CITY OF HELENA, GEORGIA
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2014



HILLIARD & MILTON, LLC
Certified Public Accountants
Certified Internal Auditors
Certified Government Auditing Professionals

CITY OF HELENA, GEORGIA
FINANCIAL STATEMENTS

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I. FINANCIAL SECTION

- **INDEPENDENT AUDITOR'S REPORT**
- **BASIC FINANCIAL STATEMENTS**

HILLIARD & MILTON, LLC
A Professional Services Firm of:
Certified Public Accountants
Certified Government Auditing Professionals
Certified Internal Auditors

Partners:
David Hilliard, CPA
Chris Milton, CPA, CIA, CGAP

18 S. Third Ave.
McRae, GA 31055

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Council
City of Helena, Georgia

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the remaining fund information of the City of Helena, Georgia, as of and for the year ended June 30, 2014, which collectively comprise the City's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

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 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 remaining fund information of the City of Helena, Georgia as of June 30, 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.

Other Matters
Required Supplementary Information

Management has omitted the Management's Discussion and Analysis for the year ended June 30, 2013 that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedule of funding progress on page 32 and the budgetary comparison information on page 33 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 or economic 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Helena, Georgia's financial statements as a whole. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

In the conduct of our audit, we verified and tested expenditures of each project constructed or under construction, which were identified in the resolution or ordinance calling for imposition of the special sales and use tax authorized by OCGA, Section 48-8-110. The accompanying Schedule of Special Purpose Local Option Sales Tax on page 35 lists each project and contains the information required by OCGA, Section 48-8-121. In our opinion this Schedule presents fairly the original estimated cost of each project, expenditures incurred and the estimated percentage of completion of each project through June 30, 2014 and in our opinion, are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2014, on our consideration of the City of Helena, Georgia's internal control structure over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Hilliard & Milton, LLC

McRae, Georgia

October 24, 2014

CITY OF HELENA, GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government		
	Governmental Activities	**Business-Type Activities**	**Total**
ASSETS			
Cash and cash equivalents	$ 1,338,573	$ 304,174	$ 1,642,747
Taxes receivable -			
net of uncollectible accounts	19,662	-	19,662
Other receivables	36,402	61,267	97,669
Internal balances	62,669	(62,669)	-
Prepaids	39,284	-	39,284
Temporarily restricted cash	-	63,946	63,946
Capital assets:			
Nondepreciable	65,257	208,055	273,312
Depreciable, net	240,112	1,074,200	1,314,312
Total assets	1,801,959	1,648,973	3,450,932
LIABILITIES			
Accounts payable	358	-	358
Other liabilities	-	10,868	10,868
Noncurrent liabilities:			
Due within one year:			
Capital lease payable	19,273	-	19,273
Notes payable	-	40,684	40,684
Due in more than one year:			
Capital lease payable	20,141	-	20,141
Notes payable	-	536,562	536,562
Total liabilities	39,772	588,114	627,886
NET POSITION			
Net investment in capital assets	265,955	705,009	970,964
Restricted for -			
Capital projects	495,083	-	495,083
Unrestricted	1,001,149	355,850	1,356,999
Total net position	$ 1,762,187	$ 1,060,859	$ 2,823,046

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF HELENA, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Primary government:			
Governmental activities:			
General government	$ 188,922	$ 32,633	$ -
Public safety	237,574	52,735	-
Public works	377,768	101,936	-
Housing and development	1,800	-	-
Culture and recreation	14,170	-	-
Interest on long-term debt	3,245	-	-
Total governmental activities	823,479	187,304	-
Business-type activities -			
Water and sewer	399,854	331,108	-
Total business-type activities	399,854	331,108	-
Total primary government	$ 1,223,333	$ 518,412	$ -

General revenues:
Property taxes
Franchise axes
Local option sales taxes
Alcoholic beverage taxes
Insurance premium taxes
Interest income
Miscellaneous
Transfers
Total general revenues and transfers
Change in net position
Net position - beginning
Net position - ending

Program Revenues	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
$ -	$ (156,289)	$ -	$ (156,289)
-	(184,839)	-	(184,839)
217,714	(58,118)	-	(58,118)
-	(1,800)	-	(1,800)
-	(14,170)	-	(14,170)
-	(3,245)	-	(3,245)
217,714	(418,461)	-	(418,461)
-	-	(68,746)	(68,746)
-	-	(68,746)	(68,746)
$ 217,714	(418,461)	(68,746)	(487,207)
	144,812	-	144,812
	72,968	-	72,968
	197,372	-	197,372
	41,542	-	41,542
	148,717	-	148,717
	2,321	136	2,457
	-	5,134	5,134
	(30,945)	30,945	-
	576,787	36,215	613,002
	158,326	(32,531)	125,795
	1,603,861	1,093,390	2,697,251
	$ 1,762,187	$ 1,060,859	$ 2,823,046

