City of Emerson, Georgia

Annual Financial Report

For The

Fiscal Year Ended June 30, 2013

By Authority of

The Mayor and City Council

City of Emerson, Georgia
Annual Financial Report
June 30, 2013

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FINANCIAL SECTION

P.O. BOX 473
CARTERSVILLE, GA 30120
(770) 382-3361
FAX (770) 386-8382
WWW.WCPAS.COM

WILLIAMSON & CO., CPA's
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

LLOYD WILLIAMSON
CHRISTIAN HATCH

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council
Of the City of Emerson, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Emerson, Georgia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 of the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Emerson, Georgia as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows, thereof and the respective budgetary comparison for the general fund and special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparisons on pages 12-14 and the pension plan information presented on page 34 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 basis financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Emerson's basic financial statements. The Schedule of Special Purpose Local Option Sales Tax Expenditures as required by the Georgia code section OCGA §48-8-121, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Special Purpose Local Option Sales Tax Expenditures 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 limited 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 Schedule of Special Purpose Local Option Sales Tax Expenditures are fairly stated in all material respects in relation to the basic financial statements as a whole.in all material respects in relation to the basic financial statements taken as a whole. The financial information listed as schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Emerson, Georgia. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated December 6, 2013, on our consideration of the City of Emerson, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Emerson, Georgia's internal control over financial reporting and compliance.

Williamson and Company

Williamson and Company
Certified Public Accountants
December 6, 2013

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CITY OF EMERSON, GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	$ 296,099	$ 361,890	$ 657,989
Receivables - Net	64,895	65,067	129,962
Internal Balances	158,679	(158,679)	-
Restricted Assets:			
Restricted Cash	477,271	-	477,271
Capital Assets			
Other Capital Assets-Net	555,876	12,640,518	13,196,394
Land and Construction in Progress	240,789	92,392	333,181
Total assets	$ 1,793,609	$ 13,001,188	$ 14,794,797
LIABILITIES			
Accounts Payable	$ 33,503	$ 22,067	$ 55,570
Accrued Payroll Liabilities	3,363	300	3,663
Customer Deposits	-	51,573	51,573
Unreleased Confiscated Funds	2,934	-	2,934
Interest Payable	-	1,863	1,863
Current Portion of Long Term Debt	-	15,492	15,492
Noncurrent liabilities:			
Due in more than one year	14,306	57,387	71,693
Total liabilities	$ 54,106	$ 148,682	$ 202,788
NET POSITION			
Net Investment in Capital Assets	$ 796,665	$ 12,662,666	$ 13,459,331
Restricted for:			
Construction	493,170	-	493,170
Law Enforcement Activities	849	-	849
Unrestricted	448,819	189,840	638,659
Total Net Position	$ 1,739,503	$ 12,852,506	$ 14,592,009

The accompanying notes are an integral part of this financial statement.

CITY OF EMERSON, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General Government	$ 402,330	$ 171,447	$ -	$ 338,620
Municipal Court	115,459	-	-	-
Contracted Services	53,957	-	-	-
Public Safety	533,457	346,604	-	-
Public Works	189,412	10,235	-	-
Interest on long-term debt	-	-	-	-
Total governmental activities	1,294,615	528,286	-	338,620
Business-type activities:				
Water/Sewer	871,432	527,930	-	-
Solid Waste	99,057	79,947	-	-
Total business-type activities	970,489	607,877	-	-
Total primary government	$ 2,265,104	$ 1,136,163	$ -	$ 338,620

The accompanying notes are an integral part of this financial statement.

CITY OF EMERSON, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-type Activities	Totals
Primary government:			
Governmental activities:			
General Government	$ 107,737		$ 107,737
Municipal Court	(115,459)		(115,459)
Contracted Services	(53,957)		(53,957)
Public Safety	(186,853)		(186,853)
Public Works	(179,177)		(179,177)
Interest on long-term debt	-		-
Total governmental activities	(427,709)		(427,709)
Business-type activities:			
Water/Sewer		$ (343,502)	(343,502)
Solid Waste		(19,110)	(19,110)
Total business-type activities		(362,612)	(362,612)
Total primary government	(427,709)	(362,612)	(790,321)
General revenues:			
Taxes:			
Sales	382,679	-	382,679
Property	99,659	-	99,659
Mobile Home	273	-	273
Vehicle	14,041	-	14,041
Insurance Premium	73,236	-	73,236
Malt & Mixed Beverage	22,216	-	22,216
Franchise	103,662	-	103,662
Other	9,974	-	9,974
Investment earnings	371	11	382
Miscellaneous	11,048	9,110	20,158
Loss on sale/disposal of capital assets	(145)	(3,975)	(4,120)
Transfers	(63,931)	63,931	-
Total general revenues and transfers	653,083	69,077	722,160
Change in Net Position	225,374	(293,535)	(68,161)
Net Position - beginning	1,510,781	13,145,547	14,656,328
Prior period adjustment	3,348	494	3,842
Net Position - ending	$ 1,739,503	$ 12,852,506	$ 14,592,009

The accompanying notes are an integral part of this financial statement.

FUND FINANCIALSTATEMENTS

CITY OF EMERSON, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Capital Projects 2003 SPLOST Fund	Capital Projects 2008 SPLOST Fund	Hotel Motel Tax Special Revenue	Confiscated Assets Special Revenue	Total Governmental Funds
ASSETS						
Cash	$ 296,099	$ -	$ -	$ -	$ -	$ 296,099
Receivables (Net of Allowance for Uncollectibles):						
Accounts	10,711	-	-	-	-	10,711
Taxes	29,851	-	24,333	-	-	54,184
Due from Other Funds	158,679	63,759	(63,759)	-	-	158,679
Cash - Restricted	-	114,973	358,515	-	3,783	477,271
Total Assets	$ 495,340	$ 178,732	$ 319,089	$ -	$ 3,783	$ 996,944
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts Payable	$ 28,852	$ 91	$ 4,560	-	-	$ 33,503
Accrued Payroll Liabilities	3,363	-	-	-	-	3,363
Unreleased Confiscated Funds	-	-	-	-	2,934	2,934
Total Liabilities	32,215	91	4,560	-	2,934	39,800
Deferred Inflows of Resources	1,279	-	-	-	-	1,279
Total Liabilities and Deferred Inflows of Resources	33,494	91	4,560	-	2,934	41,079
Fund Balance:						
Restricted for:						
Law Enforcement Activities	-	-	-	-	849	849
Construction	-	178,641	314,529	-	-	493,170
Unassigned	461,846	-	-	-	-	461,846
Total Fund Balances	461,846	178,641	314,529	-	849	955,865
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 494,061	$ 178,732	$ 319,089	$ -	$ 3,783	$ 995,665

