CITY OF NICHOLLS, GEORGIA

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

City of Nicholls, Georgia
Annual Financial Report
For the Year Ended June 30, 2014

TABLE OF CONTENTS

FINANCIAL SECTION

Independent Auditor's Report 1-2

Basic Financial Statements:
Government-Wide Financial Statements:
Statement of Net Position 3
Statement of Activities 4

Fund Financial Statements:
Governmental Funds:
Balance Sheet 5
Reconciliation of the Governmental Funds Balance Sheet to the Government-wide Statement of Net Position 6
Statement of Revenues, Expenditures and Changes in Fund Balances 7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-wide Statement of Activities 8

Proprietary Funds:
Statement of Net Position 9
Statement of Revenues, Expenses, and Changes in Fund Net Position 10
Statement of Cash Flows 11

Notes to the Basic Financial Statements 12-28

Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - *General Fund* 29-30
Schedule of Funding Progress and the Schedule of Employers Contributions 31
Notes to Required Supplementary Information 32

Supplementary Information
Combining and Individual Fund Statements and Schedules:
Governmental Funds:
General Fund:
Comparative Balance Sheet 33
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances 34

Major Capital Projects Fund:
2012 SPLOST Fund
Comparative Balance Sheet 35
Project Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual 36

Non-Major Governmental Funds:
Combining Balance Sheet 37
Combining Statement of Revenues, Expenditures and Changes in Fund Balances By Fund Type 38

City of Nicholls, Georgia
Annual Financial Report
For the Year Ended June 30, 2014

TABLE OF CONTENTS

Non-Major Capital Projects Funds:
Combining Balance Sheet 39
Combining Statement of Revenues, Expenditures and Changes in Fund Balances 40

2000 SPLOST Fund
Comparative Balance Sheet 41
Project Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual 42

2006 SPLOST Fund
Comparative Balance Sheet 43
Project Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual 44

Non-Major Special Revenue Fund:
Community Building Fund
Comparative Balance Sheet 45
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual 46

COMPLIANCE SECTION

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 47-48

Schedule of Findings and Responses 49-51

Schedule of Projects Undertaken With Special Sales Tax Proceeds 52

BASIC FINANCIAL STATEMENTS

Robert W. Goodman

Certified Public Accountant

Member
American Institute of CPAs
Georgia Society of CPAs

403 West 16th Street
P. O. Box 130
Alma, Georgia 31510

Phone: 912-632-5977
Fax: 912-632-2466

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Nicholls, Georgia

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the Unites States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issues by the Comptroller General of the United States; 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on my 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, I consider internal control relevant to the City of Nicholls, Georgia'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 City of Nicholls, Georgia's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Opinions

In my opinion, based on my audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Nicholls, Georgia as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United State of America require that the budgetary comparison information on pages 29 through 30, the schedule of funding progress and the schedule of employer contributions on page 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquires, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Nicholls, Georgia basic financial statements. The combining and individual major and nonmajor fund financial statements, and schedules, listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining, individual major and nonmajor fund financial statements and schedules listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of projects undertaken with special sales tax proceeds on page 52, the combining, individual major and nonmajor fund financial statements and schedules listed in the table of contents 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*, I have also issued my report dated December 30, 2014, on my consideration of the City of Nicholls, Georgia's internal control over financial reporting and my 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 my 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 Nicholls, Georgia's internal control over financial reporting and compliance.

Robert W Goodman CPA

Alma, Georgia
December 30, 2014

City of Nicholls, Georgia
Statement of Net Position
June 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents (Note 3-A)	$ 710,529	$ 636,821	$ 1,347,350
Receivables:			
Accounts	27,044	78,945	105,989
Property taxes	10,490	-	10,490
Interfund	121,107	(121,107)	-
Intergovernmental	41,228	-	41,228
Prepaid items	6,878	3,717	10,595
Total Current Assets	917,276	598,376	1,515,652
Non-current Assets			
Capital assets (Note 3-D)			
Nondepreciable	67,862	143,374	211,236
Depreciable, net	1,536,283	8,683,449	10,219,732
Total Non-current Assets	1,604,145	8,826,823	10,430,968
Total Assets	2,521,421	9,425,199	11,946,620
Liabilities			
Current Liabilities			
Accounts payable	25,564	10,392	35,956
Other payables	48,953	2,507	51,460
Accrued expenses	-	4,363	4,363
Revenue bonds payable, current	-	71,421	71,421
Customer deposits	-	20,295	20,295
Notes payable due within one year	-	52,591	52,591
Total Current Liabilities	74,517	161,569	236,086
Long-Term Liabilities (Note 3-G) (net of current portion)			
Notes payable	-	314,162	314,162
Revenue bonds payable	-	2,838,096	2,838,096
Total Long-Term Liabilities	-	3,152,258	3,152,258
Total Liabilities	74,517	3,313,827	3,388,344
Net Position			
Net investment in capital assets (Note 3-H)	1,604,145	5,550,553	7,154,698
Restricted for:			
Capital projects	172,399	-	172,399
Debt service	-	187,498	187,498
Unrestricted	670,360	373,321	1,043,681
Total Net Position	$ 2,446,904	$ 6,111,372	$ 8,558,276

See accompanying notes to the basic financial statements.

City of Nicholls, Georgia
Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services and Fines	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total
Primary Government:							
Governmental Activities:							
General government	$ 118,652	$ 11,077	$ -	$ -	$ (107,575)	$ -	$ (107,575)
Judiciary	12,220	-	-	-	(12,220)	-	(12,220)
Public safety	393,239	47,530	8,061	-	(337,648)	-	(337,648)
Public works	371,870	117,151	21,826	180,129	(52,764)	-	(52,764)
Culture and recreation	38,410	-	-	-	(38,410)	-	(38,410)
Housing and development	8,656	-	-	-	(8,656)	-	(8,656)
Total Governmental Activities	943,047	175,758	29,887	180,129	(557,273)	-	(557,273)
Business-type Activities:							
Water and Sewer	926,634	888,598	-	-	-	(38,036)	(38,036)
Total Business-type Activities	926,634	888,598	-	-	-	(38,036)	(38,036)
Total Primary Government	$ 1,869,681	$ 1,064,356	$ 29,887	$ 180,129	(557,273)	(38,036)	(595,309)
	General Revenues:						
	Taxes:						
	Property taxes				261,732	-	261,732
	Sales taxes				228,665	-	228,665
	Insurance premium tax				143,332	-	143,332
	Other taxes				25,329	-	25,329
	Investment earnings				2,583	2,765	5,348
	Miscellaneous				17,441	-	17,441
	Total General Revenues				679,082	2,765	681,847
	Change in Net Position				121,809	(35,271)	86,538
	Net Position - Beginning of Year				2,325,095	6,146,643	8,471,738
	Net Position - End of Year				$ 2,446,904	$ 6,111,372	$ 8,558,276

See accompanying notes to the basic financial statements.

City of Nicholls, Georgia
Balance Sheet
Governmental Funds
June 30, 2014

	General	SPLOST 2012	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 537,410	$ 164,689	$ 8,430	$ 710,529
Receivables:				
Accounts	27,044	-	-	27,044
Property taxes	10,490	-	-	10,490
Intergovernmental	41,228	-	-	41,228
Interfund	121,827	-	-	121,827
Prepaid items	6,878	-	-	6,878
Total Assets	$ 744,877	$ 164,689	$ 8,430	$ 917,996
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	25,564	$ -	$ -	$ 25,564
Other payables	48,953	-	-	48,953
Interfund payables	-	-	720	720
Total Liabilities	74,517	-	720	75,237
Deferred Inflows of Resources	10,490	-	-	10,490
Total Liabilities and Deferred Inflows of Resources	85,007	-	720	85,727
Fund Balances				
Nonspendable	6,878	-	-	6,878
Restricted	-	164,689	7,710	172,399
Committed	28,431	-	-	28,431
Unassigned	624,561	-	-	624,561
Total Fund Balances	659,870	164,689	7,710	832,269
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 744,877	$ 164,689	$ 8,430	$ 917,996

See accompanying notes to the basic financial statements.

