CITY OF GORDON, GEORGIA

FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council
City of Gordon, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gordon, Georgia, as of and for the year ended September 30, 2013 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 the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gordon, Georgia, as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that budgetary comparison information on pages 29 through 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The City of Gordon, Georgia has not presented management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financials statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

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

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

The schedule of projects constructed with special sales tax proceeds and the other schedules included in other supplementary information as described in the accompanying table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated December 16, 2013 on our consideration of the City of Gordon, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The City of Gordon, Georgia's internal control over financial reporting and compliance.

Wright & Wright, P.C.

December 16, 2013

BASIC FINANCIAL STATEMENTS

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

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

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

CITY OF GORDON, GEORGIA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	$ 1,134,766	$ 36,950	$ 1,171,716
Restricted cash and cash equivalents	-	114,120	114,120
Investments	2,183,761	-	2,183,761
Accounts receivable, net	31,403	49,275	80,678
Receivable from other governments	139,854	-	139,854
Internal balances	104,337	(104,337)	-
Inventories	-	15,070	15,070
Prepaid expenses	32,407	3,693	36,100
Total current assets	3,626,528	114,771	3,741,299
Noncurrent assets:			
Nondepreciable	675,443	130,643	806,086
Depreciable capital assets, net of accumulated depreciation	2,185,167	3,552,643	5,737,810
Total assets	6,487,138	3,798,057	10,285,195
LIABILITIES:			
Current liabilities:			
Accounts payable	120,075	25,876	145,951
Accrued wages and benefits	207	-	207
Accrued interest payable	-	7,229	7,229
Current portion of long-term debt	33,323	101,203	134,526
Customer deposits	-	37,485	37,485
Deferred revenue	-	-	-
Total current liabilities	153,605	171,793	325,398
Noncurrent liabilities:			
Long-term debt, net of current portion	97,355	747,084	844,439
Total noncurrent liabilities	97,355	747,084	844,439
Total liabilities	250,960	918,877	1,169,837
NET POSITION:			
Net investment in capital assets	2,749,295	2,834,999	5,584,294
Restricted for:			
Capital projects	1,118,702	-	1,118,702
Prepaid expenses	32,407		32,407
Library	5,184	-	5,184
Debt retirement	-	134,104	134,104
Unrestricted	2,330,590	(89,923)	2,240,667
	$ 6,236,178	$ 2,879,180	$ 9,115,358

See accompanying notes to the basic financial statements

CITY OF GORDON, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Total
Primary government:							
Governmental activities:							
General government	$ 369,856	$ 14,255	$ 6,800	$ -	$ (348,801)	$ -	$ (348,801)
Public safety	779,005	12,339	-	-	(766,666)	-	(766,666)
Public works	483,276	93,944	55,000	263,067	(71,265)	-	(71,265)
Health and welfare	12,610	-	-	-	(12,610)	-	(12,610)
Culture and recreation	68,494	-	-	-	(68,494)	-	(68,494)
Interest on long-term debt	5,082	-	-	-	(5,082)	-	(5,082)
Total governmental activities	1,718,323	120,538	61,800	263,067	(1,272,918)	-	(1,272,918)
Business-type activities:							
Water and sewer	536,426	395,898	-	-	-	(140,528)	(140,528)
Total business-type activities	536,426	395,898	-	-	-	(140,528)	(140,528)
Total primary government	$ 2,254,749	$ 516,436	$ 61,800	$ 263,067	(1,272,918)	(140,528)	(1,413,446)
General revenues:							
Taxes:							
Property taxes					244,541	-	244,541
General sales and use tax					479,895	-	479,895
Other taxes					510,531	-	510,531
Grants and contributions					219,903	-	219,903
Interest income					11,875	138	12,013
Miscellaneous					6,048	-	6,048
Transfers					(734,231)	734,231	-
Total general revenues and transfers					738,562	734,369	1,472,931
Change in net position					(534,356)	593,841	59,485
Net position, beginning					6,770,534	2,285,339	9,055,873
Net position, ending					$ 6,236,178	$ 2,879,180	$ 9,115,358

See accompanying notes to the basic financial statements

CITY OF GORDON, GEORGIA

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2013

	General Fund	Capital Projects Fund	2010 CDBG Fund	2012 CDBG Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash and cash equivalents	$ 119,525	$ 990,913	$ -	$ 1	$ 24,327	$ 1,134,766
Investments	2,183,761	-	-	-	-	2,183,761
Accounts receivable, net	31,403	-	-	-	-	31,403
Receivables from other funds	43,302	68,986	-	-	-	112,288
Receivables from other governments	79,791	39,459	-	20,404	200	139,854
Prepaid expenses	32,407	-	-	-	-	32,407
Total assets	$ 2,490,189	$ 1,099,358	$ -	$ 20,405	$ 24,527	$ 3,634,479
LIABILITIES:						
Accounts payable	$ 99,671	$ -	$ -	$ 20,404	$ -	$ 120,075
Accrued payroll deductions	207	-	-	-	-	207
Payable to other funds	7,951	-	-	-	-	7,951
Deferred revenue	15,147	-	-	-	-	15,147
Total liabilities	122,976	-	-	20,404	-	143,380
FUND BALANCES:						
Non-spendable fund balance	32,407	-	-	-	-	32,407
Restricted fund balance:						
Capital projects	-	1,099,358	-	1	19,343	1,118,702
Committed fund balance	-	-	-	-	-	-
Assigned fund balance:						
Library	-	-	-	-	5,184	5,184
Unassigned fund balance	2,334,806	-	-	-	-	2,334,806
Total fund balances	2,367,213	1,099,358	-	1	24,527	3,491,099
Total liabilities and fund balances	$ 2,490,189	$ 1,099,358	$ -	$ 20,405	$ 24,527	

Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of $1,689,988	2,860,610
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Accounts receivable, net of allowance for doubtful accounts of $238	15,147
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities both current and long-term are reported in the Statement of Net Assets.	
Long-term liabilities at year-end consist of the following:	
Notes payable	(111,315)
Compensated absences	(19,363)
Net assets of governmental activities	$ 6,236,178

See accompanying notes the basic financial statements

CITY OF GORDON, GEORGIA

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	General Fund	Capital Projects Fund	2010 CDBG Fund	2012 CDBG Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes	$ 1,235,014	$ -	$ -	$ -	$ -	$ 1,235,014
Licenses and permits	11,723	-	-	-	-	11,723
Intergovernmental	55,000	261,643	168,567	51,336	6,800	543,346
Fees and fines	12,339	-	-	-	-	12,339
Charges for services	96,476	-	-	-	-	96,476
Investment earnings	11,875	1,424	-	-	-	13,299
Rent	3,050	-	-	-	-	3,050
Other	2,229	-	-	-	769	2,998
Total revenues	1,427,706	263,067	168,567	51,336	7,569	1,918,245
EXPENDITURES:						
Current operating:						
General government	300,552	148	-	-	55,244	355,944
Public safety	717,357	-	-	-	-	717,357
Public works	430,420	15,360	-	-	-	445,780
Health and welfare	12,610	-	-	-	-	12,610
Culture and recreation	46,695	10,973	-	-	-	57,668
Debt service:						
Principal	13,413	-	-	-	-	13,413
Interest and other charges	5,082	-	-	-	-	5,082
Capital outlays	-	185,023	195,237	51,336	-	431,596
Total expenditures	1,526,129	211,504	195,237	51,336	55,244	2,039,450
Excess (deficiency) of revenues over (under) expenditures	(98,423)	51,563	(26,670)	-	(47,675)	(121,205)
OTHER FINANCING SOURCES (USES):						
Loan proceeds	-	-	-	-	-	-
Transfers in (out)	(104,922)	-	(1)	1	50,000	(54,922)
Total other financing sources and uses	(104,922)	-	(1)	1	50,000	(54,922)
Net change in fund balance	(203,345)	51,563	(26,671)	1	2,325	(176,127)
FUND BALANCE, beginning	2,570,558	1,047,795	26,671	-	22,202	3,667,226
FUND BALANCE, ending	$ 2,367,213	$ 1,099,358	$ -	$ 1	$ 24,527	$ 3,491,099

(Continued)

See accompanying notes to the basic financial statements

CITY OF GORDON, GEORGIA

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

FOR THE YEAR ENDED SEPTEMBER 30, 2013

Net change in fund balances - total governmental funds	$ (176,127)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital outlays	(233,032)
Depreciation	(136,527)
	(369,559)
The effect of various capital asset disposals and sales, net of accumulated depreciation	-
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. The adjustment for these items are as follows:	
Compensated absences	(2,036)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets:	
Issuance of long-term debt	-
Repayment of long-term debt	13,413
	13,413
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds	(47)
	$ (534,356)

See accompanying notes to the basic financial statements

CITY OF GORDON, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013

	Water and Sewer Fund
ASSETS	
CURRENT ASSETS:	
Cash in bank	$ 36,950
Accounts receivable, net of allowance	49,275
Inventories	15,070
Prepaid expenses	3,693
Restricted cash and cash equivalents:	
Customer deposits	38,578
Sinking fund	43,832
Renewal and extension	31,710
Total current assets	219,108
NONCURRENT ASSETS:	
Capital Assets:	
Land and improvements	50,847
Buildings	26,629
Machinery and equipment	233,441
Water system	1,583,814
Sewer system	4,513,563
Construction in progress	79,796
	6,488,090
Less accumulated depreciation	(2,804,804)
Total capital assets	3,683,286
Total assets	3,902,394
LIABILITIES	
CURRENT LIABILITIES:	
Accounts payable	25,876
Accrued interest payable	7,229
Due to General Fund	43,302
Due to Capital Projects Fund	61,035
Customer deposits	37,485
Current portion of notes payable	101,203
Total current liabilities	276,130
NONCURRENT LIABILITIES:	
Notes payable, net of current portion	747,084
Total noncurrent liabilities	747,084
Total liabilities	1,023,214
NET POSITION	
NET INVESTMENT IN CAPITAL ASSETS	2,834,999
RESTRICTED FOR DEBT RETIREMENT	134,104
UNRESTRICTED	(89,923)
Total net position	$ 2,879,180

See accompanying notes to the basic financial statements

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

	Water and Sewer Fund
OPERATING REVENUES:	
Water charges	$ 233,300
Sewer charges	150,051
Tap fees	625
Late penalties and other	11,922
Total operating revenues	395,898
OPERATING EXPENSES:	
Salaries	90,650
Employee benefits	33,792
Insurance	9,573
Legal and professional	104
Repairs and maintenance	55,978
Supplies	40,591
Utilities	78,853
Water and sewer analysis	23,830
Depreciation	149,742
Other operating	17,513
Total operating expenses	500,626
OPERATING INCOME (LOSS)	(104,728)
NON-OPERATING REVENUES (EXPENSES):	
Interest income	138
Interest expense	(35,800)
Gain (loss) on capital asset disposal	-
Total non-operating revenues (expenses)	(35,662)
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(140,390)
CAPITAL CONTRIBUTIONS	679,309
NET INCOME (LOSS) BEFORE TRANSFERS	538,919
TRANSFERS IN (OUT)	54,922
CHANGE IN NET POSITION	593,841
NET POSITION, beginning of year	2,285,339
NET POSITION, end of year	$ 2,879,180

