CITY OF JEFFERSONVILLE, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2013

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ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2013

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CITY OF JEFFERSONVILLE, GEORGIA

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of City Council
City of Jeffersonville, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Jeffersonville, Georgia (the "City") as of and for the year ended December 31, 2013, 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.

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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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Jeffersonville, Georgia, as of December 31, 2013, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government 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 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers them to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information, and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 Municipal Court Agency Fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Municipal Court Agency Fund financial statements are the responsibility of management and were derived from and relates 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 Municipal Court Agency Fund financial statements 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 of Jeffersonville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Jeffersonville, Georgia's internal control over financial reporting and compliance.

Macon, Georgia
June 2, 2014

BASIC FINANCIAL STATEMENTS

City of Jeffersonville, Georgia
Statement of Net Position
December 31, 2013

	Primary Government			Downtown Development Authority
	Governmental Activities	Business-type Activities	Total	
Assets				
Current Assets				
Cash and cash equivalents	$ 76,052	$ 11,193	$ 87,245	$ 6,125
Certificates of deposit	111,657	20,238	131,895	-
Receivables:				
Accounts	2,006	17,096	19,102	-
Taxes	64,316	-	64,316	-
Intergovernmental	276,144	-	276,144	-
Interest	189	19	208	-
Interfund	2,469	(2,469)	-	-
Restricted assets	-	20,087	20,087	-
Total Current Assets	532,833	66,164	598,997	6,125
Noncurrent Assets				
Capital assets				
Nondepreciable	274,965	410,235	685,200	-
Depreciable, net	98,225	6,712,583	6,810,808	-
Total Noncurrent Assets	373,190	7,122,818	7,496,008	-
Total Assets	906,023	7,188,982	8,095,005	6,125
Liabilities				
Current Liabilities				
Accounts payable	264,458	16,676	281,134	-
Accrued expenses	3,396	-	3,396	-
Compensated absences payable	4,151	312	4,463	-
Customer deposits	-	23,901	23,901	-
Accrued interest	-	9,240	9,240	-
Unearned revenue	4,265	-	4,265	-
GEFA loans payable	-	27,611	27,611	-
Capital lease payable	6,326	-	6,326	
Revenue bonds payable	-	39,645	39,645	-
Total Current Liabilities	282,596	117,385	399,981	-
Long-term Liabilities:				
Net pension obligation	8,402	-	8,402	-
GEFA loans payable	-	414,394	414,394	-
Capital lease payable	20,281	-	20,281	-
Revenue bonds payable	-	2,473,280	2,473,280	-
Total Long-term Liabilities	28,683	2,887,674	2,916,357	-
Total Liabilities	311,279	3,005,059	3,316,338	-
Net Position				
Net investment in capital assets	346,583	4,167,888	4,514,471	-
Restricted for debt service	-	20,087	20,087	-
Unrestricted (Deficit)	248,161	(4,052)	244,109	6,125
Total Net Position	$ 594,744	$ 4,183,923	$ 4,778,667	$ 6,125

See accompanying notes to the basic financial statements

City of Jeffersonville, Georgia
Statement of Activities
For the Year Ended December 31, 2013

Function/Program	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants	Program Revenues: Capital Grants	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Downtown Development Authority
Primary Government								
Governmental Activities								
General government	$ 305,240	$ 12,780	$ -	$ -	$ (292,460)	$ -	$ (292,460)	$ -
Public safety	145,210	16,560	-	-	(128,650)	-	(128,650)	-
Public works	126,398	35,437	50,000	267,527	226,566	-	226,566	-
Judicial	5,494	-	-	-	(5,494)	-	(5,494)	-
Total Governmental Activities	582,342	64,777	50,000	267,527	(200,038)	-	(200,038)	-
Business-type Activities:								
Water and sewerage	651,741	395,689	-	76,411	-	(179,641)	(179,641)	-
Total - Primary Government	$ 1,234,083	$ 460,466	$ 50,000	$ 343,938	(200,038)	(179,641)	(379,679)	-
Component Unit								
Downtown Development Authority	$ -	$ -	$ -	$ -	-	-	-	-
General Revenues								
Property taxes levied for general government purposes					163,110	-	163,110	-
Local option sales tax					143,496	-	143,496	-
Insurance premium tax					53,389	-	53,389	-
Franchise tax					81,749	-	81,749	-
Beer and					31,164	-	31,164	-
Other tax					13,131	-	13,131	-
Investment earnings					759	55	814	13
Miscellaneous					25,960	4,457	30,417	-
Total General Revenues					512,758	4,512	517,270	13
Transfers					(55,696)	55,696	-	-
Change in Net Position					257,024	(119,433)	137,591	13
Net Position Beginning of Year					337,720	4,303,356	4,641,076	6,112
Net Position End of Year					$ 594,744	$ 4,183,923	$ 4,778,667	$ 6,125

See accompanying notes to the basic financial statements

City of Jeffersonville, Georgia
Balance Sheet
Governmental Funds
December 31, 2013

	General	Capital Projects Fund Streetscape	Total Governmental Funds
Assets			
Cash and cash equivalents	$ 76,052	$ -	$ 76,052
Certificates of deposits	111,657	-	111,657
Receivables:			
Accounts	2,006	-	2,006
Taxes	64,316	-	64,316
Intergovernmental	11,086	265,058	276,144
Interest	189	-	189
Interfund	22,450	-	22,450
Total Assets	$ 287,756	$ 265,058	$ 552,814
Liabilities and Fund Balances			
Liabilities			
Accounts payable	$ 19,381	$ 245,077	$ 264,458
Accrued wages	3,396	-	3,396
Interfund payable	-	19,981	19,981
Unearned revenue	4,265	-	4,265
Total Liabilities	27,042	265,058	292,100
Deferred Inflows of Resources			
Unavailable revenue - property taxes	51,116	-	51,116
Total Deferred Inflows of Resources	51,116	-	51,116
Fund Balances			
Unassigned	209,598	-	209,598
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 287,756	$ 265,058	$ 552,814

See accompanying notes to the basic financial statements

City of Jeffersonville, Georgia
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
December 31, 2013

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total Fund Balances - Governmental Funds	$	209,598
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		373,190
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.		51,116
Long-term liabilities, including capital leases, compensated absences and net pension obligation, are not due and payable in the current period and, therefore, are not reported in the funds.		(39,160)
Total Net Position of Governmental Activities	$	594,744

