# TOWN OF DAVISBORO, GEORGIA

## FINANCIAL STATEMENTS

For the Year Ended July 31, 2014

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# INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council
Town of Davisboro, Georgia

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Davisboro, Georgia, as of and for the year ended July 31, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

*Management's Responsibility for the Financial Statements*

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

*Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit, We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and 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, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town of Davisboro, Georgia, as of July 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Other Matters*

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that budgetary comparison information on pages 28 through 31 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.

The Town of Davisboro, Georgia has not presented management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financials 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. Our opinion on the basic financial statements is not affected by this missing information.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Davisboro, Georgia's basic financial statements. The schedule of projects constructed with special sales tax proceeds and the other schedules included in other supplementary information as described in the accompanying table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The schedule of projects constructed with special sales tax proceeds and the other schedules included in other supplementary information as described in the accompanying table of contents is the responsibility of management and was derived from and relates 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 or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated January 9, 2015 on our consideration of the Town of Davisboro, Georgia's internal control over financial reporting and on our tests 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 Town of Davisboro, Georgia's internal control over financial reporting and compliance.

Wright & Wright, P. C.

January 9, 2015

## BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the Governmental Accounting Standards Board ("GASB"). The sets of statements include:

- Government-wide financial statements
- Fund financial statements:
  - Governmental funds
  - Proprietary (enterprise) fund

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

TOWN OF DAVISBORO, GEORGIA
STATEMENT OF NET POSITION
JULY 31, 2014

| | Primary Government | | |
|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES: | | | |
| Current assets: | | | |
| Cash and cash equivalents | $ 56,660 | $ 285,351 | $ 342,011 |
| Accounts receivable, net | 11,846 | 54,085 | 65,931 |
| Receivable from other governments | 20,431 | - | 20,431 |
| Internal balances | - | - | - |
| Total current assets | 88,937 | 339,436 | 428,373 |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Nondepreciable | 223,128 | 90,560 | 313,688 |
| Depreciable, net | 720,515 | 3,004,711 | 3,725,226 |
| Total noncurrent assets | 943,643 | 3,095,271 | 4,038,914 |
| Deferred outflows of resources | - | - | - |
| Total assets and deferred outflows of resources | 1,032,580 | 3,434,707 | 4,467,287 |
| LIABILITIES AND DEFERRED INFLOWS OF RESOURCES: | | | |
| Current liabilities: | | | |
| Accounts payable | 4,111 | 9,059 | 13,170 |
| Current portion of long-term debt | - | 39,333 | 39,333 |
| Meter deposits held | - | 13,546 | 13,546 |
| Other accrued liabilities | 2,484 | 466 | 2,950 |
| Total current liabilities | 6,595 | 62,404 | 68,999 |
| Noncurrent liabilities: | | | |
| Notes payable, less current portion | - | 62,624 | 62,624 |
| Deferred inflows of resources | - | - | - |
| Total liabilities and deferred inflows of resources | 6,595 | 125,028 | 131,623 |
| NET POSITION: | | | |
| Net investment in capital assets | 943,643 | 2,990,608 | 3,934,251 |
| Restricted for: | | | |
| Transportation improvements | 53,173 | - | 53,173 |
| Capital projects | 18,975 | - | 18,975 |
| Housing and development | 8,524 | - | 8,524 |
| Unrestricted | 1,670 | 319,071 | 320,741 |
| | $ 1,025,985 | $ 3,309,679 | $ 4,335,664 |

See accompanying notes to the basic financial statements

# TOWN OF DAVISBORO, GEORGIA
## STATEMENT OF ACTIVITIES
## FOR THE YEAR ENDED JULY 31, 2014

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities | Net (Expense) Revenue and Changes in Net Position: Primary Government: Business-type Activities | Net (Expense) Revenue and Changes in Net Position: Primary Government: Total |
|---|---|---|---|---|---|---|---|
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | $ 263,049 | $ 1,770 | $ 3,930 | $ 34,868 | $ (222,481) | $ - | $ (222,481) |
| Public safety | 112,641 | 2,340 | 33,652 | - | (76,649) | - | (76,649) |
| Streets and sanitation | 110,987 | 27,102 | 44,141 | - | (39,744) | - | (39,744) |
| Housing and development | 93,356 | - | 101,762 | - | 8,406 | - | 8,406 |
| Interest on long-term debt | 471 | - | - | - | (471) | - | (471) |
| Total governmental activities | 580,504 | 31,212 | 183,485 | 34,868 | (330,939) | - | (330,939) |
| Business-type activities: | | | | | | | |
| Water and sewer fees | 568,445 | 572,950 | - | - | - | 4,505 | 4,505 |
| Total business-type activities | 568,445 | 572,950 | - | - | - | 4,505 | 4,505 |
| Total primary government | $ 1,148,949 | $ 604,162 | $ 183,485 | $ 34,868 | (330,939) | 4,505 | (326,434) |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes | | | | | 18,694 | - | 18,694 |
| General sales and use tax | | | | | 68,437 | - | 68,437 |
| Franchise tax | | | | | 36,209 | - | 36,209 |
| Insurance company premium tax | | | | | 103,684 | - | 103,684 |
| Other taxes | | | | | 11,624 | - | 11,624 |
| Interest and dividend earnings | | | | | - | 146 | 146 |
| Miscellaneous | | | | | 17,105 | - | 17,105 |
| Transfers | | | | | 112,412 | (112,412) | - |
| Total general revenues and transfers | | | | | 368,165 | (112,266) | 255,899 |
| Change in net position | | | | | 37,226 | (107,761) | (70,535) |
| Net position, beginning | | | | | 988,759 | 3,417,440 | 4,406,199 |
| Net position, ending | | | | | $ 1,025,985 | $ 3,309,679 | $ 4,335,664 |

