

City of Emerson, Georgia

Annual Financial Report

For the Fiscal Year Ended

June 30, 2014

By Authority of

The Mayor and City Council

CITY OF EMERSON, GEORGIA
Annual Financial Report
Year Ended June 30, 2014

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FINANCIAL SECTION

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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, 2014, 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, 2014, 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 financial 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.

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 individual fund budgetary comparisons on pages 36-40 and the Schedules of Special Purpose Local Option Sales Tax Expenditures on pages 45-47 as required by the Georgia code section OCGA §48-8-121, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund budgetary comparisons are the responsibility of management and were 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 individual fund budgetary comparisons are fairly stated in all material respects in relation to the basic financial statements as a whole. The Schedules of Special Purpose Local Option Sales Tax Expenditures are the responsibility of management and were 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 Schedules 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated November 10, 2014, 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
Cartersville, Georgia
November 10, 2014

BASIC FINANCIAL STATEMENTS

CITY OF EMERSON, GEORGIA
Statement of Net Position
June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	$ 406,172	$ 410,536	$ 816,708
Receivables - Net	103,307	106,970	210,277
Internal Balances	153,639	(153,639)	-
Inventory	-	2,635	2,635
Restricted Assets:			
Restricted Cash	395,682	-	395,682
Capital Assets			
Other Capital Assets-Net	568,594	12,511,615	13,080,209
Land and Construction in Progress	406,687	94,517	501,204
Total Assets	$ 2,034,081	$ 12,972,634	$ 15,006,715
LIABILITIES			
Accounts Payable	$ 36,609	$ 28,712	$ 65,321
Accrued Payroll Liabilities	1,640	-	1,640
Customer Deposits	-	55,953	55,953
Unreleased Confiscated Funds	2,294	-	2,294
Interest Payable	-	1,514	1,514
Current Portion of Long Term Debt	7,387	13,579	20,966
Noncurrent Liabilities:			
Due in More than One Year	29,976	44,482	74,458
Total Liabilities	$ 77,906	$ 144,240	$ 222,146
NET POSITION			
Net Investment in Capital Assets	$ 952,407	$ 12,549,027	$ 13,501,434
Restricted for:			
Construction	446,902	-	446,902
Law Enforcement Activities	1,339	-	1,339
Unrestricted	555,527	279,367	834,894
Total Net Position	$ 1,956,175	$ 12,828,394	$ 14,784,569

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

CITY OF EMERSON, GEORGIA
Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Council, Commissions and Boards	$ 9,605	$ -	$ -	$ -
General Government	440,498	139,398	-	352,707
Municipal Court	114,792	-	-	-
Contracted Services	40,703	-	-	-
Public Safety	489,413	269,881	-	-
Public Works	170,780	-	-	-
Total Governmental Activities	1,265,791	409,279	-	352,707
Business-type Activities:				
Water/Sewer	1,221,132	996,092	-	6,407
Solid Waste	91,297	81,290	-	-
Total Business-type Activities	1,312,429	1,077,382	-	6,407
Total Primary Government	$ 2,578,220	$ 1,486,661	$ -	$ 359,114

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

CITY OF EMERSON, GEORGIA
Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-type Activities	Totals
Primary Government:			
Governmental Activities:			
Council, Commissions and Boards	$ (9,605)	$ -	$ (9,605)
General Government	51,607	-	51,607
Municipal Court	(114,792)	-	(114,792)
Contracted Services	(40,703)	-	(40,703)
Public Safety	(219,532)	-	(219,532)
Public Works	(170,780)	-	(170,780)
Total Governmental Activities	(503,805)	-	(494,200)
Business-type Activities:			
Water/Sewer	-	(218,633)	(218,633)
Solid Waste	-	(10,007)	(10,007)
Total Business-type Activities	-	(228,640)	(228,640)
Total Primary Government	(503,805)	(228,640)	(722,840)
General Revenues:			
Taxes:			
Sales	387,085	-	387,085
Property	111,139	-	111,139
Mobile Home	620	-	620
Vehicle	50,695	-	50,695
Insurance Premium	75,828	-	75,828
Malt & Mixed Beverage	23,781	-	23,781
Franchise	156,674	-	156,674
Other	16,356	-	16,356
Investment Earnings	377	-	377
Miscellaneous	75,436	-	75,436
Gain on Sale/Disposal of Capital Assets	27,014	-	27,014
Transfers	(204,528)	204,528	-
Total General Revenues and Transfers	720,477	204,528	925,005
Change in Net Position	216,672	(24,112)	192,560
Net Position - Beginning	1,739,503	12,852,506	14,592,009
Net Position - Ending	$ 1,956,175	$ 12,828,394	$ 14,784,569