See accompanying notes to the basic financial statements

CITY OF GORDON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	$ 378,817
Payments to suppliers	(211,617)
Payments to employees	(124,442)
Net cash provided by operating activities	42,758
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Operating subsidies and transfers to other funds	54,922
Net cash used in noncapital financing activities	54,922
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase for capital assets	-
Principal paid on capital debt	(78,267)
Interest paid on capital debt	(35,800)
Net cash used in capital and related financing activities	(114,067)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest earned	138
Net cash provided by investing activities	138
NET INCREASE (DECREASE) IN CASH	(16,249)
BALANCES, beginning of year	167,319
BALANCES, end of year	$ 151,070
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	$ (104,728)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:	
Cash flows reported in other categories:	
Depreciation expense	149,742
Changes in assets and liabilities:	
Receivables, net	(17,081)
Prepaid expenses	(250)
Accounts payable	(15,953)
Accrued interest	(940)
Due to General Fund	29,748
Meter deposits held	2,220
Net cash provided by operating activities	$ 42,758
NONCASH CAPITAL FINANCING ACTIVITIES:	
Capital purchases of $160,212 and $19,097 of principal payments on capital debt were made through contributions from the Capital Projects Fund	
Capital purchases of $500,000 were made from contributions from the 2010 CDBG Fund	
RECONCILIATION OF TOTAL CASH:	
Current assets - cash	$ 36,950
Restricted assets - cash	114,120
Total cash	$ 151,070

See accompanying notes to the basic financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

As of September 30, 2013, the City has not activated its Downtown Development Authority. If in the future the City does decide to take the necessary steps to activate it, the Downtown Development Authority would then be a discretely presented component unit that would be reported in a separate column in the combined financial statements.

The Development Authority of the City of Gordon is considered a related organization based upon the criteria in GASB Statement 14. The Authority is a legally separate entity having a board composed of seven members appointed by the City of Gordon, Georgia. The City of Gordon, Georgia is not able to impose its will upon the Authority and a financial benefit/burden relationship does not exist between them. Therefore, based upon the criteria above, the Development Authority of the City of Gordon, Georgia is a related organization.

B. Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City has elected not to allocate indirect costs among the programs, functions and segments. Program revenues include 1)

charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

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

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

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

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

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

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

The City reports the following major governmental funds:

> The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
>
> The Capital Projects Fund accounts for capital expenditures paid with special purpose local option sales tax.

The 2010 Community Development Block Grant Fund accounts for a 2010 grant of $500,000 for sewer extension and upgrades. The grant was closed during 2013.

The 2012 Community Development Block Grant Fund accounts for a 2012 grant of $500,000 for sewer extension and upgrades.

The City reports the following major proprietary fund:

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

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts.

D. Cash and Investments

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

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

E. Inventory

Inventory is valued at cost, which approximates market, using the first-in/first-out method. The cost of governmental fund-type inventory is recorded as an expenditure when consumed rather than when purchased.

F. Restricted Assets

Certain resources of enterprise fund debt repayment are classified as restricted assets on the balance sheet because their use is limited by management's discretion.

G. Prepaid Items

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

H. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, sidewalks, distribution systems and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of two years and an original cost of $5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Prior to October 1, 2003, governmental funds' infrastructure assets were not capitalized. Infrastructure assets totaling $0 were completed during the year ended September 30, 2013. At September 30, 2013, $0 of construction-in-progress was related to infrastructure assets.

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

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

Buildings	30-40 years
Depreciable land improvements	8 - 20 years
Machinery and equipment	5 - 25 years
Infrastructure and utility systems	40 - 50 years

I. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

J. Long-Term Obligations

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

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

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

K. Equity Classifications

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

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

Fund Balance

Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting. In the fund

financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

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

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

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

Assigned - Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed.

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

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

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

Net Position

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

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

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly chargeable to another fund, are recorded as expenditures/ expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Basis

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

Budget Requirements, Accounting and Reporting

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

1. Prior to year end the City Clerk submits to the Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.

2. The Council holds a public hearing on the budget, giving notice thereof at least ten days in advance by publication in the official organ of City of Gordon.

3. The budget is then revised and adopted or amended by the Council at a regular meeting early in the year to which it applies.

4. The budget so adopted may be revised during the year only by formal action of the Council in a regular meeting and no increase shall be made therein without provision also being made for financing same.

5. The legal level of budgetary control is the department level within the General Fund. Increases in the total appropriations of a department, whether accomplished through an increase in estimated revenues or through a transfer of appropriations among departments, require the approval of the Mayor and Council.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and the Special Revenue Funds. The budgets for the General Fund, Special Revenue Fund and Capital Project Funds are adopted on a basis consistent with GAAP.

7. Budgeted amounts are as originally adopted, or as amended by the Council. Individual amendments were not material in relation to the original appropriations which were amended.

Excesses of Expenditures over Appropriations in Individual Funds

The following general fund departments had excesses of actual expenditures over appropriations in the amount shown for the year ended September 30, 2013:

Public works	$ 34,840
Debt Service	18,495

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

3. DEPOSITS AND INVESTMENTS

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Georgia law allows investments in obligations of the U.S. Treasury, other U.S. Governmental Agencies, State of Georgia, other states, prime banker's acceptance, repurchase agreements, other political subdivisions of Georgia and the State of Georgia Fund 1 investment pool. The Georgia Fund 1 is not registered with the SEC. The Office of the State Treasurer operates Georgia Fund 1 in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940. Georgia Fund 1 is a stable net asset value investment pool that follows Standard & Poor's criteria for AAAm rated money market funds.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of September 30, 2013, none of the City's $3,404,214 was exposed to custodial credit risk.