See accompanying notes to the basic financial statements

TOWN OF DAVISBORO, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JULY 31, 2014

| | General Fund | Capital Projects Fund (2005) | Capital Projects Fund (2009) | CDBG Fund (2012) | Transportation Special Revenue Fund | Total Governmental Funds |
|---|---|---|---|---|---|---|
| ASSETS: | | | | | | |
| Cash and cash equivalents | $ 1,573 | $ 28 | $ 10,495 | $ 8,524 | $ 36,040 | $ 56,660 |
| Accounts receivable, net | 11,846 | - | - | - | - | 11,846 |
| Receivable from other funds | - | - | 2,575 | - | 14,640 | 17,215 |
| Receivable from other governments | 12,061 | - | 5,877 | - | 2,493 | 20,431 |
| Total assets | $ 25,480 | $ 28 | $ 18,947 | $ 8,524 | $ 53,173 | $ 106,152 |
| LIABILITIES: | | | | | | |
| Accounts payable | $ 4,111 | $ - | $ - | $ - | $ - | $ 4,111 |
| Other liabilities | 2,484 | - | - | - | - | 2,484 |
| Payable to other funds | 17,215 | - | - | - | - | 17,215 |
| Total liabilties | 23,810 | - | - | - | - | 23,810 |
| DEFERRED INFLOWS OF RESOURCES: | | | | | | |
| Property taxes | 6,606 | - | - | - | - | 6,606 |
| FUND BALANCES: | | | | | | |
| Non-spendable fund balance | - | - | - | - | - | - |
| Restricted fund balance: | | | | | | |
| Capital projects | - | 28 | 18,947 | - | - | 18,975 |
| Transportation improvements | - | - | - | - | 53,173 | 53,173 |
| Housing and development | - | - | - | 8,524 | - | 8,524 |
| Unrestricted fund balance: | | | | | | |
| Committed fund balance | - | - | - | - | - | - |
| Assigned fund balance | - | - | - | - | - | - |
| Unassigned fund balance | (4,936) | - | - | - | - | (4,936) |
| Total fund balances | (4,936) | 28 | 18,947 | 8,524 | 53,173 | 75,736 |
| Total liabilities, deferred inflows of resources, and fund balance | $ 25,480 | $ 28 | $ 18,947 | $ 8,524 | $ 53,173 | |

| | |
|---|---|
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of $384,123 | 943,643 |
| period expenditures and therefore are deferred in the funds: Accounts receivable, net of allowance for doubtful accounts of $0 | 6,606 |
| Long-term notes payable are not due and payable in the current period and therefore are not reported in the funds | - |
| Net position of governmental activities | $ 1,025,985 |

See accompanying notes to the basic financial statements

TOWN OF DAVISBORO, GEORGIA
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JULY 31, 2014

| | General Fund | Capital Projects Fund (2005) | Capital Projects Fund (2009) | CDBG Fund (2012) | Transportation Special Revenue Fund | Total Governmental Funds |
|---|---|---|---|---|---|---|
| REVENUES: | | | | | | |
| Taxes | $ 240,885 | $ - | $ - | $ - | $ 29,501 | $ 270,386 |
| Licenses and permits | 1,770 | - | - | - | - | 1,770 |
| Intergovernmental | 33,652 | - | 34,855 | 101,762 | 14,640 | 184,909 |
| Charges for services | 29,442 | - | - | - | - | 29,442 |
| Other | 21,035 | 1 | 12 | - | - | 21,048 |
| Total revenues | 326,784 | 1 | 34,867 | 101,762 | 44,141 | 507,555 |
| EXPENDITURES: | | | | | | |
| Current operating: | | | | | | |
| General government | 235,837 | - | - | - | - | 235,837 |
| Street department | 102,629 | - | - | - | - | 102,629 |
| Public safety | 109,881 | - | - | - | - | 109,881 |
| Housing and development | - | - | - | 93,356 | - | 93,356 |
| Debt service: | | | | | | |
| Principal | 15,504 | - | 18,699 | - | - | 34,203 |
| Interest and other charges | - | - | 471 | - | - | 471 |
| Capital outlays | - | 850 | 17,822 | - | - | 18,672 |
| Total expenditures | 463,851 | 850 | 36,992 | 93,356 | - | 595,049 |
| Excess (deficiency) of revenues over expenditures | (137,067) | (849) | (2,125) | 8,406 | 44,141 | (87,494) |
| OTHER FINANCING SOURCES (USES): | | | | | | |
| Loan proceeds | - | - | - | - | - | - |
| Transfers in (out) | 112,294 | - | - | 118 | - | 112,412 |
| Total other financing sources and uses | 112,294 | - | - | 118 | - | 112,412 |
| Net change in fund balance | (24,773) | (849) | (2,125) | 8,524 | 44,141 | 24,918 |
| FUND BALANCE, beginning of year | 19,837 | 877 | 21,072 | - | 9,032 | 50,818 |
| FUND BALANCE, end of year | $ (4,936) | $ 28 | $ 18,947 | $ 8,524 | $ 53,173 | $ 75,736 |

(Continued)

See accompanying notes to the basic financial statements

# TOWN OF DAVISBORO, GEORGIA

## STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

## FOR THE YEAR ENDED JULY 31, 2014

| | |
|---|---|
| Net change in fund balances - total governmental funds | $ 24,918 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | |
| Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets: | |
| Capital outlays | 18,672 |
| Depreciation | (38,330) |
| | (19,658) |
| The effect of various capital asset disposals and sales, net of accumulated depreciation | - |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds: | |
| Receivables, net of deferred revenue | (2,237) |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position: | |
| Issuance of long-term debt | - |
| Repayment of long-term debt | 34,203 |
| | 34,203 |
| | $ 37,226 |

See accompanying notes to the basic financial statements

TOWN OF DAVISBORO, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUND
JULY 31, 2014

| | Water and Sewer Fund |
|---|---|
| **ASSETS** | |
| CURRENT ASSETS: | |
| Cash in bank | $ 285,351 |
| Accounts receivable, net of allowance of $382 | 54,085 |
| Total current assets | 339,436 |
| CAPITAL ASSETS: | |
| Land and improvements | 26,978 |
| Furniture and fixtures | 30,792 |
| Distribution system | 5,326,090 |
| Vehicles | 67,936 |
| Construction in progress | 63,582 |
| | 5,515,378 |
| Less accumulated depreciation | (2,420,107) |
| Total capital assets | 3,095,271 |
| Total assets | 3,434,707 |
| **LIABILITIES** | |
| CURRENT LIABILITIES: | |
| Accounts payable | 9,059 |
| Current portion of long-term debt | 39,333 |
| Payroll taxes payable | 466 |
| Meter deposits held | 13,546 |
| Total current liabilities | 62,404 |
| NONCURRENT LIABILITIES | |
| Notes payable, net of current portion | 62,624 |
| Total liabilities | 125,028 |
| **NET POSITION** | |
| NET INVESTMENT IN CAPITAL ASSETS | 2,990,608 |
| UNRESTRICTED | 319,071 |
| Total net position | $ 3,309,679 |