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF HELENA, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	SPLOST	TLOST (Nonmajor)	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 850,094	$ 456,816	$ 31,663	$ 1,338,573
Taxes receivable - net of uncollectible accounts	19,662	-	-	19,662
Other receivables	32,148	-	4,254	36,402
Due from other funds	62,669	-	2,350	65,019
Prepaids	39,284	-	-	39,284
Total assets	$ 1,003,857	$ 456,816	$ 38,267	$ 1,498,940
LIABILITIES				
Accounts payable	$ 358	$ -	$ -	$ 358
Due to other funds	2,350	-	-	2,350
Total liabilities	2,708	-	-	2,708
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	147	-	-	147
Total deferred inflows of resources	147	-	-	147
FUND BALANCES				
Nonspendable	39,284	-	-	39,284
Restricted	-	456,816	38,267	495,083
Unassigned	961,718	-	-	961,718
Total fund balances	1,001,002	456,816	38,267	1,496,085
Total liabilities, deferred inflows of resources, and fund balances	$ 1,003,857	$ 456,816	$ 38,267	$ 1,498,940

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF HELENA, GEORGIA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Amounts reported for governmental activities in the statement of net position are different because:		
Total governmental fund balance (page 5)		$ 1,496,085
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.		
Cost of capital assets	$ 888,376	
Less accumulated depreciation	(583,007)	305,369
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds		147
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.		(39,414)
Net position of governmental activities (page 3)		$ 1,762,187

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF HELENA, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General	SPLOST	TLOST (Nonmajor)	Total Governmental Funds
REVENUES				
Taxes	$ 606,769	$ -	$ -	$ 606,769
Licenses and permits	18,452	-	-	18,452
Charges for services	101,936	-	-	101,936
Intergovernmental	28,422	163,052	25,394	216,868
Fines and forfeitures	52,735	-	-	52,735
Interest income	2,321	806	40	3,167
Other income	14,181	-	-	14,181
Total revenues	824,816	163,858	25,434	1,014,108
EXPENDITURES				
Current:				
General government	186,224	-	-	186,224
Public safety	222,357	-	-	222,357
Public works	348,846	-	-	348,846
Housing and development	1,800	-	-	1,800
Culture and recreation	14,170	-	-	14,170
Debt service:				
Principal	12,500	18,443	-	30,943
Interest	641	2,604	-	3,245
Capital outlay:				
Public safety	3,015	-	-	3,015
Public works	19,233	11,517	-	30,750
Total expenditures	808,786	32,564	-	841,350
OTHER FINANCING SOURCES (USES)				
Capital lease proceeds	-	-	-	-
Transfers in (out)	-	(30,945)	-	(30,945)
Total other financing sources (uses)	-	(30,945)	-	(30,945)
Net change in fund balances	16,030	100,349	25,434	141,813
Fund balances, beginning	984,972	356,467	12,833	1,354,272
Fund balances, ending	$ 1,001,002	$ 456,816	$ 38,267	$ 1,496,085

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF HELENA, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

Amounts reported for governmental activities in the statement of activities (page 4) are different because:		
Net change in fund balances - total governmental funds (page 7)		$ 141,813
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.		
Capital outlay	$ 33,765	
Depreciation expense	(46,837)	(13,072)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes:		
Unavailable revenue at 06/30/14	$ 147	
Unavailable revenue at 06/30/13	(1,505)	(1,358)
The issuance of long-term debt (e.g. bonds, leases), provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Loan proceeds	$ -	
Principal repayments	30,943	30,943
Change in net position of governmental activities (page 4)		$ 158,326

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF HELENA, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

	Business-Type Activity - Enterprise Fund
	Water and Sewer
ASSETS	
Current assets:	
Cash	$ 304,174
Accounts receivable, net	61,267
Restricted assets -	
Cash	63,946
Total current assets	429,387
Noncurrent assets -	
Capital assets:	
Land, nondepreciable	6,000
Construction in progress, nondepreciable	202,055
Buildings and plant, depreciable	2,805,450
Machinery and equipment, depreciable	149,191
Less - accumulated depreciation	(1,880,441)
Capital assets, net	1,282,255
Total assets	1,711,642
LIABILITIES	
Current liabilities:	
Other accrued liabilities	10,868
Due to other funds	62,669
Current portion of long-term debt	40,684
Total current liabilities	114,221
Noncurrent liabilities -	
Long-term debt	536,562
Total liabilities	650,783
NET POSITION	
Net investment in capital assets	705,009
Unrestricted	355,850
Total net position	$ 1,060,859

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF HELENA, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