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

CITY OF EMERSON, GEORGIA
Balance Sheet
Governmental Funds
June 30, 2014

	General	Capital Projects 2003 SPLOST Fund	Capital Projects 2008 SPLOST Fund	Capital Projects 2014 SPLOST Fund	Hotel Motel Tax Special Revenue	Confiscated Assets Special Revenue	Total Governmental Funds
ASSETS							
Cash	$ 406,172	$ -	$ -	$ -	$ -	$ -	$ 406,172
Receivables, Net							
Accounts	11,140	-	-	-	-	-	11,140
Taxes	36,488	-	-	-	-	-	36,488
Intergovernmental	-	-	-	55,679	-	-	55,679
Due from Other Funds	153,639	-	-	-	-	-	153,639
Cash - Restricted	-	176,556	145,927	69,566	-	3,633	395,682
Total Assets	$ 607,439	$ 176,556	$ 145,927	$125,245	$ -	$ 3,633	$ 1,058,800
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities:							
Accounts Payable	$ 35,783	$ 41	$ -	$ 785	$ -	$ -	$ 36,609
Accrued Payroll Liabilities	1,640	-	-	-	-	-	1,640
Unreleased Confiscated Funds	-	-	-	-	-	2,294	2,294
Total Liabilities	37,423	41	-	785	-	2,294	40,543
Deferred Inflows of Resources	652	-	-	-	-	-	652
Total Liabilities and Deferred Inflows of Resources	38,075	41	-	785	-	2,294	41,195
Fund Balance:							
Restricted for:							
Law Enforcement Activities	-	-	-	-	-	1,339	1,339
Construction	-	176,515	145,927	124,460	-	-	446,902
Unassigned	569,364	-	-	-	-	-	569,364
Total Fund Balances	569,364	176,515	145,927	124,460	-	1,339	1,017,605
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 607,439	$ 176,556	$ 145,927	$125,245	$ -	$ 3,633	$ 1,058,800

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

Fund Balances - Total Governmental Funds		$ 1,017,605
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	1,428,207	
Less Accumulated Depreciation	(452,926)	975,281
Deferred revenues are recognized in the governmental funds for property tax collections but are not recognized in the statement of net position		652
Long-term liabilites are not due and payable in the current perod and therefore are not reported in the governmental funds.		
Capital Lease		(22,874)
Compensated Abscences		(14,489)
Net Position of Governmental Activities		$ 1,956,175

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, 2014

	General	Capital Projects 2003 SPLOST Fund	Capital Projects 2008 SPLOST Fund	Capital Projects 2014 SPLOST Fund	Hotel Motel Tax Special Revenue	Confiscated Assets Special Revenue	Total Governmental Funds
REVENUES							
Taxes	$ 783,448	$ -	$ -	$ -	$ -	$ -	$ 783,448
Licenses and Permits	115,306	-	-	-	-	-	115,306
Intergovernmental	-	-	196,069	156,638	-	-	352,707
Fines and Forfeitures	269,241	-	-	-	-	640	269,881
Charges for Services	62,197	-	-	-	-	-	62,197
Miscellaneous Income	57,709	-	-	-	-	-	57,709
Interest Income	377	-	-	-	-	-	377
Total Revenues	1,288,278	-	196,069	156,638	-	640	1,641,625
EXPENDITURES							
Current Operating:							
Council Commission & Boards	9,605	-	-	-	-	-	9,605
General Government	423,570	-	-	2,568	-	-	426,138
Municipal Court	114,792	-	-	-	-	-	114,792
Contracted Services	40,703	-	-	-	-	-	40,703
Public Safety	527,942	-	-	-	-	150	528,092
Public Works	137,323	-	12,023	11,580	-	-	160,926
Capital Outlay:							
General Government	-	-	2,570	-	-	-	2,570
Public Works	-	-	163,328	18,030	-	-	181,358
Water Fund	-	2,126	186,750	-	-	-	188,876
Total Expenditures	1,253,935	2,126	364,671	32,178	-	150	1,653,060
Excess (Deficiency) of Revenues Over (Under) Expenditures	34,343	(2,126)	(168,602)	124,460	-	490	(11,435)
OTHER FINANCING SOURCES (USES)							
Transfers Out	(14,902)	-	-	-	-	-	(14,902)
Proceeds from Surplus Sales	39,406	-	-	-	-	-	39,406
Proceeds from Capital Leases	22,874	-	-	-	-	-	22,874
Proceeds from Insurance Recoveries	25,797	-	-	-	-	-	25,797
Total Other Financing Sources (Uses)	73,175	-	-	-	-	-	73,175
Net Change in Fund Balances	107,518	(2,126)	(168,602)	124,460	-	490	61,740
Fund Balance - Beginning of Year	461,846	178,641	314,529	-	-	849	955,865
Fund Balance - End of Year	$ 569,364	$ 176,515	$ 145,927	$124,460	$ -	$ 1,339	$ 1,017,605

