CITY OF TEMPLE, GEORGIA

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2016

Warren Averett
CPAs AND ADVISORS

CITY OF TEMPLE, GEORGIA
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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the 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 (the "City") as of and for the year ended December 31, 2016, 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 (GAAP); 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.

Auditors' 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 of 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 auditors' 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 the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the 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, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with GAAP.

Other Matters

Required Supplementary Information

GAAP requires the management's discussion and analysis, budgetary comparison, changes in net pension liability and contributions information on pages 3-9 and 37-39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, 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 GAAP, 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Projects Constructed with Special Purpose Local Options Sales Tax Proceeds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The 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 basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2017 on our consideration of the City'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 the City's internal control over financial reporting and compliance.

Warren Averett, LLC

Atlanta, Georgia
June 29, 2017

As management of the City of Temple, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2016.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $12,199,882 (Net Position). Of this amount $3,942,756 (Unrestricted Net Position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net position increased by $246,852.
- As of the close of the current fiscal year, the City's governmental activities reported combined ending net position of $7,874,979.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $2,786,565 or 102% of the total General Fund expenditures.
- At the end of the current fiscal year, unrestricted net position for the Water/Sewer Fund was $1,138,958, or 91% of total Enterprise Fund operating expenses, excluding depreciation expense.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts: management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages #10 and #12) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page #13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

The Statement of Net Position and the Statement of Activities

Our analysis of the City as a whole begins on page #5. These statements include all assets and liabilities using accrual basis of accounting, which is similar to the accounting used by the most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes therein. You can think of the City's net position — the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources—as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of City roads, to assess the overall health of the City.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government and administration, public safety, development services, and cultural and recreation. The business-type activities of the City include water, sewer, and sanitation operations.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Police Asset Special Revenue Fund, and SPLOST Fund, which are considered to be major funds.

Proprietary Funds – The City maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses its enterprise fund to account for its water, sewer and sanitation operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-36 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. In the case of the City of Temple, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $12,199,882 as of December 31, 2016

The largest portion of the City's net position (67%) reflects its investment in capital assets (e.g., land, buildings, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, $3,942,756, may be used to meet the government's ongoing obligations to citizens and creditors.

As of December 31, 2016 the City is able to report positive balances in three categories of net position, for the government as a whole, as well as for its separate categories – governmental and business-type activities.

Governmental Activities. Governmental activities decreased the City's net position by $305,967 compared with a $576,111 increase in the prior year. Total governmental activities revenues increased $3,927 (>1%) to $3,304,601. Total governmental activities expenses increased $115,336 (4%) from the prior year.

Business-type activities. Business-type activities increased the City's net position by $552,819 in the current year compared to a decrease of $430,017 in the prior year. The business-type activities total revenues increased $257,264 (18%) to $1,701,319 and total expenses increased $188,196 (13%) to $1,592,396.

Following is the City's Summary of Net Position:

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Cash	$ 2,432,783	$ 2,392,237	$ 1,534,058	$ 1,804,134	$ 3,966,841	$ 4,196,371
Receivables, net	440,443	397,733	29,907	41,599	470,350	439,332
Capital assets, net	4,961,541	4,858,805	8,679,114	8,920,104	13,640,655	13,778,909
Other assets	118,594	36,580	-	11,166	118,594	47,746
Internal balances	74,710	796,284	(74,710)	(796,284)	-	-
Total assets	8,028,071	8,481,639	10,168,369	9,980,719	18,196,440	18,462,358
Deferred outflow of resources	54,774	16,588	267,246	314,469	322,020	331,057
Current liabilities	51,729	215,651	750,272	755,544	802,001	971,195
Long-term liabilities	156,137	101,628	5,360,442	5,767,562	5,516,579	5,869,190
Total liabilities	207,866	317,279	6,110,714	6,523,106	6,318,580	6,840,385
Net position:						
Net investment in capital assets	4,961,541	4,858,805	3,185,943	3,084,299	8,147,484	7,943,104
Unrestricted	2,803,796	2,994,721	1,138,958	687,783	3,942,754	3,682,504
Restricted	109,642	327,422	-	-	109,642	327,422
Total net position	$ 7,874,979	$ 8,180,948	$ 4,324,901	$ 3,772,082	$ 12,199,880	$ 11,953,030

Governmental-wide Financial Analysis – Continued

Following is the City's Summary of Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	$ 520,408	$ 437,505	$ 1,701,319	$ 1,444,055	$ 2,221,727	$ 1,881,560
Operating and capital grants	658,421	722,724	-	-	658,421	722,724
General revenues:						
Property taxes	655,450	578,720	-	-	655,450	578,720
Sales taxes	614,546	611,493	-	-	614,546	611,493
Insurance premium taxes	263,887	243,619	-	-	263,887	243,619
Other taxes and miscellaneous	591,887	706,613	300	1,456	592,187	708,069
Total revenues	3,304,599	3,300,674	1,701,619	1,445,511	5,006,218	4,746,185
Expenses:						
General government	557,249	576,907	-	-	557,249	576,907
Public safety	1,213,318	1,132,196	-	-	1,213,318	1,132,196
Public works	476,662	430,922	-	-	476,662	430,922
Recreation and culture	609,240	631,695	-	-	609,240	631,695
Other expenditures	30,587	-	-	-	30,587	-
	2,887,056	2,771,720	-	-	2,887,056	2,771,720
Water and sewer	-	-	1,872,312	1,697,991	1,872,312	1,697,991
Total expenses	2,887,056	2,771,720	1,872,312	1,697,991	4,759,368	4,469,711
Transfers	(723,512)	163,195	723,512	(163,195)	-	-
Change in net position	(305,969)	692,149	552,819	(415,675)	246,850	276,474
Adoption of GASB 68	-	(116,038)	-	(14,342)	-	(130,380)
Beginning net position	8,180,948	7,604,837	3,772,082	4,202,099	11,953,030	11,806,936
Ending net position	$ 7,874,979	$ 8,180,948	$ 4,324,901	$ 3,772,082	$ 12,199,880	$ 11,953,030

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds – The focus of the City of Temple's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Temple's governmental funds reported combined ending fund balances of $3,014,801. Of that amount, $2,786,565 (92%) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder is nonspendable, restricted, committed or assigned to indicate that it is not available for new spending.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was $2,786,565. The fund balance of the general fund decreased $174,602. Total revenue in the general fund decreased by 11% overall. Expenditures increased by $37,992. Transfers from the water/sewer fund decreased by $260,440.

