Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds | | | | 4,260,326 |
| Prepaid items are not reported in the funds | | | | 24,071 |
| Some receivables are not available for current period expenditures and, therefore, are deferred in the funds | | | | 46,500 |
| Net assets of governmental activities | | | | $ 6,750,741 |

See accompanying notes to financial statements.

City of Temple, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types
For the Year Ended December 31, 2011

| | General Fund | SPLOST Capital Projects Fund | Police Asset Fund | Total Governmental Funds |
|---|---|---|---|---|
| Revenues | | | | |
| Taxes | $ 1,781,623 | $ 00 | $ 00 | $ 1,781,623 |
| Intergovernmental | 5,580 | 719,120 | 00 | 724,700 |
| Fines and forfeitures | 291,443 | 00 | 490 | 291,933 |
| Licenses and permits | 16,388 | 00 | 00 | 16,388 |
| Rental income | 2,765 | 00 | 00 | 2,765 |
| Recreation fees and donations | 166,129 | 00 | 00 | 166,129 |
| Interest income | 1,642 | 229 | 1 | 1,872 |
| Miscellaneous | 19,088 | 00 | 00 | 19,088 |
| Total revenues | 2,284,658 | 719,349 | 491 | 3,004,498 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 343,052 | 00 | 00 | 343,052 |
| Public safety | 847,410 | 00 | 10,218 | 857,628 |
| Public works | 259,134 | 00 | 00 | 259,134 |
| Culture/recreation | 429,689 | 00 | 00 | 429,689 |
| Capital outlays | 13,534 | 789,853 | 00 | 803,387 |
| Total expenditures | 1,892,819 | 789,853 | 10,218 | 2,692,890 |
| Excess (deficiency) of revenues over expenditures | 391,839 | (70,504) | (9,727) | 311,608 |
| Other financing sources (uses): | | | | |
| Sale of assets | 00 | 00 | 19,983 | 19,983 |
| Transfers out | (219,427) | (462,334) | 00 | (681,761) |
| Total other financing sources (uses) | (219,427) | (462,334) | 19,983 | (661,778) |
| Net changes in fund balances | 172,412 | (532,838) | 10,256 | (350,170) |
| Fund balances – January 1, as restated | 1,933,221 | 835,355 | 1,438 | 2,770,014 |
| Fund balances – December 31 | $ 2,105,633 | $ 302,517 | $ 11,694 | $ 2,419,844 |

See accompanying notes to financial statements.

City of Temple, Georgia
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2011

| | | |
|---|---|---|
| Net changes in fund balances – total governmental funds | | $ (350,170) |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate these expenditures over the life of the assets. This is the amount by which capital outlays exceeded depreciation expense in the current period | | |
| Capital outlays | $ 803,387 | |
| Depreciation expense | (394,437) | 408,950 |
| Expenditures in the governmental funds that benefit periods beyond December 31, 2011 are reported as prepaid items in the Statement of Net Assets | | |
| Prepaids at December 31, 2011 | $ 24,071 | |
| Prepaids at December 31, 2010 | (17,553) | 6,518 |
| Revenues in the Statement of Activities that do not provide current resources are not reported as revenues in the funds | | |
| Deferred at December 31, 2011 | $ 46,500 | |
| Deferred at December 31, 2010 | (51,081) | (4,581) |
| In the Statement of Activities, the gain on the sale of capital assets is reported, while in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the book balance of the assets sold. | | (12,538) |
| Change in net assets of governmental activities | | $ 48,179 |

See accompanying notes to financial statements.

City of Temple, Georgia
Statement of Net Assets
Water and Sewer Proprietary Fund
December 31, 2011

| | | |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash | | $ 1,692,845 |
| Accounts receivable (net of allowance) | | 202,726 |
| Other receivables | | 620 |
| Prepaid insurance | | 4,468 |
| Interfund receivable | | 3,349 |
| Total current assets | | 1,904,008 |
| Capital assets: | | |
| Property, plant and equipment | $ 14,401,611 | |
| Accumulated depreciation | (4,366,930) | |
| Total capital assets | | 10,034,681 |
| Other assets (noncurrent): | | |
| Unamortized bond costs | 182,572 | |
| Total other assets (noncurrent) | | 182,572 |
| Total assets | | $ 12,121,861 |
| **Liabilities** | | |
| Current liabilities: | | |
| Interfund payable | | $ 240,733 |
| Accounts payable | | 44,812 |
| Customer deposits | | 335,852 |
| Current portion of bonds payable | | 325,000 |
| Accrued expenses | | 151,039 |
| Total current liabilities | | 1,097,436 |
| Noncurrent liabilities: | | |
| Bonds payable (including deferred loss of $621,402) | | 6,953,598 |
| Total noncurrent liabilities | | 6,953,598 |
| Total liabilities | | 8,051,034 |
| **Net Assets** | | |
| Invested in capital assets, net of related debt | | 2,792,505 |
| Unrestricted | | 1,277,722 |
| Total net assets | | 4,070,227 |
| Total liabilities and net assets | | $ 12,121,861 |

See accompanying notes to financial statements.

