

CITY OF TEMPLE, GEORGIA
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018

**CITY OF TEMPLE, GEORGIA
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DECEMBER 31, 2018**

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INDEPENDENT AUDITORS' REPORT

To the 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, each major fund and the aggregate remaining fund information of the City of Temple, Georgia (the City), as of and for the year ended December 31, 2018, 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 auditors consider 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, each major fund and the aggregate remaining fund information of the City, as of December 31, 2018, 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of changes in net pension liability, and the schedule of employer contributions to pension plan 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.

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 relate 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 basic 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 August 26, 2019, 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
August 26, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF TEMPLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

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, 2018.

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 \$13,394,719 (Net Position). Of this amount \$4,909,358 (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 \$650,944.
- As of the close of the current fiscal year, the City's governmental activities reported combined ending net position of \$8,260,298.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,133,000 or 96% of the total General Fund expenditures.
- At the end of the current fiscal year, unrestricted net position for the Water/Sewer Fund was \$1,898,508, or 97% of total Water/Sewer 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 government-wide 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 the 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.

**CITY OF TEMPLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

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 and SPLOST Fund, which are considered to be major funds. The Police Asset Special Revenue Fund is a non-major fund.

Proprietary Funds – The City maintains one type of proprietary fund, which is an enterprise 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.

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.

**CITY OF TEMPLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

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 \$13,394,719 as of December 31, 2018.

The largest portion of the City's net position (60%) 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 (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$4,909,358, may be used to meet the government's ongoing obligations to citizens and creditors.

As of December 31, 2018, 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 increased the City's net position by \$264,538 compared with a \$120,781 increase in the prior year. Total governmental activities revenues increased \$147,770 (4%) to \$3,845,393. Total governmental activities expenses increased \$129,478 (4%) from the prior year.

Business-type activities. Business-type activities increased the City's net position by \$386,406 in the current year compared to an increase of \$423,114 in the prior year. The business-type activities total revenues increased \$514,873 (27%) to \$2,391,362 and total expenses increased \$515,630 (30%) to \$2,254,956.

**CITY OF TEMPLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

Following is the City's summary of net position:

	Summary of Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Cash	\$ 2,919,785	\$ 2,547,744	\$ 2,745,827	\$ 2,353,584	\$ 5,665,612	\$ 4,901,328
Receivables, net	463,317	415,601	80,701	81,463	544,018	497,064
Capital assets, net	4,809,372	4,814,106	7,998,816	8,321,040	12,808,188	13,135,146
Other assets	18,893	17,595	3,334	3,105	22,227	20,700
Internal balances	558,276	565,025	(558,276)	(565,025)	-	-
Total assets	8,769,643	8,360,071	10,270,402	10,194,167	19,040,045	18,554,238
Deferred outflow of resources	66,536	39,992	167,038	212,664	233,574	252,656
Current liabilities	368,302	247,279	797,002	723,312	1,165,304	970,591
Long-term liabilities	186,953	156,560	4,506,017	4,935,504	4,692,970	5,092,064
Total liabilities	555,255	403,839	5,303,019	5,658,816	5,858,274	6,062,655
Deferred inflow of resources	20,626	464	-	-	20,626	464
Net position:						
Net investment in						
capital assets	4,809,372	4,814,106	3,235,913	3,185,503	8,045,285	7,999,609
Unrestricted	3,010,850	2,898,717	1,898,508	1,562,512	4,909,358	4,461,229
Restricted	440,076	282,937	-	-	440,076	282,937
Total net position	\$ 8,260,298	\$ 7,995,760	\$ 5,134,421	\$ 4,748,015	\$ 13,394,719	\$ 12,743,775

**CITY OF TEMPLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

Following is the City's summary of changes in net position

	Summary of Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services:	\$ 815,035	\$ 765,322	\$ 2,385,413	\$ 1,875,736	\$ 3,200,448	\$ 2,641,058
Operating and capital grants	724,802	772,160	-	-	724,802	772,160
General revenues:						
Property taxes	685,313	674,946	-	-	685,313	674,946
Sales taxes	754,102	627,411	-	-	754,102	627,411
Insurance premium taxes	302,755	280,997	-	-	302,755	280,997
Other taxes and miscellaneous	563,387	576,787	5,949	753	569,336	577,540
Total revenues	<u>3,845,394</u>	<u>3,697,623</u>	<u>2,391,362</u>	<u>1,876,489</u>	<u>6,236,756</u>	<u>5,574,112</u>
Expenses:						
General government	733,582	753,534	-	-	733,582	753,534
Public safety	1,494,231	1,327,226	-	-	1,494,231	1,327,226
Public works	500,913	509,463	-	-	500,913	509,463
Recreation and culture	556,614	661,960	-	-	556,614	661,960
Other expenditures	45,516	38,708	-	-	45,516	38,708
	<u>3,330,856</u>	<u>3,290,891</u>	<u>-</u>	<u>-</u>	<u>3,330,856</u>	<u>3,290,891</u>
Water and sewer	-	-	2,254,956	1,739,326	2,254,956	1,739,326
Total expenses	<u>3,330,856</u>	<u>3,290,891</u>	<u>2,254,956</u>	<u>1,739,326</u>	<u>5,585,812</u>	<u>5,030,217</u>
Transfers	<u>(250,000)</u>	<u>(285,951)</u>	<u>250,000</u>	<u>285,951</u>	<u>-</u>	<u>-</u>
Change in net position	264,538	120,781	386,406	423,114	650,944	543,895
Beginning net position	<u>7,995,760</u>	<u>7,874,979</u>	<u>4,748,015</u>	<u>4,324,901</u>	<u>12,743,775</u>	<u>12,199,880</u>
Ending net position	<u>\$ 8,260,298</u>	<u>\$ 7,995,760</u>	<u>\$ 5,134,421</u>	<u>\$ 4,748,015</u>	<u>\$ 13,394,719</u>	<u>\$ 12,743,775</u>

