CITY OF
GORDON, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2014

CITY OF GORDON, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

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CITY OF GORDON, GEORGIA

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MAULDIN & JENKINS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Gordon, Georgia** (the "City"), as of and for the year ended September 30, 2014 and the related notes to the financial statements, which collectively comprise the City of Gordon, Georgia'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund for the year then ended in accordance 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 the Schedule of Funding Progress on page 38 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires 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 Gordon, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of special purpose local option sales tax proceeds is presented for purposes of additional analysis as required by the Official Code of Georgia Annotated 48-8-121, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of special purpose local option sales tax proceeds 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 additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules, and the schedule of expenditures of special purpose local option sales tax proceeds 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 August 14, 2015, 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 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.

Mauldin & Jenkins, LLC

Macon, Georgia
August 14, 2015

FINANCIAL STATEMENTS

CITY OF GORDON, GEORGIA

STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 1,108,941	$ 127,661	$ 1,236,602
Investments	2,005,403	-	2,005,403
Receivables, net of allowance			
Taxes	20,011	-	20,011
Accounts	9,027	26,904	35,931
Intergovernmental	79,622	-	79,622
Internal balances	37,099	(37,099)	-
Prepaids	19,496	2,435	21,931
Restricted cash and cash equivalents:			
Sinking fund	-	857	857
Capital assets			
Non depreciable	409,277	815,893	1,225,170
Depreciable, net	2,009,139	3,587,451	5,596,590
Total Assets	5,698,015	4,524,102	10,222,117
LIABILITIES			
Accounts payable	80,585	29,169	109,754
Accrued liabilities	22,321	1,818	24,139
Accrued interest payable	-	6,289	6,289
Customer deposits	-	37,673	37,673
Noncurrent liabilities			
Due within one year	36,152	106,507	142,659
Due in more than one year	82,826	641,465	724,291
Total Liabilities	221,884	822,921	1,044,805
NET POSITION			
Net investment in capital assets	2,321,061	3,656,398	5,977,459
Restricted for:			
Capital outlay	964,674	-	964,674
Law enforcement	715	-	715
Debt retirement	-	857	857
Unrestricted	2,189,681	43,926	2,233,607
Total Net Position	$ 5,476,131	$ 3,701,181	$ 9,177,312

The notes to the financial statements are an integral part of the basic financial statements.

CITY OF GORDON, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Total
Primary Government:							
Governmental Activities							
General government	$ 583,687	$ 13,947	$ 7,400	$ -	$ (562,340)	$ -	$ (562,340)
Public safety	802,205	14,456		-	(787,749)	-	(787,749)
Public works	1,084,998	88,305	27,281	665,390	(304,022)	-	(304,022)
Economic development	10,455	-	-	-	(10,455)	-	(10,455)
Culture and recreation	61,449	-	-	-	(61,449)	-	(61,449)
Interest on long-term debt	4,535	-	-	-	(4,535)	-	(4,535)
Total governmental activities	2,547,329	116,708	34,681	665,390	(1,730,550)	-	(1,730,550)
Business-Type Activities							
Water & Sewer	556,995	368,082	-	645,249	-	456,336	456,336
Total business-type activities	556,995	368,082	-	645,249	-	456,336	456,336
Total Primary Government	$ 3,104,324	$ 484,790	$ 34,681	$ 1,310,639	(1,730,550)	456,336	(1,274,214)
General Revenues							
Property tax					229,596	-	229,596
Sales tax					432,230	-	432,230
Other tax					675,308	-	675,308
Investment earnings					14,081	103	14,184
Miscellaneous					8,820	-	8,820
Total General Revenues					1,360,035	103	1,360,138
Transfers					(34,245)	34,245	-
Total General Revenues and Transfers					1,325,790	34,348	1,360,138
Change in Net Position					(404,760)	490,684	85,924
Net Position - Beginning of year, restated					5,880,891	3,210,497	9,091,388
Net Position - End of year					$ 5,476,131	$ 3,701,181	$ 9,177,312

The notes to the financial statements are an integral part of the basic financial statements.

CITY OF GORDON, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	General Fund	2007 and Prior SPLOST	2012 CDBG	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalent	$ 182,767	$ 825,472	$ -	$ 100,702	$ 1,108,941
Investments	2,005,403	-	-	-	2,005,403
Receivables, net of allowance					
Taxes	20,011	-	-	-	20,011
Accounts	9,027	-	-	-	9,027
Intergovernmental	41,798	-	-	37,824	79,622
Prepaid insurance	19,496	-	-	-	19,496
Due from other funds	37,099	7,951	-	1,044	46,094
Total Assets	$ 2,315,601	$ 833,423	$ -	$ 139,570	$ 3,288,594
LIABILITIES					
Accounts payable	$ 74,408	$ 6,177	$ -	$ -	$ 80,585
Accrued liabilities	20,894	-	-	1,427	22,321
Due to other funds	8,995	-	-	-	8,995
Total Liabilities	104,297	6,177	-	1,427	111,901
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	19,130	-	-	-	19,130
Total Deferred Inflows of Resources	19,130	-	-	-	19,130
FUND BALANCES					
Nonspendable	19,496	-	-	-	19,496
Restricted for:					
Law enforcement	-	-	-	715	715
Capital projects	-	827,246	-	137,428	964,674
Unassigned	2,172,678	-	-	-	2,172,678
Total Fund Balances	2,192,174	827,246	-	138,143	3,157,563
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 2,315,601	$ 833,423	$ -	$ 139,570	$ 3,288,594

The notes to the financial statements are an integral part of the basic financial statements.

CITY OF GORDON, GEORGIA

RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances - governmental funds	$	3,157,563
Capital Assets		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost of the assets		4,151,564
Accumulated depreciation		(1,733,148)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		19,130
Long-term Liabilities		
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 Position. Long-term liabilities at year-end consist of the following:		
Notes payable		(97,355)
Compensated absences		(21,623)
Net position of governmental activities	$	5,476,131

The notes to the financial statements are an integral part of the basic financial statements.

