CITY OF HAHIRA, GEORGIA

FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2014

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VALENTI, RACKLEY
& ASSOCIATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council
City of Hahira, 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 City of Hahira, Georgia ("the City") as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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, as of December 31, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the schedule of retirement funding progress 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. However, management has elected not to include the Management's Discussion and Analysis. Our opinion on the basic financial statements is not affected by this missing information. We have applied certain limited procedures to the other 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund schedules and the One Percent Special Purpose Local Option Sales Tax Project Cost Schedules 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 the One Percent Special Purpose Local Option Sales Tax Project Cost Schedules 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 June 2, 2014, on our consideration of the City'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's internal control over financial reporting and compliance.

Respectfully submitted,



Valenti, Rackley & Associates, LLC
Certified Public Accountants

June 2, 2015

CITY OF HAHIRA
GOVERNMENT-WIDE STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	$ 715,060	$ 406,376	$ 1,121,436
Certificates of deposit	503,675	163,044	666,719
Accounts receivable	337,371	76,979	414,350
Prepaid expenses	12,145	6,257	18,402
Internal balances	91,906	(91,906)	
Inventory	-	8,587	8,587
Restricted cash	499,035	160,000	659,035
Capital assets:			
Land	187,015	230,897	417,912
Other capital assets, net of accumulated depreciation	2,600,916	5,834,131	8,435,047
Total assets	4,947,123	6,794,365	11,741,488
LIABILITIES			
Accounts payable and accrued expenses	59,248	32,404	91,652
Water deposits	-	87,164	87,164
Long-term liabilities:			
Compensated absences payable	27,048	11,180	38,228
Due within one year	-	118,206	118,206
Due in more than one year	-	2,659,363	2,659,363
Total liabilities	86,296	2,908,317	2,994,613
NET POSITION			
Net investment in capital assets	2,787,931	3,287,459	6,075,390
Restricted for capital projects	648,194	-	648,194
Unrestricted	1,424,702	598,589	2,023,291
Total net position	$ 4,860,827	$ 3,886,048	$ 8,746,875

See accompanying notes to the basic financial statements.

CITY OF HAHIRA
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government		
Function/Programs:	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
General government	$ 347,656	$ 31,593	$ -	$ 520,587	$ 204,524		$ 204,524
Judicial	19,274	-	-	1,808	(17,466)		(17,466)
Public safety	1,031,060	651,527	-	9,458	(370,075)		(370,075)
Public works	209,425	5,512		62,382	(141,531)		(141,531)
Health and welfare	14,842	-	9,329	-	(5,513)		(5,513)
Culture and recreation	71,153	-	-	3,000	(68,153)		(68,153)
Housing and development	26,850	-	-	-	(26,850)		(26,850)
Interest on general long-term debt	882	-	-	-	(882)		(882)
Total governmental activities	1,721,142	688,632	9,329	597,235	(425,946)		(425,946)
Business-type activities:							
Water and sewer	977,100	678,368	-	-	-	(298,732)	(298,732)
Sanitation	221,455	248,899	-	-	-	27,444	27,444
Total business-type activities	1,198,555	927,267	-	-	-	(271,288)	(271,288)
Total primary government	$ 2,919,697	$ 1,615,899	$ 9,329	$ 597,235	(425,946)	(271,288)	(697,234)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					510,515	-	510,515
Sales and use taxes					356,570	-	356,570
Business taxes					156,243	-	156,243
Investment earnings					4,501	2,074	6,575
Miscellaneous					40,834	-	40,834
Total general revenues					1,068,663	2,074	1,070,737
Transfers					(184,874)	184,874	-
Total general revenues and transfers					883,789	186,948	1,070,737
Change in net position					457,843	(84,340)	373,503
Net position - beginning					4,402,984	3,970,388	8,373,372
Net position - ending					$ 4,860,827	$ 3,886,048	$ 8,746,875

See accompanying notes to the basic financial statements.

CITY OF HAHIRA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	General Fund	Capital Project Funds		Other Governmental Funds	Total Governmental Funds
		SPLOST VI	SPLOST VII		
ASSETS					
Cash:					
Unrestricted	$ 715,060	$ -	$ -	$ -	$ 715,060
Restricted	-	79,487	417,061	2,487	499,035
Total cash	715,060	79,487	417,061	2,487	1,214,095
Certificates of deposit	503,675	-	-	-	503,675
Receivables:					
Taxes	173,544	-	-	-	173,544
Intergovernmental	49,667	-	97,776	-	147,443
Other	16,384	-	-	-	16,384
Interfund balances	58,767	74,295	575	-	133,637
Prepaid insurance	12,145	-	-	-	12,145
Total assets	$ 1,529,242	$ 153,782	$ 515,412	$ 2,487	$ 2,200,923
LIABILITIES, DEFERRED INFLOWS INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued expenses	$ 49,367	$ 9,881	$ -	$ -	$ 59,248
Interfund balances	28,125	-	13,606	-	41,731
Total liabilities	77,492	9,881	13,606	-	100,979
Deferred inflows of resources:					
Deferred property taxes	31,386	-	-	-	31,386
Deferred DOT LMIG grant funds	27,587	-	-	-	27,587
Total deferred inflow of resources	58,973	-	-	-	58,973
Fund balances:					
Nonspendable	12,145	-	-	-	12,145
Restricted	-	143,901	501,806	2,487	648,194
Unassigned	1,380,632	-	-	-	1,380,632
Total fund balances	1,392,777	143,901	501,806	2,487	2,040,971
Total liabilities, deferred inflows of resources and fund balances	$ 1,529,242	$ 153,782	$ 515,412	$ 2,487	$ 2,200,923

See accompanying notes to the basic financial statements.

CITY OF HAHIRA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
DECEMBER 31, 2014

Fund Balance - Total Governmental Funds	$2,040,971
Amounts reported for governmental activities in the statement of net position are different because:	
Governmental funds only report liabilites that will be liquidated with current assets. Compensated absences payable, however, which will not be liquidated with current assets, are not liabilites of the governmental funds but are liabilities of the government-wide financial statements.	(27,048)
Long-term debt is not reported in governmental activities because it is not expected to be liquidated with expendable available financial resources but is reported in the government-wide financial statements.	-
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	58,973
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,787,931
Net position of governmental activities	$4,860,827

See accompanying notes to the basic financial statements.

CITY OF HAHIRA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	General Fund	Capital Project Funds		Other Governmental Funds	Total Governmental Funds
		SPLOST VI	SPLOST VII		
REVENUES					
Taxes:					
Property	$ 502,398	$ -	$ -	$ -	$ 502,398
Sales and use	356,570	-	-	-	356,570
Business	156,243	-	-	-	156,243
Licenses and permits	31,593	-	-	-	31,593
Intergovernmental	52,697	-	531,555	-	584,252
Fines and forfeitures	651,527	-	-	-	651,527
Investment earnings	4,501	-	232	5	4,738
Miscellaneous	44,184	-	-	-	44,184
Total revenues	1,799,713	-	531,787	5	2,331,505
EXPENDITURES					
Current:					
General government	295,290	-	19,013	-	314,303
Judicial	19,632	-	1,808	-	21,440
Public safety	923,026	106,663	1,460	-	1,031,149
Public works	189,789	287,970	4,700	-	482,459
Health and welfare	14,842	-	-	-	14,842
Culture and recreation	64,938	223	3,000	-	68,161
Housing and development	26,850	-	-	-	26,850
Total expenditures	1,534,367	394,856	29,981	-	1,959,204
Excess (deficiency) of revenues over (under) expenditures	265,346	(394,856)	501,806	5	372,301
Fund balances - beginning	1,127,431	538,757	-	2,482	1,668,670
Fund balances - ending	$1,392,777	$ 143,901	$ 501,806	$ 2,487	$ 2,040,971

See accompanying notes to the basic financial statements.

