CITY OF TEMPLE, GEORGIA

Financial Statements and Supplementary Information
For the Year Ended December 31, 2012

And

Independent Auditor's Report

City of Temple, Georgia
Annual Financial Report
For the Year Ended December 31, 2012

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Garrett
Stephens
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Independent Auditor's Report

To the Mayor and City Council
City of Temple, Georgia

Report on the Financial Statements

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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these 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 from material misstatement.

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

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

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Honorable Mayor and City Council
City of Temple, Georgia

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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Temple, Georgia's basic financial statements. The accompanying 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated September 27, 2013, on our consideration of the City of Temple, Georgia's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and 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* in considering City of Temple, Georgia's internal control over financial reporting and compliance.

Garrett, Thomas, & Fazio, P C

September 27, 2013

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 Position.* 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 position.* Over time, increases or decreases in net position 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 position 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 Position 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 position at year-end is $11,116,973. This is a $576,320 increase from last year's net position of $10,540,653. This includes $7,281,051 net investment in capital assets.

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

Summary of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	(Restated) 2011	2012	(Restated) 2011
Cash	$ 2,205,515	$ 1,767,196	$ 1,527,498	$ 1,692,845	$ 3,733,013	$ 3,460,041
Receivables, net	345,048	552,976	211,005	203,346	556,053	756,322
Capital assets, net	4,180,698	4,260,326	9,869,060	10,034,681	14,049,758	14,295,007
Other assets	35,824	24,071	8,331	4,468	44,155	28,539
Internal balances	265,000	237,384	(265,000)	(237,384)	00	00
Total assets	7,032,085	6,841,953	11,350,894	11,697,956	18,382,979	18,539,909
Deferred outflow of resources	00	00	471,293	523,659	471,293	523,659
Current liabilities	102,819	91,212	744,480	856,703	847,299	947,915
Long-term liabilities	00	00	6,890,000	7,575,000	6,890,000	7,575,000
Total liabilities	102,819	91,212	7,634,480	8,431,703	7,737,299	8,522,915
Net position:						
Net investment in capital assets	4,180,098	4,260,326	3,100,353	2,512,190	7,281,051	6,772,516
Unrestricted	2,258,457	2,166,774	1,087,354	1,277,722	3,345,811	3,444,496
Restricted	490,111	323,641	00	00	490,111	323,641
Total net position	$ 6,929,266	$ 6,750,741	$ 4,187,707	$ 3,789,912	$ 11,116,973	$ 10,540,653

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

Summary of Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	(Restated) 2011	2012	(Restated) 2011
Revenues:						
Program revenues:						
Charges for services	$ 585,341	$ 474,450	$ 1,742,594	$ 1,734,185	$ 2,327,935	$ 2,208,635
Operating and capital grants	657,139	720,348	00	00	657,139	720,348
General revenues:						
Property taxes	689,952	735,476	00	00	689,952	735,476
Sales taxes	441,550	433,951	00	00	441,550	433,951
Insurance premium taxes	210,639	198,311	00	00	210,639	198,311
Other taxes and miscellaneous	415,128	437,381	2,162	3,626	417,290	441,007
Total revenues	2,999,749	2,999,917	1,744,756	1,737,811	4,744,505	4,737,728
Expenses:						
General government	420,846	372,911			420,846	372,911
Public safety	1,110,657	964,973			1,110,657	964,973
Public works	472,720	440,313			472,720	440,313
Recreation and culture	534,619	499,225			534,619	499,225
	2,538,842	2,277,422				
Water and sewer			1,640,080	1,641,669	1,640,080	1,641,669
Total expenses					4,178,922	3,919,091
Gain on sale of assets	10,737	7,445	00	00	10,737	7,445
Transfers	(293,119)	(681,761)	293,119	681,761	00	00
Change in net position	178,525	48,179	397,795	777,903	576,320	826,082
Beginning net position	6,750,741	6,702,562	3,789,912	3,012,009	10,540,653	9,714,571
Ending net position	$ 6,929,266	$ 6,750,741	$ 4,187,707	$ 3,789,912	$ 11,116,973	$ 10,540,653

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 $2,744,166. The total ending fund balances of governmental funds increased $300,251 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 $136,395 to $2,266,099.