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 $233,170 to $79,363.

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 $15,390 to $24,201.

Proprietary Funds – The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise fund is $1,138,958. During 2016, the Water/Sewer Fund had a net position increase of $552,819.

CAPITAL ASSETS

At the end of the year, the City of Temple's investment in capital assets for its governmental and business-type activities amounted to $13,640,655 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, improvements other than buildings and construction in progress. This amount represents a net decrease of $138,254 over last year.

Major capital asset events during the current fiscal year included the following:

Governmental Activities:

- Four patrol units
- Body cameras
- Road improvements

Business-Type Activities:

- Ford F-350 Crew Cab 4x4
- Pumps

Additional information on the City of Temple's capital assets can be found in Note 6 to the financial statements.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City of Temple had total bonded debt payable of $5,755,000, which represents bonds secured solely by sewer revenues.

Additional information on the City of Temple's long-term debt can be found in Note 7 to the financial statements.

NEXT YEAR'S BUDGETS AND RATES

The City of Temple's elected officials considered many factors when setting the 2017 budget. They looked at historical figures for revenues and expenditures. They took into consideration the City's capital needs, available SPLOST funds, and the upcoming bond payments – including a balloon payment, which is due on January 1, 2021. Additionally, the officials are awaiting the results of a utility rate study in order to set appropriate water and sewer rates for the enterprise fund. These rate changes are expected to take place by mid to late 2017.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the City of Temple at 240 Carrollton Street, Temple, Georgia 30179, or call (770) 562-3369.

CITY OF TEMPLE, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 2,432,783	$ 1,534,058	$ 3,966,841
Receivables, net	440,443	29,907	470,350
Internal Balances	74,710	(74,710)	-
Prepaid Expenses	118,594	-	118,594
TOTAL CURRENT ASSETS	3,066,530	1,489,255	4,555,785
NONCURRENT ASSETS			-
Capital assets (non-depreciable)	568,925	1,034,383	1,603,308
Capital assets (depreciable)	4,392,616	7,644,731	12,037,347
TOTAL NONCURRENT ASSETS	4,961,541	8,679,114	13,640,655
TOTAL ASSETS	8,028,071	10,168,369	18,196,440
DEFERRED OUTFLOW OF RESOURCES			
Pension related items	54,774	5,417	60,191
Accumulated losses on debt refunding	-	261,829	261,829
TOTAL DEFERRED OUTFLOW OF RESOURCES	54,774	267,246	322,020

See notes to the financial statements.

CITY OF TEMPLE, GEORGIA
STATEMENT OF NET POSITION – CONTINUED
DECEMBER 31, 2016

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current Liabilities			
Accounts payable	$ 25,312	$ 10,204	$ 35,516
Customer deposits	-	215,686	215,686
Accrued expenses	26,417	114,382	140,799
Current portion of long-term obligations	-	410,000	410,000
Noncurrent Liabilities			
Noncurrent net pension liability	156,137	15,442	171,579
Noncurrent portion of long-term obligations	-	5,345,000	5,345,000
TOTAL LIABILITIES	207,866	6,110,714	6,318,580
NET POSITION			
Net investment in Capital Assets	4,961,541	3,185,943	8,147,484
Restricted:			
Contributions	6,078	-	6,078
Capital projects	79,363	-	79,363
Public safety	24,201	-	24,201
Unrestricted	2,803,796	1,138,958	3,942,754
TOTAL NET POSITION	$ 7,874,979	$ 4,324,901	$ 12,199,880

See notes to the financial statements.

CITY OF TEMPLE, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total
Governmental activities:							
General government	$ 557,249	$ 22,680	$ 12,048	$ 198,419	$ (324,102)	$ -	$ (324,102)
Public Safety	1,213,318	361,367	8,411	83,393	(760,147)	-	(760,147)
Public Works	476,662	-	37,766	270,937	(167,959)	-	(167,959)
Recreation and Cultural Affairs	609,240	136,359	-	47,447	(425,434)	-	(425,434)
Other expenditures	30,587	-	-	-	(30,587)	-	(30,587)
Business-type activities:							
Water and sewer	1,872,312	1,701,319	-	-	-	(170,993)	(170,993)
Total	$ 4,759,368	$ 2,221,725	$ 58,225	$ 600,196	(1,708,229)	(170,993)	(1,879,222)
General Revenue:							
Taxes							
Property taxes					655,450	$ -	$ 655,450
Sales taxes					614,546	-	614,546
Insurance premium taxes					263,887	-	263,887
Other taxes					508,064	-	508,064
Interest and investment earnings					290	300	590
Miscellaneous					83,535	-	83,535
Total general revenues					2,125,772	300	2,126,072
Transfers					(723,512)	723,512	-
Total General Revenue and Transfers					1,402,260	723,812	2,126,072
Change in Net Position					(305,969)	552,819	246,850
Net Position, Beginning of Year					8,180,948	3,772,082	11,953,030
Net Position, End of Year					$ 7,874,979	$ 4,324,901	$ 12,199,880

See notes to the financial statements.