**CITY OF TEMPLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

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 \$3,591,969. Of that amount, \$3,133,000 (87%) 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 \$3,133,000. The fund balance of the General Fund increased \$130,066. Total revenue in the General Fund increased by \$193,657 or 7% overall. Expenditures increased by \$134,397 or 5% overall. Transfers from the Water/Sewer Fund decreased by \$165,290.

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 \$165,970 to \$431,362.

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 \$2,753 to \$8,714.

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 \$1,898,508. During 2018, the Water/Sewer Fund had a net position increase of \$386,406.

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 \$12,808,188 (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 \$326,958 over last year.

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

Governmental Activities:

- Two patrol units
- Road improvements

Business-type Activities:

- None

**CITY OF TEMPLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

DEBT ADMINISTRATION

At the end of the current fiscal year, the City of Temple had total bonded debt payable of \$4,920,000 which represents bonds secured solely by sewer revenues.

NEXT YEAR'S BUDGETS AND RATES

The City of Temple's elected officials considered many factors when setting the 2019 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.

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.

FINANCIAL STATEMENTS

**CITY OF TEMPLE, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2018**

	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 2,919,785	\$ 2,745,827	\$ 5,665,612
Receivables, net	463,317	80,701	544,018
Internal balances	558,276	(558,276)	-
Prepaid expenses	18,893	3,334	22,227
Total current assets	3,960,271	2,271,586	6,231,857
NONCURRENT ASSETS			
Capital assets (non-depreciable)	568,925	1,034,383	1,603,308
Capital assets (depreciable)	4,240,447	6,964,433	11,204,880
Total noncurrent assets	4,809,372	7,998,816	12,808,188
TOTAL ASSETS	8,769,643	10,270,402	19,040,045
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	66,536	9,941	76,477
Deferred charge on refunding	-	157,097	157,097
TOTAL DEFERRED OUTFLOWS OF RESOURCES	66,536	167,038	233,574

See notes to the financial statements.

CITY OF TEMPLE, GEORGIA
STATEMENT OF NET POSITION – CONTINUED
DECEMBER 31, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ 239,218	\$ 67,499	\$ 306,717
Customer deposits	-	177,541	177,541
Accrued expenses	129,084	106,962	236,046
Current portion of long-term obligations	-	445,000	445,000
NONCURRENT LIABILITIES			
Net pension liability	186,953	27,935	214,888
Noncurrent portion of long-term obligations	-	4,475,000	4,475,000
TOTAL LIABILITIES	<u>555,255</u>	<u>5,299,937</u>	<u>5,855,192</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related items	20,626	3,082	23,708
NET POSITION			
Net investment in capital assets	4,809,372	3,235,913	8,045,285
Restricted:			
Capital projects	431,362	-	431,362
Public safety	8,714	-	8,714
Unrestricted	3,010,850	1,898,508	4,909,358
TOTAL NET POSITION	<u>\$ 8,260,298</u>	<u>\$ 5,134,421</u>	<u>\$ 13,394,719</u>

See notes to the financial statements.

**CITY OF TEMPLE, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating	Capital	Primary Government		
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 733,582	\$ 28,303	\$ 27,489	\$ 236,975	\$ (440,815)	\$ -	\$ (440,815)
Public safety	1,494,231	628,412	-	95,548	(770,271)	-	(770,271)
Public works	500,913	-	-	310,427	(190,486)	-	(190,486)
Recreation and cultural affairs	556,614	158,320	-	54,363	(343,931)	-	(343,931)
Other expenditures	45,516	-	-	-	(45,516)	-	(45,516)
Total governmental activities	<u>3,330,856</u>	<u>815,035</u>	<u>27,489</u>	<u>697,313</u>	<u>(1,791,019)</u>	<u>-</u>	<u>(1,791,019)</u>
Business-type activities:							
Water and sewer	<u>2,254,956</u>	<u>2,385,413</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>130,457</u>	<u>130,457</u>
Total	<u>\$ 5,585,812</u>	<u>\$ 3,200,448</u>	<u>\$ 27,489</u>	<u>\$ 697,313</u>	<u>(1,791,019)</u>	<u>130,457</u>	<u>(1,660,562)</u>
General Revenue:							
Taxes							
Property taxes					685,313	-	685,313
Sales taxes					754,102	-	754,102
Insurance premium taxes					302,755	-	302,755
Other taxes					534,412	-	534,412
Interest and investment earnings					1,404	5,949	7,353
Miscellaneous					27,571	-	27,571
Total general revenues					<u>2,305,557</u>	<u>5,949</u>	<u>2,311,506</u>
Transfers							
Total general revenues and transfers					<u>(250,000)</u>	<u>250,000</u>	<u>-</u>
Change in Net Position							
Net Position, Beginning of Year							
Net Position, End of Year							
					<u>\$ 8,260,298</u>	<u>\$ 5,134,421</u>	<u>\$ 13,394,719</u>

See notes to the financial statements.