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 increased $168,502 to $471,019.

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 decreased by $4,646 to $7,048.

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 position of this fund increased $397,795 to $4,187,707.

General Fund Budgetary Highlights

The budget and subsequent amendments were approved by the Council with final budgeted revenues of $2,262,306 and expenditures and transfers in the amount of $2,616,466. Actual revenues were $2,434,701, a variance of $172,395. Actual expenditures and transfers were $2,298,306, a variance of $318,160.

Capital Assets

At the end of year 2012, the City had $14,049,758 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 2012, the City had consolidated its total debt to bonds payable in the amount of $7,240,000. More detailed information about the City's debt is presented in Note 8.

City of Temple, Georgia
Statement of Net Position
December 31, 2012

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash	$ 2,205,515	$ 1,527,498	$ 3,733,013
Receivables, net	345,048	211,005	556,053
Internal balances	265,000	(265,000)	00
Prepaid expenses	35,824	8,331	44,155
Total current assets	2,851,387	1,481,834	4,333,221
Noncurrent assets:			
Capital assets (non-depreciable)	292,006	1,083,858	1,375,864
Capital assets (depreciable), net	3,888,692	8,785,202	12,673,894
Total noncurrent assets	4,180,698	9,869,080	14,049,758
Total assets	7,032,085	11,350,894	18,382,979
Deferred outflow of resources:			
Loss on defeasance	00	471,293	471,293
Total deferred outflow of resources	00	471,293	471,293
Total assets and deferred outflow of resources	7,032,085	11,822,187	18,854,272
Liabilities:			
Current liabilities:			
Accounts payable	71,565	53,824	125,389
Customer deposits	00	340,656	340,656
Accrued expenses	31,254	00	31,254
Current portion of long-term obligations	00	350,000	350,000
Total current liabilities	102,819	744,480	847,299
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	00	6,890,000	6,890,000
Total noncurrent liabilities	00	6,890,000	6,890,000
Total liabilities	102,819	7,634,480	7,737,299
Net position:			
Net investment in capital assets	4,180,698	3,100,353	7,281,051
Restricted:			
Contributions	12,044	00	12,044
Capital projects	471,019	00	471,019
Public safety	7,048	00	7,048
Unrestricted	2,258,457	1,087,354	3,345,811
Total net position	$ 6,929,266	$ 4,187,707	$ 11,116,973

See accompanying notes to financial statements.

City of Temple, Georgia
Statement of Activities
For the Year Ended December 31, 2012

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 Position: Primary Government: Governmental Activities	Net (Expenses) Revenue and Changes in Net Position: Primary Government: Business-Type Activities	Net (Expenses) Revenue and Changes in Net Position: Primary Government: Total
Primary government:							
Governmental activities:							
General government	$ 420,846	$ 15,479	$ 00	$ 218,033	$ (187,334)	$ 00	$ (187,334)
Public safety	1,110,657	405,290	9,456	91,637	(604,274)	00	(604,274)
Public works	472,720	00	00	285,875	(186,845)	00	(186,845)
Recreation and culture	534,619	164,572	00	52,138	(317,909)	00	(317,909)
Total governmental activities	2,538,342	585,341	9,456	647,683	(1,296,362)	00	(1,296,362)
Business-type activities:							
Water and sewer	1,640,080	1,742,594	00	00	00	102,514	102,514
Total business-type activities	1,640,080	1,742,594	00	00	00	102,514	102,514
Total primary government	$ 4,178,922	$ 2,327,935	$ 9,456	$ 647,683	(1,296,362)	102,514	(1,193,848)
General revenues:							
Taxes:							
Property taxes					689,952	00	689,952
Sales taxes					441,550	00	441,550
Insurance premium taxes					210,639	00	210,639
Other taxes					410,879	00	410,879
Interest and investment earnings					1,103	2,162	3,265
Miscellaneous					3,146	00	3,146
Gain on sale of assets					10,737	00	10,737
Total general revenues					1,768,006	2,162	1,770,168
Transfers					(293,119)	293,119	00
Total general revenues and transfers					1,474,887	295,281	1,770,168
Change in net position					178,525	397,795	576,320
Net position - January 1, as restated					6,750,741	3,789,912	10,540,653
Net position - December 31					$ 6,929,266	$ 4,187,707	$ 11,116,973

See accompanying notes to financial statements.