City of Temple, Georgia
Statement of Revenues, Expenses and Changes in Net Assets
Water and Sewer Proprietary Fund
For the Year Ended December 31, 2011

| | |
|---|---|
| Operating revenues: | |
| Charges for services | $ 1,714,814 |
| Miscellaneous revenue | 19,371 |
| Total operating revenues | 1,734,185 |
| Operating expenses: | |
| Depreciation | 319,423 |
| Water purchases | 191,862 |
| Professional services | 55,408 |
| Postage | 8,015 |
| Repairs and maintenance | 73,842 |
| Salaries and benefits | 162,566 |
| Contract labor | 51,660 |
| Garbage expense | 176,451 |
| Supplies and chemicals | 75,914 |
| Gas and oil | 7,366 |
| Property insurance | 10,643 |
| Miscellaneous expense | 14,723 |
| Utilities | 145,871 |
| Dues and fees | 2,509 |
| Total operating expenses | 1,296,253 |
| Operating income | 437,932 |
| Non-operating revenues (expenses): | |
| Interest revenue | 3,626 |
| Interest expense | (355,190) |
| Bond expense | (18,257) |
| Total non-operating revenues (expenses) | (369,821) |
| Transfers in | 681,761 |
| Change in net assets | 749,872 |
| Net assets – January 1 | 3,320,355 |
| Net assets – December 31 | $ 4,070,227 |

See accompanying notes to financial statements.

City of Temple, Georgia
Statement of Cash Flows
Water and Sewer Proprietary Fund
For the Year Ended December 31, 2011

| | |
|---|---|
| Cash flows from operating activities: | |
| Receipts from customers | $ 1,723,772 |
| Payments for suppliers | (857,670) |
| Payments to employees | (253,626) |
| Net cash provided by operating activities | 612,476 |
| Cash flows from noncapital financing activities: | |
| Transfer from General Fund | 219,427 |
| Net cash provided by noncapital financing activities | 219,427 |
| Cash flows from capital and related financing activities: | |
| Transfer from special purpose local option sales tax fund | 462,334 |
| Purchase of capital assets | (462,334) |
| Interest paid on capital debt | (220,787) |
| Net cash used by capital and related financing activities | (220,787) |
| Cash flows from investing activities: | |
| Interest | 3,626 |
| Net cash provided by investing activities | 3,626 |
| Net increase in cash and cash equivalents | 614,742 |
| Balances – beginning of year | 1,078,103 |
| Balances – end of year | $ 1,692,845 |
| Reconciliation of operating income to net cash provided by operating activities: | |
| Operating income | $ 437,932 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation expense | 319,423 |
| Change in assets and liabilities: | |
| Receivables, net | (15,007) |
| Prepaid expenses | (80) |
| Customer deposits | 4,594 |
| Accounts payable | (43,326) |
| Accrued expense | (91,060) |
| Net cash provided by operating activities | $ 612,476 |

See accompanying notes to financial statements.

## Note 1. Summary of Significant Accounting Policies

The City is incorporated under the laws of the State of Georgia and operates under a Mayor and Council/Manager form of government. The City provides the following services: culture and recreation, public works, water and sewer utilities, public safety (fire and police) and general administrative services.

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

### 1.A. Financial Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Component Units: In conformity with generally accepted accounting principles, the financial statements of the component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units:

*City of Temple Planning Commission*: The Planning Commission, a legally separate entity, is governed by a City Council appointed board. The City pays commission members for meetings and the Commission provides planning which affects the citizens of the City; however, these amounts are not material to the financial statements. The City of Temple Planning Commission does not issue separate financial statements.

*City of Temple Volunteer Fire Department*: The City pays most of the expenses and provides the station house and equipment for this volunteer organization; however, these amounts are not material to the overall financial statements. The City of Temple Volunteer Fire Department does not issue separate financial statements.

Discretely Presented Component Units:

*The Temple Downtown Development Authority*: This is a separate legal entity created to promote and expand industry, welfare, and trade for the public good and welfare of the City of Temple. The Authority currently has no assets or liabilities to report in the financial statement.

## Note 1. Summary of Significant Accounting Policies - continued

### 1.B. Basis of Presentation

*Government-wide Financial Statements:*

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

*Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. If applicable, funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

**Governmental Funds**

*General Fund*

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

*SPLOST Capital Projects Fund*

The SPLOST Capital Projects Fund is used to account for resources restricted for the acquisition or construction of specific capital projects from the Special Purpose Local Option Sales Tax. This fund is a major fund.

## Note 1. Summary of Significant Accounting Policies - continued

### 1.B. Basis of Presentation – continued

#### Governmental Funds - continued

*Special Revenue Fund - Police Asset Fund*

The Police Asset Fund is used to account for monies confiscated under Federal and Georgia law by the City of Temple Police Department related to controlled substance offenses. Such monies are restricted to defray the cost of complex investigations and to purchase equipment related to said investigations. This fund is not a major fund.