Custodial credit risk for investments is the risk that in the event of the failure of the counter-party to a transaction, an entity will not be able to recover the value of the investment or collateral securities that are in possession of an outside party. Georgia Fund 1 is not required to disclose custodial credit risk. The City had no such investments with such risk as of September 30, 2013.

As of September 30, 2013, the City had the following investments:

	Investment Value	Weighted Average Maturity
Georgia Fund 1	$ 65,383	24 days

4. PROPERTY TAXES

The value of all real and business personal property located in the City is assessed (appraised) as of each January 1. Taxable assessed value represents the appraisal value less applicable exemptions authorized by the City Council. Appraised values are established by the Wilkinson County Tax Assessors at 40% of estimated fair market value. Taxes were levied when the milleage rate was set on or about October 1. Taxes are billed shortly after October 15 and are due December 10, after which date penalties and interest may be assessed. Property on which taxes are not paid within 60 days of mailing may then be levied on by the City. Current tax collections for the years ended September 30, 2013, were 94.4% of the tax levy.

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

5. ACCOUNTS RECEIVABLE

At September 30, 2013, accounts receivable consisted of the following:

	Governmental Activities	Business-type Activities	Total
General Fund:			
Property tax	$ 21,773	$ -	$ 21,773
Local option sales tax	79,791	-	79,791
Garbage fees	9,868	-	9,868
Library Special Revenue Fund			
CDBG Fund 2012			
Due from grantor agency	20,404		20,404
Due from other governments	200	-	200
Capital Projects Fund:			
Special local option sales tax	39,459	-	39,459
Water and Sewer Fund:			
Water and sewer fees	-	76,650	76,650
	171,495	76,650	248,145
Allowance for doubtful accounts	(238)	(27,375)	(27,613)
	$ 171,257	$ 49,275	$ 220,532

6. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended September 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Not being depreciated:				
Land	$ 398,361	$ 10,916	$ -	$ 409,277
Construction-in-progress	1,166,972	361,234	(1,262,040)	266,166
Subtotal	1,565,333	372,150	(1,262,040)	675,443
Other capital assets:				
Buildings & land improvements	1,333,022	26,426	-	1,359,448
Equipment	1,151,138	19,948	-	1,171,086
Infrastructure	734,137	610,484	-	1,344,621
Subtotal	4,783,630	1,029,008	(1,262,040)	4,550,598
Accumulated depreciation:				
Buildings & land improvements	649,115	42,875	-	691,990
Equipment	775,873	65,123	-	840,996
Infrastructure	128,473	28,529	-	157,002
Subtotal	1,553,461	136,527	-	1,689,988
Net capital assets	$ 3,230,169	$ 892,481	$ (1,262,040)	$ 2,860,610
Business-type activities:				
Not being depreciated:				
Land	$ 50,847	$ -	$ -	$ 50,847
Construction-in-progress	79,796	-	-	79,796
Subtotal	130,643	-	-	130,643
Other capital assets:				
Buildings & land improvements	26,629	-	-	26,629
Sewer system	3,884,983	628,580	-	4,513,563
Water system	1,583,814	-	-	1,583,814
Equipment	201,809	31,632	-	233,441
Subtotal	5,827,878	660,212	-	6,488,090
Accumulated depreciation:				
Buildings & land improvements	19,046	623	-	19,669
Sewer system	1,606,443	91,920		1,698,363
Water system	884,886	37,000	-	921,886
Equipment	144,687	20,199	-	164,886
Subtotal	2,655,062	149,742	-	2,804,804
Net capital assets	$ 3,172,816	$ 510,470	$ -	$ 3,683,286

Depreciation was charged to functions as follows:

Governmental activities:	
General government	$ 20,926
Public safety	60,969
Public works	43,806
Culture and recreation	10,826
	$ 136,527

7. LONG-TERM DEBT

Outstanding Debt:

At September 30, 2013, long-term debt consisted of the following:

	Governmental Activities	Water Enterprise Fund Debt
$150,000 loan from USDA for a fire truck, interest at 4.0%, due in annual principal and interest payments of $18,495 to July 2020	$ 111,315	$ -
$257,369 loan from Georgia Environmental Facilities Authority for construction of sewage treatment facility upgrades, interest at 4.2%, due in monthly principal and interest payments of $1,591 to November 2026	-	192,883
$1,521,486 loan from Georgia Environmental Facilities Authority for construction of a sewage treatment facility, interest at 4.0%, due in quarterly principal and interest payments of $28,752 to January 2020	-	655,404
Total long-term debt	$ 111,315	$ 848,287

Following is a summary of changes in long-term debt for the year ended September 30, 2013:

	Balance October 1, 2012	Additions	Reductions	Balance September 30, 2013	Amount Due in One Year
Governmental type activities:					
Note payable	$ 124,728	$ -	$ (13,413)	$ 111,315	$ 13,960
Compensated absences	17,327	2,036	-	19,363	19,363
	$ 142,055	$ 2,036	$ (13,413)	$ 130,678	$ 33,323
Business-type activities:					
GEFA loan	$ 203,632	$ -	$ (10,749)	$ 192,883	$ 11,208
GEFA loan	742,020	-	(86,616)	655,404	89,995
	$ 945,652	$ -	$ (97,365)	$ 848,287	$101,203

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

Annual Requirements to Retire Debt Obligations:

The annual maturities for the years subsequent to September 30, 2013 are as follows:

Year Ending September 30	Governmental Activities Note Payable		Water and Sewer Notes Payable	
	Principal	Interest	Principal	Interest
2014	$ 13,960	$ 4,535	$ 101,203	$ 32,901
2015	14,529	3,966	105,350	28,755
2016	15,121	3,374	109,666	24,438
2017	15,737	2,758	114,159	19,944
2018	16,378	2,117	118,837	15,267
2019 - 2023	35,590	2,206	243,810	26,214
2024 - 2027	-	-	55,262	3,949
	$ 111,315	$ 18,956	$ 848,287	$ 151,468

8. FUND EQUITY

Fund Deficits

No fund had a deficit fund balance at September 30, 2013.