Reconciliation of the Balance Sheet to the Statement of of Net Position

Fund Balances - Total governmental funds			$ 955,865
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds.			
Governmental Capital Assets		1,281,205	
Less Accumulated Depreciation		(484,540)	796,665
Deferred revenues are recognized in the governmental funds for property tax collections but are not recognized in the statement of net position			1,279
Long-term liabilites are not due and payable in the current perod and therefore are not reported in the governmental funds.			
Compensated Abscences			(14,306)
Net position of governmental activities			$ 1,739,503

The accompanying notes are an integral part of this financial statement.

CITY OF EMERSON, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	General	Capital Projects 2003 SPLOST Fund	Capital Projects 2008 SPLOST Fund	Hotel Motel Tax Special Revenue	Confiscated Assets Special Revenue	Total Governmental Funds
REVENUES						
Taxes	$ 704,461	$ -	$ -	$ -	$ -	$ 704,461
Licenses and Permits	55,895	-	-	-	-	55,895
Intergovernmental	-	-	338,620	-	-	338,620
Fines and Forfeitures	341,950	-	-	-	4,654	346,604
Charges for Services	125,787	-	-	-	-	125,787
Miscellaneous Income	5,277	-	-	-	-	5,277
Interest Income	369	-	-	-	2	371
Total Revenues	1,233,739	-	338,620	-	4,656	1,577,015
EXPENDITURES						
Current Operating:						
General Government	390,291	-	-	-	-	390,291
Municipal Court	114,345	-	-	-	-	114,345
Contracted Services	53,957	-	-	-	-	53,957
Public Safety	502,834	-	-	-	3,910	506,744
Public Works	93,926	113	84,826	-	-	178,865
Capital Outlay:						
General Government	-	-	6,874	-	-	6,874
Public Works	-	-	12,160	-	-	12,160
Water Fund	-	4,472	59,459	-	-	63,931
Total Expenditures	1,155,353	4,585	163,319	-	3,910	1,327,167
Excess (Deficiency) of Revenues Over Expenditures	78,386	(4,585)	175,301	-	746	249,848
OTHER FINANCING SOURCES (USES)						
Proceeds from Sale of Surplus Supplies	3,591	-	-	-	-	3,591
Proceeds from Insurance Recoveries	2,181	-	-	-	-	2,181
Total Other Financing Sources (Uses)	5,772	-	-	-	-	5,772
Net Change in Fund Balances	84,158	(4,585)	175,301	-	746	255,620
Fund Balance (Deficit) - Beginning of Year	377,688	183,226	139,228	-	2,397	702,539
Prior Period Adjustment	-	-	-	-	(2,294)	(2,294)
Fund Balance (Deficit) - End of Year	$ 461,846	$ 178,641	$ 314,529	$ -	$ 849	$ 955,865

(Continued)

The accompanying notes are an integral part of this financial statement.

CITY OF EMERSON, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

(Continued)

Net Change in Fund Balances - Total Governmental Funds		$ 255,620
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. This is the amount by which capital outlays exceeded depreciation		
Expenditures for capital assets	19,034	
Less current year depreciation	(49,747)	(30,713)
Governmental funds report proceeds from the sale/disposal of capital assets as revenue while governmental activities report gain or loss from the sale/disposal of capital assets.		(145)
Deferred revenues are recognized in the governmental funds for property tax collections but are not recognized in the statement of net position		1,279
Governmental funds do not report changes in Long Term Liabilities for Compensated Abscences while governmental activities report a liability and the changes to such liabilities.		(667)
Change in Net Position of Governmental Activities		$ 225,374

The accompanying notes are an integral part of this financial statement.

CITY OF EMERSON, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Taxes	$ 736,900	$ 713,153	$ 704,461	$ (8,692)
Licenses and Permits	35,000	54,034	55,895	1,861
Fines and Forfeitures	302,000	343,618	341,950	(1,668)
Charges for Services	56,500	121,250	125,787	4,537
Miscellaneous Income	5,000	6,000	5,277	(723)
Interest Income	300	35	369	334
Total Revenues	1,135,700	1,238,090	1,233,739	(4,351)
EXPENDITURES				
Current Operating:				
General Government	440,200	404,254	390,291	13,963
Municipal Court	130,000	118,485	114,345	4,140
Contracted Services	60,000	61,500	53,957	7,543
Public Safety	375,000	503,142	502,834	308
Public Works	135,500	99,780	93,926	5,854
Total Expenditures	1,140,700	1,187,161	1,155,353	31,808
Excess (Deficiency) of Revenues Over Expenditures	(5,000)	50,929	78,386	27,457
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Surplus Supplies	5,000	5,000	3,591	(1,409)
Proceeds from Insurance Recoveries	-	1,000	2,181	1,181
Total Other Financing Sources (Uses)	5,000	6,000	5,772	(228)
Net Change in Fund Balance	-	56,929	84,158	27,229
Fund Balance (Deficit) - Beginning of Year	377,688	377,688	377,688	-
Fund Balance (Deficit) - End of Year	$ 377,688	$ 434,617	$ 461,846	$ 27,229

The accompanying notes are an integral part of this financial statement.

CITY OF EMERSON, GEORGIA
CONFISCATED ASSETS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Fines and Forfeitures	$ -	$ 4,654	$ 4,654	$ -
Interest Income	-	2	2	-
Total Revenues	-	4,656	4,656	-
EXPENDITURES				
Current:				
Police - Supplies and Other Expenses	-	3,910	3,910	-
Total Expenditures	-	3,910	3,910	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	746	746	-
OTHER FINANCING SOURCES (USES)				
Transfers	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	746	746	-
Fund Balance (Deficit) - Beginning of Year	2,397	2,397	2,397	-
Prior Period Adjustment	(2,294)	(2,294)	(2,294)	-
Fund Balance (Deficit) - End of Year	$ 103	$ 849	$ 849	$ -

The accompanying notes are an integral part of this financial statement.