See accompanying notes to the basic financial statements

TOWN OF DAVISBORO, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PRORIETARY FUND
FOR THE YEAR ENDED JULY 31, 2014

| | Water and Sewer Fund |
|---|---|
| OPERATING REVENUES: | |
| Water sales | $ 535,390 |
| Sewer charges | 37,560 |
| Total operating revenue | 572,950 |
| OPERATING EXPENSES: | |
| Personal services and employee benefits: | |
| Salaries | 111,230 |
| Payroll taxes | 9,140 |
| Purchased/contracted services: | |
| Repairs and replacement | 41,747 |
| Advertising | - |
| Professional fees | 11,387 |
| Testing | 6,643 |
| Insurance | 49,748 |
| Retirement plan | 12,943 |
| Supplies: | |
| Chemicals and supplies | 29,882 |
| Office supplies | 2,866 |
| Utilities and communication | 96,402 |
| Depreciation | 166,877 |
| Miscellaneous | 13,271 |
| Total operating expenses | 552,136 |
| OPERATING INCOME | 20,814 |
| NON-OPERATING REVENUES (EXPENSES): | |
| Interest income | 146 |
| Interest expense | (3,609) |
| Contributions to the Volunteer Fire Department | (12,700) |
| Total non-operating revenues (expenses) | (16,163) |
| NET INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS | 4,651 |
| CAPITAL CONTRIBUTIONS: | |
| Contribution from Capital Projects Funds | - |
| NET INCOME BEFORE TRANSFERS | 4,651 |
| TRANSFERS IN (OUT): | |
| General Fund | (112,412) |
| NET INCOME (LOSS) | (107,761) |
| NET POSITION, beginning of year | 3,417,440 |
| NET POSITION, end of year | $ 3,309,679 |

See accompanying notes to the basic financial statements

TOWN OF DAVISBORO, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JULY 31, 2014

| | Water and Sewer Fund |
|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Cash received from customers | $ 572,348 |
| Cash paid to suppliers for goods and services | (266,265) |
| Cash paid to employees | (119,904) |
| Net cash provided by (used for) operating activities | 186,179 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | |
| Contribution to Volunteer Fire Department | (12,700) |
| Transfer from (to) other funds | (112,411) |
| Net cash provided by (used for) noncapital financing activities | (125,111) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | |
| Purchase of capital assets | (14,477) |
| Proceeds from long-term debt | - |
| Principal paid on capital debt | (43,614) |
| Interest paid on capital debt | (3,609) |
| Net cash provided by (used for) capital and related financing activities | (61,700) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Interest received | 146 |
| Net cash provided by (used for) investing activities | 146 |
| NET INCREASE (DECREASE) IN CASH | (486) |
| CASH AND CASH EQUIVALENTS, beginning of year | 285,837 |
| CASH AND CASH EQUIVALENTS, end of year | $ 285,351 |
| RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES: | |
| Net operating income (loss) | $ 20,814 |
| Adjustments to reconcile net operating income (loss) to net cash provided by operating activities: | |
| Cash flows reported in other categories: | |
| Depreciation expense | 166,877 |
| Changes in assets and liabilities: | |
| Accounts receivable | (603) |
| Accounts payable | (578) |
| Payroll taxes payable | 466 |
| Meter deposits held | (797) |
| Net cash provided by (used for) operating activities | $ 186,179 |

See accompanying notes to the basic financial statements

# 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## A. Reporting Entity

The financial statements of Town of Davisboro (the "Town ") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. As required by GAAP, these financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the Town's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the Town.

Currently, the Town has no blended component units or discretely presented component units.

## B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position report information on all of the nonfiduciary activities of the Town (the primary government) and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Town has elected not to allocate indirect costs among the programs, functions and segments. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

## C. Measurement Focus, Basis of Accounting and Basis of Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, including accrued interest on general long-term debt, is recognized when due, and certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the Town and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The Town reports the following major governmental funds:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Projects Fund (2005) accounts for capital outlay and other transactions related to the additional one-percent local option sales tax in effect for the period July 1, 2005 to September 30, 2009.

The Capital Projects Fund (2009) accounts for capital outlay and other transactions related to the additional one-percent local option sales tax in effect for the period October 1, 2009 to September 30, 2014.

The Transportation Special Revenue Fund accounts for capital outlay and other transportation improvements related to the additional one-percent local option sales tax in effect for the period January 1, 2013 to December 31, 2022.

The 2012 Community Development Block Grant ("CDBG") Fund accounts for a 2012 grant of $421,594 for the rehabilitation and reconstruction of private properties.

The Town reports the following major proprietary fund:

> The Water and Sewer Fund is used to account for the provision of water and sewer services to businesses and residents of the Town. All activities necessary to provide such services are accounted for in the fund, including but not limited to, administration, operation, financing and related debt services, and billing and collections.

The Town complies with Governmental Accounting Standards Board ("GASB") Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting. This Statement requires the Town to apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB's). As permitted by GASB No. 20, the Town has elected not to comply with the FASB Statements and Interpretations issued after November 30, 1989.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's proprietary funds are charges to customers for sales and services; operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

## D. Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Town.

Investments, if any, are stated at fair market value with unrealized holding gains and losses reported as the "Change in fair market value of investments" in the Statement of Revenues, Expenses and Changes in Net Position.

## E. Inventory

Materials purchased in the proprietary fund are expensed as purchased and are not inventoried at year end due to lack of materiality.

## F. Prepaid Items

Prepaid balances, if any, are for payments made by the Town in the current year to provide services occurring in the subsequent fiscal year, and a reserve for prepaid items isrecognized to signify that a portion of fund balance is not available for other subsequent expenditures.

## G. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, sidewalks, distribution systems and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an estimated useful life in excess of two years and an original cost of $1,500 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. Infrastructure assets totaling $0 were completed during the year ended July 31, 2014. At July 31, 2014, $23,191 of construction-in-progress was related to infrastructure assets.

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows

| | |
|---|---|
| Buildings | 30-40 years |
| Machinery and equipment | 5-25 years |
| Infrastructure | 40-50 years |

## H. Compensated Absences

Accumulated leave of governmental funds that is expected to be liquidated with expendable available financial resources is reported as an expenditure in the fund financial statements. All accumulated leave, including that which is not expected to be liquidated with expendable available financial resources, is reported in the government-wide financial statements. Accumulated leave of Enterprise Funds is recorded as an expense and liability of the respective fund as the benefits accrue to employees. Liabilities for compensated absences are recorded as other liabilities and accrued expenses in the Water and Sewer Fund. In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

The Town does not allow accumulated vacation pay beyond one year; therefore there is no significant unrecorded balance at July 31, 2014.

## I. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietaryfund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charged and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## J. Equity Classifications

The City has implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This new standard changed the overall definitions and classifications of governmental fund balances.

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

### Fund Balance

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

**Nonspendable** - Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e. items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

**Restricted** - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**Committed** - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. Only the City Council may modify or rescind the commitment.

**Assigned** – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City's finance committee to assign fund balances.

**Unassigned** - Fund balances are reported as unassigned when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the General Fund. Negative unassigned balances may be reported in all funds.

The City uses restricted amounts to be spent first when both restricted and unrestricted fund balances are available, unless there are legal documents/contracts that prohibit the use of restricted fund balances, such as grant agreements that require a dollar match. Additionally, the City would then use committed, assigned and lastly unassigned amounts from the unrestricted fund balance when expending funds.