City of Nicholls, Georgia
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2014

Total Governmental Fund Balances		$ 832,269
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		
Cost of capital assets	$ 2,427,416	
Less accumulated depreciation	(823,271)	1,604,145
Other assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes		10,490
Interfund receivables and payables between governmental funds are reported on the governmental fund's balance sheet but eliminated on the government-wide statement of net position.		
Interfund receivables	$ (720)	
Interfund payables	720	-
Net Position of Governmental Activities		$ 2,446,904

See accompanying notes to the basic financial statements.

City of Nicholls, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	General	SPLOST 2012	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	$ 431,802	$ -	$ -	$ 431,802
Licenses and permits	10,918	-	-	10,918
Intergovernmental	258,552	179,784	-	438,336
Charges for services	117,107	-	-	117,107
Fines and forfeitures	47,415	-	-	47,415
Investment earnings	2,583	345	-	2,928
Miscellaneous	16,060	-	-	16,060
Total Revenues	884,437	180,129	-	1,064,566
Expenditures:				
Current:				
General government	114,653	-	-	114,653
Judiciary	12,220	-	-	12,220
Public safety	370,822	-	-	370,822
Public works	326,847	-	-	326,847
Culture and recreation	14,664	-	-	14,664
Housing and development	8,656	-	-	8,656
Capital outlay	-	25,629	-	25,629
Total Expenditures	847,862	25,629	-	873,491
Excess (Deficiency) of Revenues Over Expenditures	36,575	154,500	-	191,075
Other Financing Sources (Uses):				
Transfers in	6,293	-	-	6,293
Transfers out	-	-	(6,293)	(6,293)
Total Other Financing Sources (Uses):	6,293	-	(6,293)	-
Net Change in Fund Balances	42,868	154,500	(6,293)	191,075
Fund Balances, Beginning of Year	617,002	10,189	14,003	641,194
Fund Balances, End of Year	$ 659,870	$ 164,689	$ 7,710	$ 832,269

See accompanying notes to the basic financial statements.

City of Nicholls, Georgia
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Government-Wide Statement of Activities
For the Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds			$ 191,075
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures on the governmental fund type operating statement. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which the capitalized capital outlays exceeded depreciation expense in the current period.			
	Depreciation expense	$ (69,556)	
	Capital outlay	-	(69,556)
Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues at the fund financial reporting level.			
	Property taxes:		
	Deferred at 06/30/13	$ (10,200)	
	Deferred at 06/30/14	10,490	290
Change in Net Position of Governmental Activities			$ 121,809

See accompanying notes to the basic financial statements.

City of Nicholls, Georgia
Proprietary Funds
Statement of Net Position
June 30, 2014

	Business-Type Activities - Enterprise Funds	
	Water and Sewer	Total
Assets		
Current Assets:		
Cash and cash equivalents	$ 424,665	$ 424,665
Accounts receivable, net	78,945	78,945
Restricted assets:		
Bond contingency - cash	191,861	191,861
Customer deposits	20,295	20,295
Prepaid items	3,717	3,717
Total Current Assets	719,483	719,483
Capital Assets:		
Nondepreciable assets	143,374	143,374
Depreciable, net	8,683,449	8,683,449
Total Capital Assets	8,826,823	8,826,823
Total Assets	9,546,306	9,546,306
Liabilities		
Current Liabilities:		
Accounts payable	10,392	10,392
Accrued expenses	2,507	2,507
Interfund payable	121,107	121,107
Payable from restricted assets:		
Accrued interest	4,363	4,363
Note payable, current	52,591	52,591
Revenue bonds payable, current	71,421	71,421
Customer deposits	20,295	20,295
Total Current Liabilities	282,676	282,676
Long-term Liabilities:		
Note payable, net of current portion	314,162	314,162
Revenue bonds, net of current portion	2,838,096	2,838,096
Total Long-term Liabilities	3,152,258	3,152,258
Total Liabilities	3,434,934	3,434,934
Net Position		
Net investment in capital assets	5,407,179	5,407,179
Restricted for debt service	187,498	187,498
Unrestricted	516,695	516,695
Total Net Position	$ 6,111,372	$ 6,111,372

See accompanying notes to the basic financial statements.

City of Nicholls, Georgia
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2014

	Business-Type Activities - Enterprise Funds	
	Water and Sewer	Total
Operating Revenues		
Water billings	$ 331,022	$ 331,022
Sewer billings	512,368	512,368
Other	45,208	45,208
Total Operating Revenues	888,598	888,598
Operating Expenses		
Salaries and wages	162,001	162,001
Group insurance	46,936	46,936
Payroll taxes	10,600	10,600
Retirement contributions	10,679	10,679
Employee benefits	433	433
Insurance	20,616	20,616
Advertising	581	581
Professional services	10,632	10,632
Repairs and maintenance	47,786	47,786
Water testing and fees	22,275	22,275
Operating supplies	17,666	17,666
Utilities	73,245	73,245
Vehicle Operations	11,330	11,330
Bad debts	4,217	4,217
Depreciation	338,221	338,221
Total Operating Expenses	777,218	777,218
Operating Income (Loss)	111,380	111,380
Non-operating Revenues (Expenses):		
Interest expense	(149,416)	(149,416)
Interest income	2,765	2,765
Total Non-operating Revenues (Expenses)	(146,651)	(146,651)
Change in Net Position	(35,271)	(35,271)
Net Position, Beginning of Year	6,146,643	6,146,643
Net Position, End of Year	$ 6,111,372	$ 6,111,372

See accompanying notes to the basic financial statements.

City of Nicholls, Georgia
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2014

	Business-Type Activities - Enterprise Funds	
	Water and Sewer	Total
Cash Flows from Operating Activities		
Cash received from customers	$ 846,688	$ 846,688
Cash payments to suppliers for goods and services	(204,403)	(204,403)
Cash payments to employees for services	(230,649)	(230,649)
Payment of customer deposits, net	320	320
Net Cash Provided (Used) by Operating Activities	411,956	411,956
Cash Flows from Non-capital Financing Activities		
Increase in interfund loan payable	12,162	12,162
Net Cash Provided (Used) by Non-capital Financing Activities	12,162	12,162
Cash Flows from Capital and Related Financing Activities		
Principal paid on capital debt	(119,370)	(119,370)
Acquisition of capital assets	(143,374)	(143,374)
Interest paid on capital debt	(149,940)	(149,940)
Net Cash Used by Capital and Related Financing Activities	(412,684)	(412,684)
Cash Flows from Investing Activities		
Interest on cash and cash equivalents	2,765	2,765
Net Cash Provided by Investing Activities	2,765	2,765
Net Increase (Decrease) in Cash and Cash Equivalents	14,199	14,199
Cash and Cash Equivalents, Beginning of Year	622,622	622,622
Cash and Cash Equivalents, End of Year	$ 636,821	$ 636,821
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income (loss)	$ 111,380	$ 111,380
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	338,221	338,221
Changes in assets and liabilities:		
Receivables, net	(37,693)	(37,693)
Prepaid items	529	529
Accounts payable	(903)	(903)
Accrued expenses	742	742
Customer deposits payable	(320)	(320)
Net Cash Provided by (Used in) Operating Activities	$ 411,956	$ 411,956

See accompanying notes to the basic financial statements.