See accompanying notes to the basic financial statements

City of Jeffersonville, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2013

	General	Capital Projects Fund Streetscape	Total Governmental Funds
Revenues			
Taxes	$ 514,293	$ -	$ 514,293
Licenses and permits	12,780	-	12,780
Intergoverrnmental	50,000	267,527	317,527
Charges for services	35,437	-	35,437
Fines and forfeitures	16,560	-	16,560
Investment earnings	759	-	759
Miscellaneous	25,960	-	25,960
Total Revenues	655,789	267,527	923,316
Expenditures			
Current:			
General government	326,976	-	326,976
Public safety	134,405	-	134,405
Public works	126,398	-	126,398
Judicial	5,494	-	5,494
Capital outlay	-	267,527	267,527
Total Expenditures	593,273	267,527	860,800
Excess of Revenues Over/(Under) Expenditures	62,516	-	62,516
Other Financing Sources/(Uses):			
Proceeds from capital lease	26,607	-	26,607
Transfer to Other Fund	(55,696)	-	(55,696)
Total Other Financing Sources/(Uses)	(29,089)	-	(29,089)
Net change in fund balance	33,427	-	33,427
Fund Balances Beginning of Year	176,171	-	176,171
Fund Balances End of Year	$ 209,598	$ -	$ 209,598

See accompanying notes to the basic financial statements

City of Jeffersonville, Georgia
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended December 31, 2013

Amounts reported for governmental activities in the Statement of Activities are different because:		
Net Changes In Fund Balances - Total Governmental Funds	$	33,427
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded the depreciation expense in the current period.		280,432
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(28,254)
Net pension obligation is not available during the current period and therefore, is not reported in the funds.		(1,271)
The issuance of long-term debt provides current financial resources to governmental funds, while 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. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(27,310)
Change In Net Position of Governmental Activities	$	257,024

See accompanying notes to the basic financial statements

City of Jeffersonville, Georgia
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Real and personal property taxes				
General property tax	$ 116,000	$ 116,000	$ 167,209	$ 51,209
Vehicle property tax	12,000	12,000	24,155	12,155
Total real and personal property taxes	128,000	128,000	191,364	63,364
Selective taxes:				
Sales tax	149,000	149,000	143,496	(5,504)
Franchise tax	63,000	63,000	81,749	18,749
Beer and liquor tax	24,000	24,000	31,164	7,164
Insurance premium tax	50,000	50,000	53,389	3,389
Penalties and interest	-	-	13,131	13,131
Total selective taxes	286,000	286,000	322,929	36,929
Licenses and permits:				
Business licenses and permits	13,650	13,650	12,780	(870)
Intergovernmental	2,000	2,000	50,000	48,000
Fines and forfeitures:				
Court fines	21,000	21,000	16,560	(4,440)
Charges for services:				
Garbage collections and other	37,200	37,200	35,437	(1,763)
Total charges for services	37,200	37,200	35,437	(1,763)
Miscellaneous:				
Investment earnings	100	100	759	659
Miscellaneous	9,100	9,100	25,960	16,860
Total miscellaneous	9,200	9,200	26,719	17,519
Total revenues	$ 497,050	$ 497,050	$ 655,789	$ 158,739

See accompanying notes to the basic financial statements

City of Jeffersonville, Georgia
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2013
(Continued)

	Original Budget	Final Budget	Actual	Variance With Final Budget
Expenditures				
Current:				
General government				
Financial administration	29,000	29,000	28,810	190
Legislative	49,003	49,003	31,505	17,498
General administration	105,295	105,295	266,661	(161,366)
Total general government	183,298	183,298	326,976	(143,678)
Public safety:				
Police	221,186	221,186	132,313	88,873
Fire	2,900	2,900	2,092	808
Total public safety	224,086	224,086	134,405	89,681
Public works	72,000	72,000	126,398	(54,398)
Judicial	-	-	5,494	(5,494)
Culture and recreation	500	500	-	500
Total Current	479,884	479,884	593,273	(113,389)
Total Expenditures	479,884	479,884	593,273	(113,389)
Excess of Revenue Over/(Under) Expenditures	17,166	17,166	62,516	45,350
Other Financing Sources				
Proceeds from capital lease	-	-	26,607	26,607
Transfer to Other Funds	(50,000)	(50,000)	(55,696)	(5,696)
Total Other Financing Sources	(50,000)	(50,000)	(29,089)	20,911
Net Change in Fund Balance	(32,834)	(32,834)	33,427	66,261
Fund balance, beginning of year	176,171	176,171	176,171	-
Fund balance, end of year	$ 143,337	$ 143,337	$ 209,598	$ 66,261

See accompanying notes to the basic financial statements

City of Jeffersonville, Georgia
Statement of Net Position
Proprietary Fund - Water and Sewerage Fund
December 31, 2013

Assets		
Current Assets:		
Cash and cash equivalents	$	11,193
Certificates of deposit		20,238
Receivables:		
Accounts		17,096
Interest		19
Restricted assets:		
Cash and cash equivalents		20,087
Total Current Assets		68,633
Noncurrent Assets:		
Capital assets:		
Nondepreciable		410,235
Depreciable, net		6,712,583
Total Noncurrent Assets		7,122,818
Total Assets		7,191,451
Liabilities		
Current Liabilities:		
Accounts payable		16,676
Customer deposits payable		23,901
Compensated absences payable		312
Interfund payable		2,469
Current liabilities payable from restricted assets		
Revenue bonds payable		39,645
GEFA loans payable		27,611
Accrued interest		9,240
Total Current Liabilities		119,854
Long-term Liabilities (net of current portion):		
GEFA loans payable		414,394
Revenue bonds payable		2,473,280
Total Long-term Liabilities		2,887,674
Total Liabilities		3,007,528
Net Position		
Net investment in capital assets		4,167,888
Restricted for debt service		20,087
Unrestricted (Deficit)		(4,052)
Total Net Position	$	4,183,923

See accompanying notes to the basic financial statements

City of Jeffersonville, Georgia
Statement of Revenues,
Expenses and Changes in Net Position
Proprietary Fund - Water and Sewerage Fund
For the Year Ended December 31, 2013

Operating Revenues	
Charges for services	$ 395,689
Miscellaneous	4,457
Total Operating Revenues	400,146
Operating Expenses	
Personal services	52,483
Purchased services	246,812
Materials and supplies	6,455
Depreciation	235,769
Total Operating Expenses	541,519
Operating (Loss)	(141,373)
Non-Operating Revenues (Expenses)	
Interest and fiscal charges	(110,222)
Intergovernmental revenue	76,411
Investment earnings	55
Total Non-Operating Revenues (Expenses)	(33,756)
(Loss) Before Transfers In	(175,129)
Transfers In	55,696
Change in Net Position	(119,433)
Net Position Beginning of Year	4,303,356
Net Position End of Year	$ 4,183,923

See accompanying notes to the basic financial statements

City of Jeffersonville, Georgia
Statement of Cash Flows
Proprietary Fund - Water and Sewerage Fund
For the Year Ended December 31, 2013

Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash received from customers	$	400,098
Cash payments to employees for services		(52,240)
Cash payments for goods and services		(254,913)
Net Cash Provided by (Used in) Operating Activities		92,945
Cash Flows from Noncapital Financing Activities		
Transfers in		55,696
Net Cash Provided by (Used in) Noncapital Financing Activities		55,696
Cash Flows from Capital and Related Financing Activities		
Principal paid on revenue bonds		(41,057)
Principal paid on notes payable		(4,340)
Acquisition and construction of assets		(447,471)
Proceeds from issuance of debt		370,424
Intergovermental		76,411
Interest paid on revenue bonds		(109,643)
Net Cash Provided by (Used in) Capital and Related Financing Activities		(155,676)
Cash Flows from Investing Activities		
Investment earnings		271
Net Increase (Decrease) in Cash and Cash Equivalents		(6,764)
Cash and Cash Equivalents Beginning of Year		58,282
Cash and Cash Equivalents End of Year	$	51,518
Reconciliation to Statement of Net Position		
Cash and cash equalivalents	$	11,193
Certificates of deposit		20,238
Restricted assets		20,087
Total Cash and Cash Equivalents	$	51,518

See accompanying notes to the basic financial statements

City of Jeffersonville, Georgia
Statement of Cash Flows
Proprietary Fund - Water and Sewerage Fund
For the Year Ended December 31, 2013
(continued)

Reconciliation of Operating (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating (Loss)	$	(141,373)
Adjustments:		
Depreciation		235,769
(Increase) Decrease in Assets:		
Accounts receivable		1,022
Increase (Decrease) in Liabilities:		
Accounts payable		(4,115)
Customer deposits		(1,070)
Interfund payable		2,469
Compensated absences payable		243
Net Cash Provided by (Used in) Operating Activities	$	92,945

See accompanying notes to the basic financial statements

City of Jeffersonville, Georgia
Statement of Fiduciary Assets and Liabilities
Municipal Court Agency Fund
December 31, 2013

Assets	
Cash and cash equivalents	$ 702
Liabilities	
Due to others	$ 702

See accompanying notes to the basic financial statements

NOTES TO THE BASIC FINANCIAL STATEMENTS

City of Jeffersonville, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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The City of Jeffersonville, Georgia (the "City") was chartered by an act of the General Assembly of the State of Georgia. The City operates under a Mayor/Council form of government and provides the following services as authorized by its charter: general government, judicial, public safety (police and fire), public works including sanitation, and culture and recreation. The City also operates a water and sewer program.

Note 1 - Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting.

The most significant of the City's accounting policies are described below.

1-A. Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organizations; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the City in that the City approves the budget, levies their taxes or issues their debt.

The following separate entity is the discretely presented component unit of the City.

Downtown Development Authority (Development Authority) – The Development Authority is a public body, corporate and politic, and was created upon the adoption and approval of the Development Authorities Law of the State of Georgia. The Mayor and City Council appoint all members of the Development Authority Financial statements of the Downtown Development Authority, if material, are required to be included in the City's basic financial statements as a discretely presented component unit. This is in accordance with a determination made for such entities by the Georgia Department of Audits and Accounts. Specific information relative to the Authority may be obtained at City Hall, Jeffersonville, Georgia as the Development Authority does not issue a separate financial report.

1-B. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements - The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole. The primary government and the component units are presented separately within these financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and grants and the City's general revenues, from business-type activities, generally financed in whole or in part with charges to external customers.

Note 1 - Summary of Significant Accounting Policies (Continued)

The statement of net position presents the financial position of the governmental and business-type activities of the City at year-end.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each identifiable activity of the business-type activities of the City. Direct expenses are those that are specifically associated with a function and therefore clearly identifiable to that particular function. The City does not allocate indirect expenses to functions in the statement of activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which function the revenues are *restricted.*

Other revenue sources not properly included with program revenues are reported as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the City.

The government-wide financial statements do not include the City's agency fund.

Fund Financial Statements - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Fund financial statements are provided for governmental, proprietary and fiduciary funds.

The three major individual funds, the general fund, streetscape fund and the enterprise fund are reported in separate columns.

Fund Accounting - The City uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The City uses three categories of funds: governmental, proprietary and fiduciary.

> ***Governmental Funds*** - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between governmental fund assets and liabilities as fund balance. The following is the City's major governmental fund:
>
> > ***The General Fund*** – The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund's fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of State of Georgia.
> >
> > **Streetscape Fund** – This fund accounts for the grant monies received for street and sidewalk improvements.
>
> ***Proprietary Fund*** - Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The City's proprietary fund is classified as a major enterprise fund, which is the water and sewerage fund, which provides utility services to the City's citizens.

Note 1 - Summary of Significant Accounting Policies (Continued)

The Water and Sewerage Fund – This fund provides water and sewerage services for City residents.

Fiduciary Funds – Fiduciary fund reporting focuses on changes in net position. The City's fiduciary fund is an agency fund used to record receipts and disbursements relating to the recorder's court.

1-C. Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net position. The statement of activities reports revenues and expenses.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

Like the government-wide statements, the proprietary fund type is accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets and all liabilities associated with the operation of these funds are included on the statements of net position. The statements of changes in fund net position present increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

1-D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, the governmental funds use the modified accrual basis of accounting. The proprietary fund uses the accrual basis of accounting at both reporting levels and the fiduciary fund uses the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, the phrase "available for exchange transactions" means expected to be received within sixty days of year-end.

Revenues - Non-exchange Transactions - Non-exchange transactions in which the City receives value without directly giving equal value in return, include sales taxes, property taxes, grants and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (Note 3C) Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within sixty days) before it can be recognized.

Note 1 - Summary of Significant Accounting Policies (Continued)

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: property taxes, sales taxes and federal and state grants.

Deferred Inflows / Outflows 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 or periods and so will not be recognized as an outflow of resources (expense / expenditures) until then.

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 government 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 property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

1-E. Assets, Liabilities, and Fund Equity

1-E-1 Cash, Cash Equivalents, and Investments

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 City.

Investments are stated at fair value based on quoted market prices.

Georgia law authorizes the City to invest in the following type of obligations:

- Obligations of the State of Georgia or of any other states
- Obligations of the United States Government
- Obligations fully insured or guaranteed by the United States Government or Government agency
- Obligations of any corporation of the United States Government
- Prime bankers' acceptances
- The State of Georgia local government investment pool (i.e., Georgia Fund I)
- Repurchase agreements
- Obligations of the other political subdivisions of the State of Georgia

1-E-2 Receivables

All trade and property tax receivables are reported net of an allowance for uncollectibles, where applicable. Unbilled utility charges are accrued as receivables and revenue at December 31, 2013.

Note 1 - Summary of Significant Accounting Policies (Continued)

1-E-3 Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/interfund payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

1-E-4 Restricted Assets

Restricted assets are primarily cash and cash equivalents set aside for water system revenue bond accounts for the retirement, the costs of operations and maintenance, debt service retirement and renewal and extension.