The City does not have a formal minimum fund balance policy; however, the City Council address various target reserve positions which are reviewed periodically.

**Net Position**

**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 position that do not meet the definition of "restricted" or "net investment in capital assets."

## K. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially

made from it that are properly chargeable to another fund, are recorded as expenditures/ expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

## 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Budgetary Basis

GAAP is the budgetary basis used in the preparation of these statements.

### Budget Requirements, Accounting and Reporting

The Town follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to year end the Town Clerk submits to the Council a proposed operating budget for the fiscal year commencing the following August 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Council holds a public hearing on the budget, giving notice thereof at least ten days in advance by publication in the official organ of Town of Davisboro.
3. The budget is then revised and adopted or amended by the Council at a regular meeting early in the year to which it applies.
4. The budget so adopted may be revised during the year only by formal action of the Council in a regular meeting and no increase shall be made therein without provision also being made for financing same.
5. The legal level of budgetary control is the department level within the General Fund. Increases in the total appropriations of a department, whether accomplished through an increase in estimated revenues or through a transfer of appropriations among departments, require the approval of the Mayor and Council.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund. The budgets for the General Fund and Special Revenue Funds are adopted on a basis consistent with GAAP.
7. Budgeted amounts are as originally adopted, or as amended by the Council. Individual amendments were not material in relation to the original appropriations which were amended.

### Excesses of Expenditures over Appropriations in Individual Funds

The following general fund departments had excesses of actual expenditures over appropriations in the amount shown for the year ended July 31, 2014:

| | |
|---|---|
| General government | $ 47,233 |
| Streets and sanitation | 49,569 |
| Debt service - principal | 15,504 |

These overexpenditures were funded by greater than anticipated revenues and by available fund balance. The Mayor and Council plan in the future to more closely monitor expenditures to determine if budget amendments need to be made or if cost cutting measures need to be formulated.

## 3. DEPOSITS AND INVESTMENTS

Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of July 31, 2014, none of the Town's $342,011 was exposed to custodial credit risk.

Investments - There were no investments at July 31, 2014.

## 4. PROPERTY TAXES

The value of all real and business personal property located in the Town is assessed (appraised) as of each January 1. Taxable assessed value represents the appraisal value less applicable exemptions authorized by the Town Council. Appraised values are established by the Washington County Board of Tax Assessors at 40% of estimated fair market value. Taxes are collected by the Washington County Tax Commissioner. Taxes were levied when the milleage rate was set on or about August 31, 2013. Taxes were billed on or about October 1, 2013 and were due December 10, 2013 after which date penalties and interest were assessed. Property on which taxes are not paid within 60 days of mailing may then be levied on by the Town. Current tax collections for the years ended July 31, 2014, were 99.4% of the tax levy.

Property taxes are recorded as receivables and deferred at the time the tax levy is billed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible within sixty days following the close of the fiscal year, and therefore susceptible to accrual in accordance with GAAP have been recognized as revenue.

## 5. ACCOUNTS RECEIVABLE

At July 31, 2014, accounts receivable consisted of the following:

| | Governmental Activities | Business-type Activities | Total |
|---|---|---|---|
| General Fund: | | | |
| Property tax | $ 7,269 | $ - | $ 7,269 |
| Local option sales tax | 12,061 | - | 12,061 |
| Garbage fees receivable | 4,577 | - | 4,577 |
| Capital Projects Fund (2009) SPLOST | 5,877 | - | 5,877 |
| Transportation Special Revenue Fund | 2,493 | - | 2,493 |
| Water and Sewer Fund - water and sewer fees | - | 54,467 | 54,467 |
| | 32,277 | 54,467 | 86,744 |
| Allowance for doubtful accounts | - | (382) | (382) |
| | $ 32,277 | $ 54,085 | $ 86,362 |

## 6. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended July 31, 2014 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| **Governmental activities:** | | | | |
| Not being depreciated: | | | | |
| Land | $ 199,937 | $ - | $ - | $ 199,937 |
| Construction-in-progress | 23,191 | - | - | 23,191 |
| Subtotal | 223,128 | - | - | 223,128 |
| Other capital assets: | | | | |
| Buildings | 778,366 | 18,147 | - | 796,513 |
| Equipment | 307,600 | 525 | - | 308,125 |
| Infrastructure | - | - | - | - |
| Subtotal | 1,309,094 | 18,672 | - | 1,327,766 |
| Accumulated depreciation: | | | | |
| Buildings | 160,782 | 21,543 | - | 182,325 |
| Equipment | 185,011 | 16,787 | - | 201,798 |
| Infrastructure | - | - | - | - |
| Subtotal | 345,793 | 38,330 | - | 384,123 |
| Net capital assets | $ 963,301 | $ (19,658) | $ - | $ 943,643 |
| **Business-type activities:** | | | | |
| Not being depreciated: | | | | |
| Land | $ 26,978 | $ - | $ - | $ 26,978 |
| Construction-in-progress | 49,105 | 14,477 | - | 63,582 |
| Subtotal | 76,083 | 14,477 | - | 90,560 |
| Other capital assets: | | | | |
| Furniture and fixtures | 30,792 | - | | 30,792 |
| Vehicles | 67,936 | - | - | 67,936 |
| Infrastructure | 5,326,090 | - | - | 5,326,090 |
| Subtotal | 5,500,901 | 14,477 | - | 5,515,378 |
| Accumulated depreciation: | | | | |
| Furniture and fixtures | 20,547 | 1,025 | - | 21,572 |
| Vehicles | 46,275 | 3,839 | - | 50,114 |
| Infrastructure | 2,186,408 | 162,013 | - | 2,348,421 |
| Subtotal | 2,253,230 | 166,877 | - | 2,420,107 |
| Net capital assets | $ 3,247,671 | $ (152,400) | $ - | $ 3,095,271 |

Depreciation was charged to functions as follows:

| | |
|---|---|
| Governmental activities: | |
| General government | $ 27,212 |
| Public safety | 2,760 |
| Street department | 8,358 |
| | $ 38,330 |

## 7. LONG-TERM DEBT

Outstanding Debt:

At July 31, 2014, long-term debt consisted of the following:

| | Governmental Activities | Water Enterprise Fund Debt |
|---|---|---|
| $192,114 note payable to Kansas State Bank to purchase an aeration system; interest at 4.87%; due in monthly principal and interest payments of $3,619 to January 2017 | $ - | $ 101,957 |
| Total long-term debt | $ - | $ 101,957 |