9. INTERFUND TRANSACTIONS AND BALANCES

Balances Due to/from other funds:

Balances due to/from other funds at September 30, 2013, consist of the following –

	Due From	DueTo
Water and Sewer Fund:		
Capital Projects Fund	$ -	$ 61,035
General Fund	-	43,302
Capital Projects Fund:		
Water and Sewer Fund	61,035	-
General Fund	7,951	-
General Fund:		
Capital Projects Fund	-	7,951
Water and Sewer Fund	43,302	-
	$ 112,288	$ 112,288

The amount due from the General Fund to the Capital Projects Fund is for grant revenues inadvertently deposited into the General Fund instead of the Capital Projects Fund. These funds will be transferred to the Capital Projects Fund in fiscal year 2013. The other outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers to/from Other Funds:

During the year ended September 30, 2013, the General Fund transferred $50,000 to the Library Fund and $54,922 to the Water Fund. The CDBG Fund 2010 transferred $1 to the General Fund to close out the Fund, and the General Fund transferred $1 to open the 2012 CDBG Fund bank account. Transfers are used to utilize unrestricted revenues collected in the General Fund to help finance operations accounted for in the Library Fund in accordance with budgetary authorizations.

10. COMMITMENTS AND CONTINGENCIES

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

Litigation

According to the City's attorney, there are no contigent liabilities or other litigation in progress for which the City may be liable as of September 30, 2013.

11. DEFINED BENEFIT PENSION PLAN

A. Plan Description

The City is a participating member of the Georgia Municipal Employees Benefit System, a statewide agent, and multiple-employer retirement system, administered by the Georgia Municipal Association. This is a defined benefit pension plan, which provides retirement, disability and death benefits to plan members and beneficiaries.

There are no loans to any of the City officials nor are there any other "party-in-interest" or prohibited transactions. The funds are managed by independent money managers.

The City Council has established an ordinance, which assigns the authority to the Mayor and Council members to establish and amend the benefit provisions of the plan.

The plan issues a stand-alone financial report. The annual report and more detailed information regarding the plan can be obtained from the Plan Administrator, the Georgia Municipal Employees Benefit System.

B. Participation

All full-time employees become participants in the plan after a year of continuous service as a condition of employment. As of January 1, 2013, the current plan membership is as follows:

Vested benefits of retired participants and beneficiaries currently receiving benefits	13
Other vested benefits:	
Terminated vested participants	8
Active participants	17
Nonvested benefits	7
Total membership in the plan	45
Total current year covered payroll	$534,840
Total current year payroll	$761,569

C. Actuarial Assumptions

1. Rate of return on investments of 7.75% per year.
2. Projected salary increases, due to inflation, of 0.5% per year.
3. Projected salary increases, due to seniority/merit of 0.5% per year.
4. Postretirement benefit increases – not applicable.
5. Inflation rate assumption of 3.55%.
6. Life expectancies before and after retirement based on the 1983 Group Annuity Mortality Table.

D. Funding Policy

Participants in the plan are not required to contribute to the plan. The City is required to contribute the remaining amounts necessary to fund the plan in compliance with the minimum funding standards of the Public Retirement Systems Standards Law. This funding policy, as specified by ordinance, has been the same since the inception of the plan.

Contributions are determined under the projected unit credit actuarial cost method. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1981, and 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 methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year.

The contributions to the plan for the fiscal year ended September 30, 2013 were $77,157, 14.4% of covered payroll, and were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of January 1, 2013. The total contribution consisted of $37,051 normal cost, $32,320 to amortize the unfunded accrued liability, and $7,786 of administrative expenses. The City's actuarially determined contribution requirement for the period ending September 30, 2013, was $72,480, or an undetermined percentage of the total of the current year actuarially determined contribution requirement for all employers.

The Plan is subject to the minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10). The estimated minimum annual contribution under these funding standards is $72,956. Since the City's policy is to contribute the pension expense in each year, the Plan will meet applicable funding standards.

The plan provisions valued are the same as those used to determine the contribution requirement for the preceding year.