(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, 2014

(Continued)

Net Change in Fund Balances - Total Governmental Funds		$ 61,740
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	242,854	
Less Current Year Depreciation	(42,458)	200,396
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.		(21,780)
Deferred revenues are recognized in the governmental funds for property tax collections but are not recognized in the statement of net position		(627)
Governmental funds report proceeds from capital leases as revenue while governmental activites report a liability		(22,874)
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.		(183)
Change in Net Position of Governmental Activities		$ 216,672

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

CITY OF EMERSON, GEORGIA
Statement of Revenues, Expenditures, and Changes in Fund Balance
General Fund - Budget and Actual
For the Year Ended June 30, 2014

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Taxes	$ 721,000	$ 719,751	$ 783,448	$ 63,697
Licenses and Permits	54,100	88,793	115,306	26,513
Fines and Forfeitures	340,000	266,500	269,241	2,741
Charges for Services	61,412	60,760	62,197	1,437
Miscellaneous Income	69,600	58,000	57,709	(291)
Interest Income	-	83	377	294
Total Revenues	1,246,112	1,193,887	1,288,278	94,391
EXPENDITURES				
Current:				
Council Commission & Boards	-	10,396	9,605	791
General Government	409,092	438,068	423,570	14,498
Municipal Court	126,205	128,587	114,792	13,795
Contracted Services	62,001	49,716	40,703	9,013
Public Safety	560,705	544,118	527,942	16,176
Public Works	112,909	151,572	137,323	14,249
Total Expenditures	1,270,912	1,322,457	1,253,935	67,731
Excess (Deficiency) of Revenues Over (Under) Expenditures	(24,800)	(128,570)	34,343	162,122
OTHER FINANCING SOURCES (USES)				
Transfers In	-	14,902	-	(14,902)
Transfers Out	-	-	(14,902)	(14,902)
Fund Balance Surplus	-	50,013	-	(50,013)
Proceeds from Sale of Surplus Assets and Supplies	2,500	14,984	39,406	24,422
Proceeds from Capital Lease	36,000	22,874	22,874	-
Proceeds from Insurance Recoveries	-	25,797	25,797	-
Total Other Financing Sources (Uses)	38,500	128,570	73,175	24,422
Net Change in Fund Balance	13,700	-	107,518	186,544
Fund Balance - Beginning of Year	461,846	461,846	461,846	-
Fund Balance - End of Year	$ 475,546	$ 461,846	$ 569,364	$ 186,544

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

CITY OF EMERSON, GEORGIA
Statement of Net Position
Proprietary Funds
June 30, 2014

	Water & Sewer	Solid Waste	Total
Assets			
Current Assets:			
Cash	$ 389,125	$ 21,411	$ 410,536
Accounts Receivable, Net	97,578	9,392	106,970
Inventory	-	2,635	2,635
Total Current Assets	486,703	33,438	520,141
Non-Current Assets:			
Capital Assets:			
Equipment	395,378	223,555	618,933
Buildings and Structures	18,768	-	18,768
Distribution and Collection Systems	14,079,553	-	14,079,553
Less Accumulated Depreciation	(2,069,714)	(135,926)	(2,205,640)
Land and Easements	2,700	-	2,700
Construction in Progress	91,818	-	91,818
Total Non-Current Assets	12,518,503	87,629	12,606,132
Total Assets	$ 13,005,206	$ 121,067	$ 13,126,273
Liabilities			
Current Liabilities:			
Accounts Payable	$ 26,294	$ 2,418	$ 28,712
Due to Other Funds	9,862	143,777	153,639
Customer Deposits	55,953	-	55,953
Interest Payable	1,514	-	1,514
Note Payable	13,579	-	13,579
Total Current Liabilities	107,202	146,195	253,397
Noncurrent Liabilities:			
Compensated Abscences	956	-	956
Note Payable	43,526	-	43,526
Total Noncurrent Liabilities	44,482	-	44,482
Total Liabilities	151,684	146,195	297,879
Net Position			
Net Investment in Capital Assets	12,461,398	87,629	12,549,027
Unrestricted	392,124	(112,757)	279,367
Total Net Position	$ 12,853,522	$ (25,128)	$ 12,828,394