CITY OF EMERSON, GEORGIA
HOTEL MOTEL TAX SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Taxes	$ -	$ -	$ -	$ -
Interest Income	-	-	-	-
Total Revenues	-	-	-	-
EXPENDITURES				
Current:				
Economic Development Expenditures	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	-	-	-
Fund Balance (Deficit) - Beginning of Year	-	-	-	-
Fund Balance (Deficit) - End of Year	$ -	$ -	$ -	$ -

The accompanying notes are an integral part of this financial statement.

CITY OF EMERSON, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Water & Sewer	Solid Waste	Total
Assets			
Current Assets:			
Cash	$ 349,841	$ 12,049	$ 361,890
Accounts Receivable - Net	56,059	9,008	65,067
Total Current Assets	405,900	21,057	426,957
Non-Current Assets:			
Capital Assets:			
Equipment	368,941	223,555	592,496
Buildings and Structures	18,768	-	18,768
Distribution and Collection Systems	13,901,253	-	13,901,253
Less Accumulated Depreciation	(1,758,428)	(113,571)	(1,871,999)
Land and Easements	2,700	-	2,700
Construction in Progress	89,692	-	89,692
Total Non-Current Assets	12,622,926	109,984	12,732,910
Total Assets	$ 13,028,826	$ 131,041	$ 13,159,867

The accompanying notes are an integral part of this financial statement.

CITY OF EMERSON, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Water & Sewer	Solid Waste	Total
Liabilities			
Current Liabilities:			
Accounts Payable	$ 20,375	$ 1,692	$ 22,067
Accrued Payroll Liabilities	-	300	300
Due to Other Funds	14,902	143,777	158,679
Customer Deposits	51,573	-	51,573
Interest Payable	1,863	-	1,863
Note Payable	15,492	-	15,492
Total Current Liabilities	104,205	145,769	249,974
Noncurrent Liabilities:			
Compensated Abscences	2,242	393	2,635
Note Payable	54,752	-	54,752
Total Noncurrent Liabilities	56,994	393	57,387
Total Liabilities	161,199	146,162	307,361
Net Position			
Invested in Capital Assets	12,552,682	109,984	12,662,666
Unrestricted	314,945	(125,105)	189,840
Total Net Position	$ 12,867,627	$ (15,121)	$ 12,852,506

The accompanying notes are an integral part of this financial statement.

CITY OF EMERSON, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Water & Sewer	Solid Waste	Total
Operating Revenues			
Charges for Services	$ 416,955	$ 79,759	$ 496,714
Fees	99,087	-	99,087
Other Revenues	11,888	188	12,076
Total Operating Revenues	527,930	79,947	607,877
Operating Expenses			
Salaries, Wages and Employee Benefits	160,163	32,015	192,178
Materials and Supplies	58,890	11,094	69,984
System Maintenance	74,591	-	74,591
Purchased Services	55,518	18,238	73,756
Insurance Expense	23,100	5,500	28,600
Administrative Charge	50,000	5,000	55,000
General and Administrative	30,175	357	30,532
Other Repairs and Maintenance	3,503	4,497	8,000
Utilities	100,004	-	100,004
Depreciation Expense	313,625	22,356	335,981
Total Operating Expenses	869,569	99,057	968,626
Operating Income (Loss)	(341,639)	(19,110)	(360,749)
Nonoperating Revenues (Expenses)			
Interest Revenue	11	-	11
Interest Expense	(1,863)	-	(1,863)
Insurance Proceeds	7,423	1,537	8,960
Loss on Disposal of Capital Assets	(3,975)	-	(3,975)
Sale of Surplus Supplies	150	-	150
Total Nonoperating Revenues (Expenses)	1,746	1,537	3,283
Income Before Contributions and Transfers	(339,893)	(17,573)	(357,466)
Capital Contributions - Capital Projects Funds	63,931	-	63,931
Change in Net Position	(275,962)	(17,573)	(293,535)
Net Position - Beginning	13,143,174	2,373	13,145,547
Prior Period Adjustment	415	79	494
Net Position - Ending	$ 12,867,627	$ (15,121)	$ 12,852,506

The accompanying notes are an integral part of this financial statement.

CITY OF EMERSON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Water & Sewer	Solid Waste	Total
Cash Flows From Operations			
Receipts from Customers and Users	$ 529,212	$ 79,972	$ 609,184
Payments to Suppliers	(350,855)	(49,898)	(400,753)
Payments to/for Employees	(162,569)	(31,786)	(194,355)
Net cash Provided by (Used in) Operating Activities	15,788	(1,712)	14,076
Cash Flows From Noncapital Financing Activities			
Payments from (to) other funds	1,500	-	1,500
Cash Flows from Capital and Related Financing Activities			
Proceeds from Issuance of Note Payable	70,244	-	70,244
Insurance Proceeds	7,423	1,537	8,960
Proceeds from Sale of Surplus Supplies	150	-	150
Acquisition of Capital Assets	(75,399)	-	(75,399)
Net Cash from Capital and Related Financing Activities	2,418	1,537	3,955
Cash Flows from Investing Activities			
Interest Received	12	-	12
Net Increase (Decrease) in Cash	19,718	(175)	19,543
Cash - July 1	330,123	12,224	342,347
Cash - June 30	$ 349,841	$ 12,049	$ 361,890
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Operating Income (Loss)	$ (341,639)	$ (19,110)	$ (360,749)
Adjustments to Reconcile to Net Cash Provided by Operating Activities			
Depreciation	313,625	22,356	335,981
Capital contributions expensed as Repairs and Maintenance	38,003	-	38,003
(Increase) Decrease in Accounts Receivable	(2,058)	25	(2,033)
Increase (Decrease) in Accounts Payable & Accrued Payables	6,923	(5,212)	1,711
Increase (Decrease) in Customer Deposits	3,340	-	3,340
Increase (Decrease) in Compensated Abscences	(2,406)	229	(2,177)
Net Cash Provided by (Used in) Operating Activities	$ 15,788	$ (1,712)	$ 14,076
Noncash Investing, Capital and Financing Activities			
Capital Contributions - Capital Projects Funds	$ 21,455	$ -	$ 21,455
Capital Assets	(21,455)	-	(21,455)
Net Cash from Noncash Activities	$ -	$ -	$ -

The accompanying notes are an integral part of this financial statement.