	Business-Type Activity - Enterprise Fund
	Water and Sewer
OPERATING REVENUES	
Charges for services	$ 331,108
Other revenue	5,134
Total operating revenues	336,242
OPERATING EXPENSES	
Personnel services	84,369
Employee benefits	33,742
Repairs and maintenance	41,591
Depreciation	98,036
Supplies and materials	14,532
Professional fees	11,683
Utilities	51,909
Other operating	34,083
Total operating expenses	369,945
Operating income	(33,703)
NON-OPERATING REVENUES (EXPENSES)	
Investment income	136
Interest expense	(29,909)
Total non-operating revenues, net	(29,773)
Income (loss) before transfers	(63,476)
Transfers in	30,945
Change in net position	(32,531)
Net position, beginning	1,093,390
Net position, ending	$ 1,060,859

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF HELENA, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activity - Enterprise Fund
	Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 330,231
Cash paid to suppliers for goods and services	(191,418)
Cash paid to employees for services	(84,369)
Net cash provided by operating activities	54,444
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on long-term debt	(35,578)
Interest and fees paid on long-term debt	(29,909)
Transfer in from SPLOST fund	30,945
Acquisition and construction of capital assets	(30,945)
Net cash used for capital and related financing activities	(65,487)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income on investments	136
Net cash provided by investing activities	136
Net change in cash	(10,907)
Cash, beginning	379,027
Cash, ending	$ 368,120
Classifed as:	
Current assets	$ 304,174
Restricted assets	63,946
	$ 368,120
Reconciliation of income from operations to net cash provided by operating activities:	
Income from operations	$ (33,703)
Depreciation	98,036
Change in other accrued liabilities	(888)
Change in accounts payable	(2,990)
Change in accounts receivable	(6,011)
Net cash provided by operating activities	$ 54,444

The accompanying Notes to Financial Statements are an integral part of these statements.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

B. Reporting Entity

The City of Helena, Georgia (City) operates under a mayor-council form of government and provides the following services as authorized by its charter; public safety (police and fire), highways and streets, and refuse collection. The City also operates a public utility (water and sewer) for the incorporated and the immediate surrounding areas.

In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the City may be financially accountable and, as such, should be included within the City's financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The City has no potential component units that should be considered for inclusion in the reporting entity.

C. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise fund. Separate financial statements are provided for governmental funds and proprietary funds.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City reports the following major governmental funds:

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.

SPLOST Capital Projects Fund accounts for 1% sales tax proceeds required to be used for capital outlay for infrastructure enhancement purposes as authorized by local referendum.

The City reports the following major proprietary funds:

Water and Sewer Fund was established for the control of the operating revenue and expenses of the water distribution system and sewerage processing plants.

Additionally, the City reports the following nonmajor governmental fund:

TLOST Capital Projects Fund accounts for 1% sales tax levied for the purpose of funding various transportation projects. The revenue generated cannot be used towards operating expenses or most maintenance projects.

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources.* The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The government-wide 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 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.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the County.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following the statement which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents - include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and obligations of the other political subdivisions of the State of Georgia.

Investments are reflected following the guidance for investment valuations provided by GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Investments in non-negotiable certificates of deposit are stated using a cost-based measure.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2. ***Restricted assets*** – are set aside and classified as restricted on the balance sheet because their use is limited by applicable ordinances. If an expense is incurred for purposes for which both restricted and unrestricted net position are available, restricted assets will be applied first with any unrestricted assets used if necessary.

   As of June 30, 2014, the restricted assets of the City consisted of:

Water and sewer fund – restricted cash	$ 63,946

3. ***Short-term Interfund Receivables/Payables*** - During the course of operations, numerous transactions may occur between individual funds for goods provided or services rendered. The purpose of the interfund balances is to account for those transactions that have not been settled as of the financial statement date. These receivables and payables are classified as "due from other funds" or "due to other funds" on the respective fund's balance sheet and as internal balances on the statement of net assets. All interfund balances shown are expected to be settled within one year.

4. ***Accounts Receivable and Taxes Receivable*** - Accounts receivable and taxes receivable, are shown net of an allowance for uncollectible accounts. The allowance for general government accounts receivable is derived from the age of the individual receivable with age categories ranging from 30 days past due to five years past due, and applicable uncollectible percentages ranging from 3% to 100% of the accounts receivable in that category.

   Utility service accounts receivable reported in the enterprise fund is reported net of an allowance for uncollectible amounts. The uncollectible amounts are based on collection experience and a review of the status of existing receivables.

5. ***Prepaid Items*** - Payments made to vendors for services that will benefit periods beyond June 30, 2014, are recorded as prepaid items.

6. ***Inventories*** – On the government-wide financial statements, inventories, as applicable, are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used (i.e., the consumption method).