#### Proprietary Fund

*Enterprise Fund – Water and Sewer Fund*

Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector The City's only enterprise fund is the Water and Sewer fund which accounts for activities in providing water, waste water and sanitation services to the public. This fund is a major fund.

### 1.C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

#### Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

## Note 1. Summary of Significant Accounting Policies - continued

### 1.C. Measurement Focus and Basis of Accounting – continued

#### Measurement Focus – continued

b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

#### Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Under the modified accrual basis, the following revenue sources are considered to be susceptible to accruals: property tax, sales tax, interest and federal and state grants. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

### 1.D. Assets, Liabilities, and Equity

#### Cash and Investments

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

## Note 1. Summary of Significant Accounting Policies - continued

### 1.D. Assets, Liabilities, and Equity - continued

#### Interfund Receivable and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." These amounts are eliminated in the governmental and business-type activities columns of the net assets, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

#### Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes and grants. Business-type activities report unpaid utilities revenue as their major receivable.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax and grants since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis.

Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

#### Prepaid Items

On the government-wide financial statements and the fund financial statements for the proprietary funds, payments made to vendors for services that will benefit periods beyond December 31, 2011, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expense in the year in which services are consumed. At the governmental fund reporting level, payments for prepaid items are fully recognized as an expenditure in the year of payment.

#### Capital Assets

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

**Note 1. Summary of Significant Accounting Policies - continued**

**1.D. Assets, Liabilities, and Equity - continued**

**Capital Assets - continued**

*Government-wide Statements*

In the governmental financial statements capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. The City maintains a capitalization threshold of $5,000.

GASBS No. 34 requires the City to report and depreciate new infrastructure assets effective with the beginning of January 1, 2004. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Neither their historical cost nor related depreciation had historically been reported in the financial statements. The City is a Phase 3 entity and is not required to record infrastructure from years prior to implementation to the reporting model.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

| | |
|---|---|
| - Buildings & improvements | 15-50 years |
| - Vehicles, machinery and equipment | 5-10 years |
| - Water and sewer system | 40 years |
| - Land improvements | 10 years |
| - Infrastructure | 50 years |

Interest is capitalized on both governmental and proprietary fund assets acquired with debt. The amount of interest to be capitalized is calculated by offsetting interest incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

*Fund Financial Statements*

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

**Compensated Absences**

The City encourages employees to take their vacations annually, and sick pay is not paid on termination. Therefore, no accrual of compensated absences has been made.

## Note 1. Summary of Significant Accounting Policies - continued

### 1.D. Assets, Liabilities, and Equity – continued

#### Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as a liability in the government-wide statements. The long-term debt consists of bonds payable.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

#### Equity Classifications

*Government-wide Statements*

Equity is classified as net assets and displayed in two components:

a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

When both restricted and unrestricted resources are available, City management determines when to use restricted resources first, then unrestricted resources as needed.

*Fund Statements*

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net assets."

**Note 1. Summary of Significant Accounting Policies – continued**

**1.D. Assets, Liabilities, and Equity – continued**

*Fund Statements - continued*

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- **Nonspendable** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- **Restricted** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- **Committed** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Mayor and City Council through the adoption of a resolution or motion. The Mayor and City Council also may modify or rescind the commitment.
- **Assigned** – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed.
- **Unassigned** – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

**Flow Assumptions** – For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

**1.E. Revenues, Expenditures and Expenses**

**Program Revenues**

Program revenues include charges paid by the recipients of the goods or services offered by the programs, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

## Note 1. Summary of Significant Accounting Policies – continued

### 1.E. Revenues, Expenditures and Expenses

#### Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. Other revenues and expenses are classified as non-operating in the financial statements.

#### Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

| | |
|---|---|
| Governmental Funds – By Character: | Current (further classified by function) |
| | Debt Service |
| | Capital Outlay |
| Proprietary Fund – By Operating and Nonoperating | |

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

#### Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

### 1.F. Estimates

The preparation of the financial statements in conformity with accounting principals generally accepted in the United States, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

## Note 2. Custodial Credit Risk Related to Deposits

At December 31, 2011 the carrying amount of the City's deposits was $3,460,041 and the bank balances were $3,528,549. Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might not be recovered. The state requires that all deposits with financial institutions be collateralized in an account equal to 110% of uninsured deposits. The City's deposits are fully insured or collateralized by securities held in the government's name.

## Note 3. Receivables

Receivables as of December 31, 2011, consist of the following:

| | General | Capital Projects | Water and Sewer | Total |
|---|---|---|---|---|
| Receivables | | | | |
| Property tax | $ 372,045 | $ 00 | $ 00 | $ 372,045 |
| Accounts | 00 | 00 | 202,726 | 202,726 |
| SPLOST | 00 | 132,885 | 00 | 132,885 |
| Local option sales | 46,460 | 00 | 00 | 46,460 |
| Other | 300 | 1,286 | 620 | 2,206 |
| Totals | $ 418,805 | $ 134,171 | $ 203,346 | $ 756,322 |

## Note 4. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. The City levies a tax on City taxable property on September 1 when Carroll County submits its tax digest to the City, and the taxes become delinquent on December 20. Property tax revenue is recognized in the year levied and available to pay current year liabilities. The City's current millage rate is 7.05 mills on 40% of assessed value of taxable property.