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Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The City of Emerson, Georgia was incorporated in 1889. The City operates under a Strong Mayor – City Council form of Government. The City provides the following services: Public Works (Streets), Public Utilities (Water and Solid Waste), Public Safety (Police), and Administrative Services. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the primary government and its component units. The City has no component units.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements, each of which present different views of the City. The government-wide and fund financial statements categorize primary activities as either governmental or business type. Fiduciary funds (if any) are not included in the government-wide statements.

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

In the government-wide statement of net position, governmental and business-type activities are presented on a consolidated basis and reflect full accrual, economic resources basis, which includes long-term assets and receivables as well as long-term debt and obligations.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *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 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 revenues are reported instead as *general revenues*.

Fund financial statements emphasize major funds in either the governmental or business-type category. Non-major governmental funds (if any) are reported as a separate column in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to the governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City applies all relevant FASB pronouncements and APB opinions issued on or prior to December 1, 1989 to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City does not apply FASB pronouncement and APB opinions issued after November 30,1989.

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. 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, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives the cash. In applying the susceptible to accrual concept, nonexchange transactions are recognized in accordance with GASB Statement 33.

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

D. Fund Types

Governmental Funds

The general fund, confiscated drug fund, hotel/motel tax fund, and the capital projects funds are the major governmental funds that the City reports. The City has elected to present the confiscated drug and the hotel/motel tax fund as special revenue funds. The general fund is the primary fund of the City and accounts for all financial resources of the general government except those required to be reported in the other funds. The capital projects funds account for the acquisition and construction of major capital assets other than those accounted for by proprietary funds. The confiscated assets fund accounts for cash received from confiscation or sale of capital assets acquired through confiscation. The Hotel/Motel tax special revenue fund accounts for Hotel/Motel tax receipts and tourism/economic development expenditures as required by statute. There were no Hotel/Motel tax receipts or expenditures in the current year.

Proprietary Funds

Proprietary funds are used to account for operations for which a fee is charged to external users for goods or services and the activity is intended to be self-supporting. The City has water/sewer and Solid Waste funds, both of which are presented as major funds. 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 water/sewer and Solid Waste enterprise funds are charges to customers for sales and services. The water/sewer fund recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds 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. As a general rule, interfund activity has been eliminated from the government-wide financial statements. Exceptions to this are charges between the City's proprietary funds and various other

functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

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.

E. Assets, Liabilities, Net Position or Equity

1. **Cash and Investments.** Cash includes amounts in demand and time deposits that must be by law insured or collateralized, and investments, if any, are limited by law and bond ordinances, to federal and state securities.

2. **Receivables.** All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues from the enterprise funds are recognized at the end of the year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year.

3. **Due to and Due from Other Funds/Internal Balances.** During the course of operations, numerous transactions occur between individual funds for goods provided, services rendered or interfund loans. Interfund transactions are recorded in all funds affected in the period in which transactions are executed. The balances which represent receivables and payables between governmental and business-type activities in the government-wide statements are reported as internal balances.

4. **Capital Assets.** Capital assets that cost more than $5,000 with an estimated useful life of more than one year are capitalized and depreciated. Capital assets, including property, plant, vehicles, equipment and infrastructure (streets, bridges, curbs, sidewalks, drainage and lighting systems) are reported in the applicable governmental or business-type activities columns in the government-wide statements. All capital assets are carried at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair value on the date of acquisition. Depreciation is computed on the straight-line basis over the estimated useful life of the asset.

   The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

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

   General infrastructure assets acquired prior to June 15, 2003 are not reported in the basic financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to June 15, 2003.

5. **Deferred Inflows/Outflows.**

5. **Compensated Absences.** Full-time, permanent employees are granted vacation benefits. Vested or accumulated vacation leave is recorded as an expense and a liability when incurred in the proprietary fund financial statements and as a liability in the governmental funds only in the government-wide financial statements. Governmental funds only report the portion expected to be liquidated in the current year. The accrued liability is reported in the respective fund that will

pay. For the governmental activities, compensated absences are generally liquidated by the general fund.

6. **Long-term Debt, Bond Discounts and Issuance Costs.** Outstanding debt and other obligations are reported as a liability in the government-wide and proprietary financial statements. Bond discounts/premiums and issuance costs for proprietary funds are capitalized and amortized over the term of the respective bonds using the straight-line method. Bond discounts are presented as a reduction in the face amount of bonds payable and issuance costs are recorded as deferred charges. In the fund financial statements, governmental funds recognize bond premiums, discounts and bond issuance costs, during the current period. The face amount of the debt issued is reported as an other financing source.

7. **Fund Equity/Net Position.** The governmental fund financial statements report restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The unassigned portion represents an amount available for future operations. Unrestricted net position for proprietary funds represents the net position available for future operation. Restricted net position represents assets that have been legally identified for specific purposes.

Note 2. Stewardship, Compliance and Accountability

Budgets are adopted on a basis consistent with generally accepted accounting principles. Georgia Law requires an annual balanced budget for the general and special revenue funds and a project length budget for each capital project fund. All departments of the City submit requests for appropriation to the City Council so that a budget may be prepared. The budget is prepared by fund, function (department), and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

No later than 45 days prior to the beginning of the fiscal year, the proposed budget is presented to the mayor and council for review. The council holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. The legal level of budgetary control is at the department level. Any changes in the budget must be within the revenues and reserves estimated as available by the manager or the revenues estimates must be changed by an affirmative vote of a majority of the council, except for emergencies as defined by the charter and unanimously voted by council. Last year's budget subject to amendment becomes the current year's budget if council fails to act. Expenditures may not legally exceed budgeted appropriations at the functional level.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances at the end of the year were for immaterial amounts and therefore are not reported as reservations of fund balances.

The capital projects funds have a project length budget that was adopted when voters approved the Special Purpose Local Option Sales Tax referendum. This budget is prepared for the projected total Special Purpose Local Option Sales Tax tax revenues and capital outlays.