City of Nicholls, Georgia
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

Index

Summary of Significant Accounting Policies 1
- Reporting Entity 1-A
- Basis of Presentation 1-B
- Measurement Focus 1-C
- Basis of Accounting 1-D
- Assets, Liabilities, and Net Position or Equity 1-E
  - Cash, Cash Equivalents and Investments 1-E-1
  - Receivables 1-E-2
  - Interfund Balances 1-E-3
  - Consumable Inventories 1-E-4
  - Prepaid Items 1-E-5
  - Restricted Assets 1-E-6
  - Capital Assets 1-E-7
  - Compensated Absences 1-E-8
  - Accrued Liabilities and Long-term Liabilities 1-E-9
  - Fund Equity 1-E-10
  - Operating Revenues and Expenses 1-E-11
  - Interfund Activity 1-E-12
  - Use of Estimates 1-E-13
  - Comparative Data 1-E-14

Stewardship, Compliance, and Accountability 2
- Budgetary Information 2-A

Detailed Notes on All Funds 3
- Deposits 3-A
- Receivables 3-B
- Property Taxes 3-C
- Capital Assets 3-D
- Interfund Receivables, Payables and Transfers 3-E
- Short-term Debt 3-F
- Long-term Debt 3-G
- Net investment in capital assets 3-H

Other Notes 4
- Risk Management 4-A
- Commitments and Contingencies 4-B
- Joint Ventures 4-C
- Pension and Employee Benefit Plan 4-D
- Special Purpose Local Option Sales Tax (SPLOST) 4-E
- Other Post-Employment Benefits 4-F

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Nicholls, Georgia was incorporated under the laws of the State of Georgia, and operates under a mayor-council form of government. The Mayor and a five member council govern the City and are elected to four-year terms.

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 City does not follow subsequent private-sector guidance for its enterprise fund.

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

1-A. Reporting Entity

The financial reporting entity consists of the primary government and other organizations that are included to insure that the financial statements to be 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 if it appoints a voting majority of the organization's governing body 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 provided financial support to, the organization; or the City is obligated for the debt of the organization. Component units also include organizations that are fiscally dependent on the City in that the City approves the budget, levies their taxes or issues their debt.

Based upon the above criteria for component units, the City has no component units that should be discretely presented.

Related Organizations – The following is a related organization for which the City appoints one or more of the Board of Directors but it does not meet any of the reporting entity criteria:

- Southern Georgia Regional Commission

Joint Ventures – The City participates in the following joint venture:

Southern Georgia Regional Commission (SGRC) - The City, in conjunction with cities and counties in the eighteen county South Georgia area are members of the Southern Georgia Regional Commission (SGRC). Membership in a regional commission (RC) is automatic for each municipality and county in the state. The Official Code of Georgia Annotated Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the RCs. Each county and municipality in the state is required by law to pay minimum annual dues to the RC. The SGRC council membership includes the chief elected official of each county and the chief elected official of one municipality in each county. Additional council members are appointed from the region by the Governor, Lieutenant Governor and the Speaker of the House of Representatives. Separate financial statements are available at the following address: Southern Georgia Regional Commission. 327 West Savannah Avenue, Valdosta, GA 31503, or by calling 229-333-5277.

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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities,

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The City does not allocate indirect expenses to functions in the statement of activities.

Fund Financial Statements – During the year, he 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 and proprietary funds.

Major individual governmental funds are reported as 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 two categories of funds: governmental and proprietary.

Governmental Funds - Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance 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 City has the following major governmental funds:

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

2012 SPLOST Fund – The 2012 SPLOST Fund is used to account for the collection and disbursement of the 2012 1% Special Local Option Sales Tax (SPLOST) funds to be used for the acquisition of equipment or construction of major capital facilities or infrastructure and other projects.

Proprietary Funds - Proprietary Funds are accounted for using economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, changes in net position and cash flows. All assets and liabilities are included on the Statement of Net Position. The City has presented the following major proprietary fund:

Water and Sewer Fund – The Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1-C. Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and 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 fund financial statements are accounted for using the 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 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 of the statement of net position. The statements of changes in fund net position present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. 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. Fiduciary funds are reported on the accrual basis at the fund reporting level. 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 60 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, 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 3-C). Revenue from grants and donations is recognized in the 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 specific 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 60 days) before it can be recognized.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned Revenue – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

On both the government-fund financial statements and the government-wide financial statements, revenues are deferred for:

- Grants and entitlements received before the eligibility requirements are met (e.g., cash advances).

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

The City has defined cash and cash equivalents to include cash on hand, demand deposits, amounts with fiscal agents and investments with an original maturity of three months or less. Time deposits are classified as cash and cash equivalents without regard to maturity date.

The City, during the year, invested funds in demand deposits of local banks. Investments are stated at cost.

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

- Obligations of the State of Georgia or any other states
- Obligation of the Unites 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 shown net of an allowance for uncollectibles, where applicable.

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 activities column of the statement of net position.

1-E-4. Consumable Inventories

The costs of inventories are recorded as expenditures when purchased in all funds. The costs of inventories at year end, if any, are not considered material to the financial statements.

1-E-5. Prepaid Items

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1-E-6. Restricted Assets

Proceeds from certain revenues and other resources in the Water and Sewer Fund, Special Revenue Funds and Capital Project Funds are classified as restricted assets on the balance sheet because their use has been restricted by the City Council, applicable statutes or agreements.

1-E-7. Capital Assets

Capital assets purchased by the government fund types are recorded as expenditures at the time of purchase. Such assets are capitalized at cost if a unit cost is $5,000 or more in the general capital assets. The City's policy is to capitalize significant interest costs incurred during construction as a part of the cost of capital assets. Gifts or contributions are recorded at their estimated fair market value on the date donated.

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

Depreciation on all assets is provided using the straight-line method over the following estimated useful lives:

Assets	Years
Primary Government:	
Buildings	25-50
Water and sewer system	10-40
Improvements	25
Equipment, vehicles and furniture	7-10
Infrastructure	25-50

At the inception of capital leases at the governmental fund reporting level, expenditures and an "other financing source" of an equal amount are reported at the net present value of future minimum lease payments.

1-E-8. Compensated Absences

Full-time, permanent employees are granted vacation benefits to specified maximums depending on tenure with the City. Sick leave accrues to full-time, permanent employees to specified maximums. Generally, after one year of service, employees are entitled to a percentage of their sick leave balance and all accrued vacation leave upon termination.

The estimated current portion of the liability for vested vacation and sick leave benefits attributable to the City's governmental funds is recorded as an expenditure and liability in the respective funds. The amounts attributable to the proprietary fund are charged to expense and a corresponding liability.

1-E-9. 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 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. Notes are recognized as a liability in the governmental fund financial statements when due.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1-E-10. Fund Equity

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

Fund Balance – Fund balances may be classified as follows:

- ***Nonspendable*** – Fund balances are reported as Nonspendable when amounts cannot be spent because they are either (a) not in a 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 Council 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 a motion. The fund balance must result from a specific revenue stream committed for a specific purpose. Only the City Council may modify or rescind the commitment.
- ***Assigned*** – Fund balances are reported as assigned when amounts are restrained by the City Councils intent to be used for specific purposes, but are neither restricted nor committed. By motion, only the City Council can authorize an assignment of fund balances. Also, any of the fund balance reported at year-end that is included in the subsequent years' budget is reported as assigned.
- ***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.