City of Temple, Georgia
Balance Sheet
Governmental Funds
December 31, 2012

	General Fund	SPLOST Capital Projects Fund	Police Asset Fund	Total Governmental Funds
Assets				
Cash	$ 1,797,676	$ 400,791	$ 7,048	$ 2,205,515
Taxes receivable	196,866	00	00	196,866
Intergovernmental receivable	42,341	104,498	00	146,839
Interfund receivable	265,000	00	00	265,000
Other receivables	00	1,343	00	1,343
Prepaid expenses	35,824	00	00	35,824
Total assets	$ 2,337,707	$ 506,632	$ 7,048	$ 2,851,387
Liabilities				
Accounts payable	$ 35,952	$ 35,613	$ 00	$ 71,565
Accrued liabilities	31,254	00	00	31,254
Unearned income	4,402	00	00	4,402
Total liabilities	71,608	35,613	00	107,221
Fund Balances				
Nonspendable				
General fund	35,824	00	00	35,824
Unassigned				
General Fund	2,218,231	00	00	2,218,231
Restricted				
General fund – contributions	12,044	00	00	12,044
Capital projects fund	00	471,019	00	471,019
Police asset fund - investigations	00	00	7,048	7,048
Total fund balances	2,266,099	471,019	7,048	2,744,166
Total liabilities and fund balances	$ 2,337,707	$ 506,632	$ 7,048	

Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds	4,180,698
Some receivables are not available for current period expenditures and, therefore, are deferred in the funds	4,402
Net position of governmental activities	$ 6,929,266

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, 2012

	General Fund	SPLOST Capital Projects Fund	Police Asset Fund	Total Governmental Funds
Revenues				
Taxes	$ 1,753,020	$ 00	$ 00	$ 1,753,020
Intergovernmental	84,260	614,855	00	699,115
Fines and forfeitures	403,435	00	1,855	405,290
Licenses and permits	11,745	00	00	11,745
Rental income	3,734	00	00	3,734
Recreation fees and donations	164,572	00	00	164,572
Interest income	1,103	122	00	1,225
Miscellaneous	3,117	00	29	3,146
Total revenues	2,424,986	614,977	1,884	3,041,847
Expenditures				
Current:				
General government	389,828	00	00	389,828
Public safety	1,000,849	00	6,530	1,007,379
Public works	265,231	00	00	265,231
Culture/recreation	455,336	00	00	455,336
Capital outlays	68,722	286,716	00	355,438
Total expenditures	2,179,966	286,716	6,530	2,473,212
Excess (deficiency) of revenues over expenditures	245,020	328,261	(4,646)	568,635
Other financing sources (uses):				
Sale of assets	9,715	15,020	00	24,735
Transfers out	(118,340)	(174,779)	00	(293,119)
Total other financing sources (uses)	(108,625)	(159,759)	00	(268,384)
Net changes in fund balances	136,395	168,502	(4,646)	300,251
Fund balances – January 1, as restated	2,129,074	302,517	11,694	2,443,915
Fund balances – December 31	$ 2,266,099	$ 471,019	$ 7,048	$ 2,744,166

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, 2012

Net changes in fund balances – total governmental funds		$ 300,251
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	$ 355,438	
Depreciation expense	(421,068)	(65,630)
Revenues in the Statement of Activities that do not provide current resources are not reported as revenues in the funds		
Unearned at December 31, 2012	$ 4,402	
Unearned at December 31, 2011	(46,500)	(42,098)
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 position differs from the change in fund balance by the book balance of the assets sold.		(13,998)
Change in net position of governmental activities		$ 178,525

See accompanying notes to financial statements.