Note 3. Deposits and Investments

Cash as of June 30, 2013 is as follows:

Statement of net position:	
Unrestricted Cash	$ 657,989
Restricted Cash	477,271
Total	$ 1,135,260

The City has no investments other than cash. The City does not have a formal policy that addresses custodial credit risk.

Note 4. Receivables

Receivables as of June 30, 2013 consist of the following:

	General	Capital Projects	Water and Sewer	Solid Waste	Total
Receivables:					
Accounts	$ 10,711	$ --	$ 65,626	$ 10,565	$ 86,902
Taxes	29,851	24,333	--	--	54,184
Allowances for Uncollectibles	--	--	(9,567)	(1,557)	(11,124)
Net	$ 40,562	$ 24,333	$ 56,059	$ 9,008	$ 129,962

Taxes receivable include $28,439 of Local Option Sales Tax, $1,412 of property taxes, and $24,333 of Special Purpose Local Option Sales Tax (2008).

Note 5. Property Tax

Bartow County bills and collects the City's real and personal property taxes. The Bartow County Tax Assessors Office assesses property values as of January 1 each year. The City's millage rate of 2.0 was approved by the City Council on July 23, 2012. The levy date was September 15, 2012 and taxes were due by December 1, 2012. After December 1, interest and penalties begin to accrue on unpaid balances and property is subject to lien.

All property tax revenue is recorded when it becomes measurable and available. Available means due, or past due, and receivable within the current period, and collected no later than 60 days after the close of the fiscal year end.

Note 6. Interfund Receivables, Payables and Transfers

Due to/from other funds:

Entity-wide internal balances at June 30, 2013 were $158,679.

Due To	Due From	Amount
General	Water	$ 14,902
General	Solid Waste	143,777
Capital Projects - 2003	Capital Projects – 2008	63,759

Interfund balances consist of routine transfers for payroll and related benefits and to subsidize operations. The interfund balance between the Capital Projects - 2003 and Capital Projects –2008 Fund represent amount due in the prior year from the General Fund to the 2003 Fund incorrectly paid to the 2008 fund. The 2008 fund paid the amount due to the 2003 fund in July 2013.

Transfers and payments:

Routine transfers and payments between funds are to subsidize operations and capital asset acquisition. Interfund transfers for the year ending June 30, 2013 were as follows:

Source Fund	Transfer to Fund	Amount
2003 Capital Projects	Water/Sewer	$ 4,472
2008 Capital Projects	Water/Sewer	59,459
		$ 63,931

Transfers on the fund level statements are different because transfers of capital assets to a business-type fund are not reported in governmental funds. These transfers are shown as Capital Contributions in the Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds.

Note 7. Capital Assets

The following is a summary of the primary government capital asset activity during the fiscal year:

	Balance 7/01/12	Additions/ Transfers	Deletions/ Transfers	Balance 6/30/13
Governmental activities:				
Capital assets, not being depreciated				
Land	$ 119,462	$ --	$ --	$ 119,462
Construction in Progress	102,293	19,034	--	121,327
Total capital assets not being depreciated	221,755	19,034	--	240,789
Capital assets, being depreciated				
Buildings	352,302	--	--	352,302
Infrastructure	345,916	--	--	345,916
Equipment	360,008	--	17,810	342,198
Total capital assets being depreciated	1,058,226	--	17,810	1,040,416
Less accumulated depreciation for:				
Buildings	132,429	11,520	--	143,949
Infrastructure	58,463	8,260	--	66,723
Equipment	261,566	29,967	17,665	273,868
Total accumulated depreciation	471,799	49,747	17,665	484,540
Total Capital Assets Being Depreciated, Net	605,768	(49,747)	145	555,876
Governmental Capital Assets, Net	$ 827,523	$ (30,713)	$ 145	$ 796,665

Additons to Construction in Progress were $12,160 for Old Alabama Road sidewalk construction and $6,874 for GIS installation which were Capital Contributions from the 2008 SPLOST Capital Projects Fund.

Total governmental activities depreciation expense charged to functions/programs of the government are as follows:

Administration	$ 12,583
Public Safety	26,560
Public Works	10,604
Total depreciation expense	$ 49,747

	Balance 7/01/12	Additions/ Transfers	Deletions/ Transfers	Balance 6/30/13
Business-type activities				
Capital assets, not being depreciated				
Land	$ 2,700	$ --	$ --	$ 2,700
Construction in Progress	80,065	9,627	--	89,692
Total capital assets not being depreciated	82,765	9,627	--	92,392
Capital assets, being depreciated				
Equipment	526,935	70,561	5,000	592,496
Buildings	18,768	--	--	18,768
Utility Systems	13,931,520	21,138	51,405	13,901,253
Total capital assets being depreciated	14,477,223	91,699	56,405	14,512,517
Less accumulated depreciation for:				
Equipment	210,993	52,586	4,958	258,621
Buildings	10,377	630	--	11,007
Utility Systems	1,367,078	282,765	47,472	1,602,371
Total accumulated depreciation	1,558,448	335,981	52,430	1,871,999
Capital Assets, Net	$ 12,971,540	$ (234,655)	$ 3,975	$ 12,732,910

Business-type activities construction in progress at year-end consists of $89,692 of Test Well expenditures contributed to the fund from the 2003 Capital Project Fund. A $70,244 backhoe was added to equipment purchased by the fund in the current year. The City capitalized $21,138 of infrastructure projects from the 2008 Capital Projects Fund.

The primary government uses the following estimated useful lives to compute depreciation (straight-line method):

Equipment	3-10 years
Buildings	20-50 years
Utility System	20-75 years
Infrastructure	50 years

Note 8. Deferred Outflows/Inflows of Resources

The City had no deferred outflows of resources for fiscal 2013.

In addition to liabilities, the governmental funds balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents unearned revenue in the form of property taxes not available in the current fiscal year. These amounts are recognized in the period they become available.