CITY OF GORDON, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	General Fund	2007 and Prior SPLOST	2012 CDBG	Non-Major Governmental Funds	Total Governmental Funds
Revenues:					
Taxes					
Property tax	$ 225,613	$ -	$ -	$ -	$ 225,613
Sales tax	432,230	-	-	-	432,230
Other taxes	675,308	-	-	-	675,308
License and permits	9,222	-	-	-	9,222
Intergovernmental	27,281	116,348	431,084	125,358	700,071
Fines and forfeitures	13,184	-	-	-	13,184
Charges for services	89,577	-	-	-	89,577
Rent	4,725	-	-	-	4,725
Interest earnings	12,703	1,371	-	7	14,081
Miscellaneous	8,544	-	-	276	8,820
Total Revenues	1,498,387	117,719	431,084	125,641	2,172,831
Expenditures:					
Current:					
General government	397,153	-	-	57,524	454,677
Public safety	714,030	-	-	3,344	717,374
Public works	379,266	-	-	-	379,266
Health and welfare	10,455	-	-	-	10,455
Culture and recreation	42,853	-	-	-	42,853
Debt Service:					
Principal	13,960	-	-	-	13,960
Interest	4,535	-	-	-	4,535
Capital Outlay	-	328,796	431,085	-	759,881
Total Expenditures	1,562,252	328,796	431,085	60,868	2,383,001
Excess (Deficiency) of Revenues Over (Under) Expenditures	(63,865)	(211,077)	(1)	64,773	(210,170)
Other Financing Sources (Uses):					
Transfers from other funds	-	-	-	46,044	46,044
Transfers to other funds	(80,289)	-	-	-	(80,289)
Total other financing sources (uses)	(80,289)	-	-	46,044	(34,245)
Net change in fund balances	(144,154)	(211,077)	(1)	110,817	(244,415)
Fund Balances, beginning of year, restated	2,336,328	1,038,323	1	27,326	3,401,978
Fund Balances, end of year	$ 2,192,174	$ 827,246	$ -	$ 138,143	$ 3,157,563

The notes to the financial statements are an integral part of the basic financial statements.

CITY OF GORDON, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	$	(244,415)
Capital Assets		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.		
Total capital outlays		51,676
Total depreciation		(174,174)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, annexing, transfers) is to increase/(decrease) net position.		(53,530)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		3,983
Long-term Debt		
Repayment of general obligation, debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Repayment of long-term debt		13,960
Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(2,260)
Change in net position of governmental activities	$	(404,760)

The notes to the financial statements are an integral part of the basic financial statements.

CITY OF GORDON, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues:				
Taxes				
Property taxes	270,000	270,000	225,613	(44,387)
Sales tax	450,000	450,000	432,230	(17,770)
Other taxes	512,000	512,000	675,308	163,308
Licenses and permits	15,600	15,600	9,222	(6,378)
Intergovernmental	2,000	2,000	27,281	25,281
Fines and forfeitures	20,000	20,000	13,184	(6,816)
Charges for services	92,000	92,000	89,577	(2,423)
Rent	2,500	2,500	4,725	2,225
Interest	12,250	12,250	12,703	453
Miscellaneous	11,000	11,000	8,544	(2,456)
Total Revenue	1,387,350	1,387,350	1,498,387	111,037
Expenditures:				
Current:				
General government				
Administrative	177,282	177,282	255,552	(78,270)
Executive	124,300	124,300	123,675	625
Municipal Court	19,284	19,284	13,260	6,024
Building inspection	6,850	6,850	4,482	2,368
Planning and zoning	1,350	1,350	184	1,166
Housing and development	33,500	33,500	-	33,500
Public safety				
Police department	699,870	699,870	698,012	1,858
Fire department	28,550	28,550	9,265	19,285
Animal control	11,800	11,800	6,753	5,047
Public works				
Streets	302,882	302,882	218,756	84,126
Public works administration	66,866	66,866	65,067	1,799
Garbage	92,000	92,000	95,443	(3,443)
Health and welfare	16,572	16,572	10,455	6,117
Culture and recreation	66,175	66,175	42,853	23,322
Debt Service:				
Principal	-	-	13,960	(13,960)
Interest	-	-	4,535	(4,535)
Total Expenditures	1,647,281	1,647,281	1,562,252	85,029

The notes to the financial statements are an integral part of the basic financial statements.

CITY OF GORDON, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014
(CONTINUED)

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Excess of Revenue Over (Under) Expenditure	(259,931)	(259,931)	(63,865)	196,066
Other Financing Sources (Uses):				
Transfer to Library Fund	(58,300)	(58,300)	(46,044)	12,256
Transfer to Water & Sewer Fund	-	-	(34,245)	(34,245)
Total Other Financing Sources (Uses)	(58,300)	(58,300)	(80,289)	(21,989)
Net change in fund balance	(318,231)	(318,231)	(144,154)	174,077
Fund balance, beginning of year, restated	2,336,328	2,336,328	2,336,328	-
Fund balance, end of year	$ 2,018,097	$ 2,018,097	$ 2,192,174	$ 174,077

The notes to the financial statements are an integral part of the basic financial statements.

CITY OF GORDON, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014

	Business-type Activities-Enterprise Funds
	Water & Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	$ 127,661
Restricted cash and cash equivalents:	
Sinking fund	857
Accounts receivable, net of allowance	26,904
Prepaids	2,435
Total current assets	157,857
Long-term assets:	
Capital assets:	
Nondepreciable	815,893
Depreciable, net	3,587,451
Total capital assets, net	4,403,344
Total long-term assets	4,403,344
Total Assets	$ 4,561,201

The notes to the financial statements are an integral part of the basic financial statements.

CITY OF GORDON, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014
(CONTINUED)

	Business-type Activities-Enterprise Funds
	Water & Sewer Fund
LIABILITIES	
Current liabilities:	
Accounts payable	$ 29,169
Accrued interest payable	6,289
Accrued salaries	1,818
Due to other funds	37,099
Notes payable - current	105,481
Compensated absences	1,026
Total current liabilities	180,882
Long-term liabilities:	
Customer deposits	37,673
Notes payable	641,465
Total long-term liabilities	679,138
Total Liabilities	860,020
NET POSITION	
Net investment in capital assets	3,656,398
Restricted for debt retirement	857
Unrestricted	43,926
Total Net Position	$ 3,701,181

The notes to the financial statements are an integral part of the basic financial statements.

CITY OF GORDON, GEORGIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Business-type Activities-Enterprise Funds
	Water & Sewer Fund
Operating revenues:	
Charges and fees	$ 367,882
Miscellaneous income	200
Total operating revenues	368,082
Operating expenses:	
Salaries and benefits	128,101
Contractual charges	23,723
Operating materials	38,020
Other operating expenses	20,198
Repairs and maintenance	61,472
Utilities	80,610
Depreciation	172,260
Total operating expenses	524,384
Operating income (loss)	(156,302)
Nonoperating revenues (expenses):	
Interest income	103
Interest expense	(32,611)
Total nonoperating revenues (expenses)	(32,508)
Income (loss) before transfers	(188,810)
Capital contributions	645,249
Transfers in	34,245
Change in net position	490,684
Total Net Position - Beginning of Year, restated	3,210,497
Total Net Position - Ending of Year	$ 3,701,181

The notes to the financial statements are an integral part of the basic financial statements.