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

CITY OF EMERSON, GEORGIA
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	Water & Sewer	Solid Waste	Total
Operating Revenues			
Charges for Services	$ 707,115	$ 81,290	$ 788,405
Fees	276,040	-	276,040
Other Revenues	12,937	-	12,937
Total Operating Revenues	996,092	81,290	1,077,382
Operating Expenses			
Salaries, Wages, and Employee Benefits	144,807	22,355	167,162
Capacity Fees/Landfill Fees	241,082	16,650	257,732
Purchased Water	112,618	-	112,618
Materials and Supplies	66,969	9,944	76,913
System Maintenance	43,321	-	43,321
Purchased Services	31,365	-	31,365
Insurance Expense	34,956	8,498	43,454
Administrative Charge	50,000	5,000	55,000
General and Administrative	51,195	2,383	53,578
Other Repairs and Maintenance	28,991	4,111	33,102
Utilities	102,538	-	102,538
Depreciation Expense	311,285	22,356	333,641
Total Operating Expenses	1,219,127	91,297	1,310,424
Operating Income (Loss)	(223,035)	(10,007)	(233,042)
Nonoperating Revenues (Expenses)			
Interest Expense	(2,005)	-	(2,005)
Total Nonoperating Revenues (Expenses)	(2,005)	-	(2,005)
Income Before Contributions and Transfers	(225,040)	(10,007)	(235,047)
Capital Contributions	196,033	-	196,033
Transfers	14,902	-	14,902
Total Contributions and Transfers	210,935	-	210,935
Change in Net Position	(14,105)	(10,007)	(24,112)
Net Position - Beginning	12,867,627	(15,121)	12,852,506
Net Position - Ending	$ 12,853,522	$ (25,128)	$ 12,828,394

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, 2014

	Water & Sewer	Solid Waste	Total
Cash Flows From Operations			
Receipts from Customers and Users	$ 958,952	$ 80,906	$ 1,039,858
Payments to Suppliers	(741,510)	(48,796)	(790,306)
Payments to/for Employees	(146,093)	(22,748)	(168,841)
Net Cash Provided by (Used in) Operating Activities	71,349	9,362	80,711
Cash Flows From Noncapital Financing Activities			
Payments from (to) Other Funds	9,862	-	9,862
Cash Flows from Capital and Related Financing Activities			
Principal Paid	(13,138)	-	(13,138)
Interest Paid	(2,353)	-	(2,353)
Acquisition of Capital Assets	(26,436)	-	(26,436)
Net Cash from Capital and Related Financing Activities	(41,927)	-	(41,927)
Cash Flows from Investing Activities			
Interest Received	-	-	-
Net Increase in Cash	39,284	9,362	48,646
Cash - July 1	349,841	12,049	361,890
Cash - June 30	$ 389,125	$ 21,411	$ 410,536
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Operating Income (Loss)	$ (223,035)	$ (10,007)	$ (233,042)
Adjustments to Reconcile to Net Cash Provided by Operating Activities			
Depreciation	311,285	22,356	333,641
Capital Contributions Expensed as Repairs and Maintenance	15,606	-	15,606
(Increase) Decrease in Accounts Receivable	(41,520)	(384)	(41,904)
(Increase) Decrease in Inventory	-	(2,635)	(2,635)
Increase (Decrease) in Accounts Payable & Accrued Payables	5,919	425	6,344
Increase (Decrease) in Customer Deposits	4,380	-	4,380
Increase (Decrease) in Compensated Abscences	(1,286)	(393)	(1,679)
Net Cash Provided by (Used in) Operating Activities	$ 71,349	$ 9,362	$ 80,711
Noncash Investing, Capital and Financing Activities			
Capital Contributions - Capital Projects Funds	$ 180,426	$ -	$ 180,426
Capital Assets	(180,426)	-	(180,426)
Net Cash from Noncash Activities	$ -	$ -	$ -

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

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, the 2003 SPLOST Capital Projects Fund, the 2008 SPLOST Capital Projects Fund, and the 2013 SPLOST Capital Projects Fund 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 2003 SPLOST Capital Projects Fund, the 2008 SPLOST Capital Projects Fund, and the 2013 SPLOST Capital Projects Fund 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 operates a Water/Sewer Fund and a Solid Waste fund, both of which are presented as major proprietary 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 Outflows/Inflows Of Resources.** In addition to assets, the statement of financial will sometimes report a separate section for deferred outflows of resources. This position separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City had no items that qualified as a deferred outflow of resources for fiscal 2014.