Note 9. Outstanding Debt

Changes in long-term liabilities

The following is a summary of the City's debt transactions for the year ended June 30, 2013:

	Balances 7/01/12	Additions	Reductions	Balances 6/30/13	Amounts Due Within One Year
Governmental activities					
Compensated Absences	$ 13,640	$ 19,551	$ 18,885	$ 14,306	--
Total Governmental Activities	$ 13,640	$ 19,551	$ 18,885	$ 14,306	$ --
Business-type activities					
Compensated Absences	$ 4,813	$ 3,762	$ 5,940	$ 2,635	$ --
Notes Payable	--	70,244	--	70,244	15,492
Total Business-type Activities	$ 4,813	$ 74,006	$ 5,940	$ 72,879	$ 15,492

A prior period adjustment of $5,642 was made to reduce the opening balance of compensated absences in the governmental activities liability and an adjustment of $494 was made to reduce the opening balance of compensated absences in the business type activities liability for a change in policy regarding the payment of accumulated sick leave at termination/retirement.

Notes payable consists of a note payable to Branch Banking & Trust Company for the purchase of a backhoe for the Water Fund. The note bears interest at 3.35% with principal and interest due annually on September 10 of each year for five years beginning on September 10, 2013. The debt service requirements of the note are as follows:

	Principal	Interest	Total
2013	$13,138	$2,354	$15,492
2014	13,579	1,913	15,492
2015	14,033	1,458	15,491
2016	14,504	988	15,492
2017	14,990	502	15,491
Total	$70,244	$7,215	$77,458

Note 10. Pension Plan

Plan Description. The City has a non-contributory defined benefit plan covering all full time employees. The plan, the City of Emerson Retirement Plan, is administered by the Georgia Municipal Employees Benefit System (GMEBS), a statewide, agent multiple-employer defined benefit 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. The City established its plan effective July 1, 1990, and the authority to establish, amend or discontinue the plan remains with the City. The plan provides pension benefits and death and disability benefits for all employees that have been employed full time for one year. Members may retire at 65 years of age with 5 years of service or at age 55 with 10 years of service. Benefits are calculated at 1.25% to 2.0% of the average monthly earnings for the period of the five highest years prior to retirement.

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

Funding Policy and Annual Contributions. The funding policy for the plan is to contribute an amount equal to the recommended contribution in each year. These contributions are determined under the projected unit credit actuarial cost method and the asset valuation method for developing the actuarial value of the assets. The period and related method of amortizing the unfunded actuarial accrued liability is 30 years from July 1, 1991, and the current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year. On the basis of current valuation, dated January 1, 2013, it was determined that the current contribution rate is 6.10% of annual covered payroll.

The Plan is subject to the minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10). According to the latest actuarial valuation, dated January 1, 2013, the estimated minimum annual contribution under these funding standards is $31,095.

The contribution to the plan during the year ended January 1, 2013 was $38,552 ($0 employee and $38,552 employer; 0% and 6.10% of covered payroll respectively) and was made in accordance with contribution requirements determined by an actuarial valuation as of January 1, 2012. The City's current year covered payroll and its total current year payroll for all employees amounted to $521,265 based upon the actuarial valuation of January 1, 2013.

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

Three-Year Trend information

Fiscal Year Ending	Employer Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
2013	32,342	100.0%	--
2012	37,697	100.0%	--
2011	44,288	100.0%	--

Significant Actuarial Assumptions. A variety of significant actuarial assumptions are used to compute the actuarial accrued liability and the annual recommended contribution and these assumptions are summarized below:

Investment rate of return	7.75% per year
Projected salary increases for	
Inflation	3.5% per year
Merit or seniority	3.5% per year
Annual rates of increase in:	
Salaries	Table of rates based on years of service
Future Social Security Wage Base	3.5%
Cost of living adjustment	N/A
Actuarial Methods:	
Actuarial Cost Method	Projected Unit Credit Cost Method
Amortization Method	Closed level dollar for remaining unfunded liability
Asset Valuation Method	Sum of the actuarial value at the beginning of the year and the cash flow during year plus the assumed investment return, adjusted by 10% of the amount 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 in 2009, 44% of market value in 2010, 38% of market value in 2011, 32% of market value for 2012, 26% of market value for 2013, and 20% of market value for 2014 and later years.

Information regarding the funding status of the plan as of the January 1, 2013 valuation is as follows:

Valuation Date	Actuarial Value of Assets	Actuarial Acrrued Liability	Unfunded Actuarial Liability	Actuarial Value of Assets as % of Actuarial Accrued Liability	Annual Covered Payroll	Ratio of the Unfunded Actuarial Liability to Annual Covered Payroll
1/01/13	$526,846	$541,774	$14,928	97.2%	$521,265	2.86%

As of January 1, 2013, employee membership data related to the current plan membership was as follows:

Number of retirees and beneficiaries currently receiving benefits	10
Number of terminated employees entitled to benefits, but not yet receiving them	7
Number of Active Plan Participants	
Vested	14
Nonvested	4
Total	35

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Note 11. Deferred Compensation Plan

The City of Emerson has adopted a deferred compensation plan in accordance with provisions of the Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

The plan allows all full time employees to voluntarily defer 28% of gross compensation up to $7,500 per year and avoid paying taxes on the deferred portion until the withdrawal date. The deferred

compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency. All administrative costs are deducted from the participant's account.

The plan is administered by an unrelated financial institution. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are the property of the City. In addition, the participants in the plan have rights equal to his or her share of the fair value of the plan assets.

In accordance with GASB Statement No. 32, the City does not report the deferred compensation plan assets in its financial statements because the City does not play an active role in the administration of the plan or perform investment functions for the plan.

Note 12. Restricted Assets and Restricted Net Position

Governmental activities

At June 30, 2013, the account balance of restricted assets is comprised of the following:

Restricted Assets	
Capital Project Activities	$ 497,821
Drug Enforcement Activities	3,783
	$ 501,604

Restricted Net Position

Restrictions are used to indicate that a portion of the net position is not available for expenditures or expenses and is legally segregated for a specific future use. The City uses the following:

Governmental Funds:

Restricted for law enforcement activities – Created to segregate money received from federal or state sources that restrict use for law enforcement purposes only.

Restricted for construction – Created to segregate money received from SPLOST and certain grant proceeds.

Note 13. Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. 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.