CITY OF HAHIRA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

Net change in fund balances - total governmental funds	$ 372,301
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays ($220,750) exceeded depreciation ($191,852) in the current period.	28,898
Governmental activities report gain or loss on the sale of capital assets. However, governmental funds only report the proceeds from the sale of capital assets. This is the amount of the gain on disposal.	(484)
Governmental funds only report compensated absense expense if the expense has been paid in the current year or will be paid with current funds. However, on the statement of activities the change in the liability is reflected as program expense. This is the amount of the change in compensated absences payable from the beginning of the year to the end of the year.	2,174
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the increase in deferred property tax revenue over prior year.	8,117
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the increase in intergovernmental revenue recorded as deferred revenue in the current year.	27,587
Repayment of debt is a use of current financial resources in the governmental funds, but the repayment of debt decreaseses liabilities in the statement of activities.	19,250
Change in net position of governmental activities	$ 457,843

See accompanying notes to the basic financial statements.

CITY OF HAHIRA
STATEMENT OF NET POSITION
PROPRIETARY FUND – ENTERPRISE FUND
DECEMBER 31, 2014

	Water, Sewer and Sanitation Fund
ASSETS	
Current assets:	
Cash:	
Unrestricted	$ 406,376
Restricted	160,000
Total cash	566,376
Certificates of deposit	163,044
Accounts receivable (net)	76,979
Prepaid insurance	6,257
Inventory	8,587
Total current assets	821,243
Noncurrent assets:	
Capital assets:	
Land	230,897
Buildings	27,074
Vehicles and equipment	242,941
Utility system and equipment	10,051,599
Less accumulated depreciation	(4,487,483)
Total noncurrent assets	6,065,028
Total assets	6,886,271
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	28,285
Accrued interest	4,119
Water deposits	87,164
Interfund balances	91,906
Current portion:	
Note payable	41,407
Bonds payable	76,799
Total current liabilities	329,680
Noncurrent liabilities:	
Compensated absences	11,180
Note payable, less current portion	645,583
Bonds payable, less current portion	2,013,780
Total noncurrent liabilities	2,670,543
Total liabilities	3,000,223
NET POSITION	
Net investment in capital assets	3,287,459
Unrestricted	598,589
Total net position	$ 3,886,048

See accompanying notes to the basic financial statements.

CITY OF HAHIRA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND – ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Water, Sewer and Sanitation Fund
OPERATING REVENUES	
Charges for services:	
Water and sewer	$ 648,841
Sanitation	248,899
Other	29,527
Total operating revenues	927,267
OPERATING EXPENSES	
Depreciation	306,633
Personnel services	254,427
Landfill/contracted sanitation services	221,455
Utilities	129,313
Repairs and maintenance	49,480
Supplies and other expenses	45,707
Professional fees	30,049
Fuel	29,982
Technical services	26,782
Insurance	16,563
Travel	679
Total operating expenses	1,111,070
Operating income	(183,803)
NONOPERATING REVENUES (EXPENSES)	
Interest income	2,074
Interest expense	(101,817)
Gain on disposal of asset	14,332
Total nonoperating revenues (expenses)	(85,411)
Income (loss) before contributions	(269,214)
CAPITAL CONTRIBUTIONS	
Capital contribution	184,874
Total capital contributions	184,874
Change in net position	(84,340)
Total net position - beginning	3,970,388
Total net position - ending	$ 3,886,048

See accompanying notes to the basic financial statements.

CITY OF HAHIRA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND – ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

		Water, Sewer and Sanitation Fund
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	$	967,420
Internal activities - payments to other funds		171,576
Payments to employees (or for their benefit) for services provided		(255,279)
Payments to suppliers for goods or services		(698,794)
Net cash provided (used) by operating activities		184,923
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on capital debt		(2,132,784)
Proceeds from borrowing		2,540,760
Purchases of capital assets		(315,710)
Net proceeds from the sale of capital assets		15,426
Interest paid on capital debt		(114,060)
Net cash provided (used) by capital and related financing activities		(6,368)
CASH FLOWS FROM INVESTING ACTIVITIES		
Certificate of deposit reinvestment		(1,255)
Interest income		2,074
Net cash provided by investing activities		819
Net increase (decrease) in cash and cash equivalents		179,374
Balances - beginning		387,002
Balances - ending	$	566,376
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	$	(183,803)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense		306,633
Change in assets and liabilities:		
Receivables, net		35,953
Prepaid expenses		(346)
Inventory		8,587
Due to/from other funds		171,576
Deposits		4,200
Accounts payable and accrued expenses		(160,538)
Net cash provided by operating activities	$	182,262

Noncash activity. Capital assets with a cost of $184,875 were purchased by the SPLOST VI Fund and contributed to the Enterprise Fund. Other assets below the capitalization threshold with a cost of $2,661 were purchased by the SPLOST VI Fund and are reported as expenses.

See accompanying notes to the basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements present the City of Hahira, Georgia, (the primary government) which operates under a mayor-council form of government. The City's major operations in addition to general administrative services include public safety (police and fire protection), public works (highways and streets), sanitation, water and sewer, health and welfare, culture and recreation.

The City of Hahira's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The more significant accounting policies, established in GAAP and used by the City, are discussed below.

A. Reporting Entity

The Governmental Accounting Standards Board sets forth criteria for determining the reporting entity. Organizations legally separate from the City of Hahira, Georgia, would be included in the financial statements of City of Hahira, Georgia, if the criteria of financial accountability were met as defined by Governmental Accounting Standards Board Statement Number 14 or if exclusion of the entity would cause the City's financial statements to be misleading or incomplete.

The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is a fiscal dependency by the organization on the City

Based upon these criteria the financial statements of the City contain no component units.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements – Government-wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's police and fire protection, highways and streets, health and welfare, culture and recreation and general administrative services are classified as governmental activities. The City's water, sewer and sanitation fund is classified as a business activity. There are no fiduciary funds, nor component units that are fiduciary in nature, included.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resources measurement focus, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts – net investment in capital assets; restricted; and unrestricted. Restricted assets are liquid assets (generated from revenues and not bond proceeds) that have a third party (statutory, bond covenant, or granting agency) limitation on their use. The City would typically use restricted assets first, as appropriate opportunities arise, but reserve the right to selectively defer the use thereof to a future project or replacement equipment acquisition.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions (general government, public safety, public works, etc.) and business activities (water, sewer and sanitation fund). The functions are also supported by general government revenues (taxes, investment earnings, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (general government, public safety, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (taxes, investment earnings, etc.).