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CITY OF GORDON, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Business-type Activities-Enterprise Funds
	Water & Sewer Fund
Cash Flows from Operating Activities:	
Cash received from customers	$ 390,641
Cash paid to suppliers for goods and services	(204,434)
Cash paid to employees	(127,312)
Net Cash Flows Provided by (Used for) Operating Activities	58,895
Cash Flows from Noncapital Financing Activities:	
Transfers	34,245
Net Cash Flows Provided by (Used for) Noncapital Financing Activities	34,245
Cash Flows from Capital and Related Financing Activities:	
Principal payments on notes	(82,244)
Interest and fiscal charges on notes	(33,551)
Net Cash Flows Provided by (Used for) Capital and Related Financing Activities	(115,795)
Cash Flows from Investing Activities:	
Interest income	103
Net Cash Flows Provided by (Used for) Investing Activities	103
Net Increase (Decrease) in Cash and Cash Equivalents	(22,552)
Cash and Cash Equivalents, Beginning of Year	151,070
Cash and Cash Equivalents, End of Year	$ 128,518

The notes to the financial statements are an integral part of the basic financial statements.

CITY OF GORDON, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(CONTINUED)

	Business-type Activities-Enterprise Funds	
		Water & Sewer Fund
Classified as:		
Current assets	$	127,661
Restricted assets		857
Total Cash and Cash Equivalents, End of Year	$	128,518
Reconciliation of Net Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities		
Net Operating Income (Loss)	$	(156,302)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:		
Depreciation		172,260
Changes in Assets and Liabilities:		
(Increase) decrease in accounts receivable		22,371
(Increase) decrease in prepaid expenses		1,258
Increase (decrease) in accounts payable		24,534
Increase (decrease) in accrued salaries		(237)
Increase (decrease) in compensated absences		1,026
Increase (decrease) in customer deposits		188
Increase (decrease) in due to other funds		(6,203)
Total Adjustments		215,197
Net Cash Provided by (Used for) Operating Activities	$	58,895
Noncash investing, capital, and financing activities:		
Contributions of capital assets from government	$	626,152
Contributions for principal payments on debt		19,097
Total noncash investing, capital, and financing activities	$	645,249

The notes to the financial statements are an integral part of the basic financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Policies

The City of Gordon was incorporated as a City by an Act of the General Assembly of Georgia on January 1, 1865. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: Public works, which includes sanitation and streets, police and fire protection (public safety), and general and administrative services.

The accounting policies of the City of Gordon, Georgia conform to generally accepted accounting principles as applicable to governments. The following is a summary of the City's more significant policies applied in the preparation of the accompanying financial statements.

A. Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Gordon (the primary government) and any component units. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. In addition, a component unit can be another organization for which the nature and significance of its relationship with a primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

In conformity with generally accepted accounting principles, as set forth in Statement of Governmental Accounting Standards No. 14, *The Financial Reporting Entity*, the City of Gordon, Georgia's relationships with other governments and agencies have been examined. As a result, no component units were identified which should be included in the reporting entity.

As of September 30, 2014, 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.

Under Georgia law, the City of Gordon, Georgia, in conjunction with other cities and counties in the twelve-county Middle Georgia area, is a member of the Middle Georgia Regional Commission (RC) and is required to pay annual dues thereto. Membership in a RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RC in Georgia. The RC 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 an RC. Separate financial statements may be obtained from:

Middle Georgia Regional Commission
175 Emery Highway
Macon, Georgia 31217

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (Statement of Net Position and Statement of Activities) report information on all of the primary government activities and its component units if any. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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. 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 instead 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 Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the flow of 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.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's public utilities and various other functions of the government. Elimination of these charges would distort the direct cost and program revenues reported for the various functions concerned.

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. Internally dedicated resources are reported as general revenues rather than as program revenues.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Under 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 City 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 services expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, local option sales taxes, other taxes, intergovernmental revenues, interest, and charges for services associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's enterprise fund is charges to customers for sales and services. 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.

The fund financial statements provide more detailed information about the government's most significant funds, not the government as a whole. The activities of the government are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The government reports the following major governmental funds:

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

2007 and Prior Special Local Option Sales Tax – The Special Local Option Sales Tax Fund is used to account for the City's construction and improvement projects based on the 1 cent special local option sales tax approved by the voters of the City of Gordon.

2012 Community Development Block Grant – The 2012 Community Development Block Grant Fund is used to account for grant funds and the related expenditures.

The government reports the following major proprietary funds:

Enterprise Funds – The Water & Sewer Fund accounts for the activities of the water and sewer distribution system.

Additionally, the government reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds – Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

D. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value, which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates, and investments that do not have an established market are reported at estimated fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

E. Receivables

Receivables and Due from Other Governments represent funds to be received from other local governments, state grant-in-aid, state contracts, or federal funds. No allowance is deemed necessary for these receivables.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "due to/from other funds" or "advances to/from other funds." All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables, have been reduced to their estimated net realizable value, and are shown net of an allowance for doubtful accounts. Estimated uncollectible amounts are based upon historical experience rates.

F. Inventories

Inventories of expendable supplies held for consumption are not considered material and are recorded as expenditures, or expenses, as appropriate, when purchased.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2014, are recorded as prepaid items using the consumption method by reporting an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reserved, as this amount is not available for general appropriation.

H. Restricted Assets

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

I. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, curbs, streets, sidewalks and similar items acquired subsequent to January 1, 2004) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. 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.

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

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

Building	25-40 years
Equipment	5-10 years
Infrastructure	40-50 years
Furniture	5 years
Vehicles	5 years

J. Compensated Absences

It is the City's policy to permit employees to accumulate 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.

K. Deferred inflows of resources

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 or periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

L. Net position flow assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

M. 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 assets. Bond premiums and discounts are amortized over the life

of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued 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.