   On the fund financial statements, inventories of governmental funds, as applicable, are stated at cost. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as expenditures in the governmental fund types when consumed.

7. ***Capital Assets*** - Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized in the government-wide financial statements to the extent the City's capitalization threshold of $1,500 is met. Other costs incurred for repairs and maintenance are expensed as incurred. The City's infrastructure consists of roads, bridges and water and sewer lines.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Depreciation on capital assets is calculated on the straight-line basis over the estimated useful lives of the respective assets as follows:

• Buildings and plant	30 - 40 years
• Machinery and equipment	5 - 20 years

8. Compensated Absences - It is the City's policy to permit employees to accumulate earned but unused vacation that will be paid to employees at the end of the year. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City.

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City has no item that qualifies for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only 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. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

10. Fund Equity:

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

- **Assigned** - fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purpose, but are neither restricted nor committed. Through resolution, the City Council has authorized the City Clerk to assign fund balances.

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

11. 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.

12. Fund balance flow assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental 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 fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

13. Management Estimates **-** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the period. Actual results could differ from those estimates.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes were levied on November 20, 2013 and payable on January 20, 2014. City property tax revenues are recognized when received unless collection is made within 60 days of year-end, in which case the subsequent collections are recognized at year-end. The City levied a tax of 8.000 mills on the value of all taxable property in the City.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budget Policy and Budgetary Data

Budget Policy

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except capital project funds, which adopt a project-length budget. The budget resolution reflects the total of each department's appropriation in each fund.

The governmental funds budgets are adopted on a basis consistent with GAAP. The budget is adopted on a departmental basis and is amended by the governing board on a periodic basis as required by changing conditions. The budgeted amounts shown represent the final amended budget. It has been restructured in order to conform to the structure of the actual data, which is presented in a form to provide the greatest economic meaning to the data. All appropriations lapse at the end of each fiscal year end.

Encumbrance accounting, under which purchase orders, contract and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriation, is not utilized by the City. Accordingly, encumbrances outstanding at year end are not reported as committed fund balances nor do they constitute expenditures or liabilities. General accepted accounting principles do not require encumbrance accounting.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

A summary of the City's deposits and investments at June 30, 2014 follows:

Account Balances	
Petty cash	$ 300
Demand deposits	1,352,578
Certificates of deposit	353,815
	$ 1,706,693

Ownership of Funds	
Primary Government	
Governmental funds -	
Cash and cash equivalents	$ 1,338,573
Proprietary funds -	
Cash and cash equivalents	368,120
Total reporting entity	$ 1,706,693

Custodial Credit Risk is the risk that in the event of a bank failure, the City's deposits (in excess of FDIC insurance) may not be returned to us.

***Deposits**:*

The City's deposits at year-end were entirely covered by federal depository insurance or by collateral held by the City's custodial banks in the City's name.

Investments:

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

Credit Risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The City has no investment policy that would further limit its investment choices from those authorized and listed in Note A.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

B. Receivables

Receivables at June 30, 2014, consisted of taxes, accounts (billings for user charges), and intergovernmental receivables arising from services provided.

	Receivable	Allowance	Net
General Fund:			
Taxes receivable	$ 25,662	$ (6,000)	$ 19,662
Customers	32,148	-	32,148
SPLOST -			
Other	-	-	-
TLOST -			
Other	4,254	-	4,254
Total governmental activities	62,064	(6,000)	56,064
Water and Sewer -			
Customers	76,267	(15,000)	61,267
Total business-type activities	76,267	(15,000)	61,267

C. Interfund Receivables and Payables

A summary of individual interfund receivable and payable balances at June 30, 2014 follows:

	Payable to:	
Payable from -	General Fund	Total
Water and sewer fund	$ 62,669	$ 62,669

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. These amounts also include balances of working capital loans made between funds which the City expects to collect in subsequent years.

The amounts payable to the general fund relate to working capital loans made to the water and sewer fund.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

D. Transfers

A summary of fund transfers for the year ended June 30, 2014 follows:

	Transfers In	Transfers Out
Governmental fund - SPLOST	$ -	$ 30,945
Proprietary fund - Water and Sewer	30,945	-
Total	$ 30,945	$ 30,945

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; to move unrestricted revenues collected in the funds to finance various programs accounted for in other funds in accordance with budgetary authorizations; and to segregate money for anticipated capital projects.

The voter referendum which created the SPLOST Fund authorized a portion of the SPLOST proceeds to be used for water and sewer improvements. From time to time, such expenditures of the SPLOST Fund for these approved projects are reported as a transfer out of the SPLOST Fund to the Water and Sewer Fund. Therefore, the related improvements are reported in this fund.

E. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

Governmental Activities:	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014
Capital assets, not being depreciated -				
Land	$ 65,257	$ -	$ -	$ 65,257
Total capital assets not being depreciated	65,257	-	-	65,257
Capital assets, being depreciated:				
Infrastructure	76,123	11,517	-	87,640
Buildings and improvements	145,636	-	-	145,636
Machinery and equipment	567,595	22,248	-	589,843
Total capital assets being depreciated	789,354	33,765	-	823,119
Less accumulated depreciation for:				
Infrastructure	952	2,728		3,680
Buildings and improvements	95,437	3,734	-	99,171
Machinery and equipment	439,781	40,375	-	480,156
Total accumulated depreciation	536,170	46,837	-	583,007
Total capital assets, being depreciated, net	253,184	(13,072)	-	240,112
Governmental activities capital assets, net	$ 318,441	$ (13,072)	$ -	$ 305,369

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

Business-type Activities:	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014
Capital assets, not being depreciated -				
Land	$ 6,000	$ -	$ -	$ 6,000
Construction in progress	171,110	30,945	-	202,055
Total capital assets not being depreciated	177,110	30,945	-	208,055
Capital assets, being depreciated:				
Buildings and plant	2,805,450	-	-	2,805,450
Machinery and equipment	149,191	-	-	149,191
Total capital assets being depreciated	2,954,641	-	-	2,954,641
Less accumulated depreciation for:				
Buildings and improvements	1,677,010	85,597	-	1,762,607
Machinery and equipment	105,395	12,439	-	117,834
Total accumulated depreciation	1,782,405	98,036	-	1,880,441
Total capital assets, being depreciated, net	1,172,236	(98,036)	-	1,074,200
Business-type activities capital assets, net	$ 1,349,346	$ (67,091)	$ -	$ 1,282,255

Depreciation expense was charged to functions / programs as follows:

Governmental Activities:	
General government and administration	$ 2,698
Public safety	15,217
Public works	28,922
Total depreciation expense - governmental activities	$ 46,837
Business-type Activities -	
Water and sewer	$ 98,036
Total depreciation expense - business-type activities	$ 98,036

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

F. Long-term Obligations

The following is a summary of changes in long-term obligations of the City for the year ended June 30, 2014:

	Beginning Balance	Additions	Payments/ Retirements	Ending Balance	Current Portion	Long-term Portion
Governmental Activities -						
Capital lease payable	$ 57,857	$ -	$ (18,443)	$ 39,414	$ 19,273	$ 20,141
USDA	12,500	-	(12,500)	-	-	-
Governmental Activities - long-term liabilities	$ 70,357	$ -	$ (30,943)	$ 39,414	$ 19,273	$ 20,141
Business-type Activities:						
Series 1983 revenue bonds	$ 385,000	$ -	$ (30,000)	$ 355,000	$ 35,000	$ 320,000
Series 1996 revenue bonds	227,824	-	(5,578)	222,246	5,684	216,562
Business-type Activities - long-term liabilities	$ 612,824	$ -	$ (35,578)	$ 577,246	$ 40,684	$ 536,562

Capital Lease Payable

During fiscal year 2012 the City entered into a capital lease agreement with GE Capital for the purchase of a 2011 International Limb Truck for use by the public works department with an original amount of $92,395. The agreement calls for five annual payments of $21,047 beginning in April 2012 and end in April of 2016 at an interest rate of 4.50%. As of June 30, 2014 the net book value of this leased equipment was $50,817 and $18,479 was included in depreciation expense for the year. The annual requirements to amortize the remaining balance of $39,414 as of June 30, 2014, including interest payments of $2,680 are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2015	$ 19,273	$ 1,774	$ 21,047
2016	20,141	906	21,047
Total	$ 39,414	$ 2,680	$ 42,094

USDA

During fiscal year 2013 the City obtained a USDA loan as reimbursement for the purchase of a police car. with an original amount of $12,500. The agreement calls for five annual payments of $2,769 beginning in August 2013 and ending in August of 2017 at an interest rate of 3.50%. During fiscal year 2014 this loan was paid off.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

Revenue Bonds Payable

Water and Sewer Revenue Bonds, Series 1983 and 1996 - The City issued fixed rate revenue bonds to provide funds to acquire, construct, and equip extensions of and additions and improvements to the City's water and sewer system. The revenues of the Water and Sewer Fund are pledged to secure these outstanding bonds

Revenue bonds payable at June 30, 2014, are comprised of the following individual issues:

Series 1983 - $840,000 water and sewer bonds due in annual installments through December 1, 2022; interest at 5.00%.

The annual requirements to amortize the Series 1983 outstanding revenue bonds as of June 30, 2014, including interest payments of $92,750 are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2015	$ 35,000	$ 17,750	$ 52,750
2016	35,000	16,000	51,000
2017	35,000	14,250	49,250
2018	40,000	12,500	52,500
2019	40,000	10,500	50,500
2020-2023	170,000	21,750	191,750
Total	$ 355,000	$ 92,750	$ 447,750

Series 1996 - $263,624 water and sewer bonds due in monthly installments of $1,427 through August 14, 2036; interest at 5.125%.