   In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies as a deferred inflow of resources for fiscal 2014 and arises under the modified accrual basis on accounting only. The source of the deferred inflow reported is property tax revenue that is considered unavailable at year end.

6. **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.

7. **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.

8. **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 City 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 referendums. The budgets of these funds are 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, 2014 is as follows:

Statement of Net Position:	
Unrestricted Cash	$ 816,708
Restricted Cash	395,682
Total	$ 1,212,390

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, 2014 consist of the following:

	General	2014 SPLOST Capital Projects	Water and Sewer	Solid Waste	Total
Receivables:					
Accounts	$ 11,140	$ --	$ 105,236	$ 10,148	$ 126,524
Taxes	36,488	--	--	--	34,688
Intergovernmental	--	55,679	--	--	55,679
Allowances for Uncollectibles	--	--	(7,658)	(756)	(8,414)
Net	$ 47,628	$ 55,679	$ 97,578	$ 9,392	$ 210,277

Taxes receivable include $35,395 of Local Option Sales Tax and $1,093 of property taxes. The intergovernmental receivable of $55,679 consists of accrued SPLOST collections for the 2014 SPLOST.

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 August 12, 2013. The levy date was September 15, 2013 and taxes were due by December 1, 2013. 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, 2014 were $153,639.

Due To	Due From	Amount
General	Water	$ 9,862
General	Solid Waste	143,777

Interfund balances consist of routine transfers for payroll and related benefits and to subsidize operations.

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, 2014 were as follows:

Source Fund	Transfer to Fund	Amount
2003 Capital Projects	Water/Sewer	$ 2,126
2008 Capital Projects	Water/Sewer	186,750
General Fund	Water/Sewer	14,902
	Total	$ 203,778

Transfers presented on the fund level statements are different than transfers presented on the entity-wide statements 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 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 7/01/13	Additions/ Transfers	Deletions/ Transfers	Balance 6/30/14
Governmental activities:				
Capital assets, not being depreciated				
Land	$ 119,462	$ –	$ –	$ 119,462
Construction in Progress	121,327	165,898	–	287,225
Total capital assets not being depreciated	240,789	165,898	–	406,687
Capital assets, being depreciated				
Buildings	352,302	–	–	352,302
Infrastructure	345,916	188,876	188,876	345,916
Equipment	342,198	76,956	95,852	323,302
Total capital assets being depreciated	1,040,416	76,956	95,852	1,021,520
Less accumulated depreciation for:				
Buildings	143,949	10,727	–	154,676
Infrastructure	66,723	8,260	–	74,983
Equipment	273,868	23,471	74,072	223,267
Total accumulated depreciation	484,540	42,458	74,072	452,926
Total Capital Assets Being Depreciated, Net	555,876	34,498	21,780	568,594
Governmental Capital Assets, Net	$ 796,665	$ 200,396	$ 21,780	$ 975,281

Additions to construction in progress were $163,328 for Old Alabama Road sidewalk construction and $2,570 for GIS installation which were purchased from the 2008 SPLOST Capital Projects Fund. Infrastructure additions are water system additions paid for by capital projects funds. These are recognized as capital contributions in the proprietary funds.

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

Administration	$ 11,790
Public Safety	20,064
Public Works	10,604
Total Depreciation Expense	$ 42,458

	Balance 7/01/13	Additions/ Transfers	Deletions/ Transfers	Balance 6/30/14
Business-type activities				
Capital assets, not being depreciated				
Land	$ 2,700	$ --	$ --	$ 2,700
Construction in Progress	89,692	2,126	--	91,818
Total capital assets not being depreciated	92,392	2,126	--	94,518
Capital assets, being depreciated				
Equipment	592,496	26,437	--	618,933
Buildings	18,768	--	--	18,768
Utility Systems	13,901,253	178,300	--	14,079,553
Total capital assets being depreciated	14,512,517	204,737	--	14,717,254
Less accumulated depreciation for:				
Equipment	258,621	53,773	--	312,394
Buildings	11,007	630	--	11,637
Utility Systems	1,602,371	279,238	--	1,881,609
Total accumulated depreciation	1,871,999	333,641	--	2,205,640
Capital Assets, Net	$ 12,732,910	$ (126,779)	$ --	$ 12,606,132