City of Temple, Georgia
Statement of Net Position
Water and Sewer Proprietary Fund
December 31, 2012

Assets	
Current assets:	
Cash	$ 1,527,498
Accounts receivable (net of allowance)	210,245
Other receivables	760
Prepaid insurance	8,331
Total current assets	1,746,834
Capital assets:	
Property, plant and equipment	14,576,390
Accumulated depreciation	(4,707,330)
Total capital assets	9,869,060
Total assets	11,615,894
Deferred Outflow of Resources	
Deferred outflow of resources:	
Deferred loss on Bond Defeasance	471,293
Total deferred outflow of resources	471,293
Total assets and deferred outflow of resources	12,087,187
Liabilities	
Current liabilities:	
Interfund payable	265,000
Accounts payable	53,824
Customer deposits	340,656
Current portion of bonds payable	350,000
Total current liabilities	1,009,480
Noncurrent liabilities:	
Bonds payable	6,890,000
Total noncurrent liabilities	6,890,000
Total liabilities	7,899,480
Net Position	
Net investment in capital assets	3,100,353
Unrestricted	1,087,354
Total net position	$ 4,187,707

See accompanying notes to financial statements.

City of Temple, Georgia
Statement of Revenues, Expenses and Changes in Net Position
Water and Sewer Proprietary Fund
For the Year Ended December 31, 2012

Operating revenues:	
Charges for services	$ 1,708,078
Miscellaneous revenue	34,156
Total operating revenues	1,742,594
Operating expenses:	
Depreciation	340,400
Water purchases	209,307
Professional services	74,939
Postage	7,617
Repairs and maintenance	62,667
Salaries and benefits	151,344
Contract labor	45,947
Garbage expense	179,921
Supplies and chemicals	51,360
Gas and oil	7,465
Property insurance	11,688
Miscellaneous expense	18,590
Utilities	143,654
Dues and fees	510
Advertising	1,180
Total operating expenses	1,306,589
Operating income	436,005
Non-operating revenues (expenses):	
Interest revenue	2,162
Interest expense	(333,491)
Total non-operating revenues (expenses)	(331,329)
Transfers in	293,119
Change in net position	397,795
Net position – January 1, as restated	3,789,412
Net position – December 31	$ 4,187,707

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, 2012

Cash flows from operating activities:	
Receipts from customers	$ 1,739,739
Payments for suppliers	(809,696)
Payments to employees	(156,233)
Net cash provided by operating activities	773,810
Cash flows from noncapital financing activities:	
Transfer from General Fund	142,607
Net cash provided by noncapital financing activities	142,607
Cash flows from capital and related financing activities:	
Transfer from special purpose local option sales tax fund	178,128
Purchase of capital assets	(174,779)
Interest paid on capital debt	(427,275)
Principal paid on capital debt	(660,000)
Net cash used by capital and related financing activities	(1,083,926)
Cash flows from investing activities:	
Interest	2,162
Net cash provided by investing activities	2,162
Net decrease in cash and cash equivalents	(165,347)
Balances – beginning of year	1,692,845
Balances – end of year	$ 1,527,498
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 436,085
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	340,400
Change in assets and liabilities:	
Receivables, net	(7,659)
Prepaid expenses	(3,863)
Customer deposits	4,804
Accounts payable	9,012
Accrued expense	(4,889)
Net cash provided by operating activities	$ 773,810

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 Position 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 elected to be treated as 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 Position 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 position (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 position.

Basis of Accounting

In the government-wide Statement of Net Position 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 Position, "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 position, 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, 2012, 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, an equal amount is reserved, as this amount is not available for general appropriation.

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 Position. 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.