N. Fund Equity

In the fund financial statements, governmental funds report the following classifications of fund balance:

- Nonspendable – amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted – amounts are restricted when constraints have been placed on the use of resources by (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council through adoption of a resolution. The City Council also may modify or rescind the commitment.
- Assigned – amounts that are constrained by the City Council's intent to be used for specific purposes, but are neither restricted nor committed. By resolution, the City Council has authorized the Mayor or City Clerk or designee to assign fund balances.
- Unassigned – amounts that have not been assigned to other funds and that are not restricted, committed or assigned to specific purposes within the General Fund.

Flow Assumptions – when both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

The City does not have a formal minimum fund balance policy.

The following is a summary of the fund balance classifications as of September 30, 2014:

	General Fund	2007 and Prior SPLOST	Nonmajor Governmental	Total
Fund Balances:				
Nonspendable:				
Prepaids	$ 19,496	$ -	$ -	$ 19,496
Restricted for:				
Law enforcement	-	-	715	715
Capital projects	-	827,246	137,428	964,674
Unassigned	2,172,678	-	-	2,172,678
Total fund balances	$ 2,192,174	$ 827,246	$ 138,143	$3,157,563

O. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; and errors or omissions. The City purchases commercial insurance for most types of risk. For these risks, settlements have not exceeded coverage's for each of the past three years. The City had no significant reduction in insurance coverage from coverage in the prior year.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget Process

The annual budget document is the financial plan for the operation of the City of Gordon. The budget process exists for the purpose of providing a professional management approach to the establishment of priorities and the implementation of work programs while providing an orderly means for control and evaluation of the financial posture of the City.

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 Special Revenue Funds. The budgets for the General Fund, Special Revenue Funds and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Excess of Expenditures Over Appropriations

The following funds had expenditures in excess of appropriations:

General Fund:		
Administrative	$	78,270
Garbage		3,443
Debt service		18,495
Transfer to Water & Sewer Fund		34,245
Law Enforcement Confiscation		3,344

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk – deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered.

State statues require banks holding public funds to secure these funds by FDIC insurance, securities pledged at par value, and surety bonds at face value in combined aggregate totaling not less than 110 percent of the public funds held.

Investments

Investments are stated at fair value.

State statutes authorize the City to invest in obligations of the U.S. Treasury, other U.S. Government Agencies, State of Georgia, Other States, Prime Banker's Acceptances, repurchase agreements and other political subdivisions of Georgia.

Investment Type		Fair Value	Credit Quality	Weighted Average Maturity
Georgia Fund 1	$	2,005,403	AAAf	66 days

Interest Rate Risk – 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.

Credit Risk – Georgia law allows investments in obligation of the U.S. Treasury, other U.S. Governmental Agencies, State of Georgia, other states, prime banker's acceptances, repurchase agreements, other political subdivisions of Georgia and the State Georgia Fund 1 investment pool. The Georgia Fund 1 is not registered with the SEC. The State of Georgia Office of Treasury operated 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 AAAf rated money market funds. The City has no investment policy that would further limit its investment choices.

NOTE 4 – PROPERTY TAXES

State law requires that property taxes be based on assessed value, which is 40% of market value. All real and personal property (including motor vehicles) is valued as of January 1 of each year and must be returned for tax purposes by March 1. With the exception of motor vehicles and the property of public utilities, which are valued by the State Revenue Department, all assessments are made by the Upson County Board of Tax Assessors.

Upon completion of all assessments and tax returns, the information is compiled to form the tax digest. The completed tax digest must be submitted to the State Revenue Commissioner for approval. The State Revenue Commissioner must ascertain that real property on the tax digest has been assessed at the state mandated forty percent (40%) of fair market value. The Commissioner has the option to withhold certain state funding if the mandated 40% level is not reached.

Property taxes are levied each year based on assessed values determined the previous January 1. The Mayor and Council officially set the mill rates each year. Property taxes attach an enforceable lien on property as of June 30th of the following year. Judicial property sales are commenced during June and July of the following year.

The property tax calendar is as follows:

	Real/Personal Property (Excluding Vehicles)	Motor Vehicles
Assessment date	January 1	January 1
Levy date	November 1	January 1
Due date and collection date	December 31	Staggered

Property taxes receivable have been reduced to their estimated net realizable value. Estimated uncollectible amounts are based upon historical experience rates and result in a direct reduction of the related revenue amount at the end of the period.

NOTE 5 – RECEIVABLES

Receivables as of year-end for the government's individual major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Water & Sewer	Non-Major Governmental	Total
Receivables:				
Taxes	$ 24,210	$ -	$ -	$ 24,210
Accounts	18,053	53,808	-	71,861
Intergovernmental	41,798	-	37,824	79,622
Gross Receivables	84,061	53,808	37,824	175,693
Less: allowance for uncollectibles	(13,225)	(26,904)	-	(40,129)
Total net receivables	$ 70,836	$ 26,904	$ 37,824	$ 135,564

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2014, is as follows:

Due to / from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Water & Sewer Fund	$ 37,099
2007 and Prior SPLOST	General Fund	7,951
Non-Major Governmental Fund	General Fund	1,044
		$ 46,094

The 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.

Interfund transfers:

	Transfer In:		
	Non-Major Governmental	Water & Sewer Fund	Total
Transfer Out:			
General Fund	$ 46,044	$ 34,245	$ 80,289

Transfers are used to move unrestricted revenue to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

Due to the difference in measurement focus and basis of accounting between governmental funds and proprietary funds, reclassification of capital assets between the fund financial statements will cause the transfer accounts to be out of balance at the fund level.

NOTE 7 – CAPITAL ASSETS

	Beginning Balance, Restated	Increase	Decrease	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 409,277	$ -	$ -	$ 409,277
Total capital assets, not being depreciated	409,277	-	-	409,277
Capital assets, being depreciated:				
Buildings and land improvements	1,359,448	16,674	(24,080)	1,352,042
Equipment	1,171,086	35,002	(160,464)	1,045,624
Infrastructure	1,344,621	-	-	1,344,621
Total capital assets, being depreciated	3,875,155	51,676	(184,544)	3,742,287
Less accumulated depreciation for:				
Buildings and land improvements	(691,990)	(39,334)	5,930	(725,394)
Equipment	(840,996)	(55,440)	125,084	(771,352)
Infrastructure	(157,002)	(79,400)	-	(236,402)
Total accumulated depreciation	(1,689,988)	(174,174)	131,014	(1,733,148)
Total capital assets, being depreciated, net	2,185,167	(122,498)	(53,530)	2,009,139
Net investment in capital assets	$ 2,594,444	$ (122,498)	$ (53,530)	$ 2,418,416
Less related long term debt outstanding				(97,355)
Net investment in capital assets				$ 2,321,061