CITY OF TEMPLE, GEORGIA
FUND BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General Fund	Police Asset Fund	SPLOST Capital Projects Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 2,298,000	$ 24,201	$ 110,582	$ 2,432,783
Receivables, net of allowances for uncollectibles				
Taxes receivable	436,286	-	-	436,286
Intergovernmental receivable	-	-	-	-
Interfund receivable	174,592	-	68,663	243,255
Other receivables	4,157	-	-	4,157
Prepaid expenses	118,594	-	-	118,594
Total Assets	$ 3,031,629	$ 24,201	$ 179,245	$ 3,235,075
Liabilities and Fund Balance				
Accounts payable	25,312	-	-	25,312
Accrued liabilities	26,417	-	-	26,417
Interfund payable	68,663	-	99,882	168,545
Total Liabilities	120,392	-	99,882	220,274
Fund Balance:				
Nonspendable				
General fund	118,594	-	-	118,594
Unassigned				
General fund	2,786,565	-	-	2,786,565
Restricted				
General fund – contributions	6,078	-	-	6,078
Capital projects fund	-	-	79,363	79,363
Police asset fund – investigations	-	24,201	-	24,201
Total Fund Balances	2,911,237	24,201	79,363	3,014,801
Total Liabilities and Fund Balance	$ 3,031,629	$ 24,201	$ 179,245	
Reconciliation from Governmental Fund Balance to Governmental Activities				
Net Position				
Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources; and therefore, are not reported in the funds.				4,961,541
The net pension liability and related deferred inflows and outflows are not reported in the funds.				(101,363)
Net Position of Governmental Activities				$ 7,874,979

See notes to the financial statements.

CITY OF TEMPLE, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	General Fund	Police Asset Fund	SPLOST Capital Projects Fund	Total Governmental Funds
REVENUES				
Taxes	$ 2,041,947	$ -	$ -	$ 2,041,947
Intergovernmental	49,814	-	608,607	658,421
Fines and forfeitures	361,367	-	-	361,367
Licenses and permits	16,727	-	-	16,727
Rental Income	5,953	-	-	5,953
Recreation fees and donations	136,361	-	-	136,361
Interest income	285	1	4	290
Miscellaneous	34,724	48,811	-	83,535
TOTAL REVENUES	2,647,178	48,812	608,611	3,304,601
EXPENDITURES				
Current:				
General government	490,668	-	714	491,382
Public safety	1,148,820	4,378	-	1,153,198
Public works	350,831	-	-	350,831
Recreation and culture	512,997	-	-	512,997
Other expenditures	30,587	-	-	30,587
Capital outlays	190,632	29,044	214,800	434,476
TOTAL EXPENDITURES	2,724,535	33,422	215,514	2,973,471
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(77,357)	15,390	393,097	331,130
OTHER FINANCING SOURCES (USES)				
Transfers In	32,755	-	-	32,755
Transfers Out	(130,000)		(626,267)	(756,267)
NET CHANGE IN FUND BALANCES	(174,602)	15,390	(233,170)	(392,382)
FUND BALANCE:				
BEGINNING OF YEAR	3,085,839	8,811	312,533	3,407,183
END OF YEAR	$ 2,911,237	$ 24,201	$ 79,363	$ 3,014,801

See notes to the financial statements.

CITY OF TEMPLE, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES – CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2016

Net change in fund balance – total governmental funds			$ (392,382)
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Due to the nature of the City's operations this amount primarily represents the amount by which capital outlays exceed depreciation in the current period.			
Capital outlays	$ 434,476		
Depreciation expense	(331,740)		102,736
Difference between pension contribution and net pension expense			(16,323)
Change in Net Position of Governmental Activities			$ (305,969)

See notes to the financial statements.

CITY OF TEMPLE, GEORGIA
STATEMENT OF NET POSITION
WATER AND SEWER ENTERPRISE FUND
DECEMBER 31, 2016

ASSETS	
Current Assets	
Cash and cash equivalent	$ 1,534,058
Accounts receivable, net	27,350
Other receivables	2,557
Total Current Assets	1,563,965
Capital assets	
Property, plant and equipment	14,781,189
Accumulated depreciation	(6,102,075)
Net capital assets	8,679,114
TOTAL ASSETS	10,243,079
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	5,417
Accumulated losses on debt refunding	261,829
Total deferred outflows of resources	267,246
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 10,510,325

See notes to the financial statements.

CITY OF TEMPLE, GEORGIA
STATEMENT OF NET POSITION
WATER AND SEWER ENTERPRISE FUND – CONTINUED
DECEMBER 31, 2016

LIABILITIES		
Current Liabilities		
Interfund payable	$	74,710
Accounts payable		10,204
Accrued expenses		114,382
Customer deposits		215,686
Current portion of bonds payable		410,000
Total Current Liabilities		824,982
Noncurrent Liabilities		
Net pension liability		15,442
Bonds payable		5,345,000
Total noncurrent liabilities		5,360,442
TOTAL LIABILITIES		6,185,424
NET POSITION		
Net investment in capital assets		3,185,943
Unrestricted		1,138,958
TOTAL NET POSITION	$	4,324,901

See notes to the financial statements.

CITY OF TEMPLE, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
WATER AND SEWER ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

OPERATING REVENUES	
Charges for services	$ 1,687,134
Miscellaneous revenue	14,185
Total Operating Revenue	1,701,319
OPERATING EXPENSES	
Depreciation	349,333
Water purchases	294,926
Professional services	60,561
Repairs and maintenance	121,136
Salaries and benefits	263,776
Contract labor	1,942
Garbage expense	230,894
Supplies and chemicals	45,937
Gas and oil	6,683
Miscellaneous expense	63,113
Utilities	146,180
Dues and fees	7,915
Total Operating Expenses	1,592,396
Operating income	108,923
NON OPERATING REVENUE (EXPENSES)	
Interest revenue	300
Interest expense	(279,916)
Total Non Operating Revenue (Expenses)	(279,616)
Transfers in	756,267
Transfers out	(32,755)
CHANGE IN NET POSITION	552,819
NET POSITION, BEGINNING OF YEAR	3,772,082
NET POSITION, END OF YEAR	$ 4,324,901

See notes to the financial statements.