**CITY OF TEMPLE, GEORGIA
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	<u>General Fund</u>	<u>SPLOST Capital Projects Fund</u>	<u>(Non-major) Police Asset Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,913,344	\$ 997,657	\$ 8,784	\$ 2,919,785
Receivables, net of allowances for uncollectibles				
Taxes receivable	441,909	-	-	441,909
Interfund receivable	1,036,959	-	-	1,036,959
Other receivables	21,408	-	-	21,408
Prepaid expenses	18,893	-	-	18,893
TOTAL ASSETS	<u>\$ 3,432,513</u>	<u>\$ 997,657</u>	<u>\$ 8,784</u>	<u>\$ 4,438,954</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	151,536	87,682	-	239,218
Accrued liabilities	129,084	-	-	129,084
Interfund payable	-	478,613	70	478,683
Total liabilities	<u>280,620</u>	<u>566,295</u>	<u>70</u>	<u>846,985</u>
Fund Balance:				
Nonspendable				
General fund	18,893	-	-	18,893
Unassigned				
General fund	3,133,000	-	-	3,133,000
Restricted				
Capital projects fund	-	431,362	-	431,362
Police asset fund – investigations	-	-	8,714	8,714
Total fund balance	<u>3,151,893</u>	<u>431,362</u>	<u>8,714</u>	<u>3,591,969</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 3,432,513</u>	<u>\$ 997,657</u>	<u>\$ 8,784</u>	
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.				4,809,372
The net pension liability and related deferred inflows and outflows are not reported in the funds.				<u>(141,043)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES				<u>\$ 8,260,298</u>

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, 2018**

	<u>General Fund</u>	<u>SPLOST Capital Projects Fund</u>	<u>(Non-major) Police Asset Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 2,276,582	\$ -	\$ -	\$ 2,276,582
Intergovernmental	11,819	697,312	-	709,131
Fines and forfeitures	628,412	-	-	628,412
Licenses and permits	21,445	-	-	21,445
Rental income	6,858	-	-	6,858
Recreation fees and donations	158,320	-	-	158,320
Interest income	1,398	6	-	1,404
Miscellaneous	26,899	-	672	27,571
TOTAL REVENUES	<u>3,131,733</u>	<u>697,318</u>	<u>672</u>	<u>3,829,723</u>
EXPENDITURES				
Current:				
General government	660,125	64	-	660,189
Public safety	1,397,600	-	3,425	1,401,025
Public works	382,181	-	-	382,181
Recreation and culture	479,618	-	-	479,618
Other expenditures	45,516	-	-	45,516
Capital outlays	36,627	281,284	-	317,911
TOTAL EXPENDITURES	<u>3,001,667</u>	<u>281,348</u>	<u>3,425</u>	<u>3,286,440</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	130,066	415,970	(2,753)	543,283
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	(250,000)	-	(250,000)
NET CHANGES IN FUND BALANCES	130,066	165,970	(2,753)	293,283
FUND BALANCE:				
BEGINNING OF YEAR	<u>3,021,827</u>	<u>265,392</u>	<u>11,467</u>	<u>3,298,686</u>
END OF YEAR	<u>\$ 3,151,893</u>	<u>\$ 431,362</u>	<u>\$ 8,714</u>	<u>\$ 3,591,969</u>

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
FOR THE YEAR ENDED DECEMBER 31, 2018**

Net change in fund balance – total governmental funds	\$	293,283
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	\$ 317,911	
Depreciation expense	<u>(322,645)</u>	(4,734)
Difference between pension contribution and net pension expense		<u>(24,011)</u>
Change in Net Position of Governmental Activities	\$	<u><u>264,538</u></u>

See notes to the financial statements.

**CITY OF TEMPLE, GEORGIA
STATEMENT OF NET POSITION
WATER AND SEWER ENTERPRISE FUND
DECEMBER 31, 2018**

ASSETS

CURRENT ASSETS

Cash and cash equivalent	\$ 2,745,827
Accounts receivable, net	77,324
Other receivables	3,377
Prepaid insurance	<u>3,334</u>
Total current assets	2,829,862

CAPITAL ASSETS

Property, plant and equipment	14,816,783
Accumulated depreciation	<u>(6,817,967)</u>
Net capital assets	<u>7,998,816</u>

TOTAL ASSETS

10,828,678

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions	9,941
Accumulated losses on debt refunding	<u>157,097</u>
Total deferred outflows of resources	<u>167,038</u>

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

\$ 10,995,716

See notes to the financial statements.