	Beginning Balance, Restated	Increase	Decrease	Transfers/ Reclassifications	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	$ 50,847	$ -	$ -	$ -	$ 50,847
Construction in progress	345,962	626,152	-	(207,068)	765,046
Total capital assets, not being depreciated	396,809	626,152	-	(207,068)	815,893
Capital assets, being depreciated:					
Buildings and land improvements	26,629	-	(4,149)	-	22,480
Sewer system	4,513,563	-	(4,377)	-	4,509,186
Water system	1,583,814	-	(44,431)	207,068	1,746,451
Equipment	233,441	-	(67,731)	-	165,710
Total capital assets being depreciated	6,357,447	-	(120,688)	207,068	6,443,827
Less accumulated depreciation for:					
Buildings and land improvements	(19,669)	(623)	4,149	-	(16,143)
Sewer system	(1,698,363)	(101,034)	4,377	-	(1,795,020)
Water system	(921,886)	(53,036)	44,431	-	(930,491)
Equipment	(164,886)	(17,567)	67,731	-	(114,722)
Total accumulated depreciation	(2,804,804)	(172,260)	120,688	-	(2,856,376)
Total capital assets, being depreciated, net	3,552,643	(172,260)	-	207,068	3,587,451
Business-type activities capital assets, net	$ 3,949,452	$ 453,892	$ -	$ -	$ 4,403,344
Less related long-term debt outstanding					(746,946)
Net investment in capital assets					$ 3,656,398

Depreciation expense was charged to functions / programs of the primary government as follows:

Governmental activities:	
General government	$ 18,713
Public safety	52,034
Public works	92,618
Recreation	10,809
Total depreciation expense - governmental activities	$ 174,174
Business-type activities:	
Water and sewer	$ 172,260
Total depreciation expense - business-type activities	$ 172,260

NOTE 8 – LONG-TERM DEBT

Changes in long-term liabilities

Long-term liability activity for the fiscal year ended September 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Note payable	$ 111,315	$ -	$ (13,960)	$ 97,355	$ 14,529
Compensated absences	19,363	34,274	(32,014)	21,623	21,623
Governmental activity long-term liabilities	$ 130,678	$ 34,274	$ (45,974)	$ 118,978	$ 36,152
Business-type activities:					
Compensated absences	$ -	$ 2,047	$ (1,021)	$ 1,026	$ 1,026
GEFA loan CW96020	655,404	-	(90,131)	565,273	93,792
GEFA loan 2005-L14WJ	192,883	-	(11,210)	181,673	11,689
Business-type activity long-term liabilities	$ 848,287	$ 2,047	$ (102,362)	$ 747,972	$ 106,507

For the governmental activities, compensated absences are generally liquidated by the general fund. For business-type activities, compensated absences are liquidated by the water and sewer fund.

USDA Loan

Purpose of Debt: To purchase a fire truck.

In 2010, the City obtained a $150,000 loan from the United States Department of Agriculture (USDA) to purchase a fire truck. The loan is due in 10 annual installments of principal and interest. The interest rate is 4.0%.

Annual debt service requirements to maturity for this contractual obligation are as follows:

Years Ending September 30	Principal	Interest
2015	$ 14,529	$ 3,966
2016	15,121	3,374
2017	15,737	2,758
2018	16,378	2,117
2019	17,100	1,395
2020	18,490	711
Total	$ 97,355	$ 14,321

Notes Payable

Purpose of Debt: To construct and improve the Public Utilities System of the City of Gordon.

In 1998, the City entered into a contract with the Georgia Environmental Facilities Authority for a State Revolving Loan Fund loan to provide financing for the construction of a new 0.75 MGD wetlands wastewater treatment system. The total proceeds for the loan were $1,521,486 to be paid over a 19.5 year period starting April 1, 2000, on a monthly basis. Interest is at 4.0%.

In 2006, the City entered into a contract with the Georgia Environmental Facilities Authority for a State Revolving Loan Fund loan to provide financing for the installation of an Ultraviolet Disinfection System to the Wastewater Treatment, water and sewer lines and all necessary appurtenances to make the work complete. The total proceeds for the loan were $258,099 to be paid over a twenty-year period starting December 1, 2006, on a monthly basis. Interest is at 4.2%.

Annual debt service requirements to maturity for these notes payable are as follows:

Years Ending	GEFA CW96020		GEFA 2005-L14WJ	
September 30	Principal	Interest	Principal	Interest
2015	$ 93,792	$ 21,216	$ 11,689	$ 7,407
2016	97,600	17,407	12,190	6,906
2017	101,563	13,444	12,712	6,384
2018	105,687	9,321	13,257	5,840
2019	109,978	5,029	13,824	5,273
2020-2024	56,653	851	78,522	16,960
2025	-	-	39,479	1,892
Total	$ 565,273	$ 67,268	$ 181,673	$ 50,662

Restricted Assets

The balances of the restricted asset accounts in the Water & Sewer enterprise fund are as follows:

Sinking fund	$ 857
	$ 857

NOTE 9 – EMPLOYEE RETIREMENT PLANS

Georgia Municipal Employees Benefit System

Plan Description

The City contributes to the Georgia Municipal Employees Benefit System (the system), an agent multiple-employer public employee retirement system administered by the Georgia Municipal Association. The City of Gordon Retirement Plan is a defined benefit plan that provides retirement and disability benefits and death benefits to plan members and beneficiaries. The Public Retirement Systems Standard Law (Georgia Code Section 47-20-10) assigned the authority to establish and amend the plan to the City of Gordon. The Georgia Municipal Employees Benefit System issues a publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Georgia Municipal Employees Benefit System, 201 Pryor Street S.W., Atlanta, Georgia 30303.

At January 1, 2014, the date of the most recent actuarial valuation, there were 45 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	14
Terminated vested participants	8
Active vested employees	21
Active nonvested employees	2
Total	45

Funding Policy

The City's employee's participation is non-contributory. The City is required to contribute at an actuarially determined rate; the current rate is 12.69% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the system's Board of Trustees.

Annual Pension Cost

The funding policy for the Plan is to contribute an amount equal to the recommended contribution as determined by the Plan's actuary. The recommended contribution was determined as part of the January 1, 2014 actuarial valuation. The chart below shows the annual pension cost for the current year and prior two years along with the percentage actually contributed by the City.