Debt Premiums, Discounts, Issuance Costs and Debt Refunding Gains and Losses

On the government-wide statement of net position and the proprietary fund type statement of net position, debt premiums and discounts are netted against the debt payable. On the government-wide and proprietary fund type statement of activities, debt premiums and discounts, are deferred and amortized over the life of the using the straight line method.

Debt refunding gains and losses are reported as deferred inflows or outflows of resources on the statement of net position. These gains and losses are deferred and amortized over the shorter of the life of the refunding debt (new debt) and the refunding debt (the old debt).

Bond issuance costs are recognized as an outflow of resources in the reporting period in which they are incurred.

At the government fund reporting level, bond premiums and discounts are reported as other financing sources and uses, separately from the face amount of the bond issued. Bond issuance costs are reported as debt service expenditures.

Equity Classifications

Government-wide Statements

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

a. Net investment in capital assets – 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.

Note 1. Summary of Significant Accounting Policies – continued

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

Government-wide Statements - continued

b. Restricted net position – Consists of net position 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 position – All other net position that do not meet the definition of "restricted" or " net investment in capital assets."

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

Net Position – The net position represents the differences between assets and liabilities. The net position component, "net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has not spent) for the acquisition, construction or improvement of those assets. The net position is 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. The balance of the net position is reported as unrestricted.

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 position."

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.

Note 1. Summary of Significant Accounting Policies – continued

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

Fund Statements - continued

- **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 programs, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

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.

Note 1. Summary of Significant Accounting Policies – continued

1.E. Revenues, Expenditures and Expenses – continued

Interfund Transfers - continued

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, 2012 the carrying amount of the City's deposits was $3,733,013 and the bank balances were $3,791,101. 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, 2012, consist of the following:

	General	Capital Projects	Water and Sewer	Total
Total Receivables				
Property tax	$ 192,626	$ 00	$ 00	$ 192,626
Accounts	00	00	210,245	210,245
SPLOST	00	104,498	00	104,498
Local option sales	42,341	00	00	42,341
Other	4,240	1,343	760	6,343
Totals	$ 239,207	$ 105,841	$ 211,005	$ 556,053

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, 2012, $265,000 is due from the water and sewer fund to the general fund. This amount represents charges for services or reimbursable expenses.

Note 5. Interfund Receivables, Payables and Transfers

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, 2012, were as follows:

Fund	Transfers In	Transfers Out
General Fund	$ 00	$ 118,340
SPLOST Fund	00	174,779
Proprietary Funds:		
Water	293,119	00
	$ 293,119	$ 293,119

Note 6. Capital Assets

Capital assets activity for the year ended December 31, 2012 was as follows:

	Balance 01-01-12	Additions	Retirements/ Transfers	Balance 12-31-12
Governmental activities:				
Non-depreciable:				
Land	$ 292,006	$ 00	$ 00	$ 292,006
Depreciable:				
Buildings and land improvements	$ 3,110,240	$ 141,537	$ 00	$ 3,251,777
Street improvements	1,947,030	89,607	00	2,036,637
Vehicles and equipment	1,251,916	124,294	13,998	1,362,212
Total depreciable	6,309,186	355,438	13,998	6,650,626
Less accumulated depreciation:				
Buildings and land improvements	514,533	79,627	00	594,160
Street improvements	943,299	191,553	00	1,134,852
Vehicles and equipment	883,034	149,888	00	1,032,922
Total accumulated depreciation	2,340,866	421,068	00	2,761,934
Governmental activities capital assets (depreciable), net	$ 3,968,320	$ (65,630)	$ 13,998	$ 3,888,692
Business-type activities:				
Non-depreciable:				
Land	$ 1,032,383	$ 00	$ 00	$ 1,032,383
Construction in progress	3,374	115,971	67,870	51,475
Total non-depreciable	$ 1,035,757	$ 115,971	$ 67,870	$ 1,083,858
Depreciable:				
Water and sewer system	$ 13,107,842	$ 110,851	$ 00	$ 13,218,693
Buildings	119,378	00	00	119,378
Vehicles and equipment	138,634	15,827	00	154,461
Total depreciable	13,365,854	126,678	00	13,492,532
Less accumulated depreciation:				
Water and sewer system	4,235,634	327,696	00	4,563,330
Buildings	26,199	2,985	00	29,184
Vehicles and equipment	105,097	9,719	00	114,816
Total accumulated depreciation	4,366,930	340,400	00	4,707,330
Business-type capital assets (depreciable), net	$ 8,998,924	$ (213,722)	$ 00	$ 8,785,202