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activity.

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. The governmental funds employ the current financial resources measurement focus. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, reserves, fund equity, revenues and expenditures/expenses.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column in the fund financial statements. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for determination of major funds.

The City's major funds are the General Fund, SPLOST VI and SPLOST VII Capital Project Funds, and the Water, Sewer and Sanitation Enterprise Fund.

The following fund types are used by the City:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

a. General Fund - is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

b. Capital Projects Funds

The City has three capital projects funds:

Special Purpose Local Option Sales Tax (SPLOST) V - used to account for special local option sales taxes V (2002 issue) received and restricted to use for qualifying capital expenditures.

Special Purpose Local Option Sales Tax (SPLOST) VI - used to account for special local option sales taxes VI (2007 issue) received and restricted to use for qualifying capital expenditures.

Special Purpose Local Option Sales Tax (SPLOST) VII - used to account for special local option sales taxes VI (2013 issue) received and restricted to use for qualifying capital expenditures.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Proprietary Fund:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. Goods or services from such activities provided to outside parties are accounted for in enterprise funds. The generally accepted accounting principles applicable are similar to businesses in the private sector.

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities. Nonoperating revenues and expenses include subsidies, interest expense from financing and investment earnings resulting from nonexchange transactions or auxiliary activities.

The following is a description of the proprietary fund of the City:

Water, Sewer and Sanitation Enterprise Fund - used to account for the revenues and related expenses of providing water, sewer and sanitation services to the City's residents.

D. Measurement Focus and Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurement made regardless of the measurement focus applied.

1. Government-wide and Proprietary Fund Financial Statement:

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Deferred outflows of resources are recorded when consumption of assets (net) by the government are applicable to a future reporting period. Deferred inflows of resources are recorded when an acquisition of assets (net) by the government is applicable to a future reporting period.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Governmental Fund Financial Statements:

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues and other governmental fund financial resources are recognized in the accounting period in which they become both measureable and available. The City's definition of "available" means collectible within one year. When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government reports a deferred inflow of resources until such time as the revenue becomes available. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

E. Financial Statement Amounts

1. Cash and Equivalents

Cash shown on the balance sheets and statements of cash flows includes amounts in demand deposits and short-term investments with a maturity date less than three months from the date acquired by the City.

2. Investments

The City is limited by state law to the following investments: obligations of the State of Georgia, other states, or the U. S. Government; obligations fully insured by the U. S. Government or any agency thereof; obligations of any corporation of the U. S. Government; prime bankers' acceptance; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

3. Receivables and Property Taxes

Accounts receivable are recorded in the governmental funds for taxes receivable and amounts due from other governments. The accounts receivable for property taxes – real property are recorded net of the associated allowance for doubtful accounts in the general fund.

Taxes on real estate, motor vehicles, intangibles, real estate transfer and mobile homes are collected by the county tax collector and remitted to the City. The City bills and collects all other tax revenues. Georgia statutes do not provide a maximum millage rate which may be levied.

Tax revenues are recognized during the period in which they are levied. An allowance is established for delinquent taxes to the extent their collectability is questionable. Taxes collected during the current period and within sixty days thereafter are considered available to finance current operations.

The property tax rate for 2014 was $4.750 per $1,000 of assessed valuation, and current tax collection for the year then ended was 87.64% of the tax levied.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The full year property tax calendar is as follows:

Assessment date	January 1
Assessors submit returns to tax collector	July 1
Levy date	September 1
Tax collector mails annual tax bills	September 15
Due date of taxes, other than motor vehicles	November 15
Execution (lien) date for unpaid taxes	November 16

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the governmental activities column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant, and equipment.

Generally, assets with an initial estimated useful life of more than one year and have an original cost of $5,000 or more for infrastructure and $2,000 or more for other than infrastructure are capitalized. Assets purchased with SPLOST proceeds with a cost of less than $2,000 are also capitalized. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are listed below:

Buildings, improvements, water system	10 - 40 years
Infrastructure	40 – 50 years
Machinery and equipment	5 - 20 years

GASBS No. 34 requires the City to report and depreciate infrastructure assets. The City has elected not to report major general infrastructure assets retroactively, but began reporting newly acquired infrastructure assets effective January 1, 2004. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City.

The expense resulting from amortization of assets recorded under capital leases is included in depreciation expense.

5. Interfund Activity

Interfund activity is reported as loans, as services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receipts and/or payments to or from other governmental units included in the reporting entity of the City are not reported as transfers. They are classified according to the purpose for which the receipt or payment has been made.

The principal purpose of the City's interfund transfers, if any, is to reimburse one fund for the expenditures of another fund.

Capital assets that were purchased by the SPLOST Fund and contributed to the Water and Sewer Fund are reported as capital contributions in the proprietary fund and on the government-wide financial statements. Because capital assets are not reported in the governmental funds there is no corresponding reporting of the capital contribution made by the SPLOST Fund.

The principal purposes of interfund balances are to record the amount of reimbursement due from the Water, Sewer and Sanitation Fund for expenditures paid by the General Fund and the amount of reimbursement due from the SPLOST VI Fund for expenditures paid by the Water, Sewer and Sanitation Fund.

6. Revenues

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Revenues of the governmental funds susceptible to accrual are property taxes, sales tax and alcoholic beverage tax. Subsidies and grants to general or special revenue funds, which finance either capital or current operations, are reported as non-operating revenue based on GASBS No. 33. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

Program revenues reported on the statement of activities are: licenses and permits, fines and forfeitures, nutritional services to the elderly and operating and capital grants and contributions.

7. Expenditures

Expenditures are recognized when the related fund liability is incurred. Prepaid expenses are recorded when an expense is incurred but benefits are for a subsequent period.

8. Inventories

Significant materials on hand, if any, are shown as inventory. Inventory in the Water, Sewer and Sanitation Fund is typically comprised of water meters, pipe, pipe fittings, repair parts and related supplies and is valued at cost (first-in, first-out). The cost of other materials and supplies, including gasoline and fuel, are charged to operations using the purchase method of accounting.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9. Compensated Absences and Employee Benefits

Compensated Absences:

The City allows full-time, permanent employees to accumulate unused annual leave and sick leave to a maximum of 160 hours. Upon termination, up to 120 hours of accumulated annual leave is payable. Upon termination or retirement, only those employees employed before December 31, 1985 are entitled to be compensated for sick leave.

Vacation leave is accrued as a liability as the benefits are earned by the employee when the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or other means. Sick leave is accrued as a liability as the benefits are earned by the employees if it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employees' termination or retirement.

Compensated absences are recorded as liabilities in the applicable government-wide, business-type activities or proprietary fund type statement of net position. Only current amounts payable for employees terminated or retired at year end are recorded in the governmental funds.

