City of Pelham, Georgia

Basic Financial Statements and
Supplementary Information

For the Fiscal Year Ended June 30, 2014

CITY OF PELHAM, GEORGIA
For The Fiscal Year Ended June 30, 2014
Table of Contents

FINANCIAL SECTION	Page
Independent Auditor's Report	
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet - Governmental Funds	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	4
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Statement of Net Position - Proprietary Funds	7
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	8
Statement of Cash Flows - Proprietary Funds	9-10
Statement of Fiduciary Assets and Liabilities	11
Notes to the Financial Statements	12-37
Required Supplementary Information	
Major Funds:	
General Fund - Budgetary Comparison Schedule	38-39
Note A - Explanation of Differences between Revenues, Expenditures and Other Financing Sources (Uses) for Budgetary Funds on a Budgetary Basis and GAAP General Fund on a GAAP Basis	40
Supplementary Information	
Combining Fund Statements and Schedules:	
Governmental Funds:	
Non-major Special Revenue Funds - Combining Balance Sheet	41
Non-major Special Revenue Funds - Combining Statement of Revenues, Expenditures and Changes in Fund Balances	42
Hotel/Motel - Budgetary Comparison Schedule - Non-major Special Revenue Fund	43
STATE REPORTING REQUIREMENTS	
Schedule of Special Purpose Local Option Sales Tax	44
Schedule of Special Purpose Local Option Sales Tax	45
GOVERNMENT AUDITING STANDARDS REQUIREMENTS	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	46
Schedule of Findings and Responses	47-51

Perry L. Henry, LLC

Certified Public Accountant and Consultant

Perry L. Henry, CPA, CGFM, CFS

Members

American Institue of Certified Pubilic Accountants

Georgia Society of Certified Public Accountants

726 East Shotwell Street, P.O. Box 1422 Bainbridge, GA 39818 * Phone 229-246-0550 * Fax 229-246-7908

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council
City of Pelham, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Pelham, Georgia as of and for the fiscal 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 United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud of error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pelham, Georgia as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule – General Fund on page 38-39 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pelham, Georgia, Georgia's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of special purpose local option sales tax proceeds is presented for purposes of additional analysis as required by the Official Code of Georgia 48-8-21, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules, the schedule of expenditures of special purpose local option sales tax proceeds, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules and the

schedule of expenditures of special purpose local option sales tax proceeds, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2015 on our consideration of the City of Pelham, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part on an audit performed in accordance with *Government Auditing Standards* in considering the City of Pelham, Georgia's internal control over financial reporting and compliance.

Perry L. Henry, LLC

Perry L. Henry, LLC
Bainbridge, Georgia
August 20, 2015

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

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and Equivalents	$ 35,135	$ 88,247	$ 123,382	$ -
Receivables	249,264	214,425	463,689	
Due from Other Governmental Agencies	40,673	87,000	127,673	357,559
Prepaid Expenses	7,418	3,814	11,232	-
Bond Issuance Cost	-	7,259	7,259	-
Capital Assets				
Land	456,141	717,615	1,173,756	-
Improvements other than buildings	3,406,525	10,991,553	14,398,078	-
Buildings	2,628,949	1,498,779	4,127,728	458,688
Machinery and equipment	1,292,341	194,826	1,487,167	-
Construction in progress	34,345	11,608	45,953	-
Less: Accumulated Depreciation	(3,128,136)	(5,383,382)	(8,511,518)	(91,737)
Total Capital Assets	4,690,165	8,030,999	12,721,164	366,951
Total Assets	5,022,655	8,431,744	13,454,399	724,510
LIABILITIES				
Accounts payable and accrued expenses	655,039	287,899	942,938	-
Due to other governmental agencies	357,559	-	357,559	127,673
Deferred Revenues	165,568	-	165,568	-
Short-term notes payable	696,732	-	696,732	-
Long-term liabilities				
Due within one year				
Bonds, capital leases and contracts	132,963	74,337	207,300	63,943
Accrued interest	-	22,078	22,078	-
Due in more than one year				
Bonds, capital leases and contracts	1,244,546	1,503,466	2,748,012	101,625
Compensated absences	63,548	16,373	79,921	-
Net Pension Obligation	424,164	-	424,164	-
Total liabilities	3,740,119	1,904,153	5,644,272	293,241
NET POSITION				
Invested in capital assets, net of related debt	3,312,656	6,453,194	9,765,850	201,383
Restricted for:				
Community Development Projects	5,612	-	5,612	-
Unrestricted	(2,035,732)	74,397	(1,961,335)	229,886
Total net position	$ 1,282,536	$ 6,527,591	$ 7,810,127	$ 431,269