Following is a summary of changes in long-term debt for the year ended July 31, 2014:

| | Balance August 1, 2013 | Additions | Reductions | Balance July 31, 2014 | Amount Due in One Year |
|---|---|---|---|---|---|
| Governmental type activities: | | | | | |
| Note payable | $ 34,203 | $ - | $ (34,203) | $ - | $ - |
| Business type activities: | | | | | |
| Note payable | $ 145,571 | $ - | $ (43,614) | $ 101,957 | $ 39,333 |

Annual Requirements to Retire Debt Obligations:

The annual maturities for the years subsequent to July 31, 2014 are as follows:

| | Governmental Activities | | Water and Sewer Note Payable | |
|---|---|---|---|---|
| Year Ending July 31 | Principal | Interest | Principal | Interest |
| 2015 | $ - | $ - | $ 39,333 | $ 4,099 |
| 2016 | - | - | 41,291 | 2,140 |
| 2017 | - | - | 21,333 | 305 |
| | $ - | $ - | $ 101,957 | $ 6,544 |

## 8. FUND DEFICITS

The General Fund had a negative fund balance at July 31, 2014 of $4,936. The Mayor and Council expect future revenues and transfers to rectify this fund deficit.

## 9. INTERFUND TRANSACTIONS AND BALANCES

Balances due to/from other funds at July 31, 2014, consist of the following –

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| Transportation Fund | General Fund | $ 14,640 |
| Capital Projects Fund (2009) | General Fund | 2,575 |
| | | $ 17,215 |

The balance due from the Transportation Fund and the Capital Projects Fund (2009) from the General Fund were both the result of deposits made in error into the General Fund. Both amounts will be repaid to the respective fund during fiscal year ended July 31, 2015.

Transfers:

| | Transfers In | Transfers Out |
|---|---|---|
| General Fund: | | |
| Water Fund | $ 112,411 | $ - |
| CDBG Fund 2012 | - | 118 |
| Water Fund: | | |
| General Fund | - | 112,411 |
| CDBG Fund 2012: | | |
| General Fund | 118 | |

Transfers are used to utilize unrestricted revenues collected in the Water Fund to finance various programs accounted for in the General Fund in accordance with budgetary authorizations.

## 10. COMMITMENTS AND CONTINGENCIES

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

### Litigation

Various claims and lawsuits are pending against the Town. In the opinion of Town management, after consultation with legal counsel, the potential loss on all claims and lawsuits will not materially effect the Town's financial position.

## 11. DEFINED BENEFIT PENSION PLAN

### A. Plan Description

The Town has a non-contributory plan covering all full time employees. The plan is administered by the Georgia Municipal Employees Benefit System (GMEBS), a statewide agent multiple-employer type plan. GMEBS handles all administrative and investment functions relative to the plan. The plan provides pension benefits and death and disability benefits for all employees that have been employed full time for one year.

Employees become vested after ten years of service. Members may retire on reaching the age of 55 or 65, depending on years of service. Benefits are calculated at 1.5% of the average monthly earnings for the period of the five highest years prior to retirement. The benefit provisions and contribution requirements are established by GMEBS and the Adoption Agreement executed by the Town.

As of January 1, 2014, the date of the latest actuarial valuation study, employee membership data related to the current plan membership was as follows:

| | |
|---|---|
| Retirees and beneficiaries currently receiving benefits | 7 |
| Terminated employees entitled to benefits but not yet receiving them | 1 |
| Current active employees: | |
| Vested | 6 |
| Nonvested | 4 |
| Total membership in the plan | 18 |
| Total current year covered payroll | $179,710 |

### B. Summary of Significant Accounting Policies

Financial statements of the plan are prepared on the accrual basis of accounting. Contributions from the Town are recognized as revenue as billed by GMEBS. Investment income is recognized as earned by the plan. The net appreciation (depreciation) in the fair value of investments held by the pension plan is recorded as the valuation of investments at the end of each month during the period.

There are no investments in, loans to, or leases with parties related to the pension plan.

C. **Funding Status and Progress**

The amount shown as the "Actuarial Value of Plan Assets" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. This measure is the actuarial present value of credited projected benefits and is intended to: (1) help users assess the retirement plans funding status on a going-concern basis, (2) assess progress being made in accumulating sufficient assets to pay benefits when due and (3) allow for comparisons among public employee retirement plans. The actuarial value of plan assets was determined as part of an actuarial valuation of the plan as of January 1, 2014. Significant actuarial assumptions used in determining the actuarial value of plan assets include: (a) a rate of return on the investment of present and future assets of 7.75% per year, (b) projected salary increases of 3.50% per year, attributable to inflation, (c) inflation rate assumption of 3.50%, and (d) the assumption that benefits will not increase after retirement.

The method used to determine the actuarial value of assets is to calculate the sum of the actuarial value at the beginning of the 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 the end of the year. The actuarial value is adjusted, if necessary, to be within 50% of market value of 2009, 44% of market value for 2010, 38% of market value for 2011, 32% of market value for 2012, 26% of market value for 2013, and 20% of market value for 2014 and later years. The amortization of the unfunded actuarial accrued liability is level dollar over 30 years for the initial unfunded accrued liability, 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods. These amortization periods, if applicable, are closed for this plan year.

The weighted average rate of return used in determining the actuarial present value of accumulated plan benefits was 7.75%.

D. **Contributions Required and Contributions Made**

As a participant in the GMEBS, the Town receives a separate annual actuarial valuation as of January 1. The Town is required to pay the required annual actuarial contribution to GMEBS on a monthly basis. These contributions are determined under the projected unit credit actuarial cost method. The actuarial funding method is the same method used in computing the actuarial value of plan assets. Total pension costs were $29,583 for the year ended July 31, 2014, which includes amortization of past service costs over 30 years. This contribution amounted to 16.5% of the total covered payroll. The Town's total payroll was $309,965 and the covered payroll was $179,710. There were no changes in methods or assumptions from the prior valuation.

The significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the actuarial accrued liability as described in C. above.

## E. Historical Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. The required ten-year trend information is not presented in the GMEBS annual financial report.

The required three-year historical information is as follows:

| Fiscal Year | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|---|---|---|---|
| 2008* | $ 34,812 | 100% | - |
| 2009 | 26,110 | 100% | - |
| 2010 | 85,742 | 100% | - |
| 2011 | 36,232 | 100% | - |
| 2012 | 34,861 | 100% | - |
| 2013 | 21,335 | 100% | - |
| 2014 | 29,583 | 100% | |

* First year of plan.