1-E-5 Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2013, are recorded as prepaid items at both reporting levels using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reported as nonspendable as this amount is not available for general appropriation.

1-E-6 Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The City reports these assets in the governmental activities column of the government-wide statement of net position but does not report these assets in the government fund financial statements. Capital assets utilized by the enterprise fund are reported both in the business-type activities column of the government-wide statement of net position and in the enterprise fund's statement of net position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five thousand dollars. The City began capitalizing its infrastructure in 2004. The City is not capitalizing their infrastructure retroactively to 1980. Improvements to capital assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets utilized by the enterprise fund is capitalized.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

	Estimated Lives	
Asset Class	Governmental Activities	Business-type Activities
Buildings	50 Years	20 Years
Building improvements	50 Years	N/A
Water plants and lines	N/A	5 - 40 Years
Machinery and equipment	5 Years	5 Years

Note 1 - Summary of Significant Accounting Policies (Continued)

1-E-7 Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if 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 some other means.

All compensated absence liabilities include salary-related payments, where applicable.

The total compensated absence liability is reported on the government-wide financial statements. The enterprise fund reports the total compensated liability in the individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only "*when due.*"

1-E-8 Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year. Capital leases are recognized as a liability in the governmental fund financial statements when due.

1-E-9 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 classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

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

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

- ***Committed*** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the approval of a motion. Only, the City 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 purposes, but are neither restricted nor committed. By motion, the City Council has authorized the Mayor or City Clerk or designee to assign fund balances.

Note 1 - Summary of Significant Accounting Policies (Continued)

- ***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. Currently, the City only reports unassigned fund balance.

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

- Committed
- Assigned
- Unassigned

Net Position - Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net position amount also is adjusted by any bond issuance deferral amounts. Net position is 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. All other net position is reported as unrestricted.

When both restricted and unrestricted net position are available for use, it is the City's policy restricted net position first, and then unrestricted net position as they are needed.

1-E-10 Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for sanitation services. Operating expenses are necessary costs incurred to provide the water and sewerage services. All other revenues and expenses are classified as nonoperating and include interest expense and earnings on investments.

1-E-11 Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and the after non-operating revenues/expenses section in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements (i.e., they are netted).

Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business-type activities column are eliminated.

1-E-12 Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2 – Stewardship, Compliance, and Accountability

2-A. Budgetary Information – The City adopts an annual operating budget for the general fund.

The general fund budget is adopted on a basis consistent with GAAP.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the department level within each individual fund. The City Clerk may transfer appropriations between line items within a department. Any change in total to a fund or departmental appropriation within a fund requires approval of the Mayor and City Council, as a budget amendment. The 2013 budget was not amended.

The City's management may approve budget transfers within departments. All unexpended annual appropriations lapse at year-end.

2-B. Excess of Expenditures over Appropriations

The following departments had expenditures in excess of departmental appropriations.

General Administration	$161,366
Public Works	54,398
Judicial	5,494
Transfers to Other Funds	5,696

Note 3 - Detailed Notes on All Funds

3-A. Deposits

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

The City's bank balances of deposits as of December 31, 2013, are entirely insured or collateralized with securities held by the City's agent in the City's name.

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

At December 31, 2013, the City's investments in certificates of deposit were as follows:

Investment	Days to Maturity	Amount
Certificates of deposit – General Fund	28 days	$ 101,672
Certificates of deposit – General Fund	351 days	9,985
Certificates of deposit – Water & Sewer Fund	338 days	5,750
Certificates of deposit – Water & Sewer Fund	10 days	4,000
Certificates of deposit – Water & Sewer Fund	112 days	2,777
Certificates of deposit – Water & Sewer Fund	112 days	7,711
		$ 131,895

3-B. Receivables

Receivables at December 31, 2013, consisted of taxes, accounts (billings for user charges), and intergovernmental receivables arising from grants.

Note 3 - Detailed Notes on All Funds (Continued)

Receivables and payables are recorded on the City's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectability. At December 31, 2013, allowances for uncollectibles were reported as follows:

General fund (property taxes)	$112,896
Water and sewerage fund (charges for services)	138,404

3-C. Property Taxes

The City Council levied property taxes September 9, 2013. Property taxes attach as an enforceable lien on property as of January 1, 2014. Property taxes are billed on October 31, 2013 and were payable on December 31, 2013.

3-D. Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2013, was as follows:

	Balance 1/1/2013	Additions	Deductions	Balance 12/31/2013
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 7,438	$ -	$ -	$ 7,438
Construction in progress	-	267,527	-	267,527
Total nondepreciable capital assets	7,438	267,527	-	274,965
Capital assets being depreciated:				
Buildings and improvements	117,828	-	-	117,828
Machinery and equipment	209,509	26,607	-	236,116
Total depreciable capital assets	327,337	26,607	-	353,944
Total capital assets	334,775	294,134	-	628,909
Accumulated depreciation:				
Buildings and improvements	68,938	2,437	-	71,375
Machinery and equipment	173,079	11,265	-	184,344
Total accumulated depreciation	242,017	13,702	-	255,719
Governmental activities capital assets, net	$ 92,758	$ 280,432	$ -	$ 373,190
			Less related long-term debt outstanding	(26,607)
			Net investment in capital assets	$ 346,583

Note 3 - Detailed Notes on All Funds (Continued)

Governmental activities depreciation expense:

General government	$ 2,897
Public safety	10,805
Total governmental activities depreciation expense	$ 13,702

Capital asset activity for business-type activities for the year ended December 31, 2013, was as follows:

	1/1/2013	Additions	Deductions	Transfers	12/31/2013
Water and sewerage fund					
Nondepreciable capital assets					
Land	$ 410,235	$ -	$ -	$ -	$ 410,235
Construction in progress	76,108	-	-	(76,108)	-
Total nondepreciable capital assets	486,343	-	-	(76,108)	410,235
Capital assets being depreciated:					
Plant and lines	9,436,178	102,814	-	-	9,538,992
Machinery and equipment	107,737	344,657	-	76,108	528,502
Total depreciable capital assets	9,543,915	447,471	-	76,108	10,067,494
Total capital assets	10,030,258	447,471	-	-	10,477,729
Accumulated depreciation:					
Plant and lines	3,009,145	230,509	-	-	3,239,654
Machinery and equipment	109,997	5,260	-	-	115,257
Total accumulated depreciation	3,119,142	235,769	-	-	3,354,911
Water and sewerage fund capital assets, net	$ 6,911,116	$ 211,702	$ -	$ -	$ 7,122,818
				Less related long-term debt outstanding	(2,954,930)
				Net investment in capital assets	$ 4,167,888

Business-type activities depreciation expense:

Water and sewerage	$ 235,769
Total business-type activities depreciation expense	$ 235,769

Note 3 - Detailed Notes on All Funds (Continued)

3-E. Interfund Balances

The composition of interfund balances as of December 31, 2013 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Streetscape Fund	$ 19,981
General Fund	Water & Sewer Fund	2,469
Total		$ 22,450

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transers:

Transfer Out	Transfer In	Total
General Fund	Water & Sewer Fund	$ 55,696
Total		$ 55,696

Transfers are used to record the allocation of expenses among the various funds, primarily salaries, payroll taxes, insurance, etc.