CITY OF TEMPLE, GEORGIA
STATEMENT OF CASH FLOWS
WATER AND SEWER ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 1,720,701
Payments to suppliers	(998,346)
Payments to employees	(263,776)
NET CASH PROVIDED BY OPERATING ACTIVITIES	458,579
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Interfund Payable	(721,574)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	(721,574)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Transfer from special purpose local option sales tax fund	723,512
Purchase of capital assets	(108,343)
Interest paid on capital debt	(227,550)
Principal paid on capital debt	(395,000)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(7,381)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	300
NET DECREASE IN CASH AND CASH EQUIVALENTS	(270,076)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,804,134
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,534,058
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 108,923
Changes in Assets, Liabilities, Deferred Outflows and Inflows	
Depreciation expense	349,333
Changes in assets and liabilities	
Receivables, net	11,692
Prepaid expenses	11,166
Customer deposits	7,690
Accounts payable and other current liabilities	(27,962)
Net pension obligation	2,880
Deferred outflows/inflows	(5,143)
	349,656
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	$ 458,579

See notes to the financial statements.

1. SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Reporting Entity
The City of Temple, Georgia (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 accounting principles of the City conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes the ultimate authority on GAAP for state and local governmental units. The more significant of the City's accounting policies are described below.

As required by GAAP, these financial statements present the City and its component units, legally, separate entities for which the City is considered to be financially accountable. The City has two blended component units and one discretely presented component unit. The component units have December 31 year-ends and are reported within the general fund.

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: Currently, Carroll County provides fire protection to City of Temple residents as part of their service delivery agreement. When applicable, the City pays most of the expenses 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 financial activity to report in the financial statement.

1. SUMMARY OF ACCOUNTING POLICIES – CONTINUED

Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements. Government-wide financial statements focus on the City as a whole, and are designed to allow the users of financial reports to assess the City's operational accountability. The fund financial statements focus on major individual funds, and are designed to demonstrate the City's fiscal accountability. Operational accountability refers to the City's responsibility to report the extent to which it has met its operating objectives efficiently and effectively, using all resources available for that purpose, and whether it can continue to meet those objectives for the foreseeable future. Fiscal accountability is the City's responsibility to demonstrate that its actions in the current period have complied with public decisions concerning the raising and spending of public monies in the short term (usually one budgetary cycle or year).

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In addition, the primary government is reported separately from component units.

The government-wide statement of activities reflects both the gross and net costs per functional category (i.e. general government, public safety, etc.) by offsetting direct expenses with program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: 1) charges to customers or others who purchase, use or directly benefit from goods, services or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenue are reported instead as general revenue.

The fund financial statements provide separate financial statements for governmental funds and the enterprise fund. The emphasis of the fund financial statements is on the City's major funds, and each major fund is reported in a separate column. The City's non-major fund is reported in a single column.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the enterprise fund financial statements. Revenue is recorded when earned and expenses are recorded when the related liability is incurred. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as they are both measurable and available. Revenue is considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

1. SUMMARY OF ACCOUNTING POLICIES – CONTINUED

Property taxes, sales and use taxes, beer taxes, occupational taxes, lodging taxes, rental and leasing taxes, payments in lieu of taxes, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal year. All other revenue is considered to be measurable and available only when cash is received by the City.

The general fund is the primary operating fund of the City. General tax revenue and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. Expenditures applicable to the general operations of the City are paid from the general 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.

The police asset fund, a special revenue 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 legally restricted to defray the cost of complex investigations and to purchase equipment related to said investigations.

The City reports the following major enterprise fund:

- The water and sewer fund accounts for business-like activities in providing water, waste water and solid waste operations to the public.

The enterprise fund is reported using the economic resources measurement focus and the accrual basis of accounting.

Enterprise funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenue of the City's enterprise fund are charges to customers and users for sales and services. Operating expenses for the enterprise fund includes the cost of sales and services and depreciation of capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect reported amounts and disclosures in the financial statements. Accordingly, actual results could differ from these estimates.

1. SUMMARY OF ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position/Fund Balance

Cash and Cash Equivalents
For the purpose of the Statement of Net Position "cash and cash equivalents" includes all demand, saving accounts, and certificates of deposit of the City. “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.

Interfund Receivable and Payable
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 statement of 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. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with the modified accrual basis of accounting, 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. Enterprise fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable compose the majority of enterprise fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Prepaid Expenses
On the government-wide financial statements and the fund financial statements for the enterprise fund, payments made to vendors for services that will benefit periods beyond December 31, 2016, 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.

1. SUMMARY OF ACCOUNTING POLICIES – CONTINUED

Capital Assets

Capital outlays are recorded as expenditures in governmental fund financial statements. In contrast, capital assets, which include land, buildings, improvements other than buildings, equipment, construction in progress, and infrastructure (e.g., roads, bridges, sidewalks and similar items) are capitalized in the government-wide and enterprise fund financial statements.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. The City maintains a capitalization threshold of $5,000.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report 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 (expense/expenditure) until that time.

The City has two items that qualify for reporting in this category. The first is the deferred charge on refunding reported in the government- wide statement of net position and the water and sewer fund balance sheet. A deferred charge on refunded debt results from the difference in carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second is the deferred outflow of resources related to pensions reported in the government-wide and proprietary statements of net position. The deferred outflows for pensions are an aggregate of items related to pensions as calculated in accordance with GASB Statements No. 68, Accounting and Financial Reporting for Pensions and No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. These deferred outflows for pension will be recognized as pension expense or a reduction of the net pension liability in future years.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows from pensions, 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.