**Required Supplementary Information**
**Analysis of Funding Progress**

| Fiscal Year | Actuarial Value of Plan Assets | Actuarial Accrued Liability | Per-centage Funded (1)/(2) | Unfunded Actuarial Accrued Liability (AL) (2) - (1) | Annual Covered Payroll (prior year) | Unfunded AL as Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| 2008 | $174,994 | $ 297,862 | 59% | $122,868 | $162,227 | 75.7% |
| 2009 | 143,686 | 336,043 | 43% | 192,357 | 165,476 | 116.2% |
| 2010 | 206,811 | 351,182 | 59% | 144,371 | 165,476 | 87.2% |
| 2011 | 290,233 | 388,239 | 74% | 98,006 | 173,958 | 56.3% |
| 2012 | 316,034 | 389,913 | 81% | 73,879 | 77,000 | 95.9% |
| 2013 | 329,578 | 415,091 | 79% | 85,513 | 170,000 | 50.3% |
| 2014 | 339,318 | 445,284 | 76% | 105,966 | 179,710 | 59.0% |

Analysis of the dollar amounts of actuarial value of plan assets, actuarial accrued liability and unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of plan assets as a percentage of the actuarial accrued liability provides one indication of funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. Trends in unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the plan's progress in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

To obtain a copy of the financial report for the GMEBS pension plan, write to the following address:

Georgia Municipal Employees Benefit System
201 Pryor Street, SW
Atlanta, GA 30303

## 12. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors of omissions, job related illnesses or injuries to employees; natural disaster; and unemployment compensation.

There were no significant reductions of insurance coverage in the prior year. Management believes that the coverage is adequate to preclude any significant uninsured risk exposure to the Town. Settled claims have not exceeded the commercial excess coverage in any of the past three fiscal years.

### Risk Pool

The Town has elected to be a member of the Georgia Municipal Association Workers' Compensation Self-Insurance Fund (GMAWCSIF) and Georgia Interlocal Risk Management Agency (GIRMA), risk management agencies created under Georgia law. As a participant in the GMAWCSIF and GIRMA, the Town has no legal obligation to pay its own workers' compensation claims or general liability claims. The Town is required to make an annual contribution to the funds in an amount that is determined on the basis of actuarial projections of losses. With payment of the Town's annual contribution, the Town has effectively transferred the risk and responsibility for payment of its workers' compensation claims and general liability claims. However, the enabling statute creating the GMAWCSIF and GIRMA permits the funds to levy an assessment upon its members to make up any deficiency the fund may have in surplus or reserves. Since excess insurance is purchased by the GMASCSIF and GIRMA to protect the funds from catastrophic losses, no amount has been recorded in the financial statements for this contingency as management believes the likelihood for assessment is remote.

### Self Insurance

The Town is self-insured with regard to unemployment compensation claims. The Town accounts for claims with expenditures and liabilities being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. The Town has not experienced any claims related to unemployment compensation in the past three years.

## 13. JOINT VENTURE

Under Georgia law, the Town in conjunction with other cities and counties in the fourteen Town east central Georgia area, is a member of the Central Savannah River Area Regional Commission and is required to pay annual dues thereto. During its year ended July 31, 2014, the Town paid $1,768 in such dues. Membership in a Regional Commission is required by the OCGA Section 50-8-34 which provides for the organizational structure of the Regional Commission in Georgia. The Regional Commission Board membership includes the chief elected official of each Town and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of a Regional Commission. Separate financial statements may be obtained from:

Central Savannah River Area Regional Commission
2123 Wrightsboro Road
PO Box 2800
Augusta, Georgia 30914-2800

## 14. SUBSEQUENT EVENTS

Management of the Town has evaluated subsequent events through January 9, 2015, the date on which the financial statements were available to be issued.

## REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedules – General Fund, Transportation Special Revenue Fund and Community Development Block Grant Special Revenue Fund (2012)

TOWN OF DAVISBORO, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED JULY 31, 2014

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|---|---|---|---|
| REVENUES: | | | | |
| Taxes: | | | | |
| Ad valorem | $ 16,080 | $ 16,080 | $ 20,931 | $ 4,851 |
| Vehicle | 2,340 | 2,340 | 6,559 | 4,219 |
| Franchise tax | 780 | 780 | 36,209 | 35,429 |
| Alcoholic beverage excise | 4,116 | 4,116 | 3,891 | (225) |
| Local option sales tax | 80,544 | 80,544 | 68,437 | (12,107) |
| Insurance company premium | 101,470 | 101,470 | 103,684 | 2,214 |
| Intangible | 180 | 180 | 328 | 148 |
| Other | 3,960 | 3,960 | 846 | (3,114) |
| | 209,470 | 209,470 | 240,885 | 31,415 |
| Licenses and Permits: | | | | |
| Business and beer licenses | 9,696 | 9,696 | 1,770 | (7,926) |
| | 9,696 | 9,696 | 1,770 | (7,926) |
| Intergovernmental: | | | | |
| FEMA grant | - | - | 33,652 | 33,652 |
| Charges for services: | | | | |
| Garbage fees | 18,816 | 18,816 | 27,102 | 8,286 |
| Court fines | 10,092 | 10,092 | 2,340 | (7,752) |
| | 28,908 | 28,908 | 29,442 | 534 |
| Miscellaneous: | | | | |
| Private donations | - | - | 3,930 | 3,930 |
| Rent | - | - | 17,075 | 17,075 |
| Sale of equipment and supplies | - | - | - | - |
| Other | 3,561 | 3,561 | 30 | (3,531) |
| | 3,561 | 3,561 | 21,035 | 17,474 |
| Total revenues | 251,635 | 251,635 | 326,784 | 75,149 |

TOWN OF DAVISBORO, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED JULY 31, 2014

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|---|---|---|---|
| EXPENDITURES: | | | | |
| Current Operating: | | | | |
| General government | $ 188,604 | $ 188,604 | $ 235,837 | $ (47,233) |
| Public safety | 114,220 | 114,220 | 109,881 | 4,339 |
| Streets and sanitation | 53,060 | 53,060 | 102,629 | (49,569) |
| Total operating expenditures | 355,884 | 355,884 | 448,347 | (92,463) |
| Capital Outlays: | | | | |
| General government | 26,518 | 26,518 | - | 26,518 |
| Public safety | - | - | - | - |
| Streets and sanitation | - | - | - | - |
| Total capital expenditures | 26,518 | 26,518 | - | 26,518 |
| Debt Service: | | | | |
| Principal | - | - | 15,504 | (15,504) |
| Interest | 924 | 924 | - | 924 |
| Total debt service | 924 | 924 | 15,504 | (14,580) |
| Total expenditures | 383,326 | 383,326 | 463,851 | (80,525) |
| Excess (deficiency) of revenues over expenditures | (131,691) | (131,691) | (137,067) | (5,376) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Loan proceeds | - | - | - | - |
| Transfers in (out) | 131,691 | 131,691 | 112,294 | (19,397) |
| | 131,691 | 131,691 | 112,294 | (19,397) |
| Excess (deficiency) of revenues over expenditures and other financing sources | - | - | (24,773) | (24,773) |
| FUND BALANCE, beginning of year | 19,837 | 19,837 | 19,837 | - |
| FUND BALANCE, end of year | $ 19,837 | $ 19,837 | $ (4,936) | $ (24,773) |