## Note 5. Interfund Receivables, Payables and Transfers

At December 31, 2011, $240,733 is due from the water and sewer fund to the general fund. This amount represents charges for services or reimbursable expenses.

At December 31, 2011, $3,349 is due from the SPLOST Fund to the Water and Sewer Fund. This amount represents a payment made by the Water Fund on the gymnasium being funded with Special Purpose Local Option Sales Tax Funds.

At December 31, 2011, $11,093 is due from the SPLOST Fund to the general fund. The amount represents a payment made by the general fund on a road project which is being funded with Special Purpose Local Option Sales Tax Funds.

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers for the year ended December 31, 2011, were as follows:

| Fund | Transfers In | Transfers Out |
|---|---|---|
| General Fund | $ 00 | $ 219,427 |
| SPLOST Fund | 00 | 462,334 |
| Proprietary Funds: | | |
| Water | 681,761 | 00 |
| | $ 681,761 | $ 681,761 |

**Note 6. Capital Assets**

Capital assets activity for the year ended December 31, 2011 was as follows:

| | Balance 01-01-11 | Additions | Retirements/ Transfers | Balance 12-31-11 |
|---|---|---|---|---|
| Governmental activities: | | | | |
| Non-depreciable: | | | | |
| Land | $ 177,514 | $ 114,492 | $ 00 | $ 292,006 |
| Depreciable: | | | | |
| Buildings and land improvements | $ 2,839,106 | $ 271,134 | $ 00 | $ 3,110,240 |
| Street improvements | 1,595,402 | 351,628 | 00 | 1,947,030 |
| Vehicles and equipment | 1,224,677 | 66,133 | 38,894 | 1,251,916 |
| Total depreciable | 5,659,185 | 688,895 | 38,894 | 6,309,186 |
| Less accumulated depreciation: | | | | |
| Buildings and land improvements | 440,167 | 74,366 | 00 | 514,533 |
| Street improvements | 773,808 | 169,491 | 00 | 943,299 |
| Vehicles and equipment | 758,810 | 150,580 | 26,356 | 883,034 |
| Total accumulated depreciation | 1,972,785 | 394,437 | 26,356 | 2,340,866 |
| Governmental activities capital assets (depreciable), net | $ 3,686,400 | $ 294,458 | $ 12,538 | $ 3,968,320 |
| Business-type activities: | | | | |
| Non-depreciable: | | | | |
| Land | $ 1,032,383 | $ 00 | $ 00 | $ 1,032,383 |
| Construction in progress | 00 | 3,374 | 00 | 3,374 |
| Total non-depreciable | $ 1,032,383 | $ 3,374 | $ 00 | $ 1,035,757 |
| Depreciable: | | | | |
| Water and sewer system | $ 12,681,254 | $ 426,588 | $ 00 | $ 13,107,842 |
| Buildings | 119,378 | 00 | 00 | 119,378 |
| Vehicles and equipment | 106,262 | 32,372 | 00 | 138,634 |
| Total depreciable | 12,906,894 | 458,960 | 00 | 13,365,854 |
| Less accumulated depreciation: | | | | |
| Water and sewer system | 3,925,611 | 310,023 | 00 | 4,235,634 |
| Buildings | 23,214 | 2,985 | 00 | 26,199 |
| Vehicles and equipment | 98,682 | 6,415 | 00 | 105,097 |
| Total accumulated depreciation | 4,047,507 | 319,423 | 00 | 4,366,930 |
| Business-type capital assets (depreciable), net | $ 8,859,387 | $ 139,537 | $ 00 | $ 8,998,924 |

Depreciation was charged to governmental activities as follows:

| | |
|---|---|
| General government | $ 29,938 |
| Public safety | 113,705 |
| Recreation and culture | 69,615 |
| Public works | 181,179 |
| Total | $ 394,437 |

## Note 7. Long-Term Debt

The following is a summary of the water and sewer fund's long-term debt transactions for the year ended December 31, 2011:

| | Balance 01-01-11 | Additions | Reductions | Balance 12-31-11 | Amount Due Within One Year |
|---|---|---|---|---|---|
| 2010 Series Revenue Bonds | $ 7,900,000 | $ 00 | $ 00 | $ 7,900,000 | $ 325,000 |
| Deferred loss on defeasance | (683,542) | 00 | 62,140 | (621,402) | 00 |
| | $ 7,216,458 | $ 00 | $ 62,140 | $ 7,278,598 | $ 325,000 |

Water and Sewer Fund - GEFA Note

On July 1, 1992, the City of Temple entered into a loan agreement with the Georgia Environmental Facilities Authority to pay off a construction loan for the Wastewater Treatment Collection Facilities.

The original principal amount of the long-term loan was $2,922,696, plus interest at a rate of 2%. Payments of $14,783 monthly were being made, through September 1, 2010. The loan balance was paid in full with the proceeds of the 2010 Series Revenue Bonds.