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
2014	$ 72,480	100%	-
2013	77,157	100%	-
2012	72,956	100%	-

As of the most recent valuation date, January 1, 2014, the funded status of the Plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded / (Surplus) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2014	$ 1,323,695	$ 1,485,267	$ 161,572	89.12%	$ 552,611	29.24%

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 net assets is increasing or decreasing over time relative to the actuarial accrued liability.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of January 1, 2014.

The assumptions used in the January 1, 2014 actuarial valuation are as follows:

Actuarial Assumptions

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	Remaining amortization period varies for the bases, with a net effective amortization period of 10 years
Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value
Net Investment Rate of Return	7.75%
Projected Salary Increases	3.50% plus age and service based merit increases
Inflation Rate	3.50%
Cost of Living Adjustments	0.00%

There were no changes in methods or assumptions from the prior valuation.

NOTE 10 – CONTINGENT LIABILITIES

A. Litigation

The City is involved in several pending lawsuits. Liability, if any, which might result from these proceedings, would not, in the opinion of management and legal counsel, have a material adverse effect on the financial position of the City.

EEOC claims were brought against the City in June 2014 and paid in October 2014. The total paid of $40,000 was covered by insurance. Additional EEOC claims by two individuals were brought against the City in March 2015. The City does not have insurance coverage for these claims.

B. Grants

Amounts received or receivable from grant 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 amounts, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

NOTE 11 - PRIOR PERIOD ADJUSTMENTS

During 2014, management recorded prior period adjustments to correct the following:

Reclassifications

In previous years, management reported Law Enforcement Confiscation (LEC) activity in the General Fund. During 2014, management elected to begin reporting activity associated with confiscated funds in a separate special revenue fund.

Prior period adjustments

Construction in progress – an adjustment was needed in the Water and Sewer Fund for $266,166 to record construction in progress for water projects that were reported in the governmental activities in the prior year.

Local option sales tax – an adjustment was needed in the General Fund for $42,740 to correct an overstatement of local option sales tax in the prior year.

TAVT – an adjustment was needed in the General Fund for $9,258 to correct an understatement of TAVT revenue in the prior year.

Property taxes – an adjustment was needed in the General Fund for $5,481 to correct an understatement of property tax revenue in the prior year.

Interfund balance – an adjustment was needed in the 2007 and Prior SPLOST Fund (previously called Capital Projects Fund) and the Water and Sewer Fund of $61,035 to eliminate the interfund balance for project expenditures paid in a previous year and to record the capital contributions.

Inventory – an adjustment was needed in the Water and Sewer Fund of $15,069 to remove an old inventory balance.

Accounts payable – an adjustment was needed in the General Fund for $20,190 and in the Water and Sewer Fund for $21,240 to correct an overstatement of accounts payable in the prior year.

Accrued salaries – adjustments were needed in the General Fund for $19,139, Library Fund for $1,260 and the Water and Sewer Fund for $2,055 to correct an understatement of accrued salaries in the prior year.

The effects of the adjustments are as follows:

	Government Wide	Business-Type Activities
Net position, as previously stated	$ 6,236,178	$ 2,879,180
Construction in progress	(266,166)	266,166
Revenue adjustments	(28,001)	-
SPLOST project	(61,035)	61,035
Inventory	-	(15,069)
Accounts payable	20,314	21,240
Accrued salaries	(20,399)	(2,055)
Net position, restated	$ 5,880,891	$ 3,210,497

	General Fund	2007 and Prior SPLOST	LEC Fund
Fund balance/net position, as previously stated	$ 2,367,213	$ 1,099,358	$ -
Reclassify prior year fund balance	(4,059)	-	4,059
Revenue adjustments	(28,001)	-	-
SPLOST project	-	(61,035)	-
Inventory	-	-	-
Accounts payable	20,314	-	-
Accrued salaries	(19,139)	-	-
Fund balance/net position, restated	$ 2,336,328	$ 1,038,323	$ 4,059

	Library Fund	Water & Sewer Fund	Total
Fund balance/net position, as previously stated	$ 5,184	$ 2,879,180	$ 6,350,935
Reclassify prior year fund balance	-	-	-
Construction in progress	-	266,166	266,166
Revenue adjustments	-	-	(28,001)
SPLOST project	-	61,035	-
Inventory	-	(15,069)	(15,069)
Accounts payable	-	21,240	41,554
Accrued salaries	(1,260)	(2,055)	(22,454)
Fund balance/net position, restated	$ 3,924	$ 3,210,497	$ 6,593,131

NOTE 12 – SUBSEQUENT EVENT

A civil rights claim was filed in April 2015 by a newspaper editor who was arrested at a City Council meeting on April 6, 2015. City Council approved a settlement in the amount of $45,000 to be paid by August 7, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GORDON, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014
UNAUDITED

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b - a) / c
01/01/14	$ 1,323,695	$ 1,485,267	$ 161,572	89.12%	552,611	29.24%
01/01/13	1,253,628	1,422,855	169,227	88.11%	534,840	31.64%
01/01/12	1,176,206	1,329,080	152,874	88.50%	599,971	25.48%
01/01/11	1,094,582	1,208,710	114,128	90.56%	621,916	18.35%
01/01/10	1,025,420	1,103,560	78,140	92.92%	602,956	12.96%
10/01/09	940,178	1,099,272	159,094	85.53%	602,956	26.39%

SUPPLEMENTARY INFORMATION

CITY OF GORDON, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	Special Revenue Funds		Capital Project Funds		Total Nonmajor Governmental Funds
	Library Fund	Law Enforcement Confiscation	Depot Renovation	2014 SPLOST	
ASSETS					
Cash and cash equivalent	$ 383	$ 715	$ 19,463	$ 80,141	$ 100,702
Receivables, net of allowance					
Intergovernmental	-	-	-	37,824	37,824
Due from other funds	1,044	-	-	-	1,044
Total Assets	$ 1,427	$ 715	$ 19,463	$ 117,965	$ 139,570
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accrued salaries	$ 1,427	$ -	$ -	$ -	$ 1,427
Total Liabilities	1,427	-	-	-	1,427
Fund Balances:					
Restricted	-	715	19,463	117,965	138,143
Total Fund Balances	-	715	19,463	117,965	138,143
Total Liabilities and Fund Balances	$ 1,427	$ 715	$ 19,463	$ 117,965	$ 139,570