Depreciation was charged to governmental activities as follows:

General government	$ 31,018
Public safety	103,278
Recreation and culture	79,283
Public works	207,489
Total	$ 421,068

Note 7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expenses/expenditure) until then. The City reports the deferred charge ($471,293) on refunding reported in the government-wide statement of net position. The deferred charge on refunding resulted from the difference in the carrying value of refunded debt and its reacquisition price as described in Note 8. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

Note 8. 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, 2012:

	Balance 01-01-12	Additions	Reductions	Balance 12-31-12	Amount Due Within One Year
2010 Series Revenue Bonds	$ 7,900,000	$ 00	$ 660,000	$ 7,240,000	$ 350,000

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.

Note 8. Long-Term Debt – continued

Water and Sewer Fund – Series 2003 Revenue Bonds - continued

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.

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.

Loss on Defeasance

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

Unamortized 2003 Series Bond discount	$ 56,115
Swap termination payment	533,000
Total deferred loss	589,115
Less: Accumulated amortization	(117,822)
Net carrying amount	$ 471,293

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
2013	$ 350,000	$ 267,880	$ 617,880
2014	365,000	254,930	619,930
2015	375,000	241,425	616,425
2016	395,000	227,550	622,550
2017	410,000	217,935	622,935
2018 to 2021	5,345,000	545,380	5,890,380
	$ 7,240,000	$ 1,750,100	$ 8,990,100

Note 8. Long-Term Debt – continued

The 2010 Series Revenue Bonds outstanding consist of the following:

Year Ending December 31,	Amount Maturing	Interest Rate
2013	350,000	3.70 %
2014	365,000	3.70 %
2015	375,000	3.70 %
2016	395,000	3.70 %
2017	410,000	3.70 %
2018	425,000	3.70 %
2019	445,000	3.70 %
2020	4,475,000	3.70 %
	$ 7,240,000	

Note 9. 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.

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.

Note 9. Pension Plan – continued

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, 2012 the estimated minimum annual contribution under these funding standards was $32,296.

The contribution to the plan for the plan year ended July 1, 2012, was $32,296 ($0 employee and $32,296 employer; 0% employee and 4.87% employer of covered payroll respectively) and was made in accordance with contribution requirements determined by actuarial valuation as of July 1, 2012. Covered payroll for that year was $663,697. The City's estimated contribution rate for the plan year ending July 1, 2012 is 5.79% or $42,911 with an estimated covered payroll in the amount of $616,782.

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
2012	$ 32,296	100.0%	$ 00
2011	36,030	100.0%	00
2010	32,280	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
2012**	$ 425,995	$ 528,861	$ 102,866	81%	$ 616,782	14%
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 2009

** Fiscal year for valuation changed to July 1 in 2010

Note 9. 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, 2012, 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	13
Number of active plan participants	20
Total	38

Note 10. 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 11. 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 12. 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 13. Prior Period Adjustments

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

	General Fund
Fund balance – December 31, 2011, as previously stated	$ 2,105,633
Adjustment for change in accounting policy to record prepaid expenses at fund level	24,071
Fund balance – December 31, 2011, as restated	$ 2,129,704

Implementation of GASB Statement No. 63 and GASB No. 65

In calendar year 2012, the City early implemented *GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB Statement No, 65, Items Previously Reported as Assets and Liabilities.* As a result, the following adjustments were required. In addition, there are numerous terminology changes throughout the financial section of this report. These classification changes do not require a prior period adjustment.