3-F. Long-Term Debt

Business-type Activities – Revenue Bonds – The City reports two outstanding revenue bond issues at December 31, 2013.

1974 Issue - The City issued revenues in 1974 for water and sewerage purposes at an interest rate of 5%, in the amount of $440,000, due in various semi-annual installments, maturing on December 1, 2013. The bonds are secured by a pledge of revenues from the operation of the City's water and sewerage fund, subject to payment of the reasonable and necessary costs of operating and maintaining the fund's facilities and systems.

The bond ordinances require revenues arising from the operations of the water system be deposited into the water and sewer revenue account and disbursed in the following manners and orders:

- Payment of reasonable and necessary costs of operating, maintaining and repairing the water system in to the operations and maintenance account. The ordinance also allows the City to maintain in reserve an amount equal to thirty days of working capital.

- Payment on or before the 15th of the month an amount equal to one-sixth of the interest payable on the next ensuing interest date and an amount equal to one-twelfth of the principal payable on the next enduing principal payment date.

- Payments in the renewal and extension for all remaining funds.

The bonds were paid off during 2013.

Note 3 - Detailed Notes on All Funds (Continued)

2005 Issue – On September 1, 2005, the City issued water and sewer revenue bonds, Series 2005 for acquiring, constructing and equipping a new wastewater treatment facility, totaling $2,756,500 at an interest rate of 4.125%. The first payment of interest only, was due on September 1, 2006, and thereafter, the bonds are due in monthly installments of principal and interest totaling $11,881, maturing on October 1, 2044. The bonds are secured by a pledge of revenues from the operation of the City's water and sewerage fund, subject to payment of the reasonable and necessary costs of operating and maintaining the fund's facilities and systems.

Annual debt service requirements to amortize this debt, as of December 31, 2013 follow:

Year	Principal	Interest	Total
2014	$ 39,645	$ 102,915	$ 142,560
2015	41,312	101,248	142,560
2016	43,047	99,513	142,560
2017	44,858	97,702	142,560
2018	46,744	95,816	142,560
2019-2023	264,904	447,896	712,800
2024 - 2028	325,466	387,334	712,800
2029 - 2033	399,871	312,929	712,800
2034 - 2038	491,302	221,498	712,800
2039 - 2043	603,920	108,880	712,800
2044 - 2045	211,856	7,176	219,032
Total	$ 2,512,925	$ 1,982,907	$ 4,495,832

Notes Payable – During 2013, the City finalized two loans from the Georgia Environmental Facilities Authority (GEFA) to finance the costs of installing new water meters and emergency repairs to a transfer lift station. The amount of the loans as originally approved in October 2012 was $385,000 and $61,345, respectively. Both projects were completed during 2013. The $385,000 loan is being repaid in monthly installments of $1,915 including interest at 1.82%. Payments on this loan began in August 2013 and will continue until paid in full in July 2033. The $61,345 loan is being repaid in monthly installments of $522 including interest at 0.40%. Payments on this loan began in July 2013 and will continue until paid in full in June 2023.

Note 3 - Detailed Notes on All Funds (Continued)

Annual debt service requirements to amortize these loans, as of December 31, 2013, are as follows:

Year	Principal	Interest	Total
2014	$ 27,611	$ 9,288	$ 36,899
2015	22,588	6,651	29,239
2016	22,916	6,323	29,239
2017	23,250	5,990	29,240
2018	23,588	5,651	29,239
2019-2023	116,978	5,306	122,284
2024 - 2028	100,970	13,930	114,900
2029 - 2033	104,104	4,347	108,451
Total	$ 442,005	$ 57,486	$ 499,491

Capital Leases – During 2013, the City entered into a capital lease with Georgia Municipal Association (GMA) to finance the purchase of software. The total amount of the capital lease was $26,607 and is payable in quarterly installments of $1,783 with interest at 3.32%. The payments begin in February 2014 and will continue until final payment in November 2017. Total cost of assets under capital leases as of December 31, 2013 was $26,607 of equipment included in governmental activities on the statement of net position. The equipment has a life of 5 years. For the year ended December 31, 2013, $665 of depreciation expense was included in depreciation expense for governmental activities.

Annual debt service requirements to amortize these capital leases, as of December 31, 2013, are as follows:

Year	Principal	Interest	Total
2014	$ 6,326	$ 805	$ 7,131
2015	6,538	593	7,131
2016	6,758	373	7,131
2017	6,985	146	7,131
Total	$ 26,607	$ 1,917	$ 28,524

Note 3 - Detailed Notes on All Funds (Continued)

Changes in Long-term Debt - Changes in the City's long-term obligations consisted of the following for the year ended December 31, 2013:

	Outstanding 1/1/2013	Additions	Reductions	Outstanding 12/31/2013	Amounts Due in One Year
Governmental Activities:					
Net pension obligation	$ 7,131	$ 1,271	$ -	$ 8,402	$ -
Capital lease	-	26,607	-	26,607	6,326
Compensated absences	3,448	3,849	3,146	4,151	4,151
Total Governmental Activities	$ 10,579	$ 31,727	$ 3,146	$ 39,160	$ 10,477
Business-type Activities:					
1974 revenue bonds	$ 3,000	$ -	$ 3,000	$ -	$ -
2005 revenue bonds	2,550,982	-	38,057	2,512,925	39,645
GEFA loan payable	75,921	370,424	4,340	442,005	27,611
Compensated absences	69	998	755	312	312
Total Business-Type Activities	$ 2,629,972	$ 371,422	$ 46,152	$ 2,955,242	$ 67,568

The capital leases payable of the City's governmental funds are being repaid by general fund revenues. Principal and interest payments related to the City's revenue bonds payable are being repaid from the City's water and sewerage fund.

The compensated absences liability will be paid from the fund from which the employees' salaries are paid, normally the general fund.