Retirement Benefits:

The City maintains a non-contributory retirement plan (refer to Note 8 for additional plan information).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10. Fund Balances/Net Position

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

1. 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.
2. Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the entity or through external restriction imposed by creditors, grantors or laws or regulations of other governments.
3. 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 Mayor and Council through the adoption of a resolution. The Mayor and Council may also modify or rescind the commitment.
4. Assigned – Fund balances are reported as assigned when amounts are constrained by the Mayor and Council's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution the Mayor and Council can authorize the Mayor or City Manager to assign fund balances.
5. Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion.

Flow Assumption. When both restricted and unrestricted amounts of fund balance or net position are available for use for expenditures or expenses 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 balances in the following order: (a) committed, (b) assigned, (c) unassigned.

Net Position. Contributed capital is recorded in the proprietary fund when the City receives grants from federal, state or private sources designed for the specific activity. These contributions are part of the net position of the enterprise activity.

NOTE 2 – CASH, CERTIFICATES OF DEPOSIT, CUSTODIAL RISK AND INTEREST RATE RISK

Cash and certificates of deposit are as follows:

Cash	Carrying Amount	Bank Balance
Governmental activities:		
General fund		
Deposits	$ 714,985	$ 726,092
Petty cash	75	-
SPLOST V fund	2,473	2,473
SPLOST VI fund	79,487	88,128
SPLOST VII fund	417,061	417,061
Drug seized fund	14	14
Total governmental activities	1,214,095	1,233,768
Business-type activities:		
Water, sewer and sanitation fund		
Deposits	566,301	564,036
Petty cash	75	-
Total business-type activities	566,376	564,036
Total cash	$ 1,780,471	$ 1,797,804
Certificates of Deposit		
Governmental activities	$ 503,675	$ 503,675
Business-type activities	163,044	163,044
Total certificates of deposit	$ 666,719	$ 666,719

Custodial Credit Risk - Custodial risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has no custodial risk policy. Of the above carrying amount, all funds are collateralized by securities or insured by FDIC insurance.

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 rate risk. However the City has made no investments that would subject it to interest rate risk.

Restricted Cash

Restricted cash at year end consists of the following:

Governmental activities. Cash in the amounts of $2,473, $79,487 and $417,061 in the SPLOST V fund, SPLOST VI fund and SPLOST VII fund, respectively, is restricted for specific capital outlay projects and $14 in the Drug Seized Fund is restricted for specific public safety expenditures, totaling $499,035.

Business-type activities. Cash in the enterprise fund of $160,000 is restricted by bond covenants.

NOTE 3 – RECEIVABLES AND ALLOWANCE FOR BAD DEBT

Receivables are detailed below:

	Governmental Activities	Business-type Activities	Total
Receivables:			
Taxes:			
Real property:			
Current	$ 33,398	$ -	$ 33,398
Delinquent	6,861	-	6,861
Less allowance for bad debt	(3,000)	-	(3,000)
Franchise	131,900	-	131,900
Alcoholic beverage taxes	4,385	-	4,385
Total taxes receivable	173,544	-	173,544
Intergovernmental:			-
Local option sales and use tax	29,834	-	29,834
Special purpose local option sales tax	97,776	-	97,776
Other intergovernmental	19,833	-	19,833
Total intergovernmental receivables	147,443	-	147,443
Water, sewer and sanitation charges:			
Billed	-	81,648	81,648
Less allowance for bad debt	-	(4,819)	(4,819)
Total water, sewer and sanitation charges receivable	-	76,829	76,829
Other receivables:			
Returned checks	-	150	150
State withholding overpayment	16,384	-	16,384
Total other receivables	16,384	150	16,534
Total receivables	$ 337,371	$ 76,979	$ 414,350

NOTE 4 - INTERFUND BALANCES

Interfund balances consist of the following:

	Interfund Balances		
	Receivables	Payables	Net
Governmental activities:			
General Fund:			
SPLOST VI	$ -	$ (28,125)	$ (28,125)
Enterprise fund	58,767	-	58,767
SPLOST VI:			
General fund	28,125	-	28,125
SPLOST VII	13,606	-	13,606
Enterprise fund	32,564	-	32,564
SPLOST VII:			
SPLOST VI	-	(13,606)	(13,606)
Enterprise fund	575	-	575
Total governmental activities	133,637	(41,731)	91,906
Business-type activities:			
Enterprise Fund:			
General fund		(58,767)	(58,767)
SPLOST VI		(32,564)	(32,564)
SPLOST VII	-	(575)	(575)
Total business-type activities	-	(91,906)	(91,906)
Total	$ 133,637	$ (133,637)	$ -

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Beginning Balance	Additions	Retirements/ Deletions	Contributed Capital	Ending Balance
Governmental activities:					
Capital assets not being depreciated					
Land	$ 187,015	$ -	$ -	$ -	$ 187,015
Total capital assets not being depreciated	187,015	-	-	-	187,015
Capital assets being depreciated					
Buildings	1,187,468	5,300	-	-	1,192,768
Infrastructure	1,889,032	234,984	-	(110,202)	2,013,814
Equipment and vehicles	1,235,179	165,340	(73,297)	(74,672)	1,252,550
Total assets being depreciated	4,311,679	405,624	(73,297)	(184,874)	4,459,132
Less accumulated depreciation for:					
Buildings	(284,649)	(29,483)	-	-	(314,132)
Infrastructure	(485,107)	(63,029)	-	-	(548,136)
Equipment and vehicles	(969,421)	(99,340)	72,813	-	(995,948)
Total accumulated depreciation	(1,739,177)	(191,852)	72,813	-	(1,858,216)
Total capital assets being depreciated, net	2,572,502	213,772	(484)	(184,874)	2,600,916
Governmental activities capital assets, net	$2,759,517	$ 213,772	$ (484)	$(184,874)	$2,787,931
Business-type activities:					
Capital assets not being depreciated					
Land	$ 230,897	$ -	$ -	$ -	$ 230,897
Construction in progress	177,832	287,588	(465,420)	-	-
Total capital assets not being depreciated	408,729	287,588	(465,420)	-	230,897
Capital assets being depreciated					
Buildings	27,074	-	-	-	27,074
Utility system and equipment	9,450,516	490,881	-	110,202	10,051,599
Vehicles and equipment	225,545	-	(57,276)	74,672	242,941
Total assets being depreciated	9,703,135	490,881	(57,276)	184,874	10,321,614

NOTE 5 – CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Additions	Retirements/ Deletions	Transfer In (Out)	Ending Balance
Less accumulated depreciation for:					
Buildings	(15,128)	(570)	-	-	(15,698)
Utility system and equipment	(4,048,774)	(289,183)	-	-	(4,337,957)
Vehicles and equipment	(173,131)	(16,880)	56,183	-	(133,828)
Total accumulated depreciation	(4,237,033)	(306,633)	56,183	-	(4,487,483)
Total capital assets being depreciated, net	5,466,102	184,248	(1,093)	184,874	5,834,131
Total business-type activities capital assets net	$5,874,831	$ 471,836	$(466,513)	$ 184,874	$6,065,028

Depreciation expense was charged to divisions as follows:

Governmental activities:	
General government	$ 43,313
Judicial	134
Public safety	97,828
Public works	45,010
Culture and recreation	5,567
Total depreciation expense - governmental activities	$ 191,852
Business-type activities	
Water, sewer and sanitation fund	$ 306,633
Total depreciation expense - business-type activities	$ 306,633

NOTE 6 – LONG-TERM DEBT

Governmental Activities

Capital lease payable to Federal Signal Leasing on July 7, 2004 collateralized by a fire truck with a cost of $158,592. The capital lease was payable in ten annual installments of $20,131, including interest at 4.59% per annum through 2014. The lease was paid off in 2014.