**CITY OF TEMPLE, GEORGIA
STATEMENT OF NET POSITION
WATER AND SEWER ENTERPRISE FUND – CONTINUED
DECEMBER 31, 2018**

LIABILITIES

CURRENT LIABILITIES

Interfund payable	\$ 558,276
Accounts payable	67,499
Accrued expenses	106,962
Customer deposits	177,541
Current portion of bonds payable	<u>445,000</u>
Total current liabilities	<u>1,355,278</u>

NONCURRENT LIABILITIES

Net pension liability	31,017
Bonds payable	<u>4,475,000</u>
Total noncurrent liabilities	<u>4,506,017</u>

TOTAL LIABILITIES

5,861,295

NET POSITION

Net investment in capital assets	3,235,913
Unrestricted	<u>1,898,508</u>

TOTAL NET POSITION

\$ 5,134,421

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, 2018

OPERATING REVENUES	
Charges for services	\$ 2,384,868
Miscellaneous revenue	545
	<u>545</u>
Total operating revenues	<u>2,385,413</u>
OPERATING EXPENSES	
Depreciation	365,892
Water purchases	402,242
Professional services	49,823
Repairs and maintenance	153,867
Salaries and benefits	264,814
Contract labor	-
Garbage expense	228,657
Supplies and chemicals	55,576
Gas and oil	13,775
Miscellaneous expense	242,848
Utilities	174,640
Dues and fees	325
	<u>325</u>
Total operating expenses	<u>1,952,459</u>
OPERATING INCOME	<u>432,954</u>
NON-OPERATING REVENUE (EXPENSES)	
Interest revenue	5,949
Interest expense	(302,497)
	<u>(302,497)</u>
Total non-operating revenue (expenses)	<u>(296,548)</u>
Transfers in	250,000
Transfers out	-
	<u>-</u>
CHANGE IN NET POSITION	386,406
NET POSITION, BEGINNING OF YEAR	<u>4,748,015</u>
NET POSITION, END OF YEAR	<u><u>\$ 5,134,421</u></u>

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, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 2,392,177
Payments to suppliers	(1,265,521)
Payments to employees	<u>(264,814)</u>
Net cash provided by operating activities	<u>861,842</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Interfund payable	<u>(6,749)</u>
Net cash used by noncapital financing activities	<u>(6,749)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Transfer from special purpose local option sales tax fund	250,000
Purchase of capital assets	(35,594)
Interest paid on capital debt	(258,205)
Principal paid on capital debt	<u>(425,000)</u>
Net cash used by capital and related financing activities	<u>(468,799)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest	<u>5,949</u>
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NET INCREASE IN CASH AND CASH EQUIVALENTS

392,243

CASH AND CASH EQUIVALENTS AT

BEGINNING OF YEAR

2,353,584

END OF YEAR

\$ 2,745,827

See notes to the financial statements.

**CITY OF TEMPLE, GEORGIA
STATEMENT OF CASH FLOWS
WATER AND SEWER ENTERPRISE FUND – CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018**

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 432,954
Changes in assets, liabilities, deferred outflows and inflows	
Depreciation expense	365,892
Changes in assets and liabilities	
Receivables, net	762
Prepaid expenses	(229)
Customer deposits	6,002
Accounts payable and other current liabilities	47,688
Net pension obligation	15,513
Deferred outflows/inflows	(6,740)
	<u>428,888</u>
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 861,842</u></u>

See notes to the financial statements.

**CITY OF TEMPLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

1. SUMMARY OF SIGNIFICANT 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 unit, a legally separate entity for which the City is considered to be financially accountable. The City has one blended component unit. The component unit has a December 31 year-end and is reported within the General Fund.

Blended Component Unit:

City of Temple Planning Commission (the Commission): The 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 Commission does not issue separate financial statements.

**CITY OF TEMPLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

1. SUMMARY OF SIGNIFICANT 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, which include the General Fund and the Special Purpose Local Option Sales Tax (SPLOST) fund. Each major fund is reported in a separate column. The City's non-major fund is reported in a separate 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.

**CITY OF TEMPLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 it is both measurable and available. Revenue is considered available when 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.

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 are 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 SPLOST.

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 include 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.

**CITY OF TEMPLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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 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.

**CITY OF TEMPLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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, 2018, 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

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 will not be recognized as an outflow of resources (expense/expenditure) until that time.

**CITY OF TEMPLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 and 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 will not be recognized as an inflow of resources (revenue) until that time.

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 \$440,076 of restricted net position, as of December 31, 2018.

**CITY OF TEMPLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 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 with 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.

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 GAAP 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.

Recently Issued Accounting Standards

GASB Statement No. 83, *Certain Asset Retirement Obligations*, was issued to address accounting and financial reporting for certain asset retirement obligations. Under this statement, a government that has legal obligations to perform future asset retirement activities related to its tangible capital assets is required to recognize a liability and corresponding deferred outflow of resources. The guidance also identifies the circumstances that trigger recognition of these transactions. The requirements of this statement are effective for fiscal year 2019. The City is currently evaluating the impact this standard may have on its financial statements.

**CITY OF TEMPLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

GASB Statement No. 87, *Leases*, was issued to improve accounting and financial reporting for leases by governments. The requirements of this statement are effective for fiscal year 2021. The City is currently evaluating the impact this standard may have on its financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*: The objective of this statement is to improve the information that is disclosed in notes to governmental financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements for this statement are effective in the period beginning after June 15, 2018.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*: The objectives of this statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

2. CUSTODIAL CREDIT RISK RELATED TO DEPOSITS

At December 31, 2018, the carrying amount of the City's deposits were \$5,576,098. 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, 2018, 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.

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. A budget is not prepared for the Police Asset Fund. 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.

**CITY OF TEMPLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

- Budgets are adopted on a basis consistent with generally accepted accounting principles. During the year, encumbrances (open purchase orders, contracts, and commitments) are recorded, to the extent necessary to assure effective budgetary control and accountability. At the end of the fiscal year, unencumbered appropriations automatically lapse
- 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.
- During the year, the expenditures of the General Fund exceeded the final budgeted amounts by \$168,135 mainly from additional capital outlay required for the recreation center.