3-G. Pension

Plan Description - The City contributes to the Georgia Municipal Employees Benefit System (GMEBS), a defined benefit plan, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for cities in the State of Georgia. GMEBS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The City council established the benefit provisions and has the authority to amend these provisions through City ordinance. GMEBS issues a publicly available financial report that includes financial statements and required supplementary information for the City. That report may be obtained by writing to:

Georgia Municipal Employees Benefit System
201 Pryor Street SW
Atlanta, Georgia 30303-3606
404/688-0472

All full-time City employees (i.e., 20 hours per week) with one year of service are eligible to participate in the plan with benefits vesting after 5 years of service. The plans provide either:

- Normal retirement benefit, whereas the employee retires at age 65 with five years of service
- Early retirement benefit, whereas the employee may retire at age 55 or older with ten years of service

Note 3 - Detailed Notes on All Funds (Continued)

City employees who retire at or after age 65 are entitled to an annual retirement benefit, payable monthly for life. Benefits are dependent upon such factors as the number of years of credited service to the City and the employee's final average earnings.

The early retirement benefit is computed in the same manner as the normal benefits, reduced on an actuarially equivalent basis. The plan provides death benefits in the form of a lifetime pension to the beneficiary if death occurs prior to retirement.

Funding Policy – The obligations to contribute for both the City and its employees are established by the City council through ordinance. City employees are not required to contribute to GMEBS. The City is required to contribute 100% of the amounts necessary to fund the System using the actuarial basis specified by statute. The current contribution rate is 11.25% of annual covered payroll.

Annual Pension Cost - For 2013, the City's annual pension cost of $15,249 for GMEBS was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2013, actuarial valuation using the projected unit credit method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases of 3.5% per year for inflation; and (c) .50% per year for merit or seniority. There is no postretirement benefit increase assumption. The actuarial value of GMEBS assets was determined using the sum of actuarial value at beginning of year and the increase in cost value during the year excluding realized appreciation or losses. This value is adjusted by 10% of the amount that it exceeds or is less than the market value at end of year.

GMEBS' unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis of 30 years, beginning July 1, 1981. The remaining amortization period at December 31, 2013 varies for the bases.

Plan Funded Status – The City's funding status based upon the most recent actuarial valuation follows:

Schedule of Funding Progress

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1)/(2)	(4) Unfunded AAL/(UAAL) (2)-(1)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll
7/1/2013	$ 336,042	$ 402,967	83.4%	$ 66,925	$ 72,997	91.7%

Note 3 - Detailed Notes on All Funds (Continued)

Actuarial Valuation Information – The City's actuarial valuation information is as follows:

Current Valuation Date	July 1, 2013	July 1, 2012
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percentage of Pay (Closed)	Level Percentage of Pay (Closed)
Remaining Amortization Period	Varies for the bases with a net effective amortization period of ten years	Varies for the bases with a net effective amortization period of ten years
Actuarial Assumptions:		
Investment Rate of Return	7.75%	7.75%
Projected Salary Increases	3.50%	3.50%
Expected Annual Inflation	3.50%	3.50%
Actuarial Value of Assets	See Note Below	See Note Below

Note: Sum of the actuarial value at the beginning of the year and the cash flow during the year plus the assumed investment return, with various adjustments.

Schedule of Employer Contributions

Year Ended December 31,	Annual Pension Cost	Annual Pension Contribution	Percentage Contributed	Net Pension Obligation
2011	$ 20,189	$ 15,619	77%	$ 4,570
2012	16,020	13,459	84%	7,131
2013	15,249	13,978	92%	8,402

The required schedule of funding progress following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the actuarial accrued liability.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of July 1, 2013.

Derivation of Annual Pension Cost:

Annual required contribution	$ 15,249
Interest on Net Pension Obligation	-
Amortization of Net Pension Obligation	-
Annual Pension Cost	$ 15,249

Note 3 - Detailed Notes on All Funds (Continued)

Derivation of Net Pension Obligation:

Annual Pension Cost for Current Year	$	15,249
Actual Contributions to Plan for Current Year		13,978
Increase/(Decrease) in Net Pension Obligation		1,271
Net Pension Obligation as of December 31, 2012		7,131
Net Pension Obligation as of December 31, 2013	$	8,402

Note 4 - Other Notes

4-A. Risk Management

Both 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 purchases commercial insurance to cover automobile, property and liability coverage. However, the City has joined with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency (GIRMA) for its property and liability insurance. The City manages its risk of potential loss from injuries to employees by participating in the Workers' Compensation Self-Insurance Fund (WCSIF), public entity risk pools currently operating as common risk management and insurance programs for member local governments. The Georgia Municipal Association (GMA) administers both risk pools.

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 pools' 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 to allow the pools' agents and attorneys to represent them in investigation, settlement discussions and all levels of litigation arising out of any claim made against them within the scope of loss protection provided by the funds. The funds are to defend and protect the members of the funds against any liability or loss as prescribed in the member governments' contracts and in accordance with the workers' compensation laws of Georgia. The Funds are to pay all costs assessed to its 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.

4-B. Contingent Liabilities

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement to the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the City believes such disallowances, if any, will be immaterial.

The City was a defendant in several lawsuits at December 31, 2013. In the opinion of City management, the outcome of these contingencies will not have a material effect on the financial position of the City.

4-C. Joint Ventures

The City participates in the Middle Georgia Regional Commission. Membership in a RC is required by Code of Georgia §50-8-34, which provides for the organizational structure of the RC in Georgia. The RC Council membership includes the Chief elected official of each county and municipality of the area. Georgia law also provides that the member governments are liable for any debts or obligations of a RC beyond its resources. Financial statements for the Middle Georgia Regional Commission may be obtained from their administrative office in Macon, Georgia.

REQUIRED SUPPLEMENTARY INFORMATION

City of Jeffersonville, Georgia
Required Supplementary Information
For the Fiscal Year Ended December 31, 2013

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (c) (b - a)	Funded Ratio (a/b)	Covered Payroll (d)	UAAL as a Percentage of Covered Payroll [(b - a)(d)]
January 1, 2008	$ 276,801	$ 339,973	$ 63,172	81.4%	$ 262,149	24.1%
January 1, 2009	241,545	334,838	93,293	72.1%	191,293	48.8%
July 1, 2010	311,659	364,490	52,831	85.5%	168,950	31.3%
July 1, 2011	329,307	369,443	40,136	89.1%	104,557	38.4%
July 1, 2012	328,778	376,443	47,665	87.3%	133,251	35.8%
July 1, 2013	336,042	402,967	66,925	83.4%	72,997	91.7%

See notes to the basic financial statements for actuarial assumptions used in the above calculations.

SUPPLEMENTARY INFORMATION

City of Jeffersonville, Georgia
Municipal Court Agency Fund
Statement of Changes in Assets and Liabilities
For the Year Ended December 31, 2013

	Balance January 1, 2013	Additions	Deductions	Balance December 31, 2013
Assets				
Cash and cash equivalents	$ 569	$ 11,759	$ 11,626	$ 702
Liabilities				
Due to others	$ 569	$ 11,759	$ 11,626	$ 702

GOVERNMENTAL REPORTS

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*

Honorable Mayor and City Council
City of Jeffersonville, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Jeffersonville, Georgia as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 2, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the 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 certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and response to be material weaknesses. 2013-001, 2013-002, 2013-003, 2013-004, 2013-005, 2013-006, 2013-007

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2013-008.