E. Trend Information

Historical trend information designed to provide information about the City's progress made in accumulating sufficient assets to pay pension benefits when due is presented below:

Fiscal Year	Annual Pension Cost (APC)	% of Annual Covered Payroll	Percentage of APC Contributed	Net Pension Obligation
2013	$ 77,157	14.4%	100.0%	$ -
2012	72,956	12.2%	100.0%	-
2011	69,006	11.1%	100.0%	-
2010	61,684	10.2%	100.0%	-
2009	74,057	12.3%	100.0%	-
2008	49,179	10.0%	100.0%	-
2007	48,479	9.2%	100.0%	-
2006	34,844	7.0%	100.0%	-
2005	39,847	8.5%	100.0%	-
2004	34,850	8.0%	100.0%	-

F. Funding Progress

Fiscal Year	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Per-centage Funded (1)/(2)	Unfunded Actuarial Accrued Liability (AL) (2) - (1)	Annual Covered Payroll (prior year)	Unfunded AL as Percentage of Covered Payroll
2013	$ 1,253,628	$1,422,855	88.1%	$169,227	$534,840	31.6%
2012	1,176,206	1,329,080	88.5%	152,874	599,971	25.5%
2011	1,094,582	1,208,710	90.6%	114,128	621,916	18.4%
2010	1,025,420	1,103,560	92.9%	78,140	602,956	13.0%
2009	940,178	1,099,272	85.5%	159,094	602,956	26.4%
2008	981,715	1,016,321	96.6%	34,606	491,976	7.0%
2007	920,918	953,645	96.6%	32,727	528,226	6.2%
2006	856,893	868,417	98.7%	11,524	496,628	2.3%
2005	801,457	839,373	95.5%	37,916	530,944	7.1%
2004	755,265	791,489	95.4%	36,224	501,334	7.2%

Contributions were made in accordance with actuarially determined requirements.

G. Actuarial Reports

The City's practice is to have an actuarial valuation performed every year, and to base the succeeding years' contribution on the result of those valuations. The actuarial valuation is performed as of January 1 every year. This recent valuation was performed as of January 1, 2013, by Towers Perrin, based upon employee data as of January 1, 2013, and based upon the available pension assets as of January 1, 2013.

H. Accounting Policies

Basis of Accounting	Accrual
Asset Valuation Reporting	Cost
Actuarial Valuations	Market
Internal Loans	None
Non-governmental individual investments in excess of 5% of net assets	None
Securities of the employer and related parties	None

12. RISK MANAGEMENT

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

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

Risk Pool

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

Self Insurance

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

13. JOINT VENTURE

Under Georgia law, the City in conjunction with other cities and counties in the fourteen City east central Georgia area, is a member of the Middle Georgia Regional Commission and is required to pay annual dues thereto. During its year ended September 30, 2013, the City paid $1,657 in such dues. Membership in a Regional Commission is required by the OCGA Section 50-8-34 which provides for the organizational structure of the Regional Commission in Georgia. The Regional Commission Board membership includes the chief elected official of each City and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of a Regional Commission. Separate financial statements may be obtained from:

Middle Georgia Regional Commission
175 Emery Highway
Macon, Georgia 31217

15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 16, 2013, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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

- Budgetary Comparison Schedules – General Fund and Community Development Block Grant Funds

CITY OF GORDON, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes:				
General property taxes	$ 275,000	$ 275,000	$ 244,588	$ (30,412)
Local option sales tax	530,000	530,000	479,895	(50,105)
Insurance premium tax	110,000	110,000	100,487	(9,513)
Motor vehicle tax	16,000	16,000	43,123	27,123
Franchise tax	291,000	291,000	287,390	(3,610)
Mobile home and intangible	8,500	8,500	3,098	(5,402)
Beer and wine tax	20,000	20,000	20,229	229
Excise Tax	-	-	40,015	40,015
Real estate transfer tax	500	500	496	(4)
Other taxes	8,500	8,500	12,838	4,338
Penalties and interest on delinquent taxes	1,000	1,000	2,855	1,855
	1,260,500	1,260,500	1,235,014	(25,486)
Licenses and Permits:				
Business licenses and permits	13,600	13,600	11,723	(1,877)
	13,600	13,600	11,723	(1,877)
Intergovernmental:				
State government grants	1,000	1,000	55,000	54,000
Georgia Department of Transportation	-	-	-	-
Federal grants	1,000	1,000	-	(1,000)
	2,000	2,000	55,000	53,000
Charges for services:				
Garbage collections	90,000	90,000	93,944	3,944
Miscellaneous charges	2,350	2,350	2,532	182
	92,350	92,350	96,476	4,126
Fees and fines:				
Fines and forfeitures	20,500	20,500	12,339	(8,161)
	20,500	20,500	12,339	(8,161)
Miscellaneous:				
Interest income	20,000	20,000	11,875	(8,125)
Sale of real estate	-	-	-	-
Rent	2,500	2,500	3,050	550
Other	12,200	12,200	2,229	(9,971)
	34,700	34,700	17,154	(17,546)
Total revenues	1,423,650	1,423,650	1,427,706	4,056

CITY OF GORDON, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
EXPENDITURES:				
Current Operating:				
General government	$ 319,607	$ 313,107	$ 292,859	$ 20,248
Public safety	687,075	723,475	717,357	6,118
Public works	396,592	388,592	423,432	(34,840)
Health and welfare	16,550	16,550	12,610	3,940
Culture and recreation	61,041	52,141	46,695	5,446
Total operating expenditures	1,480,865	1,493,865	1,492,953	912
Capital Outlays:				
General government	32,500	29,500	7,693	21,807
Public safety	11,000	5,000	-	5,000
Public works	34,500	34,500	6,988	27,512
Health and welfare	-	-	-	-
Culture and recreation	3,000	3,000	-	3,000
Total capital expenditures	81,000	72,000	14,681	57,319
Debt Service:				
Principal	-	-	13,413	(13,413)
Interest	-	-	5,082	(5,082)
Total debt service	-	-	18,495	(18,495)
Total expenditures	1,561,865	1,565,865	1,526,129	39,736
Excess (deficiency) of revenues over expenditures	(138,215)	(142,215)	(98,423)	43,792
OTHER FINANCING SOURCES (USES):				
Loan proceeds	-	-	-	-
Transfers in (out)	(57,227)	(57,227)	(104,922)	(47,695)
	(57,227)	(57,227)	(104,922)	(47,695)
Excess (deficiency) of revenues over expenditures and other financing sources	(195,442)	(199,442)	(203,345)	(3,903)
FUND BALANCE, beginning of year	2,570,558	2,570,558	2,570,558	-
FUND BALANCE, end of year	$ 2,375,116	$ 2,371,116	$ 2,367,213	$ (3,903)