Net Position Flow Assumptions – In order to report net position as restricted – net position and an unrestricted – net position of the government-wide and proprietary fund financial statements, the City has established a flow assumption policy. It is the City's policy to use restricted – net position first before using unrestricted – net position.

Fund Balance Flow Assumptions – It is the City's policy to consider restricted fund balance to have been used before any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, 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. The net invested 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 investment amount is also 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.

1-E-11. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the City, those revenues are charges for services for providing water and sewer services. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of each fund. Nonoperating revenues are investment earnings and operating grants. Nonoperating expenses include the loss on the disposition of capital assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1-E-12. 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 in the after non-operating revenues/expenses section in the proprietary fund. 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 funds reported in the governmental activities column are eliminated.

1-E-13. Use of Estimates

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

1-E-14. Comparative Data

Comparative total data for the prior year have been presented only for individual in the financial statements in order to provide an understanding of the changes in the financial position and operations of these funds.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A. Budgetary Information – The City adopts an annual operating budget for all governmental funds except the capital projects funds, which have an adopted annual budget. The budget resolution reflects the total of each department's appropriation in each fund.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles with the exception of the capital projects funds, which have project length budgets, rather than annual budgets.

The appropriated budget is prepared by fund, function, and department. The Mayor may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not exceed appropriations) is the department level. The council did make supplementary budget appropriations during the year.

The original 2014 budget was amended during the year. All unexpended annual appropriations lapse at year-end.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

3-A. Deposits

Deposits – The City's cash and investment policy limits deposits to demand and money market accounts and time deposits at local banks. The City's deposits shall be secured by Federal Depositary Insurance Corporation (FDIC) coverage and/or bank pledges. 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.

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

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

As of June 30, 2014, all of the City's deposits were covered either by FDIC coverage or collateralized by the financial institution or a combination of the two. At year-end the bank balances of the City's demand and time deposits were $1,347,350 and the carrying amount was $1,357,172.

Cash and cash equivalents reconciliation:

	Cash and Cash Equivalents
Fund Reporting Level:	
Governmental Funds - Balance Sheet	$ 710,529
Proprietary Fund Type Statement of Net Assets	636,821
Total	$ 1,347,350

3-B. Receivables

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

	Taxes	Accounts	Inter-governmental	Gross Receivables	Less: Allowance for Uncollectibles	Net Receivables
General	$ 10,490	$ 35,562	$ 41,228	$ 87,280	$ (8,518)	$ 78,762
Water and sewer	-	92,105	-	92,105	(13,160)	78,945
Total	10,490	127,667	41,228	179,385	$ (21,678)	$ 157,707
Less allowance for uncollectibles	-	(21,678)	-	(21,678)		
Net receivables	$ 10,490	$ 105,989	$ 41,228	$ 157,707		

3-C. Property Taxes

The major receivable of the County is property taxes receivable. Property is appraised and a lien on such property becomes enforceable 60 days after the final notification of delinquency of property taxes. Property tax millage rates are usually adopted in September and tax bill are rendered in October.

The City's property tax calendar for 2013 was as follows:
Property taxes attached as an enforceable lien on property as of January 1, 2013. The tax levy was approved on August 19, 2013. Taxes became due on December 20, 2013 and became delinquent on January 15, 2014.

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

3-D. Capital Assets

Governmental Activities:

	Balance 6/30/2013	Additions	Deductions	Balance 6/30/2014
Capital assets, not being depreciated				
Land	$ 67,862	-	-	$ 67,862
Construction in Progress	-	-	-	-
Total capital assets, not being depreciated	67,862	-	-	67,862
Depreciable capital assets				
Buildings and improvements	1,386,864	-	-	1,386,864
Machinery and equipment	436,226	-	-	436,226
Infrastructure	536,463	-	-	536,463
Total depreciable capital assets	2,359,553	-	-	2,359,553
Total capital assets	2,427,415	-	-	2,427,415
Less accumulated depreciation:				
Buildings and improvements	458,551	35,428	-	493,979
Machinery and equipment	214,170	20,716	-	234,886
Infrastructure	80,993	13,412	-	94,405
Total accumulated depreciation	753,714	69,556	-	823,270
Governmental activities capital assets, net	$ 1,673,701	$ (69,556)	$ -	$ 1,604,145

Depreciation expense was charged to governmental activities as follows:

Governmental activities depreciation expense:

General government	$ 3,999
Public safety	20,206
Public works	21,605
Culture and recreation	23,746
Total	$ 69,556

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

Business Type Activities:

	Balance 6/30/2013	Additions	Deductions	Balance 6/30/2014
Capital assets, not being depreciated				
Land	$ -	143,374	-	$ 143,374
Total capital assets, not being depreciated	-	143,374	-	143,374
Depreciable capital assets:				
Machinery and equipment	$ 13,532,777	$ -	$ -	$ 13,532,777
Total capital assets, being depreciated	13,532,777	-	-	13,532,777
Total capital assets	13,532,777	143,374	-	13,676,151
Less accumulated depreciation:				
Machinery and equipment	4,511,107	338,221	-	4,849,328
Total accumulated depreciation	4,511,107	338,221	-	4,849,328
Business-type activities capital assets, net	$ 9,021,670	$ (338,221)	$ -	$ 8,683,449

3-E. Interfund Receivables, Payables and Transfers

Interfund Balances – Interfund balances at June 30, 2014, consisted of the following amounts and represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenses occur, (2) transactions are recorded in the accounting period, and (3) payments between funds are made.

	Payable from:		
Payable to:	Water and sewer fund	2000 SPLOST fund	Total
General fund	$ 121,107	$ 720	$ 121,827

3-F. Short-term Debt

The City did not incur any short-term debt during the year.

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

3-G. Long-term Debt

Business-type Activities – The City has two Water and Sewer revenue bonds outstanding and a note payable outstanding at June 30, 2014 for its business-type activities.

Water and Sewer Revenue Bonds:

1981 Series:
On October 9, 1981, Water Revenue bonds were issued in the amount of $359,000 for the purpose of financing the cost of acquiring and constructing additions, extensions and improvements to its water system. The bonds are secured by a lien on and a pledge of the net revenues derived from its water and sewer system.

The bonds are being amortized with an annual installment of principal and interest, ranging in amounts from $20,200 to $24,150, at an interest rate of 5.0% per annum. Payments began December 1, 1981 and will end on December 1, 2020.

The revenue bond ordinance requires that certain funds or accounts be maintained. These accounts are the water revenue fund and water sinking fund. The revenue fund is to be used to deposit all revenues arising from the operations of the system. The water sinking fund is to be used for the annual accumulation of monies for the purpose of creating and maintaining a reserve equal to one annual principal and interest payment. At June 30, 2013 the water sinking fund account had a balance of $50,287.

There are several restrictions contained in the bond ordinance of the City's Water Bonds. The City is in general compliance with all significant limitations and restrictions.

2000 Series:
On August 28, 2000, Water and Sewer Revenue bonds were issued in the amount of $3,333,000. The purposes of the bonds are to provide for the acquisition, construction and installation of additions and improvements to the existing water and sewerage system of the City.

The bonds are to be amortized with a monthly installment of principal and interest in the amount of $15,132 at an interest rate of 4.5% per annum. Payments began August 28, 2001 and will end on August 28, 2040.