TOWN OF DAVISBORO, GEORGIA
TRANSPORTATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED JULY 31, 2014

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|---|---|---|---|
| REVENUES: | | | | |
| Taxes | | | | |
| Special local option sales tax | $ 30,000 | $ 30,000 | $ 29,501 | $ (499) |
| Intergovernmental revenue | 15,000 | 15,000 | 14,640 | (360) |
| | 45,000 | 45,000 | 44,141 | (859) |
| EXPENDITURES: | | | | |
| Current operating: | | | | |
| Transportation improvements | 15,000 | 15,000 | - | 15,000 |
| Miscellaneous expense | - | - | - | - |
| Capital outlays: | | | | |
| Streets and sanitation | 30,000 | 30,000 | - | 30,000 |
| Total expenditures | 45,000 | 45,000 | - | 45,000 |
| Excess revenues over (under) expenditures | - | - | 44,141 | 44,141 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in (out) | - | - | - | - |
| Excess revenues and other financing sources (uses) over (under) expenditures | - | - | 44,141 | 44,141 |
| FUND BALANCE, beginning of year | 9,032 | 9,032 | 9,032 | - |
| FUND BALANCE, end of year | $ 9,032 | $ 9,032 | $ 53,173 | $ 44,141 |

TOWN OF DAVISBORO, GEORGIA
COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND (2012)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED JULY 31, 2014

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|---|---|---|---|
| REVENUES: | | | | |
| Intergovernmental revenue | $ 101,762 | $ 101,762 | $ 101,762 | $ - |
| Other | - | - | - | - |
| | 101,762 | 101,762 | 101,762 | - |
| EXPENDITURES: | | | | |
| Housing and development | 93,356 | 93,356 | 93,356 | - |
| Other expenditures | - | - | - | - |
| Total expenditures | 93,356 | 93,356 | 93,356 | - |
| Excess revenues over (under) expenditures | 8,406 | 8,406 | 8,406 | - |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 118 | 118 | 118 | - |
| Excess revenues and other financing sources (uses) over (under) expenditures | 8,524 | 8,524 | 8,524 | - |
| FUND BALANCE, beginning of year | - | - | - | - |
| FUND BALANCE, end of year | $ 8,524 | $ 8,524 | $ 8,524 | $ - |

## OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules not required by the GASB, nor are a part of the basic financial statements, but are presented for purposes of additional analysis. Such information includes:

- General Fund Statement of Expenditures (Final Budget to Actual) Detailed by Department
- Schedule of Projects Constructed with Special Sales Tax Proceeds
- Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

TOWN OF DAVISBORO, GEORGIA

GENERAL FUND

SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BASIS)

FOR THE YEAR ENDED JULY 31, 2014

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|---|---|---|---|
| OPERATING EXPENDITURES: | | | | |
| **General Government:** | | | | |
| Personal services and employee benefits | | | | |
| Salaries | $ 67,260 | $ 67,260 | $ 74,839 | $ (7,579) |
| Payroll taxes | 4,200 | 4,200 | 6,256 | (2,056) |
| Purchased/contracted services: | | | | |
| Accounting and legal | 6,180 | 6,180 | 19,197 | (13,017) |
| Insurance | 9,660 | 9,660 | 29,326 | (19,666) |
| Retirement plan | 31,640 | 31,640 | 16,640 | 15,000 |
| Utilities and communication | 26,100 | 26,100 | 18,514 | 7,586 |
| Repairs and maintenance | 2,892 | 2,892 | 2,409 | 483 |
| Dues | 2,664 | 2,664 | 8,078 | (5,414) |
| Advertising | 1,212 | 1,212 | 777 | 435 |
| Supplies: | | | | |
| Office supplies | 23,412 | 23,412 | 18,304 | 5,108 |
| Other costs: | | | | |
| Fourth of July celebration | 4,000 | 4,000 | 9,610 | (5,610) |
| Travel and training | 4,728 | 4,728 | 24,237 | (19,509) |
| County recreation program | - | - | - | - |
| Election | 180 | 180 | 336 | (156) |
| County airport appropriation | - | - | - | - |
| Miscellaneous | 4,476 | 4,476 | 7,314 | (2,838) |
| Total General Government | $ 188,604 | $ 188,604 | $ 235,837 | $ (47,233) |
| **Public safety:** | | | | |
| Police: | | | | |
| Personal services and employee benefits: | | | | |
| Salaries | $ 82,596 | $ 82,596 | $ 78,642 | $ 3,954 |
| Payroll taxes | 4,572 | 4,572 | 6,355 | (1,783) |
| Purchased/contracted services: | | | | |
| Insurance | 5,232 | 5,232 | 5,790 | (558) |
| Uniforms | - | - | 407 | (407) |
| Utilities and communication | 3,368 | 3,368 | 4,945 | (1,577) |
| Vehicle costs | 14,328 | 14,328 | 5,936 | 8,392 |
| Boarding prisoners | - | - | - | - |
| Training | 60 | 60 | - | 60 |
| Supplies | 1,080 | 1,080 | - | 1,080 |
| Other costs: | | | | |
| Peace officers' retirement | 640 | 640 | 356 | 284 |
| Miscellaneous | 2,344 | 2,344 | 2,370 | (26) |
| Total Police | 114,220 | 114,220 | 104,801 | 9,419 |

TOWN OF DAVISBORO, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BASIS)
FOR THE YEAR ENDED JULY 31, 2014

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|---|---|---|---|
| EMA/Dispatch | $ - | $ - | $ - | $ - |
| Fire: | | | | |
| Donation | - | - | 5,080 | (5,080) |
| Total Fire | - | - | 5,080 | (5,080) |
| Total Public Safety | $ 114,220 | $ 114,220 | $ 109,881 | $ 4,339 |
| **Streets and Sanitation:** | | | | |
| Personal services and employee benefits | | | | |
| Salaries | $ 2,635 | $ 2,635 | $ 45,254 | $ (42,619) |
| Payroll taxes | 4,784 | 4,784 | 3,719 | 1,065 |
| Purchased/contracted services: | | | | |
| Utilities and communication | 16,619 | 16,619 | 19,081 | (2,462) |
| Repairs and maintenance | 8,220 | 8,220 | - | 8,220 |
| Garbage contract | 2,250 | 2,250 | 32,839 | (30,589) |
| Insurance | 16,712 | 16,712 | - | 16,712 |
| Materials and supplies | 1,200 | 1,200 | 1,736 | (536) |
| Other costs | 640 | 640 | - | 640 |
| Total Street Department | $ 53,060 | $ 53,060 | $ 102,629 | $ (49,569) |