The annual requirements to amortize the Series 1996 outstanding revenue bonds as of June 30, 2014, including interest payments of $151,316 are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2015	$ 5,684	$ 11,440	$ 17,124
2016	5,983	11,141	17,124
2017	6,297	10,827	17,124
2018	6,628	10,496	17,124
2019	6,975	10,149	17,124
2020-2024	40,766	44,854	85,620
2025-2029	52,643	32,977	85,620
2030-2034	67,984	17,636	85,620
2035-2037	29,286	1,796	31,082
Total	$ 222,246	$ 151,316	$ 373,562

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

G. Fund Equity

Fund Balances:

- ***Nonspendable*** – The following fund balances are nonspendable because they are allocated to:

General fund –

Prepaids	$ 39,284

- ***Restricted*** – The following fund balances are restricted for:

Capital Projects Fund –

Special Purpose Local Option Sales Tax Fund (SPLOST) – used to account for capital projects financed with SPLOST.	$ 456,816
Transportation Local Option Sales Tax Fund (TLOST) – used to account for capital projects financed with TLOST.	$ 38,267

Net Position:

Net investment in capital assets reported on the government-wide statement of position as of June 30, 2014 are as follows:

	Governmental Activities	Business-Type Activities
Net investment in capital assets		
Cost of capital assets	$ 888,376	$ 3,162,696
Less accumulated depreciation	(583,007)	(1,880,441)
Book value	305,369	1,282,255
Less capital related debt	(39,414)	(577,246)
Net investment in capital assets	$ 265,955	$ 705,009

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year ending June 30, 2013, the City was covered by general liability insurance with Titan Commercial General Liability through Stamps-Walker Insurance Agency.

The City is also part of the Georgia Municipal Association Worker's compensation Self-Insurance Fund, a public entity risk pool currently operating as a common risk management and insurance program for members of local governments.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also to allow the pool's agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

The Funds are to defend, in the name of and on behalf of the members, any suits or other proceeding which may at any time be instituted against them on account of injuries or death within the preview 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 or groundless, false or fraudulent. The Fund is to pay all cost 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.

B. Contingencies and Other

Grant contingencies - The City has received Federal and state grant monies for specific purposes that are subject to review and audit by grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based upon prior experience, City management believes such disallowances, if any, will not be significant.

Other contingencies and pending litigation - Certain claims, suits, and complaints arising in the ordinary course of operations have been filed or are pending against the City. In the opinion of the City's management, all such matters are adequately covered by insurance, or if not so covered are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position or results of operations of the City if disposed of unfavorably.

IV. OTHER INFORMATION

C. Joint Ventures

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an ongoing financial interest or (b) an on-going financial responsibility. The City participates in the following joint venture:

Heart of Georgia Altamaha Regional Commission – Under Georgia law, the City, in conjunction with other cities and counties in the region, is a member of the Heart of Georgia Altamaha Regional Commission (RC) and is required to pay annual dues thereto. During its year ended June 30, 2014, the City paid $2,883 in such dues. 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 of Georgia. The RC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of a RC. Separate financial statements may be obtained from:

Heart of Georgia Altamaha Regional Commission
5405 Oak Street
Eastman, Georgia 31023

D. Peace Officers' Annuity and Benefit Fund

The police officers are covered under a pension plan, which requires that a certain percentage of fines be remitted on a monthly basis to the pension plan before the payment of any costs or other claims.

E. Pension Plan

1. Plan Description

The City contributes to the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer public employee retirement system that acts as an investment and administrative agent for cities and municipalities in Georgia. The City has the right to establish and amend the benefit provisions of the plan. These amendments become effective once approved by the Board of Trustees of GMEBS. The plan is a defined benefit plan.

All full-time employees of the City are eligible to participate after being employed for one year working at least 20 hours per week. Benefits fully vest after ten (10) years of service. Employees who retire at or after age sixty-five (65) with five (5) years of credited service or after age fifty-five (55) with ten (10) years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to a percentage of their average monthly earnings as defined in the plan for each year of credit service. The system also provides death and disability benefits. GMEBS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Georgia Municipal Employees Benefit System, 201 Pryor Street-SW, Atlanta, Georgia 30303.