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

Receivables at December 31, 2018, for the City's individual major funds, including the applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>Water and Sewer</u>	<u>Total</u>
Property tax	\$ 454,234	\$ -	\$ 454,234
Other accounts receivable	-	418,645	418,645
Other	21,408	3,377	24,785
Allowance for doubtful accounts	<u>(12,325)</u>	<u>(341,321)</u>	<u>(353,646)</u>
Receivables, net	<u>\$ 463,317</u>	<u>\$ 80,701</u>	<u>\$ 544,018</u>

**CITY OF TEMPLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At December 31, 2018, \$1,036,959 is due to General Fund and is comprised of the following:

Due from/(to)	<u>General Fund</u>	<u>SPLOST Capital Projects Fund</u>	<u>Police Asset Fund</u>	<u>Water and Sewer Fund</u>
Reimbursable expenses paid by the General Fund	\$ 1,036,959	\$ (478,613)	\$ (70)	\$ (558,276)

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, 2018, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds		
General Fund	-	-
SPLOST / Capital Projects	-	(250,000)
Enterprise Funds		
Water and Sewer	250,000	-
Total Transfers	<u>\$ 250,000</u>	<u>\$ (250,000)</u>

**CITY OF TEMPLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

6. CAPITAL ASSETS

Capital assets activity for governmental activities for the year ended December 31, 2018, was as follows:

	<u>Balance at December 31, 2017</u>	<u>Additions and Adjustments</u>	<u>Deletions and Adjustments</u>	<u>Balance at December 31, 2018</u>
Governmental Activities:				
Nondepreciable capital assets:				
Land	\$ 292,006	\$ -	\$ -	\$ 292,006
Construction in progress	276,919	-	-	276,919
Total nondepreciable capital assets	<u>\$ 568,925</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 568,925</u>
Depreciable capital assets:				
Buildings	\$ 4,191,396	\$ 212,374	\$ -	\$ 4,403,770
Land improvements	321,806	-	-	321,806
Street improvements	2,369,176	4,486	-	2,373,662
Vehicles and equipment	1,729,823	101,051	-	1,830,874
Total depreciable capital assets	<u>8,612,201</u>	<u>317,911</u>	<u>-</u>	<u>8,930,112</u>
Less accumulated depreciation:				
Buildings	1,025,166	110,094	-	1,135,260
Land improvements	71,269	8,045	-	79,314
Street improvements	1,777,612	108,958	-	1,886,570
Vehicles and equipment	1,492,973	95,548	-	1,588,521
Total accumulated depreciation	<u>4,367,020</u>	<u>322,645</u>	<u>-</u>	<u>4,689,665</u>
Depreciable capital assets, net	<u>\$ 4,245,181</u>	<u>\$ (4,734)</u>	<u>\$ -</u>	<u>\$ 4,240,447</u>

**CITY OF TEMPLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

6. CAPITAL ASSETS – CONTINUED

Capital assets activity for business-type activities for the year ended December 31, 2018, was as follows:

	Balance at December 31, 2017	Additions and Adjustments	Deletions and Adjustments	Balance at December 2018
Business-type Activities:				
Nondepreciable capital assets:				
Land	\$ 1,032,383	\$ -	\$ -	\$ 1,032,383
	2,000	-	-	2,000
Total nondepreciable capital assets	<u>\$ 1,034,383</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,034,383</u>
Depreciable capital assets:				
Water and sewer system	\$ 13,407,321	\$ 35,594	\$ -	\$ 13,442,915
Buildings	119,378	-	-	119,378
Vehicles and equipment	220,107	-	-	220,107
Total depreciable capital assets	<u>13,746,806</u>	<u>35,594</u>	<u>-</u>	<u>13,782,400</u>
Less accumulated depreciation:				
Water and sewer system	6,239,119	342,354	-	6,581,473
Buildings	44,104	2,984	-	47,088
Vehicles and equipment	176,926	12,480	-	189,406
Total accumulated depreciation	<u>6,460,149</u>	<u>357,818</u>	<u>-</u>	<u>6,817,967</u>
Depreciable capital assets, net	<u>\$ 7,286,657</u>	<u>\$ (322,224)</u>	<u>\$ -</u>	<u>\$ 6,964,433</u>

Depreciation was charged to governmental activities as follows:

General government	\$ 55,742
Public safety	78,417
Public works	114,732
Recreation and culture	73,754
Total	<u>\$ 322,645</u>

**CITY OF TEMPLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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, 2018:

	<u>Balance Beginning of Year</u>	<u>Additions and Adjustments</u>	<u>Reductions and Adjustments</u>	<u>Balance at December 31, 2018</u>	<u>Due within One Year</u>
Business-type Activities:					
2010 Series Revenue Bonds	\$ 5,345,000	\$ -	\$ 425,000	\$ 4,920,000	\$ 445,000

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 Georgia Environmental Finance Authority (GEFA) loan debt of \$319,064. Additionally, the City used \$533,000 of the bond proceeds to terminate a swap agreement with Bank of America. The loss on the refunding and termination of the swap has been deferred and is being amortized using the straight-line method over the life of the new bond.