	Water Fund
Net position – December 31, 2011, as previously stated	$ 4,070,227
Adjustment for unamortized bond costs on 2003 Series Bonds included in loss on defeasance to be expensed under GASB 65	(97,743)
Adjustment for unamortized bond issuance costs on 2010 Series Bonds to be expensed under GASB 65	(182,572)
Net position – December 31, 2011, as restated	$ 3,789,912

REQUIRED SUPPLEMENTARY INFORMATION

City of Temple, Georgia
Budgetary Comparison Schedule - General Fund
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Over (Under)
Revenues				
Taxes	$ 1,649,200	$ 1,649,200	$ 1,753,020	$ 103,820
Fines and forfeitures	271,500	344,600	403,435	58,835
Licenses & permits	16,255	16,255	11,745	(4,510)
Rental income	3,200	3,200	3,734	534
Recreation fees and donations	171,795	171,795	164,572	(7,223)
Intergovernmental	1,000	50,456	84,260	33,804
Interest income	4,000	4,000	1,103	(2,897)
Miscellaneous	11,500	11,500	3,117	(8,383)
Total revenues	2,128,450	2,251,006	2,424,986	173,980
Expenditures				
Current:				
General government	554,910	564,210	394,487	(169,723)
Public safety	960,000	1,041,556	1,000,849	(40,707)
Public works	294,200	294,200	276,097	(18,103)
Culture/recreation	505,500	546,500	508,533	(37,967)
Total expenditures	2,314,610	2,446,466	2,179,966	(266,500)
Excess of revenues over expenditures	(186,160)	(195,460)	245,020	440,480
Other financing sources (uses):				
Sale of assets	2,000	11,300	9,715	(1,585)
Transfers out	(170,000)	(170,000)	(118,340)	51,660
Net change in fund balance	$ (354,160)	$ (354,160)	$ 136,395	$ 490,555

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, 2012

	Original and Final Budget	Actual	Over (Under)
Revenues:			
Fines and forfeitures	$ 00	$ 1,855	$ 1,855
Miscellaneous	00	29	29
Total revenues	00	1,884	1,884
Expenditures:			
Public safety	10,000	6,530	(3,470)
Total expenditures	10,000	6,530	(3,470)
Deficiency of revenues over expenditures	(10,000)	(4,646)	(5,354)
Fund balance at beginning of year	11,694	11,694	00
Fund balance at end of year	$ 1,694	$ 7,048	$ (5,354)

City of Temple, Georgia
Schedule of Projects Constructed with
Special Purpose Local Option Sales Tax Proceeds
For the Year Ended December 31, 2012

1993 Referendum

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

2003 Referendum

Number	Project	Original Estimated Cost	Expenditures Prior Years	Current Year	Total
1	Water Lines	$ 250,000	$ 378,243	$ 00	$ 378,243
2	Equipment	192,500	00	00	00
3	Ball Fields and Gym	880,000	1,232,906	00	1,232,906
4	Road Projects	550,000	405,474	00	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	20,341	19,189	39,530
10	Downtown Development	110,000	00	00	00
	Totals	$ 2,752,500	$ 2,038,388	$ 19,189	$ 2,057,577

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	$ 455,615	$ 154,519	$ 00	$ 00	$ 610,134
2	Transportation Projects	296,388	302,264	94,881	00	00	397,145
3	Senior Center Projects	35,000	00	10,652	00	00	10,653
4	Administrative Projects	1,380,000	70,075	77,798	60,360	00	208,233
5	Recreation Projects	295,000	173,781	51,980	00	15,020	240,781
6	Police Department Projects	580,000	44,479	37,456	50,000	00	711,935
	Totals	$ 3,892,388	$ 1,046,214	$ 427,286	$ 110,360	$ 15,020	$ 1,598,880

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

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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, 2012, which collectively comprise the City of Temple, Georgia's basic financial statements and have issued our report thereon dated September 27, 2013. 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 12-1 through 12-2 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, Thomas, + Fazio, PC

September 27, 2013

Findings:

Segregation of Duties:

12-1

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.

Financial Statement Preparation:

12-2

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.