CITY OF GORDON, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	Special Revenue Funds		Capital Project Funds		Total Nonmajor Governmental Funds
	Library Fund	Law Enforcement Confiscation	Depot Renovation	2014 SPLOST	
Revenues:					
Intergovernmental	$ 7,400	$ -		$ 117,958	$ 125,358
Interest earnings	-	-		7	7
Other revenues	156	-	120	-	276
Total Revenues	7,556	-	120	117,965	125,641
Expenditures:					
Current:					
General government	57,524	-	-	-	57,524
Public safety	-	3,344	-	-	3,344
Total Expenditures	57,524	3,344	-	-	60,868
Excess (Deficiency) of Revenues Over (Under) Expenditures	(49,968)	(3,344)	120	117,965	64,773
Other Financing Sources (Uses):					
Transfers from other funds	46,044	-	-	-	46,044
Total other financing sources (uses)	46,044	-	-	-	46,044
Net change in fund balances	(3,924)	(3,344)	120	117,965	110,817
Fund Balances, beginning of year, restated	3,924	4,059	19,343	-	27,326
Fund Balances, end of year	$ -	$ 715	$ 19,463	$ 117,965	$ 138,143

CITY OF GORDON, GEORGIA

LIBRARY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Intergovernmental	$ 6,000	$ 7,400	$ 1,400
Other income	160	156	(4)
Total Revenues	6,160	7,556	1,396
Expenditures:			
Current:			
General government	64,460	57,524	6,936
Total Expenditures	64,460	57,524	6,936
Excess (Deficiency) of Revenues Over (Under) Expenditures	(58,300)	(49,968)	8,332
Other Financing Sources (Uses):			
Transfers from General Fund	58,300	46,044	(12,256)
Total Other Financing Sources (Uses)	58,300	46,044	(12,256)
Net change in fund balance	-	(3,924)	(3,924)
Fund balance - beginning of year, restated	3,924	3,924	-
Fund balance (deficit) - end of year	$ 3,924	$ -	$ (3,924)

CITY OF GORDON, GEORGIA

LAW ENFORCEMENT CONFISCATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Confiscated funds	$ -	$ -	$ -
Total Revenues	-	-	-
Expenditures:			
Current:			
Public safety	-	3,344	(3,344)
Total Expenditures	-	3,344	(3,344)
Net change in fund balance	-	(3,344)	(3,344)
Fund balance - beginning of year, restated	4,059	4,059	-
Fund balance - end of year	$ 4,059	$ 715	$ (3,344)

CITY OF GORDON, GEORGIA

2012 COMMUNITY DEVELOPMENT BLOCK GRANT \ WATER LINE FUND
12p-x-158-2-5463
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE-BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	Prior Years	Current Year	Total to Date	Project Authorization
Revenues:				
Department of Community Affairs	$ 51,336	$ 431,084	$ 482,420	$ 500,000
Total Revenues	51,336	431,084	482,420	500,000
Expenditures:				
Contingencies - Unprogramed Funds	-	-	-	20,787
Sewer Facilities	51,336	431,085	482,421	479,213
Total Expenditures	51,336	431,085	482,421	500,000
Net change in fund balance	-	(1)	(1)	-
Fund balance - beginning of year	-	1	1	-
Fund balance - end of year	$ -	$ -	$ -	$ -

GOVERNMENTAL REPORT

CITY OF GORDON, GEORGIA

SCHEDULE OF PROJECTS CONSTRUCTED
WITH SPECIAL SALES TAX PROCEEDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

2007 and Prior Special Local Option Sales Tax Projects:	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years (Restated)	Current Year	Total
Roads	$ 666,709	$ 2,000,000	$ 1,525,357	$ -	$ 1,525,357
Depot renovation	21,669	56,885	56,885	-	56,885
Public safety:					
Fire equipment	-	100,000	32,268	-	32,268
Police equipment	-	175,000	135,717	-	135,717
General government equipment	-	80,000	58,034	-	58,034
Water and sewer projects	-	1,500,000	944,087	328,796	1,272,883
Recreation	67,720	350,000	268,373	-	268,373
Totals	$ 756,098	$ 4,261,885	$ 3,020,721	$ 328,796	$ 3,349,517

Note: The 2007 and Prior Special Local Option Sales Tax Projects prior years expenditures were restated for $61,035 for water and sewer project expenditures.

2014 Special Local Option Sales Tax Projects:	Original Estimated Cost	Expenditures		
		Prior Year(s)	Current Year	Total
Roads, streets and bridges	$ 150,000	$ -	$ -	$ -
Recreation	100,000	-	-	-
Public safety	150,000	-	-	-
Transportation	75,000	-	-	-
Industrial and economic development	400,000	-	-	-
Public buildings	150,000	-	-	-
Solid waste	50,000	-	-	-
Water and sewer projects	600,000	-	-	-
Storm water	90,601	-	-	-
Totals	$ 1,765,601	$ -	$ -	$ -

MAULDIN & JENKINS

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 Council
Of the City of Gordon, Georgia
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 the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gordon, Georgia (the "City"), as of and for the year ended September 30, 2014, 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 August 14, 2015.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses, as items 2014-001 through 2014-002 to be material weaknesses.

Compliance and Other Matters

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

City of Gordon, Georgia's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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.

Mauldin & Jenkins, LLC

Macon, Georgia
August 14, 2015

CITY OF GORDON, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	X yes _____ no
Significant deficiencies identified not considered to be material weaknesses?	_____ yes X none reported
Noncompliance material to financial statements noted?	_____ yes X no

Federal Awards

There was not an audit of major federal award programs due to the total amount expended on federal programs being less than $500,000.

CITY OF GORDON, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2014-001. Accounting and Reporting of Revenues and Receivables

Criteria: Generally accepted accounting principles require revenues to be recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Condition: During our audit of fiscal year ended September 30, 2014, we noted the City did not properly record revenues, receivables, and deferred revenue as of and for the year ended September 30, 2013 which influenced the revenue cycle of the fiscal year ended September 30, 2014. Consequently, a prior period adjustment (also known as a restatement of opening balances) was required to be recorded to the fund balances of the General Fund effective September 30, 2013 and the respective revenues of each of those funds for the year ended September 30, 2014. Further, we noted the City did not prepare and reconcile the accounts receivable in a timely manner, and Special Purpose Local Option Tax (SPLOST) 2014 revenues were not properly reported for the year ended September 30, 2014.

Context: We addressed the matter with the City to determine the appropriate amounts to record as of and for the year ended September 30, 2014.