Business-type Activities

Business-type activities long-term debt consists of the following:

Notes Payable – GEFA

GEFA Note #1. Note payable to the Georgia Environmental Facilities Authority Revolving Loan Fund to fund water and sewer improvements in the original amount of $549,619, payable in quarterly installments of $8,115, including interest at 3% through November 1, 2023.

GEFA Note #2. Note payable to the Georgia Environmental Facilities Authority to fund water improvements in an amount of up to $431,777, payable in 239 monthly installments equal to the amount borrowed including interest at 1% until 20 years from the amortization commencement date. The unpaid principal balance will not incur any interest until the first day of the calendar month following the earlier of: (1) the completion date as defined by the loan agreement, (2) August 1, 2014 or (3) the date that the loan evidenced by this note is fully disbursed (amortization commencement date).

Water and Sewer Revenue Bonds

Revenue bonds payable consisted of the following:

Bonds Paid off in 2014:

1991A Series. Bond payable to the United States Department of Agriculture Rural Development in the original amount of $787,000, payable in annual installments of $51,483, including interest at 5.875% through October 16, 2031. The bonds were issued to update and improve the water and sewer system.

1991B Series. Bond payable to the United States Department of Agriculture Rural Development in the original amount of $775,100, payable in annual installments of $45,171, including interest at 5% through October 15, 2031. The bonds were issued to update and improve the water and sewer system.

2001 Series. Bond payable to the United States Department of Agriculture Rural Development in the original amount of $1,160,504, payable in monthly installments of $5,223, including interest at 4.5% through November 7, 2041. The bonds were issued to update and improve the water and sewer system.

Bond Issued in 2014:

2014 Refunding Bond. Bond payable to Ameris Bank in the original amount of $2,110,000, payable in monthly installments of $11,974.77, including interest at 3.21% through September 15, 2034. The bonds were issued to finance the cost of refunding and redeeming the City's existing water and sewer revenue bonds.

NOTE 6 – LONG-TERM DEBT (CONTINUTED)

Water and sewer revenue bonds payable constitute special obligations secured by a lien on and pledge of the revenues of the water and sewer system. The revenue collateralizes the bond payable to Ameris Bank and the special fund established by the ordinance. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses and second to establish reserve funds for the repayment of bond obligations and to make replacements, additions, extensions, and improvements to the system. The ordinances contain provisions requiring the City to establish rates sufficient to pay operating and maintenance cost and maximum annual bond obligations. Provisions also apply to the issuance of additional parity bonds.

Governmental and business-type activities long-term debt consists of the following:

	Beginning Balance 12/31/2013	Additions	Repayments	Ending Balance 12/31/2014	Due in One Year
Governmental activities:					
Capital Lease					
Federal Signal Leasing	$ 19,250	$ -	$ (19,250)	$ -	$ -
Total governmental activities	$ 19,250	$ -	$ (19,250)	$ -	$ -
Business-type activities:					
GEFA #1	$ 279,561	$ -	$ (24,348)	$ 255,213	$ 25,087
GEFA #2	1,017	430,760	-	431,777	16,320
Total GEFA	280,578	430,760	(24,348)	686,990	41,407
Water and sewer bonds:					
1991A Series	566,400	-	(566,400)	-	-
1991B Series	528,060	-	(528,060)	-	-
2001 Series	994,554	-	(994,554)	-	-
2014 Refunding	-	2,110,000	(19,422)	2,090,578	76,799
Total bonds	2,089,014	2,110,000	(2,108,436)	2,090,578	76,799
Total business-type activities	$2,369,592	$2,540,760	$ (2,132,784)	$2,777,568	$ 118,206

Total interest cost incurred in the current year was as follows:

Governmental activities:	
Public safety	$ 882
Business-type activities:	
Water, sewer and sanitation	$ 101,817

NOTE 6 – LONG-TERM DEBT (CONTINUED)

Maturities of business-type activities long-term debt are as follows:

	GEFA Notes Payable			Water and Sewer Revenue Bond		
Year	Principal	Interest	Total	Principal	Interest	Total
2015	$ 41,407	$ 10,913	$ 52,320	$ 76,799	$ 66,898	$ 143,697
2016	45,613	10,679	56,292	79,154	64,544	143,698
2017	46,595	9,697	56,292	81,951	61,746	143,697
2018	47,604	8,688	56,292	84,659	59,039	143,698
2019	48,639	7,652	56,291	87,455	56,242	143,697
2020-2024	226,874	22,120	248,994	482,280	236,206	718,486
2025-2029	110,319	8,824	119,143	566,784	152,690	719,474
2030-2034	115,973	3,170	119,143	631,497	68,697	700,194
2035-2039	3,966	5	3,971	-	-	-
Total	$ 686,990	$ 81,748	$ 768,738	$ 2,090,579	$ 766,062	$ 2,856,641

The general fund will be utilized to liquidate the above governmental activities long-term debt and the enterprise fund will be utilized to liquidate the above business-type activities long-term debt.

Compensated absences payable is as follow:

	Beginning Balance 12/31/2013	Earned	Taken	Ending Balance 12/31/2014	Current Portion
Governmental activities	$ 29,222	$ 25,993	$ (28,168)	$ 27,047	-
Business-type activities	12,032	7,403	(8,255)	11,180	-
Total	$ 41,254	$ 33,396	$ (36,423)	$ 38,227	$ -

The general fund and water, sewer and sanitation fund will be used to liquidate the above liabilities.

NOTE 7 – FUND BALANCES AND NET POSITION

Nonspendable - Fund balance of $12,145 in the governmental funds is in nonspendable form because it is allocated to prepaid insurance.

Restricted – Fund balance of $648,180 in the capital project funds is restricted for capital projects financed with Special Local Option Sales Tax Fund (SPLOST) proceeds. Fund balance of $14 in the other governmental funds is restricted for specific public safety expenditures.

NOTE 8 – RETIREMENT BENEFITS

Plan Description

The City is a participating member of the Georgia Municipal Employees Benefit System (GMEBS), a noncontributory agent multiple-employer defined benefit public employer retirement system that acts as a common investment and administrative agent for governmental entities in the State of Georgia. The plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The plan is administered by Georgia Municipal Association. Benefit provisions and all other requirements are established by state statute. Plan features, including benefit provisions, are established by the plan Board of Trustees. Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained from the Georgia Municipal Association, 201 Pryor Street S.W., Atlanta, Georgia 30303-3606.

Recommended Contribution

The GMEBS Board of Trustees has adopted an actuarial funding policy for the determination of annual contributions and the systematic funding of liabilities arising under the plan. The annual minimum contribution is the sum of 1) the normal cost (including administrative expenses), 2) the closed level dollar amortization of the unfunded actuarial accrued liability over a period that ranges from 10 years to 30 years based on the funding policy adopted by GMEBS Board of Trustees, and 3) interest on these amounts from the valuation date to the date contributions are paid (assumed monthly). The total level dollar amortization must be within a corridor of the 10-year and the 30-year amortization of the unfunded (surplus) actuarial accrued liability.