The bond ordinance provides for prescribing and revising rates and for collecting fees and charges for the services, facilities and commodities to be furnished by the system and all additions, extensions and improvements thereto, sufficient to provide funds (a) to pay the cost of maintaining, repairing, operating and insuring the System, (b) to pay the principal and interest on the City of Nicholls Water and Sewerage Revenue Bonds, Series 2000, including the reserves therefore, as the same become due and payable, (c) to pay the principal of and interest on this bond as the same become due and payable in the current sinking fund year, and to create and maintain a reserve to pay the same, (d) to maintain the Renewal and Extension Fund, and (e) to create a reserve for extensions and improvements to the System if one is desired and approved in accordance with the Ordinance.

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

Annual debt service requirements for the two Water and Sewer revenue bonds as of June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	71,421	130,363	201,784
2016	77,059	127,025	204,084
2017	79,818	123,416	203,234
2018	82,704	119,680	202,384
2019	86,723	115,812	202,534
2020-2024	434,971	388,092	823,064
2025-2029	493,172	414,748	907,920
2030-2034	617,350	290,570	907,920
2035-2039	772,797	135,123	907,920
2040	193,501	3,453	196,954
	$ 2,909,517	$ 1,848,281	$ 4,757,798

Note Payable – Georgia Environmental Facilities Authority

The City obtained a loan from the Georgia Environmental Facilities Authority on March 01, 2002 in the amount of $870,918. The note proceeds were used for water system improvements. The note carries a 4.1% interest rate and is due in quarterly installments of $16,707 with the final installment due on September 1, 2020 in the amount of $16,661. Annual debt service requirements for this note payable as of June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	52,591	14,236	66,827
2016	54,761	12,066	66,827
2017	57,077	9,750	66,827
2018	59,437	7,390	66,827
2019	61,911	4,916	66,827
2020-2022	80,976	2,511	83,487
	$ 366,753	$ 50,869	$ 417,622

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

3-G. Long-term Debt (Continued)

Changes in Long-term Debt - Changes in the City's long-term obligations consisted of the following for the year ended June 30, 2014:

	Outstanding 6/30/2013	Additions	Reductions	Outstanding 6/30/2014	Amounts Due Within One Year
Business-type Activities:					
Major Enterprise Fund					
Water and Sewer Fund:					
1981 Series	$ 138,000	$ -	$ (14,000)	$ 124,000	$ 14,000
2000 Series	2,840,399	-	(54,882)	2,785,517	57,421
Note Payable	417,241	-	(50,488)	366,753	52,591
Total Water and Sewer Fund	$ 3,395,640	$ -	$ (119,370)	$ 3,276,270	$ 124,012

3-H. Net Investment in Capital Assets

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

	Governmental Activities	Business-type Activities
Cost of capital assets	$ 2,427,415	$ 13,676,151
Less accumulated depreciation	823,270	4,849,328
Book value	1,604,145	8,826,823
Less capital related debt	-	3,276,270
Invested in capital assets, net of related debt	$ 1,604,145	$ 5,550,553

NOTE 4 - OTHER INFORMATION

4-A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance. The City maintains property, liability, automobile and fidelity coverage.

There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

For its workers compensation coverage, the City is a member of the Georgia Municipal Association of Workers' Compensation Self Insurance Fund. The fund operates under the authority of O.C.G.A. 34-9-150 et Seq. The City pays into the fund its share of the fund's projected obligation for workers' compensation liability, administrative expenses, and other costs incurred by the fund. The City's share is adjusted by the board of the fund according to the claims experience of each participating member in accordance with criteria set forth in the bylaws of the fund. The fund makes payments to the employees of the members for workers compensation benefits pursuant to and in accordance with the claims procedures set forth in title 34, chapter 9 of O.C.G.A. The City is jointly and severally liable for all legal obligations of the fund, including, but not limited to, any obligations of the fund to pay claims against the fund arising out of any occurrence, incident, or accident covered under title 34, chapter 9 of O.C.G.A.

NOTE 4 - OTHER INFORMATION (Continued)

4-B. Commitments and Contingencies

2006 SPLOST Agreement – A Special 1% Local Option Sales Tax was passed in Coffee County in 2005, known as the 2006 SPLOST. As part of the 2006 SPLOST, the City has $1,053,000 in projects which had begun as of year-end. The City of Nicholls, Coffee County and all other municipalities in Coffee County entered into an intergovernmental agreement that the County Detention Center is the sole priority one project associated with this SPLOST. In this regard, all SPLOST revenue received in the first fourteen months that the SPLOST is in effect shall be allocated to this project. After the first fourteen months, any SPLOST revenue received shall first be allocated to the county on a monthly basis in an amount sufficient to service this project cost. At year end, the priority one project was completed and City of Nicholls had received $30,755.

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

The City is a defendant in various legal proceedings and litigations arising in the normal course of operations. Although the outcome of these proceedings is not presently determinable, in the opinion of the city attorney, the resolution of these matters will not have a material adverse effect of the financial condition of the City.

4-C. Joint Ventures

O.C.G.A. 50-8-32 defines regional commissions "public agencies and instrumentalities of their members". Georgia law also provides that member governments are liable for any debts or obligations of an RC beyond its resources (O.C.G.A. 50-8-39).

4-D. Pension and Employee Benefit Plan

The City of Nicholls, Georgia provides pension benefits for all of its full-time employees through a noncontributory, defined benefit plan in the state-wide Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer public retirement system. Benefit provisions and all other requirements are established by state statute and local ordinance. Elected officials are not covered by the plan. The City has the right to establish and amend the benefit provisions of the plan. These amendments become effective once approved by the Board of Trustees of GMEBS. The Georgia Municipal Employees Benefit System issues a plan financial report and a copy of this report can be obtained from the Georgia Municipal Association, 21 Pryor Street, S.W., Atlanta, Georgia 30303.

All full time employees of the City participate in the plan after one year of full-time service. The plan defines a full-time employee as one working at least 35 hours per week. Employees are fully vested after 5 years of service. Retirement benefits are 1.5% of final average earnings. Final average earnings are an average of the 5 highest consecutive years' earnings. Normal retirement is age 65 with 5 years of credited service.

NOTE 4 - OTHER INFORMATION (Continued)

Early retirement with reduced benefits is permitted between the ages of 55 and 65 with 10 years of credited service.

Membership of the plan is as follows:

Retirees and beneficiaries currently receiving benefits	1
Terminated vested participants not yet receiving benefits	1
Active vested participants	7
Nonvested participants	4
Total participants	13

Contributions from the City of Nicholls, Georgia to the plan are determined under the projected unit credit actuarial cost method. The period and related method for amortizing the initial unfunded actuarial accrued liability is 30 years from 2004 and the current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a closed level dollar amount. The remaining amortization period varies for the bases. The method used to determine the actuarial value of assets utilizes a smoothing method to allow fluctuations in the market value of assets to be recognized over a number of years. The required contribution for the City of Nicholls, Georgia for the actuarial period ended January 1, 2014 was $26,904, which was 7.61% of covered payroll. Active plan members do not contribute to the plan. The City pays 100% of the required contribution.

Three Year Trend Information

Fiscal Year Ended	Annual Pension Cost APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/12	$37,748	100%	$0
06/30/13	$29,928	100%	$0
06/30/14	$26,904	100%	$0

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
1/1/2012	326,784	472,657	145,873	69.14%	420,351	34.70%
1/1/2013	373,109	453,770	80,661	82.22%	349,337	23.09%
1/1/2014	424,259	455,061	30,802	93.23%	347,401	8.87%

The significant actuarial assumptions used to compute the actuarial accrued liability and the annual recommended contribution are as follows:

Rate of Return on Investment	7.75% per year
Projected Salary Increases	4 to 11% based on years of service or age
Expected annual inflation	3.5% per year

NOTE 4 - OTHER INFORMATION (Continued)

4-E. Special Purpose Local Option Sales Tax (SPLOST)

On November 7, 2000, Coffee County voters approved a referendum imposing a special one percent retail sales and use tax for a limited period of time not to exceed five years or the collection of $17,675,640, whichever comes first, from the imposition date of April 1, 2001. The City of Nicholls was to be allocated 3.18% of the sales tax collected. This revenue is reported in the 2000 SPLOST special revenue fund. The purpose is to fund various capital projects of the City of Nicholls. A total of $806,160 has been collected. Of this amount, 99.9% has been expended.