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	<u>533,000</u>
Total deferred loss	589,115
Less: Accumulated amortization	<u>(432,018)</u>
Net carrying amount	<u>\$ 157,097</u>

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

Year ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 445,000	\$ 182,040	\$ 627,040
2020	<u>4,475,000</u>	<u>165,575</u>	<u>4,640,575</u>
	<u>\$ 4,920,000</u>	<u>\$ 347,615</u>	<u>\$ 5,267,615</u>

**CITY OF TEMPLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

8. PENSION PLAN

Plan Description

The City has a noncontributory defined benefit retirement plan covering all full-time employees and officials. The City of Temple Retirement Plan (the 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 five years of service or at 55 with ten years of service.

As of December 31, 2018, membership consisted of:

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	24
Active employees	<u>26</u>
	<u><u>58</u></u>

The GMEBS 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, 2018, the estimated minimum annual contribution under these funding standards was \$46,697.

The contribution to the Plan for the Plan year ended June 30, 2018, was \$40,998 (\$0 employee and \$40,998 employer; 0% employee and 4.56% employer of covered payroll, respectively) and was made in accordance with contribution requirements determined by actuarial valuation as of July 1, 2018. Covered payroll for that year was \$1,037,038.

**CITY OF TEMPLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

8. PENSION PLAN – CONTINUED

Net Pension Liability

The City's net pension liability was measured as of March 31, 2018, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of July 1, 2018.

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	2.75%
Investment rate of return*	7.50%

*Net of pension plan investment expense

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, 2018 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, 2017, are summarized in the following table:

	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Domestic equity	45 %	6.71%
International equity	20	7.71%
Real estate	10	5.21%
Global fixed income	5	3.36%
Domestic fixed income	20	2.11%
Cash	0	
Total	<u>100 %</u>	

**CITY OF TEMPLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

8. PENSION PLAN – CONTINUED

Discount Rate

The discount rate used to measure the total pension liability was the long-term rate of return, 7.50%. 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.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at March 31, 2017	\$ 771,271	\$ 599,207	\$ 172,064
Changes for the year:			
Service cost	30,337	-	30,337
Interest	58,629	-	58,629
Differences between expected and actual experience	47,000	-	47,000
Contributions – employer	-	39,205	(39,205)
Net investment income	-	74,518	(74,518)
Benefit payments, including refunds of employee contributions	(29,533)	(29,533)	-
Administrative expense	-	(5,027)	5,027
Other changes	15,554	-	15,554
Net changes	121,987	79,163	42,824
Balance at March 31, 2018	\$ 893,258	\$ 678,370	\$ 214,888

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 7.50%, 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 6.50%	Current Rate 7.50%	1% Increase 8.50%
Net pension liability	\$ 343,290	\$ 214,888	\$ 108,774

**CITY OF TEMPLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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, 2018, the City recognized pension expense of \$50,730. At December 31, 2018, the City reported deferred outflows of resources related to pensions of the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 44,312	\$ -
Changes of assumptions	11,667	-
Net difference between projected and actual earnings on pension plan investments	-	(23,708)
City contributions subsequent to the measurement date	<u>20,499</u>	<u>-</u>
Total	<u>\$ 76,478</u>	<u>\$ (23,708)</u>

\$20,499 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 ending December 31, 2018. 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:	
2019	\$ 15,514
2020	17,431
2021	4,906
2022	(5,581)
2023	-
Thereafter	<u>-</u>
Total	<u>\$ 32,270</u>

**CITY OF TEMPLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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 August 26, 2019, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TEMPLE, GEORGIA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget Amounts		Actual	Variance from Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Taxes	\$ 2,068,500	\$ 2,270,959	\$ 2,276,582	\$ 5,623
Intergovernmental	8,000	-	11,819	11,819
Fines and forfeitures	452,200	628,425	628,412	(13)
Licenses and permits	50,250	39,914	21,445	(18,469)
Rental income	-	-	6,858	6,858
Recreation fees and donations	124,750	157,627	158,320	693
Interest income	1,300	1,398	1,398	-
Miscellaneous	10,700	37,029	26,899	(10,130)
TOTAL REVENUE	2,715,700	3,135,352	3,131,733	(3,619)
EXPENDITURES				
Current:				
General government	575,748	623,645	660,125	(36,480)
Public safety	1,244,056	1,384,470	1,397,600	(13,130)
Public works	429,039	316,609	382,181	(65,572)
Recreation and culture	586,648	552,806	479,618	73,188
Nondepartmental	58,700	45,516	45,516	-
Capital outlays	-	-	36,627	(36,627)
TOTAL EXPENDITURES	2,894,191	2,923,046	3,001,667	(78,621)
Excess (deficiency) of revenues over (under) expenditures	(178,491)	212,306	130,066	(82,240)
Other Financing Sources (Uses)				
Transfers	178,491	-	-	-
Total other financing sources (uses)	178,491	-	-	-
NET CHANGES IN FUND BALANCES	\$ -	\$ 212,306	\$ 130,066	\$ (82,240)

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
BUDGETARY COMPARISON SCHEDULE – SPLOST FUND (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance from Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
Intergovernmental	\$ 565,000	\$ 565,000	\$ 697,312	\$ 132,312
Interest	-	-	6	6
TOTAL REVENUE	<u>565,000</u>	<u>565,000</u>	<u>697,318</u>	<u>132,318</u>
EXPENDITURES				
Miscellaneous	-	-	64	(64)
Capital outlays	492,205	492,205	281,284	210,921
TOTAL EXPENDITURES	<u>492,205</u>	<u>492,205</u>	<u>281,348</u>	<u>210,857</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>72,795</u>	<u>72,795</u>	<u>415,970</u>	<u>343,175</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	(250,000)	(250,000)	(250,000)	-
NET CHANGES IN FUND BALANCE	<u>\$ (177,205)</u>	<u>\$ (177,205)</u>	<u>\$ 165,970</u>	<u>\$ 343,175</u>