City of Jeffersonville's Response to Findings

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

Macon, Georgia
June 2, 2014

Financial Statement Findings

Findings noted on the "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":

2013-001 General Ledger Maintenance

CRITERIA
Timely and accurate financial reports are essential in order to perform analysis of the financial condition of the City, review data for accuracy and completeness, monitor compliance with budget appropriations, and to prepare annual financial statements.

CONDITION
The City has been unable to maintain timely accounting records. After year-end, the City hired an outside consultant to prepare the general ledger for 2013.

CONTEXT
The City's general ledgers for 2013 were not available for the external audit until April 2013.

EFFECT
The City did not have timely financial reports and accounting records for 2013.

CAUSE
The City lacked the technical expertise to properly maintain the accounting records. This issue was amplified by a significant turnover in the City Clerk's position. These conditions resulted in breakdowns in information flow and communications with external parties hired to prepare the accounting records.

RECOMMENDATION
We recommend that the City establish procedures to record all transactions in a timely manner into the general ledger and that monthly reports be prepared and reviewed by management.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with the findings. The City is working to establish communications with external parties to prepare the accounting records in a timely manner.

2013-002 Accounts Receivable/Revenue

CRITERIA
Accounting procedures should be designed to insure that revenue is accrued and recognized when it becomes both measurable and available to finance expenditures of the fiscal period.

CONDITION
Various revenue items were not recorded in the proper fiscal period. The City also incorrectly deposited and recorded intergovernmental revenues in the Water and Sewer Fund.

CONTEXT
Material audit adjustments were required to fairly state and classify accounts receivables and revenue for the year ended December 31, 2013. The adjustments are summarized as follows:

- Adjustment of $25,608 was necessary to increase intergovernmental revenue in the Streetscape Fund..
- A material adjustment of $50,000 was necessary to decrease intergovernmental revenue in the Water & Sewer Fund and to record the $50,000 of DOT LMIG revenues in the General Fund.

EFFECT
The City's accounting records contained material errors which were identified and adjusted during the annual audit process.

CAUSE
The City lacked the technical expertise to properly insure the appropriate revenue classification and the accrual of revenues in the proper year. This issue was amplified by a significant turnover in the City Clerk's position. These conditions resulted in breakdowns in information flow and communications with external parties hired to prepare the accounting records.

RECOMMENDATION
We recommend that the City develop procedures to insure the recording of revenues when they become measurable and available to finance expenditures of the fiscal period. The City should also consider providing additional training for personnel.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with the findings. City personnel are being trained to recognize and classify revenues. The City plans to work with an external party to prepare the accounting records.

2013-003 Accounts Payable/Expenditures or Expenses

CRITERIA
In accordance with generally accepted accounting principles, expenditures or expenses are classified in the fund where the revenues are generated to finances the expenses of the period. Year end procedures are necessary to ensure that expenditures or expenses are recorded in the appropriate fund.

CONDITION
The City does not have adequate accounting procedures to insure that expenditures or expenses are recorded and properly classified when a liability is incurred.

CONTEXT
A material adjusting entry of $25,608 was needed to correct the Streetscape Fund capital outlay expenditures.

EFFECT
The City's accounting records contained material errors which were identified and adjusted during the annual audit process.

CAUSE
The City lacked the technical expertise to insure the recording and proper classification of incurred expenditures or expenses at the end of the fiscal period. This issue was amplified by a significant turnover in the City Clerk's position. These conditions resulted in breakdowns in information flow and communications with external parties hired to prepare the accounting records.

RECOMMENDATION
The City should establish procedures to insure the proper accrual and classification of all liabilities incurred during the fiscal period. The City should also consider providing additional training to personnel.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with the findings. City personnel are being trained to properly classify expenditures and expenses. The City plans to work with an external party to prepare accounting records.

2013-004 Bank Reconciliations

CRITERIA
An effective system of internal controls includes the requirement that all bank accounts are reconciled with the general ledger on a monthly basis and the reconciliations are reviewed by management or another responsible official.

CONDITION
Monthly bank reconciliations were not being performed on a timely basis for the accounts during the period April – December 2013. Reconciliations were performed on the bank accounts by the City Clerk for the period January – March 2013. The City hired an outside consultant after year-end to prepare the remaining bank reconciliations on the accounts.

CONTEXT
Bank reconciliations were not performed on a timely basis for 2013.

EFFECT
The failure to reconcile bank accounts on a timely basis resulted in incomplete or inaccurate recording of transactions in the City's financial records for 2013. In addition, failure to timely perform bank reconciliations could increase the likelihood of misappropriation of funds or errors going undetected.

CAUSE
The City lacked the technical expertise to properly prepare the bank reconciliations. This issue was amplified by a significant turnover in the City Clerk's position. These conditions resulted in breakdowns in information flow and communications with external parties hired to prepare the accounting records.

RECOMMENDATION
We recommend that the bank accounts be reconciled on a timely basis each month. The City also needs to develop controls and procedures to ensure that all bank statements and supporting records are maintained and filed appropriately for review by others.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with the findings. Bank reconciliations are now being performed on a monthly basis and will continue to be done either by City personnel or external parties.

2013-005 Water and Sewerage Accounts Receivable

CRITERIA
Service rules and regulations should define the terms of service, billing and collection procedures for the water and sewerage system.

CONDITION
The City was not adequately pursuing collection of past-due and inactive customer account balances.

CONTEXT
As of December 31, 2013, the City had a large number of accounts that are past due representing a large portion of the total outstanding accounts receivable balance.

EFFECT
Customers are permitted to continue to receive service even though their account is in a past due status. Additionally, we are not aware of any collection activities on inactive past due accounts. The aging of the customer accounts is decreasing the likelihood of the collectability of the account balances.

CAUSE
The City does not have a policy which establishes guidelines for the billing and collection of water and sewerage revenues.

RECOMMENDATION
The City should establish policies and procedures regarding the billing and collection of customer accounts receivable.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with the findings. The City Water Clerk will begin briefing the Mayor and Council on past due balances. The City will work to establish policies and procedures regarding billing and collection, and collection of inactive accounts.

2013-006 Streetscape Fund

CRITERIA
Whenever the government has financial resources that are restricted, committed or assigned to expenditure for capital outlays for general capital assets, those resources should be reported in a capital projects fund.

CONDITION
The City recorded the activity associated with the Streetscape project both in the General Fund and in the Water and Sewer Fund.