In 2005, Coffee County voters approved a referendum imposing a special one percent retail sales and use tax for a limited period of time of six years to collect an estimated $40,600,000 from the imposition date of April 1, 2006 The purpose is to fund various capital projects of the County, the City of Nicholls, the City of Broxton and the City of Ambrose. As mentioned in Note 4-B, the City entered into an intergovernmental agreement with the County.

On March 15, 2011, Coffee County voters approved a referendum imposing a special one percent retail sales and use tax for a limited period of time of six years to collect an estimated $33,000,000 from the imposition date of April 1, 2012. The City of Nicholls was to be allocated 3.41% of the sales tax collected. This revenue is reported in the 2012 SPLOST special revenue fund. The purpose is to fund various capital projects of the City of Nicholls. A total of $402,278 has been collected as of June 30, 2014. Of this amount, 59.2% has been expended.

4-F Other Post-Employment Benefits

The City provides funding for continued healthcare benefits to retired employees. The Healthcare Plan, administered by Georgia Municipal Association, provides medical and prescription drug benefits to those who qualify. Continued healthcare benefits in the form of single coverage will be paid at 75% of the premium. All city employees may become eligible for post employment health care benefits if they retire with 20 or more years of service and are 55 years of age. This benefit is limited to a period until the employee reaches age 65, becomes eligible for a health insurance plan or becomes Medicare eligible, at which time the benefit terminates. Nonworking spouses of retirees who are eligible dependents of the retiring employee may be included in the health insurance plan. The City has the authority to amend or terminate this benefit. The Healthcare Plan was established by City Council and it may be amended by the same Council.

The Healthcare Plan is a single-employer defined benefit post-retirement healthcare. The City feels the Plan is immaterial and has not elected to advance fund the Plan, but rather maintains the Plan on a "pay as you go" basis. As of June 30, 2014, early retiree health insurance had no participants.

REQUIRED SUPPLEMENTARY INFORMATION

City of Nicholls, Georgia
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Over
	Original	Final	Actual	(Under)
Revenues				
Property taxes	$ 220,000	$ 260,700	$ 261,442	$ 742
Local option sales & use taxes	230,000	225,000	228,665	3,665
Beverage excise taxes	20,000	17,500	22,394	4,894
Insurance premium taxes	140,000	144,250	144,332	82
Penalties and interest on delinquent taxes	-	-	699	699
Other taxes	1,500	1,500	2,935	1,435
Licenses and permits	15,500	12,400	10,918	(1,482)
Fines and forfeitures	48,000	38,250	47,415	9,165
Charges for services	103,000	113,000	117,107	4,107
Investment earnings	1,100	2,250	2,583	333
Intergovernmental	-	29,800	29,887	87
Miscellaneous	8,500	14,100	16,060	1,960
Total Revenues	787,600	858,750	884,437	25,687
Expenditures				
Current				
General government:				
Legislative	13,500	15,000	14,578	(422)
Elections	3,000	1,150	1,137	(13)
General administration	105,000	100,000	98,938	(1,062)
Total general government	121,500	116,150	114,653	(1,497)
Judiciary:				
Municipal court	20,000	16,000	12,220	(3,780)
Total judiciary	20,000	16,000	12,220	(3,780)
Public safety:				
Police	318,000	348,000	347,189	(811)
Jail	4,000	5,000	4,901	(99)
Fire department	13,000	13,000	11,711	(1,289)
E-911	7,100	7,100	7,021	(79)
Total public safety	342,100	373,100	370,822	(2,278)
Public works:				
Solid waste	113,500	147,000	146,563	(437)
Streets	170,000	181,000	180,284	(716)
Total public works	283,500	328,000	326,847	(1,153)

City of Nicholls, Georgia
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Culture and recreation:				
Recreation	4,500	7,000	6,370	(630)
Library	8,500	8,500	8,294	(206)
Total culture and recreation	13,000	15,500	14,664	(836)
Housing and development:				
Founders Day	6,000	8,500	8,417	(83)
Other	1,500	1,500	239	(1,261)
Total housing and development	7,500	10,000	8,656	(1,344)
Total Expenditures	787,600	858,750	847,862	(10,888)
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ -	$ -	$ 36,575	$ 36,575
Fund Balances - Beginning		617,002	617,002	
Fund Balances - Ending		$ 617,002	$ 653,577	

City of Nicholls, Georgia
Schedule of Funding Progress and the Schedule of Employer Contributions
ACCG Plan
For the Year Ended June 30, 2014

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 (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
March 1, 2009	$ 181,296	$ 424,768	$ 243,472	42.68%	$ 355,831	68.42%
January 1, 2010	244,836	463,295	218,459	52.85%	278,354	78.48%
January 1, 2011	284,461	476,694	192,233	59.67%	384,234	50.03%
January 1, 2012	326,784	472,657	145,873	69.14%	420,351	34.70%
January 1, 2013	373,109	453,770	80,661	82.22%	349,337	23.09%
January 1, 2014	424,259	455,061	30,802	93.23%	347,401	8.87%

Schedule of Employer Contributions

Fiscal Year Ended	Annual Pension Cost (APC)	Annual City Contributions	Percentage Contributed	Net Pension Obligation
June 30, 2012	$ 37,748	$ 37,748	100%	$ -
June 30, 2013	29,928	29,928	100%	$ -
June 30, 2014	26,904	26,904	100%	$ -

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

Note 1 - *Budgetary Information*

Budgets for the general fund are adopted on a basis that is consistent with accounting principles generally accepted in the United States as applied to governments.

SUPPLEMENTARY INFORMATION

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

City of Nicholls, Georgia
General Fund
Comparative BalanceSheet
June 30, 2014 and 2013

	June 30, 2014	June 30, 2013
Assets		
Cash and cash equivalents	$ 537,410	$ 474,628
Receivables:		
Accounts	27,044	47,630
Property taxes	10,490	10,616
Intergovernmental	41,228	38,348
Interfund	121,827	109,665
Prepaid items	6,878	6,149
Total Assets	$ 744,877	$ 687,036
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities		
Accounts payable	$ 25,564	$ 18,609
Other payables	48,953	41,225
Total Liabilities	74,517	59,834
Deferred Inflows of Resources - Property Taxes	10,490	10,200
Total Liabilities and Deferred Inflows of Resources	85,007	70,034
Fund Balances		
Nonspendable - not in spendable form	6,878	6,149
Committed for building maintenance	7,673	-
Committed for public safety	8,750	8,235
Committed for public works	12,008	14,134
Unassigned	624,561	588,484
Total Fund Balances	659,870	617,002
Total Liabilities and Deferred Inflows of Resources and Fund Balances	$ 744,877	$ 687,036

City of Nicholls, Georgia
General Fund
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances
June 30, 2014 and 2013