TOWN OF DAVISBORO, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH
SPECIAL SALES TAX PROCEEDS
For the Year Ended July 31, 2014

| Project | Original Estimated Cost | Revised Estimated Cost | Expenditures | | | Estimated Percentage of Completion |
|---|---|---|---|---|---|---|
| | | | Prior Years | Current Year | Total | |
| 2005 Tax: | | | | | | |
| Capital outlays: | | | | | | |
| Water and sewer system upgrades | $ 75,000 | $ 75,000 | $ 57,838 | $ - | $ 57,838 | 77.12% |
| Community Center renovation | 5,000 | 2,822 | 2,822 | - | 2,822 | 100.00% |
| Industrial park construction and debt service | 140,000 | 140,000 | 50,431 | - | 50,431 | 36.02% |
| Public safety equipment | 13,100 | 13,100 | 1,697 | - | 1,697 | 12.95% |
| General government equipment | - | 97,425 | 96,575 | 850 | 97,425 | 100.00% |
| Street equipment | - | 35,000 | 30,127 | - | 30,127 | 86.08% |
| 2009 Tax: | | | | | | |
| Capital outlays: | | | | | | |
| Water and sewer system upgrades | 75,000 | 75,000 | 42,621 | - | 42,621 | 56.83% |
| Public safety equipment | 40,000 | 40,000 | - | - | - | 0.00% |
| General government equipment | 40,000 | 120,000 | 81,551 | 36,992 | 118,543 | 98.79% |
| Street equipment | 25,000 | 25,000 | - | - | - | 0.00% |

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# REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Mayor and Council
Town of Davisboro, Georgia

We have audited, 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, the financial statements of the governmental activities, the business type activities and each major fund of the Town of Davisboro, Georgia as of and for the year ended July 31, 2014, and the related notes to the financial statements, which collectively comprise the Town of Davisboro's basic financial statements and have issued our report thereon dated January 9, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Town of Davisboro, Georgia'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 Town of Davisboro, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Davisboro's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that were considered to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

We did identify certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies in internal control over financial reporting noted as items 14-1 through 14-3.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Davisboro Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 14-4.

## Town of Davisboro, Georgia's Response to Findings

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

## Purpose of this Report

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

Wright & Wright, P.C.

January 9, 2015

TOWN OF DAVISBORO, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended July 31, 2014

## SIGNIFICANT DEFICIENCIES

### 14-1 Segregation of Duties

#### Condition

Due to the small size of the Town's staff, controls are not practical to provide adequate segregation of duties in the cash receipts and disbursements functions.

#### Effect

Because of the failure to separate control over cash, errors or fraud that might avoid detection are possible.

#### Recommendation

The Town Council should implement other internal controls in areas where segregation of duties is not practical.

#### Views of Responsible Officials

We concur and will continue to require dual signatures on checks and council approval for non-recurring expenditures.

### 14-2 Controls Over Financial Statement Presentation

#### Condition

Town personnel do not currently possess the professional skills necessary to prepare or review the year end financial statements in sufficient detail to detect material misstatements in the financial statements and related footnotes.

#### Effect

The deficiency identified above could result in a material misstatement to the Town's financial statements that would not be prevented or detected on a timely basis.

#### Recommendation

The Town should consider additional training that would provide accounting personnel with the skills to detect and correct misstatements in the financial statements.

### Views of Responsible Officials

We concur. We will evaluate the cost effectiveness of implementing the control and act accordingly.

## 14-3 City Hall Construction Approval

### Condition

During testing of the expenditures related to the construction of the new city hall, we noted that expenditures over $2,500 were not approved by Council. This amounted to 2 checks totaling $11,202.

### Effect

This lack of approval could cause construction expenditures to be paid that were not authorized or appropriate.

### Recommendation

The Town Council should implement internal controls to ensure that all expenditures over $2,500 are approved by Council.

### Views of Responsible Officials

We concur and will require that all expenditures over $2,500 be approved by a majority of the Council.

## COMPLIANCE AND OTHER MATTERS

## 14-4 Budgetary

### Condition

In the Town's General Fund, actual expenditures exceeded budget appropriations in a department. This is a violation of state law.

### Effect

Fiscal control and accountability over departmental expenditures may be jeopardized.

### Recommendation

The Town should monitor the budget and amend it when appropriate.

### Views of Responsible Officials

Our Town Council will analyze budgetary financial data periodically and amend the budget when appropriate.

# TOWN OF DAVISBORO

P.O. Box 189
Davisboro, GA 31018

Georgia Department of Audits & Accounts
270 Washington Street, S.W.
Suite 1-156
Atlanta, Georgia 30334-8400

Gentlemen:

The following constitutes our corrective action plan regarding the findings and recommendations in our audit report for the year ended July 31, 2014.

With respect to the findings in the "Report on Intenral Control Over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards," we submit the following comments:

We annually review our system of internal control after our audited financial statements are received, along with any suggestions from the accounting firm as to improvements that can be made to strengthen controls.

1. We are a small municipal government with two full-time office employee. We have separated accounting duties as much as possible, but because of two sets of books, one for general fund and one for water fund, this is difficult to do. The mayor and a council member co-sign checks after council approves the bills for payment. We do not feel that it would be cost effective to hire additional personnel only for the purpose of internal control duty separations.

2. Town personnel do not currently possess the professional skills necessary to prepare or review the year end financial statements and related footnotes. The Town will consider additional training that would provide accounting personnel with the skills to detect and correct misstatements in the financial statements.

3. Certain city hall construction expenditures over $2,500 were not approved for payment by the Town's Council. In the future, all expenditures over $2,500 will be approved by a majority of the Council.

4. The following general fund departments had excesses of actual expenditures over appropriations in the amount shown for the year ended July 31, 2014:

| | |
|---|---|
| General government | $47,233 |
| Streets and sanitation | 49,569 |
| Debt service - principal | 15,504 |

In the future, the Mayor and Council intend to more closely monitor each departments expenses to determine if budget amendments should be made or if cost cutting measures should be formulated.

5. The $2,575 due to the Capital Projects Fund (2009) from the General Fund and the $14,640 due to the Transportation Special Revenye Fund from the General Fund is in violation of state law. These balances have been repaid subsequent to year end and more oversight over deposits will be maintained in the future to help ensure that deposits are made into proper funds.

We feel that our internal control system is as strong as possible in the above described situation with the limited number of personnel involved. As indicated in the auditor's report, no significant errors or irregularities were found because of our lack of segregation of duties.

Should you need any further explanation of this matter please contact us.

Sincerely,

Johnny Shedrick

Johnny Shedrick
Mayor, Town of Davisboro