Water and Sewer Fund – Series 2003 Revenue Bonds

The City signed an intergovernmental agreement with the Carroll County Water Authority dated July 1, 2003. The purpose of this intergovernmental agreement is to provide funds to the City to finance and reimburse the costs of acquisition, construction, and equipping of water and sewerage facilities of the City and for the City to pay the principal of, redemption premium, if any, and the interest on the bonds (2003 Series Revenue Bonds), issued for the project. The original amount of the bonds was $8,030,000. The bonds were currently refunded in September 2010 using the proceeds of the 2010 Series Revenue Bonds.

Bond issue costs, expenses associated with the issuance of the 2003 Revenue Bonds, were being amortized on the straight-line method over the term of the bonds. Unamortized costs of $109,960 were deferred and are being amortized over the life of the 2010 Series Bonds.

The bond discount was amortized on the straight-line method over the term of the 2003 Series Revenue Bonds. Unamortized discount of $56,115 was deferred and is being amortized over the life of the 2010 Series Bonds.

**Note 7. Long-Term Debt – continued**

Water and Sewer Fund – Series 2010 Revenue Bonds

On September 30, 2010, the City signed an intergovernmental agreement with Carroll County Water Authority for the issuance of $7,900,000 Revenue Refunding Bonds, Series 2010 to refund $6,710,000 of the above outstanding 2003 Revenue Bonds and the City's outstanding GEFA loan debt of $319,064. Additionally, the City signed a swap termination agreement with Bank of America to terminate the existing letter of credit on the bonds. An amount of $533,000 was paid from bond proceeds for the termination. This amount has been deferred and is being amortized using the straight-line method over the life of the new bond. Underwriting fees and other issuance costs were $205,394. Issuance costs are being amortized on the straight-line method over the term of the bonds. Amortization expense for 2011 was $18,257.

Loss on Defeasance

The summary of the loss on the defeasance is as follows:

| | |
|---|---|
| Unamortized 2003 Series Bond costs | $ 109,960 |
| Unamortized 2003 Series Bond discount | 56,115 |
| Swap termination payment | 533,000 |
| Total deferred loss | 699,075 |
| Less: Accumulated amortization | (77,673) |
| Net carrying amount | $ 621,402 |

As a result of the refunding, this portion of the 2003 Series bonds and GEFA debt are considered to be defeased and the liability has been removed from the financial statements. The City made the current refunding to benefit from recent declines in interest rates.

The City was able to reduce its total debt service requirements over the next 18 years by approximately $502,000, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new total debt) of approximately $386,000.

The following is a schedule of debt service requirements for the 2010 Series Revenue Bonds:

| Year Ending December 31, | Principal | Interest | Total |
|---|---|---|---|
| 2012 | $ 325,000 | $ 286,287 | $ 611,287 |
| 2013 | 335,000 | 274,078 | 609,078 |
| 2014 | 350,000 | 261,405 | 611,405 |
| 2015 | 365,000 | 248,178 | 613,178 |
| 2016 | 375,000 | 234,488 | 609,488 |
| 2017 to 2021 | 6,150,000 | 872,089 | 7,022,089 |
| | $ 7,900,000 | $ 2,176,525 | $ 10,076,525 |

**Note 7. Long-Term Debt - continued**

The 2010 Series Revenue Bonds outstanding consist of the following:

| Year Ending December 31, | Amount Maturing | Interest Rate |
|---|---|---|
| 2012 | $ 325,000 | 3.70 % |
| 2013 | 335,000 | 3.70 % |
| 2014 | 350,000 | 3.70 % |
| 2015 | 365,000 | 3.70 % |
| 2016 | 375,000 | 3.70 % |
| 2017 | 395,000 | 3.70 % |
| 2018 | 410,000 | 3.70 % |
| 2019 | 425,000 | 3.70 % |
| 2020 | 445,000 | 3.70 % |
| 2021 | 4,475,000 | 3.70 % |
| | $ 7,900,000 | |

**Note 8. Pension Plan**

Plan Description. The City has a noncontributory defined benefit retirement plan covering all full time employees and officials. The plan, the City of Temple Retirement Plan, is administered by the Georgia Municipal Employees Benefit System (GMEBS), which is a statewide agent multiple-employer plan. GMEBS policy direction and oversight for the fund is provided by a 15 member board comprised of elected and appointed officials from the fund's membership. GMEBS handles all administrative and investment functions relative to the plan and recommends the City's annual contribution, which is in compliance with Public Retirement Systems Standards (Georgia Code Section 47-20-10). The City established the plan effective January 1, 1992, and the authority to establish, amend or discontinue the plan remains with the City. The plan provides pension benefits and death and disability benefits for all employees with one year of full time service. Members may retire at 65 with 5 years service or at 55 with 10 years of service.

The Georgia Municipal Employees Benefit System issues a publicly available annual financial report that includes financial statements and required supplementary information. This report may be obtained by contacting the Georgia Municipal Employees Benefit System, C/O Georgia Municipal Association – Risk Management and Employee Benefit Services, 201 Pryor Street, SW, Atlanta, Georgia 30303-3606.