	June 30, 2014	June 30, 2013
Revenues		
Taxes	$ 431,802	$ 396,470
Licenses and permits	10,918	11,506
Intergovernmental	258,552	263,928
Charges for services	117,107	117,506
Fines and forfeitures	47,415	46,663
Investment earnings	2,583	1,749
Miscellaneous	16,060	9,412
Total Revenues	884,437	847,234
Expenditures:		
Current:		
General government	114,653	114,228
Judiciary	12,220	15,969
Public safety	370,822	337,689
Public works	326,847	289,782
Culture and recreation	14,664	12,144
Housing and development	8,656	5,496
Total Expenditures	847,862	775,308
Excess (Deficiency) of Revenues Over Expenditures	36,575	71,926
Other Financing Sources (Uses):		
Transfers in	6,293	-
Total Other Financing Sources (Uses):	6,293	-
Net Change in Fund Balances	42,868	71,926
Fund Balances, Beginning of Year	617,002	545,076
Fund Balances, End of Year	$ 659,870	$ 617,002

City of Nicholls, Georgia
2012 SPLOST Fund
Comparative Balance Sheet
June 30, 2014 and 2013

	June 30, 2014	June 30, 2013
ASSETS		
Cash and cash equivalents	$ 164,689	$ 10,189
Total Assets	$ 164,689	$ 10,189
FUND BALANCE		
Restricted for capital projects	$ 164,689	$ 10,189
Total Fund Balance	$ 164,689	$ 10,189

City of Nicholls, Georgia
2012 SPLOST Fund
Project Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Project Period Ended June 30, 2014

	Project Length Budget	Current Year	Prior Years	Project Length Total	Variance With Project Budget
Revenues					
Intergovernmental	$ 1,125,220	$ 179,784	$ 222,278	$ 402,062	$ (723,158)
Interest Income	-	345	251	596	596
Total Revenues	1,125,220	180,129	222,529	402,658	(722,562)
Expenditures					
Capital Outlay					
Public Safety Facilities	250,000	2,211	185,675	187,886	62,114
Public Works Facilities	50,000	-	10,200	10,200	39,800
Recreation Facilities	300,000	-	-	-	300,000
Municipal Buildings	160,220	-	-	-	160,220
Road, Streets and Bridge Improvements	265,000	23,418	16,465	39,883	225,117
Water/Sewer Improvements	100,000	-	-	-	100,000
Total Expenditures	1,125,220	25,629	212,340	237,969	887,251
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ -	154,500	10,189	$ 164,689	$ 164,689
Fund Balances - Beginning		10,189	-		
Fund Balances - Ending		$ 164,689	$ 10,189		

City of Nicholls, Georgia
Combining Balance Sheet
Nonmajor Governmental Funds - By Fund Type
June 30, 2014

	Nonmajor Capital Projects Funds	Nonmajor Special Revenue Funds	Total
Assets			
Cash and cash equivalents	$ 8,430	$ -	$ 8,430
Total Assets	$ 8,430	$ -	$ 8,430
Liabilities and Fund Balances			
Liabilities			
Interfund Payable	$ 720	$ -	$ 720
Total Liabilities	720	-	720
Fund Balances:			
Restricted for:			
Capital projects	7,710	-	7,710
Unrestricted for:			
Assigned:			
Housing and Development	-	-	-
Total Fund Balances	7,710	-	7,710
Total Liabilities and Fund Balances	$ 8,430	$ -	$ 8,430

City of Nicholls, Georgia
Combining Statement of Revenues, Expenditures and Changes In Fund Balances
Nonmajor Governmental Funds - By Fund Type
For the Year Ended June 30, 2014

	Nonmajor Capital Projects Funds	Nonmajor Special Revenue Funds	Total
Revenues			
Intergovernmental	$ -	$ -	$ -
Investment Earnings	-	-	-
Rent	-	-	-
Total Revenues	-	-	-
Expenditures			
Current:			
General Government	-	-	-
Capital outlay	-	-	-
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-
Other Financing Sources (Uses):			
Transfers out	-	(6,293)	(6,293)
Fund Balances - Beginning	7,710	6,293	14,003
Fund Balances - Ending	$ 7,710	$ -	$ 7,710

City of Nicholls, Georgia
Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2014

	2000 SPLOST Fund	2006 SPLOST Fund	Total
Assets			
Cash and cash equivalents	$ 1,060	$ 7,370	$ 8,430
Total Assets	$ 1,060	$ 7,370	$ 8,430
Liabilities and Fund Balances			
Liabilities:			
Interfund Payable	$ 720	$ -	$ 720
Total Liabilities	720	-	720
Fund Balances			
Restricted for Capital projects	340	7,370	7,710
Total Fund Balances	340	7,370	7,710
Total Liabilities and Fund Balances	$ 1,060	$ 7,370	$ 8,430

City of Nicholls, Georgia
Combining Statement of Revenues, Expenditures and Changes In Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended June 30, 2014

	2000 SPLOST Fund	2006 SPLOST Fund	Total
Revenues			
Intergovernmental	$ -	$ -	$ -
Interest Income	-	-	-
Total Revenues	-	-	-
Expenditures			
Capital outlay	-	-	-
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-
Fund Balances - Beginning	340	7,370	7,710
Fund Balances - Ending	$ 340	$ 7,370	$ 7,710

City of Nicholls, Georgia
2000 SPLOST Fund
Comparative Balance Sheet
June 30, 2014 and 2013

	June 30, 2014	June 30, 2013
ASSETS		
Cash and cash equivalents	$ 1,060	$ 1,060
Total Assets	$ 1,060	$ 1,060
LIABILITIES		
Payable:		
Interfund	$ 720	$ 720
Total Liabilities	720	720
FUND BALANCE		
Restricted for capital projects	340	340
Total Fund Balance	340	340
Total Liabilities & Fund Balance	$ 1,060	$ 1,060

City of Nicholls, Georgia
2000 SPLOST Fund
Project Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Project Period Ended June 30, 2014

	Project Length Budget	Current Year	Prior Years	Project Length Total	Variance With Project Budget
Revenues					
Intergovernmental	$ 806,160	$ -	$ 805,380	$ 805,380	$ (780)
Total Revenues	806,160	-	805,380	805,380	(780)
Expenditures					
Capital Outlay					
Public Safety Facilities	104,879	-	103,759	103,759	1,120
Public Safety Equipment	107,893	-	107,893	107,893	-
Road Improvements	301,530	-	301,530	301,530	-
Recreation Facilities	85,905	-	85,905	85,905	-
Administrative Buildings	48,202	-	48,202	48,202	-
Community Center	-	-	-	-	-
Library	67,975	-	67,975	67,975	-
Water/Sewer Utilities	19,908	-	19,908	19,908	-
Total Expenditures	736,292	-	735,172	735,172	1,120
Excess (Deficiency) of Revenues Over (Under) Expenditures	69,868	-	70,208	70,208	340
Other Financing Sources (Uses):					
Transfers out	(69,868)	-	(69,868)	(69,868)	-
Total Other Financing Sources (Uses)	(69,868)	-	(69,868)	(69,868)	-
Net Changes in Fund Balances	$ -	-	340	$ 340	$ 340
Fund Balances - Beginning		340	-		
Fund Balances - Ending		$ 340	$ 340		

City of Nicholls, Georgia
2006 SPLOST Fund
Comparative Balance Sheet
June 30, 2014 and 2013

	June 30, 2014	June 30, 2013
ASSETS		
Cash and cash equivalents	$ 7,370	$ 7,370
Total Assets	$ 7,370	$ 7,370
LIABILITIES		
Payable:		
Interfund	$ -	$ -
Total Liabilities	-	-
FUND BALANCE		
Restricted for capital projects	7,370	7,370
Total Fund Balance	7,370	7,370
Total Liabilities & Fund Balance	$ 7,370	$ 7,370