CONTEXT
Material audit adjustments were needed to separate out this capital project activity as a separate fund. A summary of the required adjustments is as follows:

- A material adjustment of $267,527 was needed in the Streetscape Fund to record the activity for this capital project into a separate fund.
- A material adjustment of $126,964 was needed in the General Fund to remove intergovernmental revenue.
- A material adjustment of $112,485 was needed in the Water & Sewer Fund to remove construction in progress.

EFFECT
The City's accounting records contained material errors which were identified and adjusted during the annual audit process.

CAUSE
The City lacked the technical expertise to insure the recording and proper classification of capital projects.

RECOMMENDATION
The City should establish policies and procedures to insure the proper classification of all capital project activity incurred during the fiscal period. The City should also consider providing additional training to personnel on fund accounting.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with the findings. The City will work to establish policies and procedures to insure proper classifications, and provide appropriate training to personnel.

2013-007 Improper Payments from Recorders Court Account

CRITERIA
Revenues generated from the collection of fines and forfeitures are legally required to be paid out to specific agencies with the remainder to be remitted to the General Fund. No other payments may be made from these revenues.

CONDITION
The City made payments totaling $6,383 for uniforms, training and supplies from the fines and forfeiture revenues to entities other than the statutory payments required. The payments should have been made out of the General Fund.

CONTEXT
The City did not reimburse the Recorders Court for these expenditures paid in error.

EFFECT
Improper payments were made from the fines and forfeiture revenues.

CAUSE
It appears these improper payments were made as a result of the City not being aware of the legal requirements regarding fines and forfeiture revenue. The condition is also a result of a breakdown in internal control regarding monitoring of fine revenue procedures.

RECOMMENDATION
The City should review the legal requirements regarding fines and forfeiture revenues, specifically the requirements regarding proper payments. The City should also review the controls over the Recorders Court account to ensure that all payments made from that account are appropriate. The City should be preparing a monthly report recapping all fine revenues collected and the payout to the respective entities from those revenues.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with the findings. The City is working to train its personnel about the legal requirements regarding fines and forfeitures, and to ensure that all payments from Recorder's Court are appropriate.

Compliance Findings

2013-008 Budgetary Control – Expenditures Exceeding Appropriations – (36-81-3)

CRITERIA
In order to comply with the applicable legal requirements regarding budgets, procedures must exist to properly monitor compliance with State law. Georgia code (36-81-3) requires an annual balanced budget for the general fund and each special revenue fund.

CONDITION
An annual budget was adopted for the General Fund but the City did not properly monitor the legal level of control (the level at which expenditures may not legally exceed appropriations).

CONTEXT
The General Fund had expenditures in excess of appropriations as follows:

General Administration	$	161,366
Public Works		54,398
Judicial		5,494
Transfer to Other Funds		5,696

EFFECT
The City has not complied with budget requirements established by restrictions of policy, regulation, laws, and contracts. OCGA 36-81-3 requires an annual budget for the general fund and each special revenue fund. The General Fund had expenditures in excess of appropriations of $161,735.

CAUSE
The City did not make a supplemental budget adjustment to cover the expenditures that exceeded appropriations.

RECOMMENDATION
Management should evaluate the effectiveness of the annual budget during the year to determine if the City should prepare supplemental budget amendments for the General Fund in future years.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with the findings. The City will monitor budgeted expenditures at the legal level of control and make supplemental budget amendments for future years when necessary.

CITY OF JEFFERSONVILLE, GEORGIA

SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2013

2012-01 General Ledger Maintenance

CONDITION
The City has been unable to maintain timely and accurate financial records. For the first part of 2012, an external accountant did process accounting records but the records were incomplete and not reconciled to subsidiary records. After year-end, the City hired an outside consultant to prepare the general ledger for 2012. The outside consultant was unable to complete the general ledger in a timely manner which delayed the annual audit.

UPDATE
Unresolved. See current year finding 2013-001.

2012-02 Accounts Receivable/Revenue

CONDITION
Various revenue items were not recorded in the proper fiscal period for the General Fund and the Water and Sewer Fund.

UPDATE
Unresolved. See current year finding 2013-002.

2012-03 Accounts Payable/Expenditures or Expenses

CONDITION
The City does not have adequate accounting procedures to insure that expenditures or expenses are recorded and properly classified when a liability is incurred.

UPDATE
Unresolved. See current year finding 2013-003.

2012-04 Bank Reconciliations

CONDITION
Monthly bank reconciliations were not being performed on the accounts during the period July – December 2012. Reconciliations were performed on some of the bank accounts by an external accountant for the period January – June 2012. The City hired an outside consultant after year-end to prepare the remaining bank reconciliations on the accounts.

UPDATE
Unresolved. See current year finding 2013-004.

2012-05 Bank Accounts

CONDITION
The City did not record the 2012 activity for three bank accounts in the Water and Sewer Fund and one bank account in the General Fund.

UPDATE
This matter was resolved during 2013.

2012-06 Bank Deposit Books and Records

CONDITION
The City did not properly complete and maintain bank deposit books and the underlying detail support to enable the contracted external parties to accurately and completely classify revenues. The preparation of daily deposit books and underlying supporting revenue identification records was inadequate. In addition, some deposit books could not be located for testing.

UPDATE
This matter was resolved during 2013.

2012-07 Property Taxes

CONDITION
The City has not established adequate internal control policies and procedures in regards to reconciling property taxes.

UPDATE
This matter was resolved during 2013.

2012-08 Customer Deposits – Water and Sewerage Fund

CONDITION
The City was unable to provide detailed subsidiary records which agree to the general ledger for customer deposits in the Water & Sewer Fund as of December 31, 2012. The City is not reconciling the customer deposit subsidiary records to the bank account set up by the City to handle and process customer deposits. The City is not maintaining supporting documentation for customer deposits.

UPDATE
This matter was resolved during 2013.

2012-09 Water and Sewerage Accounts Receivable

CONDITION
The City was not adequately pursuing collection of past-due and inactive customer account balances.

UPDATE
Unresolved. See current year finding 2013-005

2012-10 Capital Assets

CONDITION
The City has not adequately maintained capital asset records for the government-wide and business-type activities.

UPDATE
This matter was resolved during 2013.

2012-11 Budgetary Control – Expenditures Exceeding Appropriations

CONDITION
An annual budget was adopted for the General Fund but the City did not properly monitor the legal level of control (the level at which expenditures may not legally exceed appropriations).

UPDATE
Unresolved. See current year finding 2013-008.

2012-12 Debt Service Coverage

CONDITION
The City's debt service coverage was 1.19 for 2012 which is less than the required debt service coverage per the revenue bond document.

UPDATE
This matter was resolved during 2013.

2012-13 Payroll Tax Reports

CONDITION
The 2010 W-2s and W-3 reports were not timely filed with the Social Security Administration.

UPDATE
This matter was resolved during 2013.