1. SUMMARY OF ACCOUNTING POLICIES – CONTINUED

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.

Long-term Obligations

In the government-wide and enterprise fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or enterprise fund. Premiums and discounts are deferred and amortized over the life of the related debt using the straight-line method. Long-term debt is reported net of the unamortized portion of these amounts. Long-term obligations are not reported in governmental funds.

Net Position

Net position is reported in the government-wide financial statements and is classified into the following categories:

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.

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.

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

The government-wide statement of net position reports $109,642 of restricted net position.

Fund Balance Policies – Governmental Funds

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which these resources can be used.

Nonspendable – includes amounts that 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 – includes amounts that 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 – includes amounts that can be used only for specific purposes pursuant to constraints imposed by the City’s highest level of decision making.

Assigned – includes amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – includes residual amounts which 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.

1. SUMMARY OF ACCOUNTING POLICIES – CONTINUED

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City has provided otherwise in its commitment or assignment actions.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures/expenses during the period. Actual results could differ from those estimates.

2. CUSTODIAL CREDIT RISK RELATED TO DEPOSITS

At December 31, 2016, the carrying amount of the City's deposits were $3,966,843 and the bank balances were $4,307,091. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of December 31, 2016, all of the City's funds which were uninsured were collateralized as required by the Official Code of Georgia Annotated (OCGA) Section 45-8-12(c) and as defined by GASB pronouncements. The City does not have a formal custodial credit risk policy but does ensure compliance with OCGA and GASB.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The city follows these procedures in adopting its annual budgets:

The City Administrator annually submits to the City Council a proposed operating budget for the general fund and special revenue funds for the calendar year commencing January 1. The operating budget includes proposed expenditures and the means of financing them.

- Prior to January 1, the budget is legally enacted through passage of an ordinance.
- Formal budgetary integration is employed as a management control device during the year.
- Budgets are adopted on a basis consistent with generally accepted accounting principles except that budgets and budgetary schedules included in these financial statements are prepared using encumbrance accounting under which purchase orders, contracts and other commitments for the expenditure of monies are recorded. At the end of the fiscal year, unencumbered appropriations automatically lapse.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

- The adopted operating budget is allotted to each department or agency of the City. Total appropriations may not be exceeded by expenditures unless the City Council amends the budget due to increased revenue or through a reduction of fund balance. This year's operating budget was amended as needed throughout the year by City Council action, provided adequate funds were available at the time of the amendment.

4. RECEIVABLES

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 6.974 mills on 40% of assessed value of taxable property.

Receivables at December 31, 2016 for the City's individual major funds, including the applicable allowances for uncollectible accounts are as follows:

	General	Water and Sewer	Total
Property tax	$ 436,286	$ -	$ 436,286
Accounts	-	27,350	27,350
SPLOST	-	-	-
Local option sales	-	-	-
Other	4,157	2,557	6,714
Receivables, Net	$ 440,443	$ 29,907	$ 470,350

5. INTERFUND RECEIVABLES, PAYABLES, PAYABLES AND TRANSFERS

At December 31, 2016, $74,710 is due from the water and sewer fund to the general fund. This amount is comprised of the following:

	General Fund	Water and Sewer Fund
Due from/(to)		
Prior year bond payment made by general fund	$ 265,000	$ (265,000)
Reimbursable expenses paid by the general fund	562,260	(562,260)
Year end Council decision to transfer funds *	(752,550)	752,550
Total due from/(to)	$ 74,710	$ (74,710)

5. INTERFUND RECEIVABLES, PAYABLES, PAYABLES AND TRANSFERS – CONTINUED

* In December of 2016, the City Council voted to transfer the following amounts to the water and sewer enterprise fund: $622,550 from the SPLOST fund and $130,000 from the general fund. The SPLOST funds were deposited to the general fund prior to December 31, 2016. At December 31, 2016, the total amount to be transferred to the water and sewer fund of $752,550 is reflected within interfund receivables and payables.

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, 2016, were as follows:

	Transfers In	Transfers Out
Governmental Funds		
General Fund	$ 32,755	$ (130,000)
Police Asset Fund	-	-
SPLOST / Capital Projects	-	(626,267)
Enterprise Funds		
Water and Sewer	756,267	(32,755)
Total transfer	$ 789,022	$ (789,022)

In the fund financial statements, total transfers in are different from total transfers out because of the accounting treatment of transfers of capital assets between governmental activities and enterprise activities. No amounts are reported in governmental funds because the amounts do not involve transfers of expendable available financial resources. However, enterprise funds do report the transfers at the net book value of the capital assets transferred.

6. CAPITAL ASSETS

Capital assets activity for governmental activities for the year ended December 31, 2016 was as follows:

	Balance Beginning of Year	Additions and Adjustments	Deletions and Adjustments	Balance at December 31, 2016
Governmental Activities:				
Nondepreciable capital assets:				
Land	$ 292,006	$ -	$ -	$ 292,006
Construction in progress	181,552	95,367	-	276,919
Total nondepreciable capital assets	$ 473,558	$ 95,367	$ -	$ 568,925
Depreciable capital assets:				-
Buildings	4,027,843	139,784	-	4,167,627
Land improvements	321,806	-	-	321,806
Street improvements	2,163,916	102,022	-	2,265,938
Vehicles and equipment	1,568,003	97,303	-	1,665,306
Total depreciable capital assets	8,081,568	339,109	-	8,420,677
Less Accumulated Depreciation:				
Buildings	816,424	104,010	-	920,434
Land improvements	55,178	8,045	-	63,223
Street improvements	1,557,509	109,689	-	1,667,198
Vehicles and equipment	1,267,210	109,996	-	1,377,206
Total accumulated depreciation	3,696,321	331,740	-	4,028,061
Depreciable capital assets, net	$ 4,385,247	$ 7,369	$ -	$ 4,392,616