IV. OTHER INFORMATION

Current membership in the GMEBS is comprised of the following:

Group	January 1, 2014
Retirees and beneficiaries currently receiving benefits	10
Vested terminated employees	5
Active employees:	
Vested	8
Nonvested	8
Total membership in the plan	31

2. Funding Policy

The City is required to contribute based on actuarial funding policy. The annual recommended 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 to 30 years based on the funding policy adopted by the GMEBS Board of Trustees, and 3) interest on these amounts from the valuation date to the date contributions are paid. These amortization periods, if applicable, are closed for this plan year. The inflation rate assumption for the City of Helena, Georgia is assumed to be the same rate as the current year cost of living adjustments.

Plan provisions and contribution requirements are established by state stature and may be amended by the State. Employees are not required to contribute to the fund.

3. Annual Pension Cost

For 2014, the City's annual pension cost of $32,430, for GMEBS was equal to the City's required and actual contributions. The required contribution was determined as part of the January 1, 2013 actuarial valuation using the entry age normal actuarial cost method. The significant actuarial assumptions used to compute the actuarial accrued liability and the annual recommended contribution of the plan meet the Actuarial Standard of Practice No. 4, *Measuring Pension Obligations*, establishing generally accepted actuarial principles and practices.

IV. OTHER INFORMATION

The development of the recommended contribution follows:

	Year Beginning January 1, 2014
Total normal cost	$ 8,114
Administrative expenses	4,015
Expected employee contributions	-
Employer normal cost	12,129
Payment on unfunded/(surplus) actuarial accrued liability	15,700
Full funding credit	-
Recommended contribution	27,829
Adjustment to fiscal year	1,058
Total recommended contribution, adjusted for timing	$ 28,887
Recommended contribution as a percentage of expected payroll	13.75%

4. Basis of Valuation

Current valuation date -	January 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
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
Actuarial assumptions:	
Annual return on invested plan assets	7.75%
Projected annual salary increases	3.50% plus age and service based merit increases
Expected annual inflation	3.50%

IV. OTHER INFORMATION

5. Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [b-a)/c]
1/1/2014	262,517	373,119	110,602	70.36%	206,434	53.58%

The schedule of funding progress immediately following the notes to 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.

6. Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Actual City Contribution	Percentage of APC Contributed	Net Pension Obligation
6/30/2011	$ 28,910	$ 28,910	100.00%	$ -
6/30/2012	$ 27,644	$ 27,644	100.00%	$ -
6/30/2013	$ 30,528	$ 30,528	100.00%	$ -
6/30/2014	$ 32,430	$ 32,430	100.00%	$ -
6/30/2015	$ 28,887	N/A	N/A	$ -

CITY OF HELENA, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
GEORGIA MUNICIPAL EMPLOYEES BENEFIT SYSTEM

	Actuarial Valuation Date				
	1/1/2010	1/1/2011	1/1/2012	1/1/2013	1/1/2014
Actuarial Accrued Liability (AAL) Entry Age (b)	$ 366,508	$ 363,394	$ 378,116	$ 387,795	$ 373,119
Actuarial Value of Assets (a)	255,218	257,986	255,270	257,090	262,517
Unfunded AAL (funding excess) (UAAL) (b-a)	$ 111,290	$ 105,408	$ 122,846	$ 130,705	$ 110,602
Funded Ratio (a/b)	69.64%	70.99%	67.51%	66.30%	70.36%
Covered Payroll (c)	$ 218,140	$ 207,740	$ 223,480	$ 239,636	$ 206,434
UAAL as a Percentage of Covered Payroll ((b-a)/c)	51.02%	50.74%	54.97%	54.54%	53.58%

CITY OF HELENA, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Budget as Amended	Actual	Variance with Final Budget - Over (Under)
REVENUES				
Taxes	$ 635,091	$ 635,091	$ 606,769	$ (28,322)
Licenses and permits	18,150	18,150	18,452	302
Charges for services	102,700	102,700	101,936	(764)
Intergovernmental	30,000	30,000	28,422	(1,578)
Fines and forfeitures	55,000	55,000	52,735	(2,265)
Interest income	250	250	2,321	2,071
Other income	13,000	13,000	14,181	1,181
Total revenues	854,191	854,191	824,816	(29,375)
EXPENDITURES				
Current:				
General government:				
Legislative	10,360	10,400	10,377	(23)
Elections	2,000	2,000	1,588	(412)
Financial Administration	178,813	180,313	174,259	(6,054)
Public safety:				
Fire	32,000	36,000	35,968	(32)
Police	183,162	191,405	186,389	(5,016)
Public works:				
Highways and streets	203,528	198,323	198,218	(105)
Solid waste and recycling	171,700	163,200	150,628	(12,572)
Housing and development	2,000	2,000	1,800	(200)
Culture and recreation	15,603	15,603	14,170	(1,433)
Debt Service:				
Principal	-	-	12,500	12,500
Interest	-	-	641	641
Capital outlay:				
Public safety	16,730	4,000	3,015	(985)
Public works	38,295	19,960	19,233	(727)
Total expenditures	854,191	823,204	808,786	(14,418)
OTHER FINANCING SOURCES (USES)		-		
Capital lease proceeds	-	-	-	-
Net change in fund balances	$ -	$ 30,987	16,030	$ (14,957)
Fund balances, beginning			984,972	
Fund balances, ending			$ 1,001,002	

See Independent Auditor's Report.