Business-type activities construction in progress at year-end consists of $2,126 of test well expenditures contributed to the fund from the 2003 Capital Project Fund. $26,437 of equipment was purchased by the Water/Sewer fund in the current year. The 2008 Capital Project Fund contributed $178,300 of utility system improvements to the Water/Sewer fund in the current year.

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 2014.

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. Lease Obligations

The City has entered into a capital lease agreement with Branch Banking and Trust as lessee for financing the acquisition of a 2013 Dodge Charger. The interest rate on this lease is 3.18%. If the lease is paid in full, the title to the property is transferred to the City. The City's equipment under lease has a cost of $22,874 with accumulated depreciation of $0. The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the net minimum lease payments at June 30, 2014:

Year Ending June 30	General Fund
2015	$ 8,115
2016	8,115
2017	8,115
Less Interest	(1,471)
Present value of minimum lease payments	$ 22,874

The City has no significant operating lease obligations.

Note 10. Outstanding Debt

Changes in long-term liabilities

The following is a summary of the City's debt transactions for the year ended June 30, 2014:

	Balance July 1, 2013	Additions	Reductions	Balances June 30, 2014	Due In One Year
Governmental Activities					
Capital Lease Payable	$ -	$ 22,874	$ -	$ 22,874	$ 7,387
Compensated Absences	14,306	22,784	(22,601)	14,489	-
Total Governmental Activities	$ 14,306	$ 45,658	$ (22,601)	$ 37,363	$ 7,387
Business-type Activities					
Note Payable	$ 70,244	$ -	$ (13,139)	$ 57,105	$ 13,579
Compensated Absences	2,635	4,057	(5,736)	956	-
Total Business-type Activities	$ 72,879	$ 4,057	$ (18,875)	$ 58,061	$ 13,579

The note payable is recorded in the Water/Sewer Fund and was for the purchase of a backhoe. 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 payable are as follows:

Fiscal Year	Principal	Interest	Total
2015	$13,579	$1,913	$15,492
2016	14,033	1,458	15,491
2017	14,504	988	15,492
2018	14,989	502	15,492
Total	$57,105	$4,861	$77,457

Note 11. 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 fiscal year ended June 30, 2013 was $32,342 ($0 employee and $32,342 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, 2013. 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
2014	$32,342	100.0%	--
2013	41,117	100.0%	--
2012	37,697	100.0%	--

Schedule of Funding Progress

Actuarial Valuation Dated January 1	(1) Actuarial Value Of Assets	(2) Actuarial Accrued Liability	(3) Unfunded Actuarial Accrued Liability (2)-(1)	(4) Funded Ratio (1)/(2)	(5) Covered Payroll	(6) 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%

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:

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 12. 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 13. Restricted Assets and Restricted Net Position

Governmental activities

At June 30, 2014, the restricted fund balance and restricted net position is comprised of the following:

Restricted Assets	
Capital Project Activities	$ 446,902
Drug Enforcement Activities	1,339
	$ 448,241

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 14. 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 15. 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 various lawsuits. 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 16. 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 17. 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.

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 $193,000,000, for various capital outlay purposes". Actual collection of the tax began April 1, 2014 and is projected to end March 31, 2020. The City of Emerson's distributive share of this amount is projected to be $3,787,814 or 1.97%. The City is to use the proceeds from the tax for various infrastructure, capital equipment and water/sewer improvements.

Note 18. Construction Commitments

As of June 30, 2014, the City had no outstanding commitments under construction contracts.