CITY OF GORDON, GEORGIA
2010 COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental	$ 168,567	$ 168,567	$ 168,567	$ -
Other income	-	-	-	-
Total revenue	168,567	168,567	168,567	-
EXPENDITURES:				
Current operating	-	-	-	-
Capital outlays	195,237	195,237	195,237	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	195,237	195,237	195,237	-
Excess revenues over (under) expenditures	(26,670)	(26,670)	(26,670)	-
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(1)	(1)	(1)	-
Excess revenues and other financing sources (uses) over (under) expenditures	(26,671)	(26,671)	(26,671)	-
FUND BALANCE, beginning of year	26,671	26,671	26,671	-
FUND BALANCE, end of year	$ -	$ -	$ -	$ -

CITY OF GORDON, GEORGIA
2012 COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental	$ 51,336	$ 51,336	$ 51,336	$ -
Other income	-	-	-	-
Total revenue	51,336	51,336	51,336	-
EXPENDITURES:				
Current operating	-	-	-	-
Capital outlays	51,336	51,336	51,336	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	51,336	51,336	51,336	-
Excess revenues over (under) expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	1	1	1	-
Excess revenues and other financing sources (uses) over (under) expenditures	1	1	1	-
FUND BALANCE, beginning of year	-	-	-	-
FUND BALANCE, end of year	$ 1	$ 1	$ 1	$ -

OTHER SUPPLEMENTARY INFORMATION

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

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

CITY OF GORDON, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Library Fund	Capital Improvements	
ASSETS:			
Cash and cash equivalents	$ 4,984	$ 19,343	$ 24,327
Other assets	200	-	200
Total assets	$ 5,184	$ 19,343	$ 24,527
LIABILITIES:			
Accounts payable	$ -	$ -	$ -
Other liabilities	-	-	-
Total liabilities	-	-	-
FUND BALANCES:			
Non-spendable fund balance	-	-	-
Restricted fund balance:			
Capital projects	-	19,343	19,343
Committed fund balance	-	-	-
Assigned fund balance:			
Library	5,184	-	5,184
Unassigned fund balance	-	-	-
Total fund balances	5,184	19,343	24,527
Total liabilities and fund balances	$ 5,184	$ 19,343	$ 24,527

CITY OF GORDON, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENT FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Library Fund	Capital Improvements	
REVENUES:			
Intergovernmental	$ 6,800	$ -	$ 6,800
Other	449	320	769
Total revenues	7,249	320	7,569
EXPENDITURES:			
Current operating:			
General government	55,244	-	55,244
Capital outlays	-	-	-
Debt service	-	-	-
Total expenditures	55,244	-	55,244
Excess (deficiency) of revenues over expenditures	(47,995)	320	(47,675)
OTHER FINANCING SOURCES (USES):			
Transfers in (out)	50,000	-	50,000
Total other financing sources and uses	50,000	-	50,000
Net change in fund balance	2,005	320	2,325
FUND BALANCE, beginning	3,179	19,023	22,202
FUND BALANCE, ending	$ 5,184	$ 19,343	$ 24,527

CITY OF GORDON, GEORGIA

GENERAL FUND

SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BASIS)

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
GENERAL GOVERNMENT:				
Salaries	$ 100,217	$ 100,217	$ 98,093	$ 2,124
Fringe benefits	59,940	71,440	77,332	(5,892)
Retirement	9,800	10,100	10,547	(447)
Advertising	1,200	1,200	1,901	(701)
Dues	4,500	4,500	4,660	(160)
Economic development	28,150	28,150	4,622	23,528
Election	1,500	1,500	1,465	35
Insurance	18,400	18,100	14,777	3,323
Legal and accounting	16,000	16,900	25,107	(8,207)
Postage	2,650	2,650	2,252	398
Repairs and maintenance	10,300	10,300	3,747	6,553
Supplies	4,500	4,500	4,064	436
Telephone	5,850	5,850	5,800	50
Travel and training	25,700	17,200	15,478	1,722
Utilities	11,300	6,800	7,011	(211)
Miscellaneous	19,600	13,700	16,003	(2,303)
Capital outlays	32,500	29,500	7,693	21,807
Total general government	$ 352,107	$ 342,607	$ 300,552	$ 42,055
PUBLIC SAFETY:				
Salaries	$ 389,300	$ 423,700	$ 421,150	$ 2,550
Fringe benefits	114,400	127,300	130,496	(3,196)
Retirement	29,000	35,400	38,555	(3,155)
Advertising	750	750	150	600
Dues	7,300	7,300	5,041	2,259
Insurance	43,500	35,500	31,487	4,013
Repairs and maintenance	26,800	20,900	18,648	2,252
Supplies	21,450	23,150	24,481	(1,331)
Telephone	5,000	5,000	5,346	(346)
Travel and training	6,100	5,200	4,396	804
Uniforms	6,500	6,500	5,990	510
Utilities	14,600	16,200	15,310	890
Miscellaneous	22,375	16,575	16,307	268
Capital outlays	11,000	5,000	-	5,000
Total public safety	$ 698,075	$ 728,475	$ 717,357	$ 11,118