An annual budget is prepared and approved by the Mayor and Council for the SPLOST 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 NET PENSION LIABILITY
AND RELATED RATIOS (UNAUDITED)
DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
TOTAL PENSION LIABILITY				
Service cost	\$ 30,337	\$ 33,198	\$ 17,628	\$ 21,213
Interest	58,629	53,865	49,613	46,364
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	47,000	4,457	17,086	1,372
Changes of assumptions	15,554	-	-	1,204
Benefit payments, including refunds of employee contributions	<u>(29,533)</u>	<u>(30,569)</u>	<u>(28,341)</u>	<u>(28,118)</u>
Net change in total pension liability	121,987	60,951	55,986	42,035
TOTAL PENSION LIABILITY – BEGINNING	<u>771,271</u>	<u>710,320</u>	<u>654,334</u>	<u>612,299</u>
TOTAL PENSION LIABILITY – ENDING (A)	<u>893,258</u>	<u>771,271</u>	<u>710,320</u>	<u>654,334</u>
PLAN FIDUCIARY NET POSITION				
Contributions – employer	39,205	28,662	28,367	41,910
Contributions – employee	-	-	-	-
Net investment income	74,518	67,253	1,770	47,355
Benefit payments, including refunds of employee contributions	(29,533)	(30,569)	(28,341)	(28,118)
Administrative expense	(5,027)	(4,880)	(3,198)	(2,923)
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	79,163	60,466	(1,402)	58,224
PLAN FIDUCIARY NET POSITION – BEGINNING	<u>599,207</u>	<u>538,741</u>	<u>540,143</u>	<u>481,919</u>
PLAN FIDUCIARY NET POSITION – ENDING (B)	<u>678,370</u>	<u>599,207</u>	<u>538,741</u>	<u>540,143</u>
NET PENSION LIABILITY – ENDING (A)-(B)	<u>\$ 214,888</u>	<u>\$ 172,064</u>	<u>\$ 171,579</u>	<u>\$ 114,191</u>
Plan fiduciary net position as a percentage of total pension liability	75.94%	77.69%	75.84%	82.55%
Covered-employee payroll	\$ 1,037,038	\$ 885,421	\$ 971,170	\$ 572,101
Net pension liability as a percentage of employee payroll	20.72%	19.43%	17.67%	19.96%

CITY OF TEMPLE, GEORGIA
SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN (UNAUDITED)
DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 40,998	\$ 38,608	\$ 25,347	\$ 29,374
Contributions in relation to the actuarially determined contribution	40,998	38,608	25,347	35,225
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,851)</u>
Covered-employee payroll	\$ 1,037,038	\$ 885,421	\$ 971,170	572,101
Contributions as a percentage of covered-employee payroll	3.95%	4.36%	2.61%	5.13%

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:

<i>Actuarial cost method</i>	Projected Unit Credit
<i>Amortization method</i>	Closed level dollar for remaining unfunded liability.
<i>Remaining amortization period</i>	Remaining amortization period varies for the bases, with a net effective amortization period of 14 years.
<i>Asset valuation method</i>	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.
<i>Inflation</i>	2.75%
<i>Salary increases</i>	3.25% plus service based merit increases
<i>Investment rate of return</i>	7.50%
<i>Retirement age</i>	RP-2000 mortality tables
<i>Mortality</i>	RP-2000 mortality tables

SUPPLEMENTARY INFORMATION

**CITY OF TEMPLE, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

1993 Referendum		Original Estimated Cost	Expenditures		
Number	Project		Prior Years	Current Year	Total
1	Water and Sewer	\$ 438,000	\$ 525,240	\$ -	\$ 525,240
2	Streets and Roads	295,000	263,837	-	263,837
3	Recreation and Culture	350,000	401,719	-	401,719
Total		<u>\$ 1,083,000</u>	<u>\$ 1,190,796</u>	<u>\$ -</u>	<u>\$ 1,190,796</u>

2003 Referendum		Original Estimated Cost	Expenditures		
Number	Project		Prior Years	Current Year	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	422,451	-	422,451
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		<u>\$ 2,752,500</u>	<u>\$ 2,074,554</u>	<u>\$ -</u>	<u>\$ 2,074,554</u>

2008 Referendum		Original Estimated Cost	SPLOST			Other Sources	
Number	Project		Prior Years	Current Year	Total	Prior Years	Current Year
1	Water and Sewer Projects	\$ 1,306,000	\$ 1,308,400	\$ -	\$ 1,308,400	\$ -	\$ -
2	Transportation Projects	296,388	296,388	-	296,388	-	-
3	Senior Center Projects	35,000	47,500	-	47,500	-	-
4	Administrative Projects	1,380,000	1,380,000	-	1,380,000	2,860	-
5	Recreation Projects	295,000	295,000	-	295,000	72,520	-
6	Police Department Projects	580,000	628,653	-	628,653	50,000	-
Total		<u>\$ 3,892,388</u>	<u>\$ 3,955,941</u>	<u>\$ -</u>	<u>\$ 3,955,941</u>	<u>\$ 125,380</u>	<u>\$ -</u>