Funding Policy and Annual Contributions. The funding policy for the plan is to contribute an amount equal to the recommended contribution in each year. These contributions are determined under the projected unit credit actuarial cost method and the asset valuation method for developing the actuarial value of assets.

**Note 8. Pension Plan - continued**

The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1991 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year.

The Plan is subject to the minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10). For the plan year ending July 1, 2011 the estimated minimum annual contribution under these funding standards was $36,030.

The contribution to the plan for the plan year ended July 1, 2011, was $36,030 ($0 employee and $36,030 employer; 0% employee and 5.15% employer of covered payroll respectively) and was made in accordance with contribution requirements determined by actuarial valuation as of July 1, 2011. Covered payroll for that year was $699,915. The City's estimated contribution rate for the plan year ending July 1, 2011 is 4.87% or $32,296 with an estimated covered payroll in the amount of $663,697.

Funded Status. GASB No. 27 requires disclosure of the City's annual pension cost, percentage of annual pension cost contributed and net pension obligation for the most recent three years.

Three Year Trend Information

| City's Fiscal Year Ending | Employer Annual Pension Cost (APC) | Percentage of APC Contributed | Net (EOY) Pension Obligation |
|---|---|---|---|
| 2011 | $ 36,030 | 100.0% | $ 00 |
| 2010 | 32,280 | 100.0% | 00 |
| 2009 | 37,146 | 100.0% | 00 |

Schedule of Funding Progress

| Actuarial Valuation For Plan Year Beginning Sept. 1 | Actuarial Value of Assets | Actuarial Accrued Liability | Unfunded AAL | Funded Ratio | Payroll | Unfunded Actuarial Accrued Liability as % of Covered Payroll |
|---|---|---|---|---|---|---|
| 2011** | $ 394,979 | $ 453,878 | $ 58,899 | 87% | $ 663,697 | 9% |
| 2010** | 365,781 | 429,279 | 63,498 | 85% | 699,915 | 9% |
| 2009* | 321,689 | 395,695 | 74,006 | 81% | 625,416 | 12% |
| 2008 | 327,050 | 375,635 | 48,585 | 87% | 569,779 | 9% |
| 2007 | 302,759 | 367,585 | 64,826 | 82% | 616,782 | 11% |
| 2006 | 274,696 | 316,346 | 41,650 | 87% | 625,651 | 7% |
| 2005 | 256,770 | 308,697 | 51,927 | 83% | 522,933 | 10% |
| 2004 | 245,365 | 275,286 | 29,921 | 89% | 278,985 | 11% |
| 2003 | 222,535 | 252,827 | 30,292 | 88% | 338,325 | 9% |
| 2002 | 203,526 | 240,017 | 36,491 | 85% | 247,426 | 15% |
| 2001 | 184,418 | 225,309 | 40,891 | 82% | 258,726 | 16% |

* Fiscal year for valuation changed to October 1 in 2010

** Fiscal year for valuation changed to July 1 in 2011

**Note 8. Pension Plan - continued**

Significant Actuarial Assumptions.

| | |
|---|---|
| Rate of return on investment | 7.75% |
| Projected salary increases for: | |
| Inflation | 3.5% |
| Merit or seniority | Based age and service |
| Cost of living adjustment | Not applicable |
| Post retirement benefit increases | Not applicable |
| Actuarial Methods: | |
| Normal cost and actuarial accrued liability | Projected Unit Credit |
| Actuarial value of assets | Sum of the actuarial value at the beginning of the year and the cash flow during year plus the assumed investment return, adjusted by 10% of the amount exceeds or is less than market value at the end of the year. |
| Changes in assumptions | There were no changes in methods or assumptions from the prior valuation. |

As of July 1, 2011, the date of the latest actuarial valuation study, employee membership data related to the current plan membership was as follows:

| | |
|---|---|
| Number of retirees and beneficiaries currently receiving benefits | 5 |
| Number of terminated employees entitled to benefits, but not yet receiving them | 11 |
| Number of active plan participants | 19 |
| Total | 35 |

## Note 9. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally state or federal governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

In the normal course of business, the City is involved in various lawsuits. Management is of the opinion that any liability or loss in excess of insurance coverage resulting from such litigation will not have a material adverse effect on the financial statements.

## Note 10. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There have been no significant reductions in insurance coverage from the prior year. The amount of settlements has not exceeded insurance coverage in the past three years.

The City of Temple, Georgia, has joined together with other municipalities in the State as part of the Georgia Worker's Compensation Self-Insurance Fund (WCSIF), a public entity risk pool currently operating as a common risk management and insurance program for member local governments. The pool is administered by the Georgia Municipal Association (GMA).

As part of this risk pool, the City is obligated to pay all contributions and assessments as prescribed by the pool, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the fund, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the fund being required to pay any claim of loss. The City is also to allow the pool's agents and attorneys to represent the City in investigation, settlement discussions, and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the Fund.