The plan is subject to minimum funding standards of the Public Retirement System Standards Law (Georgia Code Section 47-20-10).

Annual Pension Cost and Contribution Made

The annual pension costs for the year ended December 31, 2014 was $38,441. The City made contributions totaling $38,441 to the plan during 2014.

NOTE 8 – RETIREMENT BENEFITS (CONTINUED)

Actuarial Assumptions

Valuation date	July 1, 2014
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 market value at end of year. The actuarial value is adjusted, if necessary, to be within 50% of market value for 2009, 44% of market value for 2010, 38% of market value for 2011, 32% of market value for 2012, 26% of market value for 2013, and 20% of market value for 2014 and later years.
Actuarial Assumptions:	
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%
Membership of the Plan	
Retirees and beneficiaries	9
Terminated plan members entitled to, but not yet receiving benefits	5
Active plan members	19
Total	33

The significant actuarial assumptions used to compute the actuarial accrued liability and the annual recommended contribution of the plan meet the Actuarial Standards of Practice No. 4, Measuring Pension Obligations, establishing generally accepted actuarial principles and practices.

NOTE 8 – RETIREMENT BENEFITS (CONTINUED)

Information regarding the funded status of the plan is provided below:

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded (Surplus) Actuarial Liability (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)]/(c)
7/1/2014	$ 609,723	$ 701,224	$ 91,501	86.95%	$ 584,247	15.66%

The Schedule of Retirement Plan Funding Progress following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Five Year Trend Information

Fiscal Year End	Annual Pension Costs	Percentage of APC Contributed	Pension Obligation
2014	$ 38,441	100%	$ -
2013	$ 35,429	100%	$ -
2012	$ 32,591	100%	$ -
2011	$ 33,550	100%	$ -
2010	$ 39,313	100%	$ -

NOTE 9 – RISK FINANCING ACTIVITY

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member of the Georgia Interlocal Risk Management Agency (GIRMA). This membership allows the City to share liability, crime, motor vehicle, and property damage risks. There was no significant reduction of insurance coverage from the prior year. No losses in excess of insurance coverage have occurred in the last three years.

Chapter 85 of Title 36 of the Official Code of Georgia Annotated authorizes Georgia municipalities to form interlocal risk management agencies. The Georgia Interlocal Risk Management Agency (GIRMA) is a municipal interlocal risk management agency to function as an unincorporated nonprofit instrumentality of its member municipalities. GIRMA establishes and administers one or more group self insurance funds and a risk management service to prevent or lessen the incidence and severity of casualty and property losses occurring in the operation of municipal government. The responsibilities of GIRMA are to defend and protect, in accordance with the member government contract and related coverage descriptions, any member of GIRMA against liability or loss.

The City's deductible limit is $1,000 per occurrence. The City files all claims with GIRMA. GIRMA bills the City for any risk of loss over the deductible.

The City is also a member of the GMA Workers Compensation Self Insurance Fund (GMA). This Fund operates under the authority of OCGA 34-9-150.

The responsibility of the Fund is to defend, in the name of and on behalf of the members, any suits or other proceedings which may at any time be instituted against them on account of injuries or death within the purview of the Workers' Compensation Law of Georgia, or on the basis of employer's liability, including suits or other proceedings alleging such injuries and demanding compensation therefore, although such suits, other proceedings, allegations or demands be wholly groundless, false or fraudulent. The Fund is also responsible for paying all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense. Coverage provides up to a maximum of $100,000 for each worker's compensation claim. There is no deductible under this Fund.

Responsibilities of the City regarding GIRMA or GMA are as follows:

To pay all contributions, assessments or other sums due at such times and in such amounts as shall be established.

To allow GIRMA or GMA and its agents, reasonable access to all facilities of the City and all records, including but not limited to financial records, which relate to the purposes of GIRMA or GMA.

To allow attorneys appointed to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the Fund or Funds established by GIRMA or GMA.

To assist and cooperate in the defense and settlement of claims against the City.

NOTE 10 – CONTINGENCIES - COMMITMENTS

The City, in conjunction with cities and counties in an eighteen county South Georgia area are members of the Southern Georgia Regional Commission (SGRC). Membership in a regional commission (RC) is automatic for each municipality and county in the state. The official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the RCs. Each county and municipality in the state is required by law to pay minimum annual dues to an RC. The RC board membership includes the Chief elected official of each county and the chief elected official of each municipality. The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defines RCs as "public agencies and instrumentalities of their members". Georgia laws also provide that the member governments are liable for any debts or obligations of an RC beyond resources (O.C.G.A. 50-8-39.1). Separate financial statements are available from the Southern Georgia Regional Commission, Valdosta, Georgia. Management does not believe the SGRC is currently experiencing fiscal stress that could put a financial burden on the City.

In prior years, the City has received monies through various federal and state grants. These programs are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agencies for expenses disallowed under the terms of the grants. Management believes that the City will not incur significant losses on possible grant disallowances

NOTE 11 – RELATED ORGANIZATION

The Housing Authority of the City of Hahira, Georgia is registered with the Department of Community Affairs (DCA) as a local government authority and is administered by the National Housing Authority. The mayor of the City appoints members to sit on the board of directors of the Authority. However, the City provides no financial support and is not obligated in any manner for the Authority.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HAHIRA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Budgetary adjusted fund balance, January 1	$1,127,431	$ 1,127,431	$1,127,431	$ -
Resources (inflows):				
Taxes:				
Property:				
Real property	260,000	260,000	267,669	7,669
Personal property	20,000	20,000	61,290	41,290
Intangible/transfer	20,000	20,000	7,837	(12,163)
Franchise	153,500	153,500	165,602	12,102
Sales and use:				
Local option	450,000	450,000	300,782	(149,218)
Beer and wine	50,000	50,000	51,869	1,869
Hotel/motel	4,000	4,000	3,919	(81)
Business	136,000	136,000	156,243	20,243
Licenses and permits	24,500	24,500	31,593	7,093
Intergovernmental	8,000	24,314	22,839	(1,475)
Fines and forfeitures	365,000	486,000	651,527	165,527
Investment earnings	2,000	2,000	4,501	2,501
Rental income	5,000	5,000	2,185	(2,815)
Proceeds from sales of surplus equipment	-	-	29,420	29,420
Miscellaneous	32,000	32,000	12,579	(19,421)
Amounts available for appropriation	2,657,431	2,794,745	2,897,286	102,541
Charges to appropriation (outflows):				
General government				
Direct				
Personnel services	175,892	175,892	165,472	(10,420)
Operating expenditures	119,100	135,100	129,818	(5,282)
Total general government	294,992	310,992	295,290	(15,702)
Judicial				
Direct				
Personnel services	12,500	27,500	19,632	(7,868)
Total judicial	12,500	27,500	19,632	(7,868)

See accompanying note to budgetary comparison schedule.