**CITY OF TEMPLE, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS (UNAUDITED) – CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018**

2015 Referendum		Original Estimated Cost	SPLOST		Total	Other Sources	
Number	Project		Prior Years	Current Year		Prior Years	Current Year
1	Roads, Streets, Bridges and Sidewalks	\$ -	\$ 30,270	\$ -	\$ 30,270	\$ -	\$ -
2	Water Facilities and Equipment	129,205	-	23,609	23,609	-	-
3	Economic Development	-	-	-	-	-	-
4	Public Safety Facilities and Equipment	85,000	-	56,540	56,540	-	-
5	Administrative Facilities and Equipment	-	-	-	-	-	-
6	Sewer Facilities and Equipment	12,000	-	11,986	11,986	-	-
7	Senior Center Facilities and Equipment	-	-	-	-	-	-
8	Land Procurement	-	-	-	-	-	-
9	Greenspace Acquisition	-	-	-	-	-	-
10	Debt Service for Water/Sewer Systems	-	626,267	250,000	876,267	-	-
11	Unspecified	3,667,200	-	112,234	112,234	-	-
	Total	\$ 3,893,405	\$ 656,537	\$ 454,369	\$ 1,110,906	\$ -	\$ -
2017 LMIG Capital Projects		Original Estimated Cost	SPLOST		Total	Other Sources	
Number	Project		Prior Years	Current Year		Prior Years	Current Year
1	Capital Infrastructure	\$ 102,313	\$ 42,080	\$ 76,900	\$ 118,980	\$ -	\$ -
	Total	\$ 102,313	\$ 42,080	\$ 76,900	\$ 118,980	\$ -	\$ -

**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, each major fund and the aggregate remaining fund information of the City of Temple, Georgia (the City), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 26, 2019.

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 have not been identified. We did identify 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 deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. (2018-001, 2018-002, and 2018-003)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency. (2018-004)

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.

City of Temple, Georgia's Response to Findings

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

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
August 26, 2019

**CITY OF TEMPLE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2018**

FINANCIAL STATEMENT FINDINGS

This section identifies the material weaknesses related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

2018-001

Utility Billing (Material Weakness)

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 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's Response and Corrective Action Plan

The City would agree that there has continued to be several weaknesses in the internal controls over utility billing, and that a series of clear policies and procedures need to be developed. Some improvements were made in 2018 and the number of instances of inconsistency was reduced; however, significant improvement needs to occur in the area of meter reading. Also, City management must write and implement a more definitive set of utility billing policies and procedures. The City's 2017 "response and corrective action plan" stated that a series of written policies and procedures would be developed and put in place in 2018; and the City acknowledges this was not done, although there was more consistency in 2018 in how individual billing issues were handled.

The entire process of utility billing is to be revamped in 2019. Key to this will be a total change in how the City handles meter readings. The current error-prone process of manually reading the water meters each month is to be replaced with an AMI (automatic meter internet) system, which will be far more accurate and much more efficient.

**CITY OF TEMPLE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2018**

2018-002

Controls over Amounts Recorded in the Financial Statements (Material Weakness)

Timely and accurate financial information is important for critical management and Council oversight decisions. 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. These adjustments appear to have resulted because certain internal controls, including transactional reviews and approvals, were not functioning as designed or were not performed. In addition, there was turnover in the accounting function.

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's Response and Corrective Action Plan

While the City has had some turnover of staff in the accounting function, this City government would expect controls to continue to operate, although completion of certain functions might take longer. The City plans to implement policies and procedures to ensure timely and accurate recording of financial information.

**CITY OF TEMPLE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2018**

2018-003

Account Reconciliations (Material Weakness)

As a result of our audit procedures, we determined that certain balance sheet reconciliations were not occurring regularly, including at year-end prior to the start of the audit.

In order to make the financial reports generated by the accounting system as meaningful as possible, we recommend the City reconcile all of the general ledger accounts to supporting documentation on a monthly basis. Other account balances, such as loan balances, fixed assets, etc., should also be adjusted to the correct balances on a monthly basis. A benefit of monthly reconciliations is that errors do not accumulate but can be identified and attributed to a particular period, which makes it easier to perform future reconciliations.

Management's Response and Corrective Action Plan

The City would agree that balance sheet reconciliations should occur on a regular basis, including monthly and year-end. As a result of this finding, the City has taken a close look at how the Finance Department functioned during the transition period from a part-time fiscal services consultant being responsible for day-to-day fiscal operations in the City of Temple government to the City's first full-time Finance Director assuming this responsibility. Under the oversight of the City Administrator, the Finance Director currently is putting in place a system that can be expected to deal with and to correct the problems.

**CITY OF TEMPLE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2018**

2018-004

Segregation of Duties (Significant Deficiency)

As a result of our audit procedures, we determined the City does not have proper segregation of duties in place to mitigate and deter error and/or fraud over certain processes.

We recommend the City implement processes and controls in which there are segregation of duties within all of the accounting functions, which provides a review and approval over the process by separate individuals.

Management's Response and Corrective Action Plan

The City understands and agrees with the need to have a segregation of duties within the accounting process. As a result of this finding, the City is committed to taking additional steps to segregate duties in the review and approval process, even if it means employing a second part-time employee or assigning certain duties to the City Clerk or to the City Administrator.