CITY OF GORDON, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
PUBLIC WORKS:				
Salaries	$ 123,000	$ 116,300	$ 94,715	$ 21,585
Fringe benefits	37,592	37,892	39,335	(1,443)
Retirement	21,000	22,700	24,690	(1,990)
Insurance	16,400	15,700	12,893	2,807
Legal and accounting	1,000	1,000	-	1,000
Repairs and maintenance	15,700	18,100	18,753	(653)
Street repairs	2,500	6,500	65,210	(58,710)
Supplies	23,650	17,150	17,379	(229)
Telephone	650	650	649	1
Travel and training	900	900	-	900
Uniforms	2,400	2,400	1,346	1,054
Utilities	55,100	52,600	56,507	(3,907)
Waste pickup service	91,000	91,000	90,547	453
Miscellaneous	5,700	5,700	1,408	4,292
Capital outlays	34,500	34,500	6,988	27,512
Total public works	$ 431,092	$ 423,092	$ 430,420	$ (7,328)
HEALTH AND WELFARE:				
Salaries	$ 2,600	$ 2,600	$ 1,902	$ 698
Insurance	750	750	744	6
Repairs and maintenance	1,200	1,200	92	1,108
Supplies	12,000	12,000	9,872	2,128
Total health and welfare	$ 16,550	$ 16,550	$ 12,610	$ 3,940
CULTURE AND RECREATION:				
Salaries	$ 15,691	$ 12,791	$ 12,404	$ 387
Advertising	1,000	1,000	930	70
Dues	500	500	825	(325)
Insurance	8,100	8,100	6,551	1,549
Postage	400	400	395	5
Repairs and maintenance	2,000	2,000	1,734	266
Supplies	5,100	7,100	6,795	305
Travel and training	2,300	2,300	1,959	341
Utilities	6,000	6,900	6,443	457
Miscellaneous	19,950	11,050	8,659	2,391
Capital outlays	3,000	3,000	-	3,000
Total culture and recreation	$ 64,041	$ 55,141	$ 46,695	$ 8,446

CITY OF GORDON, GEORGIA
LIBRARY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental	$ 6,000	$ 6,000	$ 6,800	$ 800
Other	160	160	449	289
	6,160	6,160	7,249	1,089
EXPENDITURES:				
Current operating:				
Salaries	47,387	47,387	46,091	1,296
Insurance	1,600	1,600	939	661
Miscellaneous	1,900	1,900	231	1,669
Repairs and maintenance	3,600	3,600	1,481	2,119
Utilities	8,900	8,900	6,502	2,398
Capital outlays	-	-	-	-
Total expenditures	63,387	63,387	55,244	8,143
Excess revenues over (under) expenditures	(57,227)	(57,227)	(47,995)	9,232
OTHER FINANCING SOURCES (USES)				
Transfers in	57,227	57,227	50,000	(7,227)
Excess revenues and other financing sources (uses) over (under) expenditures	-	-	2,005	2,005
FUND BALANCE, beginning of year	3,179	3,179	3,179	-
FUND BALANCE, end of year	$ 3,179	$ 3,179	$ 5,184	$ 2,005

CITY OF GORDON, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH
SPECIAL SALES TAX PROCEEDS
For the Year Ended September 30, 2013

Project	Original Estimated Cost	Revised Estimated Cost	Expenditures			Estimated Percentage of Completion
			Prior Years	Current Year	Total	
2007 Tax:						
Roads	$666,709	$2,000,000	$1,509,524	$ 15,833	$1,525,357	76.27%
Depot renovation	21,669	56,885	56,885	-	56,885	100.00%
Public safety:						
Fire equipment	-	100,000	24,333	7,935	32,268	32.27%
Police equipment		175,000	134,217	1,500	135,717	77.55%
General government equipment		80,000	47,749	10,285	58,034	72.54%
Water and sewer	-	1,500,000	735,440	147,612	883,052	58.87%
Recreation	67,720	350,000	240,034	28,339	268,373	76.68%

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

To the Mayor and Council
City of Gordon, Georgia

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Gordon, Georgia as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Gordon's basic financial statements and have issued our report thereon dated December 16, 2013.

Internal Control Over Financial Reporting

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

certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies in internal control over financial reporting noted as item 13-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Gordon Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 13-2.

City of Gordon, Georgia's Response to Findings

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

Purpose of this Report

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

Wright & Wright, P.C.

December 16, 2013

CITY OF GORDON, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended September 30, 2013

13-1 Controls Over Financial Statement Presentation

Condition

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

Effect

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

Recommendation

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

Views of Responsible Officials

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

13-2 Budgetary

Condition

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

Effect

Fiscal control and accountability over departmental expenditures may be jeopardized.

Recommendation

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

Views of Responsible Officials

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

CITY OF GORDON
The Kaolin Center
P.O. Box 387
Gordon, Georgia 31031

Georgia Department of Audits & Accounts
Attn: Mr. Edward Blaha, Director
270 Washington Street, S.W.
Suite 1-156
Atlanta, Georgia 30334-8400

Gentlemen:

The following constitutes our corrective action plan regarding the findings and recommendations in our audit report for the year ended September 30, 2013.

With respect to the findings in the "Independent Auditor's Report on Internal Control Structure Based on an Audit of General Purpose Financial Statements Performed in Accordance with *Government Auditing Standards*," we submit the following comments:

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

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

2. The following general fund departments had excesses of actual expenditures over appropriations in the amount shown for the year ended September 30, 2012:

Public works	$34,840
Debt Service - Principal	13,413
Debt Service - Interest	5,082

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

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

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

Sincerely,

Kenneth L. Turner

Kenneth Turner
Mayor, City of Gordon