CITY OF HAHIRA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Public safety				
Direct				
Personnel services	640,216	690,216	623,580	(66,636)
Operating expenditures	277,283	312,283	291,448	(20,835)
Capital outlay	-	16,314	7,998	(8,316)
Total public safety	917,499	1,018,813	923,026	(95,787)
Public works				
Direct				
Personnel services	71,322	71,322	50,292	(21,030)
Operating expenditures	113,800	113,800	109,639	(4,161)
Capital outlay	-	-	-	-
Total public works	185,122	185,122	159,931	(25,191)
Health and welfare				
Direct				
Personnel services	7,761	7,761	7,559	(202)
Operating expenditures	7,602	7,602	7,283	(319)
Total health and welfare	15,363	15,363	14,842	(521)
Culture and recreation				
Direct				
Personnel services	46,683	46,683	50,762	4,079
Operating expenditures	16,700	16,700	14,176	(2,524)
Capital outlay	10,000	10,000	-	(10,000)
Total culture and recreation	73,383	73,383	64,938	(8,445)
Housing and development				
Direct				
Personnel services	13,841	13,841	14,182	341
Operating expenditures	17,300	17,300	12,668	(4,632)
Total housing and development	31,141	31,141	26,850	(4,291)
Total charges to appropriations	1,530,000	1,662,314	1,504,509	(157,805)
Budgetary fund balance, December 31	$1,127,431	$ 1,132,431	$1,392,777	$260,346

See accompanying note to budgetary comparison schedule.

CITY OF HAHIRA
SCHEDULE OF RETIREMENT PLAN FUNDING PROGRESS
LAST FIVE YEARS
DECEMBER 31, 2014

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded (Surplus) Actuarial Liability (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)]/(c)
7/1/2014	$ 609,723	$ 701,224	$ 91,501	86.95%	$ 584,247	15.66%
7/1/2013	$ 569,941	$ 658,768	$ 88,827	86.52%	$ 567,705	15.65%
7/1/2012	$ 536,025	$ 626,596	$ 90,571	85.55%	$ 479,751	18.88%
7/1/2011	$ 502,259	$ 582,983	$ 80,724	86.15%	$ 506,072	15.95%
7/1/2010	$ 458,176	$ 548,361	$ 90,185	83.55%	$ 471,890	19.11%

NOTE A - BUDGETS

The City's Finance Ordinance requires the governing authority to adopt budgets for all governmental fund types (general and special revenue funds). An annual budget is also prepared for the City's enterprise fund. Budgets for capital projects fund are adopted on a total project basis rather than on an annual basis. The annual budgets are prepared in accordance with the basis of accounting utilized by that fund. The legal level of budgetary control is the department level.

The budget may be amended by the Mayor and Council during or after the public hearing except that no amendment shall be effective with a public hearing if (1) a new item of appropriation is added in excess of one percent of the total amount of appropriations stated in the initially approved budget, (2) there is an increase or decrease in any item of appropriations by more than 10%, or (3) there is an increase in appropriations requiring an increase in taxes by more than 5%. Notice of hearings on budget amendments must be advertised at least three days prior to the date set for the hearing.

In October 2004, the City Finance Ordinance was amended to provide that: (1) the budget shall state the objectives and services to be provided in a clear general summary for each department, (2) each departmental budget shall include totals for the categories of: salaries and wages, supplies, contracted services and capital outlays, (3) the general fund budget includes designated sections for revenues, debt service, and capital expenditures, (4) the total proposed expenditures shall not exceed the total anticipated revenues.

Department managers may transfer appropriations in any fund among the various accounts within a department with certain restrictions. Transfers within a department, which increase salaries, require approval of the City Council. Any increase in appropriation for any fund or department within a fund requires approval of the City Council. Except for appropriations for capital expenditures, all appropriations, to the extent not expended or encumbered, lapse at the close of the period for which the appropriation was budgeted. Appropriations for capital expenditures continue in effect until the purpose for which it was made has been accomplished or abandoned. Capital appropriations are deemed abandoned after three years when there has been no disbursement or encumbrance of the appropriation.

The Mayor and Council advertise and conduct public hearings on the proposed budget in accordance with ordinances and state law requirements. The budget for the year ended December 31, 2014 was adopted by the council on November 7, 2013 and amended on December 4, 2014.

NOTE B - BUDGET - TO - ACTUAL RECONCILIATION

An explanation of the difference between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles are as follows:

	General Fund
Sources/inflows of resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	$ 2,897,286
Differences - budget to GAAP:	
DOT LMIG funding received for paving project budgeted net of expenses	29,858
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(1,127,431)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	$ 1,799,713
Uses/outflows of resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	$ 1,504,509
Differences - budget to GAAP:	
DOT LMIG funding received for paving project budgeted net of expenses	29,858
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	$ 1,534,367

COMBINING AND INDIVIDUAL NONMAJOR FUND SCHEDULES

CITY OF HAHIRA
COMBINING SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCE
OTHER GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	Capital Projects Fund SPLOST V	Drug Seized Fund	Total Other Governmental Funds
ASSETS			
Cash:			
Restricted	$ 2,473	14	$ 2,487
Total assets	$ 2,473	14	$ 2,487
FUND BALANCE			
Fund balance:			
Restricted	$ 2,473	$ 14	$ 2,487
Total fund balance	$ 2,473	$ 14	$ 2,487

CITY OF HAHIRA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Capital Projects Fund SPLOST V	Drug Seized Fund	Total Other Governmental Funds
REVENUES			
Investment earnings	$ 5	$ -	$ 5
Total revenues	5	-	5
EXPENDITURES			
Capital outlays	-	-	-
Total expenditures	-	-	-
Excess of revenues over expenditures	5	-	5
Fund balances - beginning	2,468	14	2,482
Fund balances - ending	$ 2,473	$ 14	$ 2,487

CITY OF HAHIRA
BUDGETARY COMPARISON SCHEDULE – SPLOST V CAPITAL PROJECTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Project-Length Budgeted Amounts Original and Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget
Budgetary fund balance, January 1	$ 2,468	$ 2,468	$ -
Resources (inflows):			
Intergovernmental	-	5	5
Amounts available for appropriation	2,468	2,473	5
Charges to appropriation (outflows):			
Capital outlay	2,468	-	(2,468)
Total charges to appropriations	2,468	-	(2,468)
Budgetary fund balance, December 31	$ -	$ 2,473	$ 2,473

CITY OF HAHIRA
BUDGETARY COMPARISON SCHEDULE – SPLOST VI CAPITAL PROJECTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Project-Length Budgeted Amounts Original and Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget
Budgetary fund balance, January 1	$ 538,757	$ 538,757	$ -
Resources (inflows):			
Intergovernmental:			
SPLOST	1,690,173	-	(1,690,173)
Amounts available for appropriation	2,228,930	538,757	(1,690,173)
Charges to appropriation (outflows):			
Capital outlay	2,005,416	374,725	(1,630,691)
Debt service	223,514	20,131	(203,383)
Total charges to appropriations	2,228,930	394,856	(1,834,074)
Budgetary fund balance, December 31	$ -	$ 143,901	$ 143,901

An explanation of the difference between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