Effect: In order to properly document the balances as of September 30, 2014, there were a significant number of post-closing journal entries recognized with the total effect for element noted below:

- **Local Option Sales Tax (LOST)** – adjustment to fund balance as of September 30, 2013 required relative to an overstatement of prior year Local Option Sales Tax revenues in the amount of $42,740, and recognition of respective revenues of this amount in fiscal year ended September 30, 2014.
- **Title Ad Valorem Tax (TAVT)** – adjustment to fund balance as of September 30, 2013 required relative to an understatement of prior year Title Ad Valorem Tax revenues in the amount of $9,258, and a reduction of respective revenues of this amount in fiscal year ended September 30, 2014.
- **Property Taxes** – adjustment to fund balance as of September 30, 2013 required relative to an understatement of prior year property tax revenues in the amount of $5,481, and a reduction of respective revenues of this amount in fiscal year ended September 30, 2014.
- **Special Purpose Local Option Sales Tax (SPLOST) 2014** – adjustment to accounts receivable as of September 30, 2014 required relative to an understatement of tax revenues in the amount of $18,907.

Cause: There was an overall lack of understanding of revenue recognition principles and a lack of appropriate controls relative to the proper preparation and review of revenue / receivables reconciliations at the City during the fiscal year.

Recommendation: We recommend the City review all income statement and balance sheet accounts throughout the fiscal year, and ensure all respective revenues, receivables, and deferred revenues are properly stated at the end of each accounting period.

CITY OF GORDON, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2014-001. Accounting and Reporting of Revenues and Receivables (Continued)

Views of Responsible Officials and Planned Corrective Action: Management concurs with this finding. The City engaged a certified pulic accounting firm to assist with close out procedures for the annual audit. The City will work closely with the retained accounting firm to prevent future problems in this area. In addition, the City will receive additional training on governmental accounting matters for the revenue cycle.

2014-002. Accounting and Reporting of Expenditures, Expenses, Accounts Payable and Accrued Expenses

Criteria: Generally accepted accounting principles require timely reporting of all current liabilities when goods have been received or services have been performed, regardless of the timing of related cash flows.

Condition: During our audit of fiscal year ended September 30, 2014, we noted the City did not properly record expenditures, expenses and increases to respective asset accounts as of and for the year ended September 30, 2013 which influenced the expenditure cycle of the fiscal year ended September 30, 2014. Consequently, a prior period adjustment (also known as a restatement of opening balances) was required to be recorded to the fund balances of the General Fund, the Library Fund, and the Water and Sewer Fund effective September 30, 2013 and the respective expenditures and expenses of each of those funds for the year ended September 30, 2014. Further, we noted the City did not prepare and reconcile the accounts payable and accrued expenses in a timely manner.

Context: We addressed this matter with City officials, who were able to ultimately determine the propriety of all respective details and reconciliations as of and for the year ended September 30, 2014.

Effect: In order to properly document the balances as of September 30, 2014, there were a significant number of post-closing journal entries recognized with the total effect for element noted below:

- **General Fund:**
  - **Regular Expenditures** – adjustment to fund balance as of September 30, 2013 required relative to an overstatement of accounts payable and the respective expenditures of the prior year in the amount of $20,314, and recognition of respective expenditures of this amount in fiscal year ended September 30, 2014.
  - **Salaries Expenditures** – adjustment to fund balance as of September 30, 2013 required relative to an understatement of accrued salaries and the respective expenditures of the prior year in the amount of $19,139, and a reduction of respective expenditures of this amount in fiscal year ended September 30, 2014.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2014-002. Accounting and Reporting of Expenditures, Expenses, Accounts Payable and Accrued Expenses (Continued)

- **Library Fund:**
  - **Salaries Expenditures** – adjustment to fund balance as of September 30, 2013 required relative to an understatement of accrued salaries and the respective expenditures of the prior year in the amount of $1,260, and a reduction of respective expenditures of this amount in fiscal year ended September 30, 2014.

- **Water and Sewer Fund:**
  - **Regular Expenses** – adjustment to net position (equity) as of September 30, 2013 required relative to an overstatement of accounts payable and the respective expenses of the prior year in the amount of $21,240, and recognition of respective expenses of this amount in fiscal year ended September 30, 2014.
  - **Inventory** – adjustment to net position (equity) as of September 30, 2013 required to remove an old inventory balance in the amount of $15,069, and recognition of expensing such an amount in prior years.
  - **Salaries Expenditures** – adjustment to net position (equity) as of September 30, 2013 required relative to an understatement of accrued salaries and the respective expenses of the prior year in the amount of $2,055, and a reduction of respective expenses of this amount in fiscal year ended September 30, 2014.
  - **Construction in Progress** – adjustment to net position (equity) as of September 30, 2013 required relative to an understatement of prior year construction in progress in the amount of $266,166 for amounts expended by governmental funds and previously classified as construction in progress at the entity-wide governmental activities level. Further, an additional amount was required to be adjusted representing similar activity in fiscal year 2013 relative to a Special Purpose Local Option Sales Tax (SPLOST) project in the amount of $61,035.

Cause: There was an overall lack of understanding of expenditure / expense recognition principles and a lack of appropriate controls relative to the proper preparation and review of expenditure / expense / payables reconciliations at the City during the fiscal year.

Recommendation: We recommend that the City reconcile all accounts payable and accrued expenses in a timely manner to ensure all transactions are being properly recognized during the correct period. Further, any expenditures for construction in progress incurred by a related fund should be appropriately reflected by the receiving fund in the proper period.

CITY OF GORDON, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2014-002. Accounting and Reporting of Expenditures, Expenses, Accounts Payable and Accrued Expenses (Continued)

Views of Responsible Officials and Planned Corrective Action: Management concurs with this finding. The City engaged a certified public accounting firm to assist with close out procedures for the annual audit. The City will work closely with the retained accounting firm to prevent future problems in this area. In addition, the City will receive additional training on governmental accounting matters for the expenditure cycle.

SECTION III
FEDERAL AWARD FINDINGS

Not applicable. No Single Audit Required.

CITY OF GORDON, GEORGIA

SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

2013-001. Controls Over Financial Statement Presentation

Criteria: (No Criteria Previously Noted in Prior Year Report)

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.

Auditee Response/Status: Resolved.

2013-002. Budgetary

Criteria: (No Criteria Previously Noted in Prior Year Report)

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

Auditee Response/Status: Resolved. Certain actual expenditures exceeded budget, but no finding is seen as warranted due to not violating any specific State of Georgia rules and regulations relative to the subject.