6. CAPITAL ASSETS – CONTINUED

Capital assets activity for business-type activities for the year ended December 31, 2016 was as follows:

	Balance Beginning of Year	Additions and Adjustments	Deletions and Adjustments	Balance at December 2016
Business-type Activities:				
Nondepreciable capital assets:				
Land	$ 1,032,383	$ -	$ -	$ 1,032,383
Construction in progress	-	2,000	-	2,000
Total nondepreciable capital assets	$ 1,032,383	$ 2,000	$ -	$ 1,034,383
Depreciable capital assets:				
Water and Sewer System	13,346,343	60,978	-	13,407,321
Buildings	119,378	-	-	119,378
Vehicles and Equipment	174,742	45,365	-	220,107
Total depreciable capital assets	13,640,463	106,343	-	13,746,806
Less accumulated depreciation:				
Water and Sewer System	5,564,787	335,537	-	5,900,324
Buildings	38,136	2,984	-	41,120
Vehicles and Equipment	149,819	10,812	-	160,631
Total accumulated depreciation	5,752,742	349,333	-	6,102,075
Depreciable capital assets, net	$ 7,887,721	$ (242,990)	$ -	$ 7,644,731

Depreciation was charged to governmental activities as follows:

General government	$ 51,312
Public safety	59,186
Public works	125,588
Recreation and culture	95,654
Total	$ 331,740

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, 2016:

	Balance Beginning of Year	Additions and Adjustments	Reductions and Adjustments	Balance at December 31, 2016	Due within One Year
Business-type Activities:					
2010 Series Revenue Bonds	$ 6,150,000	$ -	$ 395,000	$ 5,755,000	$ 410,000

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, bearing interest at 3.7% to refund $6,710,000 of the previously issued and outstanding 2003 Revenue Bonds and the City's previously issued and 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.

Deferred Charge on Refunding
Amounts related to the deferred charge on refunding are as follows:

Unamortized 2003 Series Bond discount	$ 56,115
Swap termination payment	533,000
Total deferred loss	589,115
Less: Accumulated amortization	(327,286)
Net carrying amount	$ 261,829

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

Year ending December 31,	Principal	Interest	Total
2017	410,000	212,935	622,935
2018	425,000	197,765	622,765
2019	445,000	182,040	627,040
2020	4,475,000	165,575	4,640,575
	$ 5,755,000	$ 758,315	$ 6,513,315

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 benefits for all employees. Members may retire at 65 with 5 years of service or at 55 with 10 years of service.

8. PENSION PLAN – CONTINUED

As of December 31, 2015, membership consisted of:

Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	21
Active employees	26
	54

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 actuarially recommended contribution in each year. These contributions are determined under the entry age normal 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, 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.

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 beginning July 1, 2015 the estimated minimum annual contribution under these funding standards was $24,420.

The contribution to the plan for the plan year ended June 30, 2016, was $28,367 ($0 employee and $28,367 employer; 0% employee and 6.96% employer of covered payroll respectively) and was made in accordance with contribution requirements determined by actuarial valuation as of July 1, 2015. Covered payroll for that year was $971,170. The City's estimated contribution rate for the plan year ending June 30, 2017 is 3.91% or $38,608 with an estimated covered payroll in the amount of $971,170.

Net Pension Liability
The City’s net pension liability was measured as of March 31, 2016, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of July 1, 2016.

The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	3.25%
Investment rate of return*	7.75%

**Net of pension plan investment expense*

8. PENSION PLAN – CONTINUED

The RP-2000 mortality tables were determined to contain sufficient provision appropriate to reasonably reflect future mortality improvement, based on a four-year review of mortality experience for the period January 1, 2010 to June 30, 2014. Mortality experience will be reviewed periodically and updated if necessary.

The mortality and economic actuarial assumptions used in the July 1, 2016 valuation were approved by the Board in December, 2014 based on the results of an actuarial experience study for the period January 1, 2010 through June 30, 2014 conducted by Segal.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2016 are summarized in the following table:

	Target Allocation	Long-Term Expected Rate of Return
Domestic equity	45%	6.75%
International equity	20%	7.45%
Real estate	10%	4.55%
Global fixed income	5%	3.30%
Domestic fixed income	20%	1.75%
Cash	0%	
Total	100%	

Discount rate

The discount rate used to measure the total pension liability was the long-term rate of return, 7.75%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made in accordance with the funding policy adopted by the Board. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

8. PENSION PLAN – CONTINUED

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at March 31, 2015	$ 654,334	$ 540,143	$ 114,191
Changes for the year:			
Service cost	17,628	-	17,628
Interest	49,613	-	49,613
Differences between expected and actual experience	17,086	-	17,086
Contributions – employer	-	28,367	(28,367)
Net investment income	-	1,770	(1,770)
Benefit payments, including refunds of employee contributions	(28,341)	(28,341)	-
Administrative expense	-	(3,198)	3,198
Other changes	-	-	-
Net changes	55,986	(1,402)	57,388
Balance at March 31, 2016	$ 710,320	$ 538,741	$ 171,579

Sensitivity of the net pension liability to changes in the discount rate. The following table presents the City's net pension liability calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if calculated using a discount rate of one percentage point lower or higher than the current rate.

	1% Decrease 6.75%	Current Rate 7.75%	1% Increase 8.75%
City's net pension liability	$ 275,850	$ 171,579	$ 85,857

8. PENSION PLAN – CONTINUED

Pension Expense and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2016, the City recognized pension expense of $38,838. At December 31, 2016, the City reported deferred outflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	$ 14,354
Changes of assumptions	602
Net difference between projected and actual earnings on pension plan investments	26,225
City contributions subsequent to the measurement date	19,010
Total	$ 60,191

$19,010 reported as deferred outflows related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2017	$ 10,138
2018	10,138
2019	9,494
2020	11,411
2021	-
Thereafter	-
Total	$ 41,181

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.