Sources/inflows of resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	$ 538,757
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(538,757)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances	$ -

CITY OF HAHIRA
BUDGETARY COMPARISON SCHEDULE – SPLOST VII CAPITAL PROJECTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Project-Length Budgeted Amounts Original and Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget
Budgetary fund balance, January 1	$ -	$ -	$ -
Resources (inflows):			
Intergovernmental:			
SPLOST	3,758,480	531,555	(3,226,925)
Investment income		232	232
Amounts available for appropriation	3,758,480	531,787	(3,226,693)
Charges to appropriation (outflows):			
Capital outlay	3,758,480	29,981	(3,728,499)
Total charges to appropriations	3,758,480	29,981	(3,728,499)
Budgetary fund balance, December 31	$ -	$ 501,806	$ 501,806

CITY OF HAHIRA
BUDGETARY COMPARISON SCHEDULE – DRUG SEIZED FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts Original and Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget
Budgetary fund balance, January 1	$ 14	$ 14	$ -
Resources (inflows):			
Intergovernmental	-	-	-
Amounts available for appropriation	14	14	-
Charges to appropriation (outflows):			
Public safety	-	-	-
Total charges to appropriations	-	-	-
Budgetary fund balance, December 31	$ 14	$ 14	$ -

STATE COMPLIANCE SECTION

CITY OF HAHIRA
ONE PERCENT SPECIAL PURPOSE SALES TAX
PROJECT COST SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2014

Project	Original Estimated Cost	Revised Estimated Cost	Expenditures			Estimated Percent Completed
			Prior Years	Current Period	Total	
SPLOST V - 2002 Issue						
Referendum Expenditures:						
Road, street and bridge projects	$ 400,000	$ 351,615	$ 310,078	$ -	$ 310,078	
Other capital outlay projects:						
Purchase, renovation, construction and improvements to public facilities and equipment consisting of the City Hall, fire station and courthouse			255,771	-	255,771	
Construction and improvements and equipment for water and sewer facilities			373,293	-	373,293	
Purchase, renovation, construction and improvements of public facilities and equipment for environmental protection			-	-	-	
Total other capital outlay projects	590,000	590,000	629,064	-	629,064	
Totals	$ 990,000	$ 941,615	$ 939,142	$ -	$ 939,142	99.74%

Prepared on the accrual basis of accounting.

CITY OF HAHIRA
ONE PERCENT SPECIAL PURPOSE SALES TAX
PROJECT COST SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2014

Project	Original Estimated Cost	Expenditures Prior Years	Expenditures Current Period	Expenditures Total	Estimated Percent Completed
SPLOST VI - 2007 Issue					
Referendum Expenditures:					
Construction and improvements to:					
Road, street and bridge projects	$ 650,000	$ 319,249	$ 103,096	$ 422,345	
Water and sewer facilities	1,950,000	1,443,082	184,874	1,627,956	
Construction of, improvements to and major capital equipment for:					
Community center facilities	600,000	-	223	223	
Police: facilities, computer equipment, communication equipment and vehicles	250,000	234,782	55,979	290,761	
Firefighting: facilities, computer equipment, training facilities, vehicles and equipment	200,000	186,228	30,553	216,781	
Retirement of previously incurred general obligation debt	350,300	126,786	20,131	146,917	
Totals	$4,000,300	$2,310,127	$ 394,856	$ 2,704,983	67.62%

Prepared on the accrual basis of accounting.

CITY OF HAHIRA
ONE PERCENT SPECIAL PURPOSE SALES TAX
PROJECT COST SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2014

Project	Original Estimated Cost	Expenditures Prior Years	Expenditures Current Period	Expenditures Total	Estimated Percent Completed
SPLOST VII - 2013 Issue					
Referendum Expenditures:					
Construction and improvements to:					
Roads, streets, bridges, sidewalks, paths and trails	$ 750,000	$ -	$ 4,700	$ 4,700	
Water and sewer facilities	1,250,000	-	-	-	
Construction of, improvements to and major capital equipment for:					
Public safety -police and firefighting: rescue equipment, computer and communication equipment, vehicles, acquisition of property	800,000	-	1,460	1,460	
Administrative: Facilities, computer equipment and technology upgrades	558,480	-	20,821	20,821	
Parks and recreation	400,000	-	3,000	3,000	
Totals	$3,758,480	$ -	$ 29,981	$ 29,981	0.80%

Prepared on the accrual basis of accounting.

FEDERAL COMPLIANCE SECTION

VALENTI, RACKLEY
& ASSOCIATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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
City of Hahira, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hahira, Georgia ("the City"), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise City's basic financial statements and have issued our report thereon dated June 2, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City'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'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 a deficiency in internal control that we consider to be a material weakness.

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 deficiency described in the accompanying schedule of findings and responses as 2014-01 to be a material weakness.

208 W. Park Ave., Valdosta, GA 31602 Telephone: 229-247-8005, Fax: 229-247-8998

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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and responses as item 2014-02.

We noted certain matters that we reported to management of the City in a separate letter dated June 2, 2015.

The City's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City'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.

Respectfully submitted,

Valenti, Rackley & Assoc., LLC

Valenti, Rackley & Associates, LLC
Certified Public Accountants

June 2, 2015

CITY OF HAHIRA, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2014

2014-01

Condition: Inadequate segregation of accounting duties among personnel.

Cause: Limited staff size and resources.

Effect: Certain functions are not segregated including collection/deposit of cash and recording of cash receipts and general ledger; accounts payable and recording of general ledger and payroll processing and general ledger due to limited staff size. Errors, intentional or otherwise, and fraud could occur in the processing of financial transactions and preparation of financial statements.

Recommendation: We recommend that increased management oversight of the accounting function be utilized to mitigate risk.

Management Response: Management concurs with this finding. See management's Corrective Action Plan separately submitted.

2014-02

Condition: Two projects during 2014 were dual-funded with SPLOST and other funds. The new well project was funded by a GEFA loan as well as SPLOST funds. Street resurfacing was funded by a state grant (Local Maintenance & Improvement Grant) as well as SPLOST funds.

A portion of the well project that was paid with SPLOST VI funds ($32,364.63) was previously funded by drawdowns from the City's new GEFA loan. Loan proceeds totaling $32,364.63 remain in the GEFA bank account set up for the new project and should be transferred to the SPLOST VI bank account.

Resurfacing costs of $29,858.34 were covered by the LMIG grant and must be repaid to the SPLOST VI fund by the general fund. The $29,858.34 LMIG project overpayment was repaid in February 2015.

Cause: Accounting/reconciliations for payments made from SPLOST funds for dual-funded projects were not adequate to prevent the occurrence of the temporary SPLOST overpayments.

Effect: Excess SPLOST payments occurred for the projects and must be repaid to the SPLOST fund. ($29,858.34 has already been repaid).

Recommendation: Perform quarterly summaries/reconciliations of SPLOST expenditures for review by management.

Management Response: Management concurs with this finding. See management's Corrective Action Plan separately submitted.

CITY OF HAHIRA, GEORGIA
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2014

Audit Reference Number	
13-01	Uncorrected in current year and recited as 2014-01.