CITY OF HELENA, GEORGIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

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1. Schedule of Funding Progress - Georgia Municipal Employee Benefit System

The schedule of funding progress 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.

2. Budgetary Policy

The budget is prepared by City management using generally accepted accounting principles. The budget is then adopted by ordinance of the City Council, as required by generally accepted accounting principles.

The level of budgetary control (the level at which expenditures may not exceed appropriations) is at the department level with the following provisions:

- The City Administrator may transfer funds from one object or purpose to another within the same department.
- The City council may amend the budget by motion during the fiscal year.

Formal budgetary integration is employed as a management control device during the year for all budgeted funds.

3. Excess of Expenditures Over Appropriations in Individual Funds

During the year ended June 30, 2014, no expenditures exceeded appropriations in any functions.

CITY OF HELENA, GEORGIA
SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE YEAR ENDED JUNE 30, 2014

Project Description Per SPLOST Referendum	Estimated Cost		Expenditures			Estimated Percentage of Completion
	Original	Final	Prior Years	Current Year	Total	
2009 SPLOST:						
Water and sewer			$ 237,247	$ 30,945	$ 268,192	
Streets			755	32,564	33,319	
	$ 782,400	$ 782,400	$ 238,002	$ 63,509	$ 301,511	38.54%
2014 SPLOST:						
Construction and furnishing new City Hall; Acquisition of law enforcement vehicles	$ 400,000	$ 400,000	$ -	$ -	$ -	0.00%
Improvement to roads, streets and bridges; Acquisition of roads and street equipment and buildings	100,000	100,000	-	-	$ -	0.00%
Improvements to water and sewer lines; Acquisition of vehicles, equipment and buildings for public works department	198,800	198,800	-	-	-	0.00%
	$ 698,800	$ 698,800	$ -	$ -	$ -	

See Independent Auditor's Report.

II. REPORTS REQUIRED BY GOVERNMENTAL AUDITING STANDARDS

HILLIARD & MILTON, LLC
A Professional Services Firm of:
Certified Public Accountants
Certified Government Auditing Professionals
Certified Internal Auditors

Partners:
David Hilliard, CPA
Chris Milton, CPA, CIA, CGAP

18 S. Third Ave.
McRae, GA 31055

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 Honorable Mayor, City Council and Management
City of Helena, 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 remaining fund information of the City of Helena, Georgia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Helena, Georgia's basic financial statements, and have issued our report thereon dated October 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Helena, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Helena, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Helena, Georgia'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 questioned costs, we identified a certain 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2014-1 to be a material weakness.

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.

Compliance and Other Matters

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

City of Helena, Georgia's Response to Findings

City of Helena, Georgia's responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Helena, Georgia'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 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.

Hilliard & Milton, LLC

McRae, Georgia

October 24, 2014

CITY OF HELENA, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013

Section I – Summary of Auditor's Results

Financial Statements:

Type of report issued on the financial statements -	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	No
Noncompliance material to the financial statements noted?	No

Section II – Financial Statement Findings:

The following conditions were disclosed for the year ended June 30, 2014:

Audit Finding

2014-1 Lack of segregation of duties

The audit fieldwork disclosed that the City does not have adequate segregation of duties. It was noted that many of the day to day activities are performed by the same employees. This overlapping of duties presents a situation where unauthorized use of assets could occur and not be detected on a timely basis.

We recommend management continually exercise alert supervision of employees in order to protect the assets of the City

Management's Response:

We realize that with limited personnel adequate segregation of duties is not possible. Therefore, to mitigate this we exercise alert supervision over all employees.

City of Helena
PO Box 369
Helena, Georgia 31037

October 24, 2014

Georgia Department of Audits and Accounts
Local Government Audits
254 Washington Street, S.W., Suite 322
Atlanta, Georgia 30334-8400

Dear Sir or Madam:

The following is the corrective action plan for City of Helena, Georgia for the year ended June 30, 2014. We are in concurrence with the findings and/or recommendations noted in the report. With regards to:

2014-1 – Segregation of Duties:

The audit field work disclosed that due to a limited number of personnel, overlapping of duties exists in the City's operations, primarily in the area of cash receipts and disbursements. We realize that with limited personnel adequate segregation of duties is not possible. Therefore, to mitigate this we will continue to exercise alert supervision of all employees.

Sincerely,

Heather Livingston

Heather Livingston
City Clerk/Manager