INDIVIDUAL FUND BUDGETARY SCHEDULES

CITY OF EMERSON, GEORGIA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Capital Projects Fund - 2003 SPLOST - Budget and Actual
For the Year Ended June 30, 2014

	Project Length Budgeted Amounts			
	Original	Final	Current Year Actual	Variance with Final Budget
REVENUES				
Intergovernmental	$ 3,183,000	$ 3,156,753	$ -	$ (3,156,753)
Total Revenues	3,183,000	3,156,753	-	(3,156,753)
EXPENDITURES				
Capital Outlays - Water/Sewer	3,183,000	3,156,753	2,126	3,154,627
Total Expenditures	3,183,000	3,156,753	2,126	3,154,627
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(2,126)	(2,126)
Net Change in Fund Balance	-	-	(2,126)	(2,126)
Fund Balance - Beginning of Year	178,641	178,641	178,641	-
Fund Balance - End of Year	$ 178,641	$ 178,641	$ 176,515	$ (2,126)

CITY OF EMERSON, GEORGIA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Capital Projects Fund - 2008 SPLOST - Budget and Actual
For the Year Ended June 30, 2014

	Project Length Budgeted Amounts			
	Original	Final	Current Year Actual	Variance with Final Budget
REVENUES				
Intergovernmental - SPLOST	$ 3,546,000	$ 2,446,000	$ 175,249	$ (2,270,751)
Intergovernmental - Georgia Dept of Transportation	-	-	20,820	20,820
Total Revenues	3,546,000	2,446,000	196,069	(2,249,931)
EXPENDITURES				
Current:				
Public Works	-	-	12,023	(12,023)
Capital Outlays:				
Water and Sewer Improvements	1,476,000	1,582,070	186,750	1,395,320
Streets, Roads, and Buildings	1,895,000	673,930	163,328	510,602
GIS System	175,000	190,000	2,570	187,430
Total Expenditures	3,546,000	2,446,000	364,671	2,093,352
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(168,602)	(156,579)
Net Change in Fund Balance	-	-	(168,602)	(156,579)
Fund Balance - Beginning of Year	314,529	314,529	314,529	-
Fund Balance - End of Year	$ 314,529	$ 314,529	$ 145,927	$ (156,579)

CITY OF EMERSON, GEORGIA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Capital Projects Fund - 2014 SPLOST - Budget and Actual
From Inception and For the Year Ended June 30, 2014

	Actual			
	Prior Years	Current Year	Total to Date	Project Authorization
Revenues				
Intergovernmental	$ -	$ 156,638	$ 156,638	$ 3,787,814
Total Revenues	-	156,638	156,638	3,787,814
Expenditures				
Current				
General Government	-	2,568	2,568	2,568
Public Works	-	11,580	11,580	11,580
Capital Outlays				
Water System Improvements	-	-	-	1,515,000
Sewer System Improvements	-	-	-	1,183,500
Road Projects and Paving	-	-	-	345,000
Stormwater System Improvements	-	-	-	158,900
Pubic Works Equipment	-	18,030	18,030	338,420
Information Technology	-	-	-	232,846
Total Expenditures	-	32,178	32,178	3,787,814
Excess of Revenues Over Expenditures	-	124,460	124,460	-
Net Change in Fund Balance	$ -	124,460	$ 124,460	$ -
Fund Balance - Beginning of Year		-		
Fund Balance - End of Year		$ 124,460		

CITY OF EMERSON, GEORGIA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Hotel/Motel Tax - Budget and Actual
For the Year Ended June 30, 2014

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Taxes	$ -	$ -	$ -	$ -
Total Revenues	-	-	-	-
EXPENDITURES				
Current:				
General Government - Economic Development	-	-	-	-
Total Expenditures	-	-	-	-
Excess of Revenues Over Expenditures	-	-	-	-
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-
Fund Balance - End of Year	$ -	$ -	$ -	$ -

CITY OF EMERSON, GEORGIA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Confiscated Assets Special Revenue Fund - Budget and Actual
For the Year Ended June 30, 2014

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Fines and Forfeitures	$ -	$ 640	$ 640	$ -
Total Revenues	-	640	640	-
EXPENDITURES				
Current:				
Public Safety - Supplies and Other Expenses	-	150	150	-
Total Expenditures	-	150	150	-
Excess of Revenues Over Expenditures	-	490	490	-
Net Change in Fund Balance	-	490	490	-
Fund Balance - Beginning of Year	849	849	849	-
Fund Balance - End of Year	$ 849	$ 1,339	$ 1,339	$ -

COMPLIANCE SECTION

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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, and each major fund of the City of Emerson, Georgia, as of and for the year ended June 30, 2014, 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 November 10, 2014.

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 (internal control) 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. 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. 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*.