The Fund is to defend and protect the members of the Fund against liability or loss as prescribed in the member government's contracts, and in accordance with the worker's compensation laws of Georgia. The Fund is to pay all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

## Note 11. Joint Ventures

The City of Temple is a member of the Three Rivers Regional Commission (TRRC). The TRRC was created under the laws of the State of Georgia and cities and counties in the area served by the TRRC are required to be members. The membership dues are paid annually by the City of Temple. The City has no equity interest in the TRRC nor does the City materially contribute to the existence of the TRRC. The Official Code of Georgia Annotated Section 50-8-39.1 states that in the event the TRRC ceases operation, the membership can be assessed for any debt or obligation of the TRRC. Separate financial statements may be obtained from: Three Rivers Regional Commission , P.O. Box 818, Griffin, Georgia 30224.

**Note 12. Budget Compliance**

The following function's expenditures exceeded its budget appropriations.

| | |
|---|---|
| Public Works | $ 4,820 |

The department did not exceed budget by over 3%

**Note 13. Prior Period Adjustments**

Changes were made to the beginning net assets for the reasons stated below:

| | General Fund |
|---|---|
| Fund balance – December 31, 2010, as previously stated | $ 1,982,721 |
| Adjustment to defer prior year grant revenue received but not spent | (49,500) |
| Fund balance – December 31, 2010, as restated | $ 1,933,221 |

# REQUIRED SUPPLEMENTARY INFORMATION

City of Temple, Georgia
Budgetary Comparison Schedule - General Fund
For the Year Ended December 31, 2011

| | Original Budget | Original and Final Budget | Actual | Over (Under) |
|---|---|---|---|---|
| Revenues | | | | |
| Taxes | $ 1,626,850 | $ 1,626,850 | $ 1,781,623 | $ 154,773 |
| Fines and forfeitures | 226,500 | 226,500 | 291,443 | 64,943 |
| Licenses & permits | 13,440 | 13,440 | 16,388 | 2,948 |
| Rental income | 3,200 | 3,200 | 2,765 | (435) |
| Recreation fees and donations | 131,500 | 140,000 | 166,129 | 26,129 |
| Intergovernmental | 3,000 | 3,000 | 5,580 | 2,580 |
| Interest income | 5,000 | 5,000 | 1,642 | (3,358) |
| Miscellaneous | 16,500 | 23,800 | 19,088 | (4,712) |
| Total revenues | 2,025,990 | 2,041,790 | 2,284,658 | 242,868 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 463,860 | 455,160 | 348,550 | (106,610) |
| Public safety | 884,650 | 886,650 | 847,410 | (39,240) |
| Public works | 260,650 | 262,350 | 267,170 | 4,820 |
| Culture/recreation | 416,830 | 437,630 | 429,689 | (7,941) |
| Total expenditures | 2,025,990 | 2,041,790 | 1,892,819 | (148,971) |
| Excess of revenues over expenditures | 00 | 00 | 391,839 | 391,839 |
| Other financing sources (uses): | | | | |
| Transfers out | 00 | 00 | (219,427) | (219,427) |
| Net change in fund balance | $ 00 | $ 00 | $ 172,412 | $ 172,412 |

Notes to Required Supplementary Information

An annual budget is prepared and approved by the Mayor and Council for the General Fund. Prior to the budget being legally enacted through passage of an ordinance, a public hearing is held to obtain taxpayer comments. The budget is prepared on a basis consistent with generally accepted accounting principles. Project-length budgets are prepared for the Capital Projects Funds.

# OTHER SUPPLEMENTARY INFORMATION

City of Temple, Georgia
Budgetary Comparison Schedule – Police Asset Fund
For the Year Ended December 31, 2011

| | Original and Final Budget | Actual | Over (Under) |
|---|---|---|---|
| Revenues: | | | |
| Fines and forfeitures | $ 00 | $ 490 | $ 490 |
| Interest | 00 | 1 | 1 |
| Total revenues | 00 | 491 | 491 |
| Expenditures: | | | |
| Public safety | 15,000 | 10,218 | (4,782) |
| Total expenditures | 15,000 | 10,218 | (4,782) |
| Deficiency of revenues over expenditures | (15,000) | (9,727) | 5,273 |
| Other financing sources | | | |
| Sale of assets | 15,000 | 19,983 | 4,983 |
| Fund balance at beginning of year | 1,438 | 1,438 | 1,438 |
| Fund balance at end of year | $ 1,438 | $ 11,694 | $ 11,694 |

City of Temple, Georgia
Schedule of Projects Constructed with
Special Purpose Local Option Sales Tax Proceeds
For the Year Ended December 31, 2011

1993 Referendum

| Number | Project | Original Estimated Cost | Expenditures Prior Years | Expenditures Current Year | Total |
|---|---|---|---|---|---|
| 1 | Water and Sewer | $ 438,000 | $ 525,240 | $ 00 | $ 525,240 |
| 2 | Streets and Roads | 295,000 | 253,034 | 7,450 | 260,484 |
| 3 | Recreation/Civic | 350,000 | 401,719 | 00 | 401,719 |
| | Totals | $ 1,083,000 | $ 1,179,993 | $ 7,450 | $ 1,187,443 |