Note 14. Risk Management

At year-end, there were no legal actions taken by or against the City that would have an adverse effect on the City's financial condition. The City is a defendant in a lawsuit. Although the outcome of this lawsuit is not presently determinable, in the opinion of the City's attorney, the resolution of the matter will not have a material adverse effect on the financial condition of the City. The City is exposed to various risk of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; and natural disasters for which the City carries insurance.

The City has joined with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency (GIRMA) for its property and liability insurance, and the Worker's Compensation Self-Insurance Fund (WCSIF) to provide risk coverage for injuries to employees. Both are public entity risk pools currently operating as common risk management and insurance programs for member local governments. The Georgia Municipal Association (GMA) administers the risk pool.

As part of this risk pool, the City is obligated to pay all contributions and assessments as prescribed by the pool, cooperate with the pools' agents and attorneys, follow loss reduction procedures established by the fund, and to promptly report all incidents that could result in the fund being required to pay any claim of loss. The City is also to allow the fund'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 that is within the scope of loss protection furnished by the fund.

The fund is to defend and protect its members against liability or loss as prescribed in the member governments' contracts and in accordance with the worker's compensation laws of Georgia. The funds are to pay all costs 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.

During the past three years, the costs of any settlements have not exceeded insurance coverage.

Note 15. Joint Venture

The City of Emerson is a member of the Northwest Georgia Regional Commission. The NGRC was created under the laws of the State of Georgia and cities and counties in the area served by the NGRC are required to be members. The membership of the NGRC includes 10 counties and 35 municipalities. Bartow County pays annual membership dues on behalf of the City. The City has no equity interest in the NGRC nor does the City materially contribute to the continued existence of the NGRC. The Official Code of Georgia Annotated Section 50-8-39.1 states that in the event the NGRC ceases operation, the membership can be assessed for any debt or obligation of the NGRC. Separate financial statements may be obtained from Northwest Georgia Regional Commission, P. O. Box 1793, Rome, Georgia 30162.

Note 16. Special Purpose Local Option Sales Tax

In November 2002, Bartow County voters approved a referendum on the question of "yes/no shall a special one percent sales and use tax be imposed in Bartow County for a period of time not to exceed twenty calendar quarters, or until there is collected net proceeds of $86,000,000, for various capital outlay purposes". Actual collection of the tax began April 1, 2003 and is projected to end March 31, 2008. The City of Emerson's distributive share of this amount is projected to be $1,694,000. The City is to use the proceeds from the tax for various infrastructure and water/sewer improvements.

In November 2007, Bartow County voters approved a referendum on the question of "yes/no shall a special one percent sales and use tax be imposed in Bartow County for a period of time not to exceed twenty calendar quarters, or until there is collected net proceeds of $200,000,000, for various capital outlay purposes". Actual collection of the tax began April 1, 2008 and is projected to end March 31, 2014. The City of Emerson's distributive share of this amount is projected to be $3,546,000 or 1.97%. The City is to use the proceeds from the tax for various infrastructure and water/sewer improvements.

Note 17. Prior Period Adjustment

During the current fiscal year, the City made a prior period adjustment in the Confiscated Assets Special Revenue Fund to adjust the prior year governmental fund balance down by $2,294 as this amount was not released for expenditure for law enforcement activities but held in evidence funds.

During the current fiscal year, the City changed the sick leave policy in all funds to discontinue the pay out of sick time for terminated and retired employees. The prior period adjustment in the General Fund amounted to an increase of $5,642 in net position in the Statement of Activities, an increase of $415 in Water Fund net position and an increase of $79 in Solid Waste Fund net position.

Note 18. Construction Commitments

As of June 30, 2013, the City had no outstanding commitments under construction contracts.

REQUIRED SUPPLEMENTARY INFORMATION

City of Emerson, Georgia
Required Supplementary Information
City of Emerson Retirement Plan
June 30, 2013

Schedule of Funding Progress

Actuarial Valuation Date July 1*	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability	(3) Unfunded Actuarial Accrued Liability (Excess) (2)-(1)	(4) Funded Ratio (1) / (2)	(5) Covered Payroll	Unfunded Actuarial Accrued Liability as % of Covered Payroll (3) / (5)
2013	$ 526,846	$ 541,774	$ 14,928	97.24%	$ 521,265	2.86%
2012	491,627	510,180	18,553	96.36%	605,938	3.06%
2011	458,839	466,707	7,868	98.31%	555,534	1.42%
2010	420,617	496,564	75,947	84.71%	565,366	13.43%
2009	330,701	480,318	149,617	68.85%	529,370	28.26%
2008	378,101	462,669	84,568	81.72%	674,039	12.55%
2007	339,915	446,504	106,589	76.13%	573,562	18.58%
2006	305,412	391,473	86,061	78.02%	409,946	20.99%
2005	275,361	369,951	94,590	74.43%	426,432	22.18%
2004	245,667	325,064	79,397	75.57%	382,833	20.74%

*Note: The actuarial valuation date changed in 2010 to January 2010.

INDIVIDUAL FUND STATEMENTS

CITY OF EMERSON, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUND - 2003 SPLOST
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Project Length Budgeted Amounts			
	Original	Final	Current Year Actual	Variance with Final Budget
REVENUES				
Intergovernmental	$ 3,183,000	$ 3,156,753	$ -	$ (3,156,753)
Interest Income	-	-	-	-
Total Revenues	3,183,000	3,156,753	-	(3,156,753)
EXPENDITURES				
Public Works	-	-	113	(113)
Capital Outlays	3,183,000	3,156,753	4,472	3,152,281
Total Expenditures	3,183,000	3,156,753	4,585	3,152,168
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(4,585)	(4,585)
OTHER FINANCING SOURCES (USES)				
Transfers	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	-	(4,585)	(4,585)
Fund Balance (Deficit) - Beginning of Year	183,226	183,226	183,226	-
Fund Balance (Deficit) - End of Year	$ 183,226	$ 183,226	$ 178,641	$ (4,585)