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS AND GEORGIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

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
Cartersville, Georgia
November 10, 2014

CITY OF EMERSON, GEORGIA
Schedule of Special Purpose Local Option Sales Tax Expenditures
For the Fiscal Year Ended June 30, 2014

Project	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	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	186,974	2,126	189,100
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	625,983	2,126	628,109
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	749,099	-	749,099
	637,500	1,065,144	1,084,371	-	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	$ 1,734,239	$ 2,126	$ 1,736,365

Note: This schedule is prepared on the modified accrual basis of accounting.

CITY OF EMERSON, GEORGIA
Schedule of Special Purpose Local Option Sales Tax Expenditures
For the Fiscal Year Ended June 30, 2014

Project	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	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	81,084	-	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	45,250	500	45,750
	733,500	609,112	511,675	500	512,175
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	10,173	102,583
Power supply at Puckett Rd	30,000	30,730	20,730	-	20,730
Monitor wastewater system	4,500	-	-	-	-
Stormwater testing	30,000	40,270	29,626	5,800	35,426
Maintain storm sewer flow	150,000	150,000	58,063	37,151	95,214
Misc sewerage pipes to improve	250,000	250,000	32,960	143,300	176,260
	742,500	972,958	641,803	196,424	838,227
Street, Roads and Buildings					
Paving of misc streets	500,000	450,000	268,373	1,849	270,222
Sidewalks Old Alabama Road	175,000	2,232	14,392	163,328	177,720
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	25,737	-	25,737
	1,895,000	673,930	416,984	165,177	582,161
Miscellaneous Projects					
Develop GIS System	175,000	190,000	109,167	2,570	111,737
	175,000	190,000	109,167	2,570	111,737
Total	$ 3,546,000	$ 2,446,000	$ 1,679,629	$ 364,671	$ 2,044,300

Note: This schedule is prepared on the modified accrual basis of accounting.

CITY OF EMERSON,GEORGIA
Schedule of Special Purpose Local Option Sales Tax Expenditures
For the Fiscal Year Ended June 30, 2014

Project	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
SPLOST 14					
Water Projects					
Misc Water System Improvements	$ 1,515,000	$ 1,515,000	$ -	$ -	$ -
	1,515,000	1,515,000	-	-	-
Sewer Projects					
Misc Sewer System Improvements	1,183,500	1,183,500	-	-	-
	1,183,500	1,183,500	-	-	-
Road Projects					
Misc Road Projects	345,000	345,000	-	-	-
	345,000	345,000	-	-	-
Storm Sewer System				-	
Misc Storm Sewer System Improvements	158,900	158,900	-	-	-
	158,900	158,900	-	-	-
Public Works					
Replacement of Public Works Equipment	350,000	350,000	-	29,610	29,610
	350,000	350,000	-	29,610	29,610
Information Technology					
Information Technology	235,414	235,414	-	2,568	2,568
	235,414	235,414	-	2,568	2,568
Total	$ 3,787,814	$ 3,787,814	$ -	$ 32,178	$ 32,178

Note: This schedule is prepared on the modified accrual basis of accounting.

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CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

LLOYD WILLIAMSON
CHRISTIAN HATCH

November 10, 2014

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

We have audited the financial statements of the governmental activities, business-type activities, and each major fund of the City of Emerson, Georgia for the year ended June 30, 2013, and have issued our report thereon dated November 10, 2014. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Emerson, Georgia are described in Note 1 to the financial statements. The City implemented GASB 62 in fiscal 2013 which changes the presentation of some of the statements within the report but does not really affect how the transactions are accounted for. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

> Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.
>
> The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 10, 2014.

Other Audit Findings or Issues

Internal Balances

The Solid Waste fund has carried an outstanding "Due To General Fund" balance of $143,777 for over 5 years. We recommend clearing this amount out through an accounting transfer. This will also allow the Solid Waste fund to emerge from a fund balance deficit that it is currently in. In the future, if the Solid Waste fund is able to generate a cash surplus, it can make annual operating transfers into the General Fund.

Implementation of GASB 68 Accounting and Financial Reporting for Pensions

For fiscal years that begin ***after*** June 15, 2014, the Governmental Accounting Standards Board (GASB) is requiring governmental entities to change the way they are presenting a City's pension plan in the financial report. This statement replaces the original guidance found in GASB 27. This governmental accounting standard will be implemented for the City's fiscal 2014 financial statements.

As always, Williamson & Company is available to assist in any of the above recommendations or any other accounting issues for the entire year and not just during the yearend audit period.

This information is intended solely for the use of the City Council and management of the City of Emerson, Georgia and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Williamson & Company

Williamson & Company
Certified Public Accountants
Cartersville, Georgia