10. RISK MANAGEMENT

The government is exposed to various risk 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 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.

11. SUBSEQUENT EVENTS

The City has evaluated subsequent events through June 29, 2017, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TEMPLE, GEORGIA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences Over (Under)	Actual amounts GAAP Basis
	Original	Final			
Revenue					
Taxes	$ 1,957,500	$ 2,052,500	$ 2,041,947	$ -	$ 2,041,947
Intergovernmental	83,600	333,643	49,814	-	49,814
Fines and forfeitures	251,275	326,275	361,367	-	361,367
Licenses and permits	4,600	4,600	16,727	-	16,727
Rental Income	-	-	5,953	-	5,953
Recreation fees and donations	148,520	133,520	136,361	-	136,361
Interest income	1,500	1,500	285	-	285
Miscellaneous	7,210	7,200	34,724	-	34,724
Total revenue	2,454,205	2,859,238	2,647,178	-	2,647,178
Expenditures					
Current:					
General government	455,566	543,887	490,668	-	490,668
Public safety	1,132,176	1,232,176	1,148,820	-	1,148,820
Public works	394,148	478,648	350,831	-	350,831
Recreation and culture	586,782	589,782	512,997	-	512,997
Nondepartmental	335,000	-	30,587		30,587
Capital outlays	519,000	-	-	190,632	190,632
Total Expenditures	3,422,672	2,844,493	2,533,903	190,632	2,724,535
Excess (Deficiency) of Revenues Over (Under) Expenditures	(968,467)	14,745	113,275	(190,632)	(77,357)
Other Financing Sources (Uses)					
Transfers	969,755	(14,745)	32,755	-	32,755
Total Other Financing Sources (Uses)	969,755	(14,745)	32,755	-	32,755
Net Changes in Fund Balances	$ 1,288	$ -	$ 146,030	$ (190,632)	$ (44,602)

An annual budget is prepared and approved by the Mayor and Council for the general fund. City Charter prescribes 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 capital project funds.

CITY OF TEMPLE, GEORGIA
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY
AND RELATED RATIOS
LAST 10 YEARS

	2016	2015
Total pension liability		
Service cost	$ 17,628	$ 21,213
Interest	49,613	46,364
Changes of benefit terms	-	-
Differences between expected and actual experience	17,086	1,372
Changes of assumptions	-	1,204
Benefit payments, including refunds of employee contributions	(28,341)	(28,118)
Net change in total pension liability	55,986	42,035
Total pension liability – beginning	654,334	612,299
Total pension liability – ending (a)	710,320	654,334
Plan fiduciary net position		
Contributions – employer	28,367	41,910
Contributions – employee	-	-
Net investment income	1,770	47,355
Benefit payments, including refunds of employee contributions	(28,341)	(28,118)
Administrative expense	(3,198)	(2,923)
Other	-	-
Net change in plan fiduciary net position	(1,402)	58,224
Plan fiduciary net position – beginning	540,143	481,919
Plan fiduciary net position – ending (b)	538,741	540,143
Net pension liability – ending (a)-(b)	$ 171,579	$ 114,191
Plan fiduciary net position as a percentage of total pension liability	75.84%	82.55%
Covered-employee payroll	$ 971,170	$ 572,101
Net pension liability as a percentage of employee payroll	17.67%	19.96%

CITY OF TEMPLE, GEORGIA
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS

	2016	2015
Actuarially determined contribution	$ 25,347	$ 29,374
Contributions in relation to the actuarially determined contribution	25,347	35,225
Contribution deficiency (excess)	$ -	$ (5,851)
Covered-employee payroll	$ 971,170	$ 572,101

Notes to the Schedule

Valuation date:
Actuarially determined contribution rates are calculated as of July 1, mid-way through the current year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Closed level dollar for remaining unfunded liability.
Remaining amortization period	Remaining amortization period varies for the bases, with a net effective amortization period of 10 years.
Asset valuation method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Inflation	3.25%
Salary increases	3.25% plus service based merit increases
Investment rate of return	7.75%
Retirement age	RP-2000 mortality tables
Mortality	RP-2000 mortality tables

Other Supplementary Information

CITY OF TEMPLE, GEORGIA
BUDGETARY COMPARISON SCHEDULE – POLICE ASSET FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget Final	Actual	Variance from Final Budget - Positive (Negative)
Revenue			
Fines and forfeitures	$ -	$ -	$ -
Licenses and permits	-	-	-
Miscellaneous	-	48,812	48,812
Total Revenue	-	48,812	48,812
Expenditures			
Public safety	-	33,422	33,422
Public works	-	-	-
Total Expenditures	-	33,422	33,422
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	15,390	15,390
Fund Balance, Beginning of Year	8,811	8,811	-
Fund Balance, End of Year	$ 8,811	$ 24,201	$ 15,390

CITY OF TEMPLE, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2016

1993 Referendum

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

2003 Referendum

Number	Project	Original Estimated Cost	Expenditures: Prior Years	Expenditures: Current Year	Expenditures: Total
1	Water lines	$ 250,000	$ 378,243	$ -	$ 378,243
2	Equipment	192,500	-	-	-
3	Ball Fiends and Gym	880,000	1,232,906	-	1,232,906
4	Road Projects	550,000	405,474	-	405,474
5	Ortho Photography	27,500	1,424	-	1,424
6	Medical Building Repairs	110,000	-	-	-
7	Library	220,000	-	-	-
8	Greenspace	302,500	-	-	-
9	Senior Center Equipment	110,000	39,530	-	39,530
10	Downtown Development	110,000	-	-	-
	Total	$ 2,752,500	$ 2,057,577	$ -	$ 2,057,577