CITY OF EMERSON, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUND - 2008 SPLOST
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	Project Length Budgeted Amounts			
	Original	Final	Current Year Actual	Variance with Final Budget
REVENUES				
Intergovernmental	$ 3,546,000	$ 2,446,000	$ 338,620	$ (2,107,380)
Interest Income	-	-	-	-
Total Revenues	3,546,000	2,446,000	338,620	(2,107,380)
EXPENDITURES				
Public Works	-	-	84,826	(84,826)
Capital Outlays				
Water and Sewer Improvements	1,476,000	1,582,070	59,459	1,522,611
Streets, Roads, and Buildings	1,895,000	673,930	19,034	654,896
GIS System	175,000	190,000	-	190,000
Total Expenditures	3,546,000	2,446,000	163,319	2,282,681
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	175,301	175,301
OTHER FINANCING SOURCES (USES)				
Transfers	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	-	175,301	175,301
Fund Balance (Deficit) - Beginning of Year	139,228	139,228	139,228	-
Fund Balance (Deficit) - End of Year	$ 139,228	$ 139,228	$ 314,529	$ 175,301

COMPLIANCE SECTION

P.O. BOX 473
CARTERSVILLE, GA 30120
(770) 382-3361
FAX (770) 386-8382
WWW.WCPAS.COM

WILLIAMSON & CO., CPA's
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

LLOYD WILLIAMSON
CHRISTIAN HATCH

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

To the Mayor and City Council
Emerson, 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, the discretely presented component unit, and each major fund of the City of Emerson, Georgia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Emerson, Georgia's basic financial statements and have issued our report thereon dated December 6, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Emerson, Georgia's internal control over financial reporting to determine the audit procedures that are appropriate for 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 of Emerson, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Emerson, Georgia'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.

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

Compliance and Other Matters

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

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 of 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.

Williamson and Company

Williamson and Company
Certified Public Accountants
December 6, 2013

City of Emerson, Georgia
Schedule of Special Purpose Local Option Sales Tax
For the Fiscal Year Ended June 30, 2013

Project	Original Estimated Cost	Revised Estimated Cost	Expenditures Prior Years	Expenditures Current Year	Total
SPLOST (2003)					
Water and Sewer Projects					
Flow measuring Spring #1	$ 80,500	$ -	$ -	$ -	$ -
Install turbidity	55,000	31,647	31,647	-	31,647
Purchase land Spring #1	120,000	-	-	-	-
Groundwater exploration	75,000	256,200	182,502	4,472	186,974
Repairs to old water tanks	160,000	-	-	-	-
Renovate tank access roads	22,500	-	-	-	-
Distribution mains	15,000	1,822	1,822	-	1,822
Spring #2 testing	100,000	-	-	-	-
Retrofit meter services	50,000	210,110	210,110	-	210,110
Miscellaneous extensions	50,000	97,789	97,789	-	97,789
Relocate 10-inch sewer	100,000	-	-	-	-
Renovate sewage pump	7,500	15,271	15,271	-	15,271
Purchase dump truck	84,000	82,370	82,370	-	82,370
	919,500	695,209	621,511	4,472	625,983
Street, Roads and Buildings					
Reclaiming drainage systems	165,000	270,470	270,470	-	270,470
Re-locate police department	20,000	-	-	-	-
Engineering study storm water	25,000	64,802	64,802	-	64,802
Develop old fire station	264,000	-	-	-	-
Paving	163,500	729,872	748,986	113	749,099
	637,500	1,065,144	1,084,258	113	1,084,371
Miscellaneous Projects					
Develop solid waste handling	60,000	8,047	8,047	-	8,047
Install emergency warning	26,000	17,000	15,838	-	15,838
Georgia DNR Compliance	1,000	-	-	-	-
Develop 1 acre recreation park	50,000	-	-	-	-
	137,000	25,047	23,885	-	23,885
Total	$ 1,694,000	$ 1,785,400	$ 1,729,654	$ 4,585	$ 1,734,239

Note: These schedules are prepared on the accrual basis of accounting.

City of Emerson, Georgia
Schedule of Special Purpose Local Option Sales Tax
For the Fiscal Year Ended June 30, 2013

Project	Original Estimated Cost	Revised Estimated Cost	Expenditures Prior Years	Expenditures Current Year	Total
SPLOST (2008)					
Water Projects					
Utility relocation for Old Ala Rd	$ 100,000	$ 62,431	$ 62,431	$ -	$ 62,431
SCADA System	19,000	101,681	80,766	318	81,084
Replace water main in Redtop Circle	280,000	280,000	322,910	-	322,910
Groundwater sewer facility	150,000	-	-	-	-
Security fencing at Spring #1	4,500	-	-	-	-
Arizona Ave install new taps	15,000	-	-	-	-
Repair misc water mains	165,000	165,000	26,132	19,118	45,250
	733,500	609,112	492,239	19,436	511,675
Sewer System Improvements					
Replace sewer line on 2nd Street	153,000	405,394	403,861	-	403,861
Repairs on pumps at Puckett Rd	25,000	4,154	4,153	-	4,153
Utility relocation for Old Ala Rd	100,000	92,410	92,410	-	92,410
Power supply at Puckett Rd	30,000	30,730	20,730	-	20,730
Monitor wastewater system	4,500	-	-	-	-
Stormwater testing	30,000	40,270	22,864	6,762	29,626
Maintain storm sewer flow	150,000	150,000	25,572	32,491	58,063
Misc sewerage pipes to improve	250,000	250,000	32,191	769	32,960
	742,500	972,958	601,781	40,022	641,803
Street, Roads and Buildings					
Paving of misc streets	500,000	450,000	185,978	82,395	268,373
Sidewalks Old Alabama Road	175,000	2,232	2,232	12,160	14,392
Build public works facility	200,000	2,400	2,400	-	2,400
Install misc sidewalks-bike paths	145,000	95,000	-	-	-
Build community ctr/rec ctr	200,000	21,082	21,082	-	21,082
Build police department	475,000	-	-	-	-
Equip for street sweeping	185,000	80,000	85,000	-	85,000
Equip for signs roads, streets, etc.	15,000	23,216	23,306	2,431	25,737
	1,895,000	673,930	319,998	96,986	416,984
Miscellaneous Projects					
Develop GIS System	175,000	190,000	102,292	6,875	109,167
	175,000	190,000	102,292	6,875	109,167
Total	$ 3,546,000	$ 2,446,000	$ 1,516,310	$ 163,319	$ 1,679,629

Note: These schedules are prepared on the accrual basis of accounting.