City of Nicholls, Georgia
2006 SPLOST Fund
Project Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Project Period Ended June 30, 2014

	Project Length Budget	Current Year	Prior Years	Project Length Total	Variance With Project Budget
Revenues					
Intergovernmental	$ 1,053,000	$ -	$ 52,083	$ 52,083	$ (1,000,917)
Total Revenues	1,053,000	-	52,083	52,083	(1,000,917)
Expenditures					
Capital Outlay					
Public Safety Facilities	353,000	-	36,213	36,213	316,787
Road Improvements	250,000	-	8,500	8,500	241,500
Recreation Facilities	350,000	-	-	-	350,000
Water/Sewer Utilities	100,000	-	-	-	100,000
Total Expenditures	1,053,000	-	44,713	44,713	1,008,287
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	7,370	7,370	7,370
Net Changes in Fund Balances	$ -	-	7,370	$ 7,370	$ 7,370
Fund Balances - Beginning		7,370	-		
Fund Balances - Ending		$ 7,370	$ 7,370		

City of Nicholls, Georgia
Community Building Fund
Comparative Balance Sheet
June 30, 2014 and 2013

	June 30, 2014	June 30, 2013
ASSETS		
Cash and cash equivalents	$ -	$ 6,293
Total Assets	$ -	$ 6,293
FUND BALANCE		
Unrestricted:		
Assigned for Housing and Development	-	6,293
Total Fund Balance	$ -	$ 6,293

City of Nicholls, Georgia
Community Building Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Rent	$ -	$ -	$ -	$ -
Investment earnings	-	-	-	-
Total Revenues	-	-	-	-
Expenditures				
Current:				
General government	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
Other Financing Sources (Uses):				
Transfers out	-	(6,293)	(6,293)	-
Net Change in Fund Balances	$ -	$ (6,293)	$ (6,293)	$ -
Fund Balance - Beginning of Year		6,293	6,293	
Fund Balance - End of Year		$ -	$ -	

COMPLIANCE SECTION

Robert W. Goodman

Certified Public Accountant

Member
American Institute of CPAs
Georgia Society of CPAs

403 West 16th Street
P. O. Box 130
Alma, Georgia 31510

Phone: 912-632-5977
Fax: 912-632-2466

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*

City Council
City of Nicholls, Georgia

I have audited, in accordance with the auditing standards general accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Nicholls, Georgia as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Nicholls, Georgia's basic financial statements and have issued my report thereon dated December 30, 2014.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weakness may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that I consider to be significant deficiencies. (2008-1, 2008-2, 2008-3).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Nicholls, Georgia's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

City of Nicholls, Georgia's Response to Findings

City of Nicholls, Georgia's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. City of Nicholls, Georgia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

Robert W Goodman CPA

Alma, Georgia
December 30, 2014

City of Nicholls, Georgia
Schedule of Findings and Responses
For the Year Ended June 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	*Unmodified*			
Internal control over financial reporting:				
Material weakness(es) identified?		yes	x	no
Significant deficiency(es) identified not considered to be material weakness(es)	x	yes		no
Noncompliance material to financial statements noted?		yes	x	no

City of Nicholls, Georgia
Schedule of Findings and Responses
For the Year Ended June 30, 2014

Section II - Findings Related to the Audit of the Financial Statements

Significant Deficiency

2008-1

Condition: At present, management is not preparing the financial statements, They are being assisted by auditors. The intent of SAS 112 is not to prevent auditors from preparing the client's financial statements. Instead the issue to be considered when determining if a significant deficiency or material weakness exists is whether the client is capable of preparing the financial statements and has the skills and competencies necessary to prevent, detect and correct a material misstatement.

Criteria: Management is responsible for the financial statements, including the preparation of such statements. A system of internal controls over financial reporting does not stop at the general ledger. It includes controls over financial statement preparation, including footnote disclosure.

Effect: A control deficiency exists when the City does not have controls over the preparation of the financial statements that could prevent or detect a misstatement in the financial statements.

Cause: The size of the City's accounting staff prevents them from having the time to prepare the financial statements. As a matter of convenience and efficiency, the auditor is preparing the statements.

Recommendation: I recommend the City provide additional training to provide the skills to set up proper controls to review, prevent and detect material misstatements.

Views of officials: Management concurs with the above finding, and is continuing to strive for proper education and training of accounting staff.

Significant Deficiency

2008-2

Condition: In the General, SPLOST and Water and Sewer Funds there were adjusting entries required to correct assets, liabilities, revenues and expenditures balances at year end.

Criteria: Management is responsible for the inclusion of all items that could have a material effect on the financial statements of the City.

Effect: A control deficiency exists when the City does not have controls over the preparation of the financial statements that could prevent or detect a misstatement in the financial statements.

Cause: Controls were not in place to capture all necessary year end adjustments.

Recommendation: I recommend the City provide additional training to provide the skills to set up proper controls to review, prevent and detect material misstatements.

Views of officials: Management concurs with the above finding, and is in the process of completing a corrective action plan.

Section II - Findings Related to the Audit of the Financial Statements(continued)

Significant Deficiency

2008-3

Condition:	There is not an appropriate segregation of duties between recording, distribution, reconciliation of cash accounts and other operational functions within various City departments.
Criteria:	Internal controls should be in place, which provide reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business.
Effect:	The failure to segregate out the accounting duties among multiple persons presents the opportunity for misappropriation of assets, mainly cash.
Recommendation:	The duties of recording, distribution, reconciliation of cash accounts and other operational functions should be segregated between employees.
Views of officials:	Management concurs with the above finding, and is working toward developing better internal controls over the accounting functions with the limited number personnel available.

City of Nicholls, Georgia
Schedule of Projects Undertaken
With Special Sales Tax Proceeds
For the Year Ended June 30, 2014

Project	Original Estimated Cost	Current Estimated Cost	Expenditures		
			Prior Years	Current Year	Total To Date
2000 SPLOST:					
Public Safety Facilities	$ 125,000	$ 104,879	$ 103,759	$ -	$ 103,759
Public Safety Equipment	125,000	107,893	107,893	-	107,893
Road Improvements	323,290	301,530	301,530	-	301,530
Recreation Facilities	50,000	85,905	85,905	-	85,905
Cultural Facilities	50,000	-	-	-	-
Administrative Buildings	76,400	48,202	48,202	-	48,202
Community Center	100,000	-	-	-	-
Library	105,210	67,975	67,975	-	67,975
Water/Sewer Utility Improvements	127,100	89,776	89,776	-	89,776
Total	$ 1,082,000	$ 806,160	$ 805,040	$ -	$ 805,040
2006 SPLOST:					
Public Safety Facilities	$ 353,000	$ 36,213	$ 36,213	$ -	$ 36,213
Roads, Streets and Bridges	250,000	8,500	8,500	-	8,500
Recreation	350,000	-	-	-	-
Water Tank Improvements	100,000	7,370	-	-	-
Total	$ 1,053,000	$ 52,083	$ 44,713	$ -	$ 44,713
2012 SPLOST:					
Public Safety Facilities	$ 250,000	$ 250,000	$ 185,675	$ 2,211	$ 187,886
Public Works Facilities	50,000	50,000	10,200	-	10,200
Recreation Facilities	300,000	300,000	-	-	-
Municipal Buildings	160,220	160,220	-	-	-
Roads, Streets and Bridges	265,000	265,000	16,465	23,418	39,883
Water/Sewer Improvements	100,000	100,000	-	-	-
Total	$ 1,125,220	$ 1,125,220	$ 212,340	$ 25,629	$ 237,969