2008 Referendum

Number	Project	Original Estimated Cost	SPLOST: Prior Years	SPLOST: Current Year	SPLOST: Total	Other Sources: Prior Years	Other Sources: Current Year
1	Water and Sewer Projects	$ 1,306,000	$ 894,686	$ -	$ 894,686	$ -	$ -
2	Transportation Projects	296,388	398,675	-	398,675	-	-
3	Senior Center Projects	35,000	72,173	-	72,173	-	-
4	Administrative Projects	1,380,000	1,030,693	9,581	1,040,274	2,860	-
5	Recreation Projects	295,000	396,005	205,219	601,224	72,520	-
6	Police Department Projects	580,000	742,330	-	742,330	50,000	-
	Total	$ 3,892,388	$ 3,534,562	$ 214,800	$ 3,749,362	$ 125,380	$ -

2015 Referendum

Number	Project	Original Estimated Cost	SPLOST: Prior Years	SPLOST: Current Year	SPLOST: Total	Other Sources: Prior Years	Other Sources: Current Year
1	Roads, Streets, Bridges and Sidewalks	$ -	$ -	$ -	$ -	$ -	$ -
2	Water Facilities and Equipment	-	-	-	-	-	-
3	Economic Development	-	-	-	-	-	-
4	Public Safety Facilities and Equipment	-	-	-	-	-	-
5	Administrative Facilities and Equipment	-	-	-	-	-	-
6	Sewer Facilities and Equipment	-	-	-	-	-	-
7	Senior Center Facilities and Equipment	-	-	-	-	-	-
8	Land Procurement	-	-	-	-	-	-
9	Greenspace Acquisition	-	-	-	-	-	-
10	Debt Service for Water/Sewer Systems	-	-	626,267	626,267	-	-
	Total	$ 3,667,200	$ -	$ 626,267	$ 626,267	$ -	$ -

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INDEPENDENT AUDITORS' 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

Honorable Mayor and Members of the City Council
City of Temple, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Temple, Georgia (the "City"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 29, 2017.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2016-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and responses as item 2016-002 and 2016-003 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 an immaterial instance of noncompliance or other matter that has been reported separately to management.

City of Temple, Georgia's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Warren Averett, LLC

Atlanta, Georgia
June 29, 2017

2016-001 Utility Billing

In our review of the City's internal controls over utility billing we became aware of several weaknesses in the control structure. The City's internal control structure does not include clear policies and procedures that should be followed for utility meter misreads and subsequent account adjustments, as deemed necessary. Further, there is no transaction change process (sometimes referred to as an audit trail) to document account balance changes in TBS nor is there any form of formal review and approval of such changes. Additionally, policies and procedures surrounding application and removal of fees such as reconnect fees should be implemented.

We recommend that the City implement written policies and procedures that address the entire revenue cycle process surrounding utility billing beginning with departmental expectations for timing of meter reading, process for identifying meters that need to be read again, instances in which estimates are allowed (if at all), collection policies that specifically address past due balances and circumstances that are allowed for service to remain intact, documented supervisory review and approval of any account adjustments including removal of fees, if applicable, and any additional procedures deemed relevant to the revenue cycle process.

Management Response: The City's utility management function was converted from an outdated system to a new system at the end of April 2017. The new system is significantly more accurate and efficient in regards to utility billing. Additionally, the administrative staff and the water department staff have worked to improve meter reading, so that utility bills now should be more accurate. A new Utility Rate Study was completed in June 2017, and it is expected that changes to the current rate structure will be approved and implemented by the City Council before the end of the 2017 Fiscal Year or during the first month of the 2018 Fiscal Year.

2016-002 Controls over Amounts Recorded in the Financial Statements

Timely and accurate financial information is important for critical management and Council oversight decisions. As a result of our audit procedures we noted that the policies and procedures followed by the City at certain times during the year did not prevent or detect and correct, on a timely basis, certain adjustments that were identified as a result of our audit procedures.

We recommend every effort be made to improve the oversight of the accounting process to ensure the accuracy of both year end and interim reports. As the accounting department receives financial information from various internal and external sources, it is imperative that this information is reviewed for proper accounting treatment prior to entering information into the general ledger.

Management Response: The City of Temple in May 2016 entered into an intergovernmental agreement with the City of Villa Rica for the provision of financial services. This arrangement has been very important in the improvement of Temple's fiscal operations, as this City has transitioned to a better and more up-to-date system for utility billing and other fiscal services. However, as of August 31, 2017, the arrangement between these two municipalities will conclude as the result of the City of Villa Rica's decision to terminate the intergovernmental agreement. With Villa Rica's valuable assistance, by the time the agreement ceases the City of Temple expects to have in place an updated system which can continue to perform effectively under a new City of Temple finance director. There should be continuous guidance and direction for all City departments from this new finance director, building on the sound foundation of the past 15 months. Additionally, the inadequate accounting software from the past has been replaced. The new system initiated in May 2017 should be much more accurate and efficient. The City will see improved control over the financial statements through the major changes which now haves been implemented.

2016-003 Limitations of Current Accounting System

From discussions with management, we understand that the City Council has had discussions about the adequacy of the City's current accounting software and management has begun exploring other systems that may better meet the City's current needs. During the audit we noted several significant limitations of City's current computer accounting system including:

- Reports available from the software are not adequate to ensure strong internal controls.

- The current system allows for duplicate accounts payable invoice entry, which creates a possibility of duplicate payments being made on the same invoice.

- The current system allows for customer billing adjustment without a supervisory review control, such as an audit trail report.

We recommend that the City proactively address the above system limitations through either modifying the current system or installing a more modern system with controls in place to address these limitations.

Management Response: Conversion of the accounting software from an outdated system to a new superior system was completed in May 2017. The new software should be, and is expected to be, more accurate and efficient. The accounts payable and general ledger functions are much more user-friendly, and are more automated. There is less room for human error. Additionally, there are extensive reporting capabilities.