2003 Referendum

| Number | Project | Original Estimated Cost | Expenditures Prior Years | Expenditures Current Year | Total |
|---|---|---|---|---|---|
| 1 | Water Lines | $ 250,000 | $ 371,524 | $ 6,719 | $ 378,243 |
| 2 | Equipment | 192,500 | 00 | 00 | 00 |
| 3 | Ball Fields and Gym | 880,000 | 1,230,156 | 2,750 | 1,232,906 |
| 4 | Road Projects | 550,000 | 308,826 | 96,648 | 405,474 |
| 5 | Ortho Photography | 27,500 | 1,424 | 00 | 1,424 |
| 6 | Medical Building Repairs | 110,000 | 00 | 00 | 00 |
| 7 | Library | 220,000 | 00 | 00 | 00 |
| 8 | Greenspace | 302,500 | 00 | 00 | 00 |
| 9 | Senior Center Equipment | 110,000 | 18,295 | 2,046 | 20,341 |
| 10 | Downtown Development | 110,000 | 00 | 00 | 00 |
| | Totals | $ 2,752,500 | $ 1,930,225 | $ 108,163 | $ 2,038,388 |

2008 Referendum

| No. | Project | Original Estimated Cost | SPLOST Prior Years | SPLOST Current Year | Other Sources Prior Years | Other Sources Current Year | Total |
|---|---|---|---|---|---|---|---|
| 1 | Water & Sewer Projects | $ 1,306,000 | $ 00 | $ 455,615 | $ 00 | $ 00 | $ 455,615 |
| 2 | Transportation Projects | 296,388 | 20,000 | 282,264 | 00 | 00 | 302,264 |
| 3 | Senior Center Projects | 35,000 | 00 | 00 | 00 | 00 | 00 |
| 4 | Administrative Projects | 1,380,000 | 00 | 70,075 | 00 | 60,360 | 130,435 |
| 5 | Recreation Projects | 295,000 | 00 | 173,781 | 00 | 00 | 173,781 |
| 6 | Police Department Projects | 580,000 | 00 | 44,479 | 00 | 50,000 | 94,479 |
| | Totals | $ 3,892,388 | $ 20,000 | $ 1,026,214 | $ 00 | $ 110,360 | $ 1,156,574 |

Note: This SPLOST Schedule has been prepared on the accrual basis of accounting.

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*

Garrett
Stephens
Thomas &
Fazio, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

| | | | |
|---|---|---|---|
| Ann M. Fazio | CPA | Julie M. George | CPA |
| Frederick G. Thomas | CPA | Amber E. Ash | CPA |
| Deborah W. Cooke | CPA | Kevin G. Bush | CPA |
| Johanna H. Tallent | CPA | Shari L. Reid | CPA |

Members of Georgia Society of Certified Public Accountants
Members of American Institute of Certified Public Accountants
Members of Private Companies Practice Section, Division for CPA Firms

# 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 Mayor and City Council
City of Temple, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Temple, Georgia, as of and for the year ended December 31, 2011, which collectively comprise the City of Temple, Georgia's basic financial statements and have issued our report thereon dated June 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

## Internal Control Over Financial Reporting

Management of the City of Temple, Georgia is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Temple, Georgia'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 City of Temple, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Temple, Georgia'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 and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule for findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies described in the accompany schedule of findings and responses as Finding 11-1 through 11-4 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Temple, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

This report is intended solely for the information and use of management, the City Council, others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Garrett, Stephens, Thomas, and Fazio, PC

June 26, 2012

Findings:

**Segregation of Duties:**

11-1

The size of the City's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties.

Management Response/Corrective Action Plan:

We concur with this finding. The size of the City's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. The City Manager, Mayor and Council are involved in the financial affairs of the City to provide oversight and independent review functions.

**Bank Reconciliation – Timeliness of Reconciliation:**

11-2

The City did not adequately reconcile the bank statements for all bank accounts to the General Ledger on a timely basis throughout the year.

Management Response/Corrective Action Plan:

We concur with this finding. Due to limited staff capabilities, the City failed to properly reconcile the bank accounts on a timely basis throughout the fiscal year. The City will work to see that all accounts are properly reconciled on a timely basis and will cross train employees as necessary to ensure accounts are adequately balanced due to key employee absence.

**Financial Statement Preparation:**

11-3

The City does not have employees with adequate training and expertise in generally accepted accounting principles and governmental accounting standards to prepare the financial statements and related footnotes which were prepared by the independent auditor.

Management Response/Corrective Action Plan:

We concur with this finding. The City will evaluate the cost/benefit implications of improving internal control by providing the technical expertise to accounting personnel and will continue to evaluate the adequacy and completeness of year-end financial reports prepared by the independent auditor.

Findings: - continued

11-4

**Water Accounts Receivable Reconciliation:**

The City did not properly reconcile accounts receivable balances to the general ledger throughout the year resulting in the necessity of a material audit adjustment for a duplicate monthly entry.

Management Response/Corrective Action Plan:

We concur with this finding. The City understands its responsibility to adequately reconcile accounts receivable balances and will work to see that they are properly reconciled going forward.