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

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

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Unit
Primary Government							
Governmental Activities							
General Government	$ 408,315	$ 816	$ -	$ (407,499)	$ -	$ (407,499)	
Judicial	49,721	169,786	-	120,065	-	120,065	
Public Safety	1,228,707	-	-	(1,228,707)	-	(1,228,707)	
Public Works	632,759	447,440	350,895	165,576	-	165,576	
Health, Welfare and Sanitation	53,715	57,528	-	3,813	-	3,813	
Culture and Recreation	67,008	-	-	(67,008)	-	(67,008)	
Housing and development	162,826	6,178	-	(156,648)	-	(156,648)	
Interest on Long-term debt	73,173	-	-	(73,173)	-	(73,173)	
Total governmental activities	2,676,224	681,748	350,895	(1,643,581)	-	(1,643,581)	
Business-type activities:							
Water	343,705	525,822	-	-	182,117	182,117	
Sewer	456,447	380,699	-	-	(75,748)	(75,748)	
Gas	309,531	344,271	-	-	34,740	34,740	
Jail	1,222,956	945,439	-	-	(277,517)	(277,517)	
Total business-type activities	2,332,639	2,196,231	-	-	(136,408)	(136,408)	
Total primary government	$ 5,008,863	$ 2,877,979	$ 350,895	(1,643,581)	(136,408)	(1,779,989)	
Component Units							
Development Authority	11,467	83,151	-				$ 71,684
Total component units	$ 11,467	$ 83,151	$ -				71,684
General revenues:							
Taxes:							
Property taxes, levied for general purposes				$ 837,706	$ -	$ 837,706	-
Franchise taxes				201,546	-	201,546	-
Insurance premium tax				201,074	-	201,074	-
Alcoholic beverage tax				113,459	-	113,459	-
Other taxes				45,299	-	45,299	-
Unrestricted investment earnings				40	77	117	-
Miscellaneous				82,823	1	82,824	-
Special item - gain on sale of asset				10,163	-	10,163	-
Transfers				24,912	(24,912)	-	-
Total general revenues, special items, and transfers				1,517,022	(24,834)	1,492,188	-
Change in net position				(126,559)	(161,242)	(287,801)	71,684
Net position - beginning- as originally stated				4,213,263	4,053,228	8,266,491	359,585
Prior period adjustment				(2,804,168)	2,635,605	(168,563)	-
Net position - beginnig - restated				1,409,095	6,688,833	8,097,928	359,585
Net position - ending				$ 1,282,536	$ 6,527,591	$ 7,810,127	$ 431,269

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

City of Pelham, Georgia
Balance Sheet
Governmental Funds

June 30, 2014	General Fund	SPLOST Capital Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 35,135	$ -	$ -	$ 35,135
Taxes receivable, net	35,726	-	-	35,726
Due from other funds	2,700	-	-	2,700
Receivable from other governments	35,061	-	5,612	40,673
Other receivables	47,970	-	165,568	213,538
Total assets	$ 156,592	$ -	$ 171,180	$ 327,772
LIABILITIES				
Accounts payable	$ 619,250	$ -	$ -	$ 619,250
Due to other funds	-	2,700	-	2,700
Payable to other governments	357,559	-	-	357,559
Deferred revenue	-	-	165,568	165,568
Accrued salaries & wages	23,998	-	-	23,998
Other payables	11,791	-	-	11,791
Short-term notes payable	696,732	-	-	696,732
Total liabilities	1,709,330	2,700	165,568	1,877,598
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	14,856	-	-	14,856
Total deferred inflows of resources	14,856	-	-	14,856
Fund balances:				
Restricted for:				
Community Development Projects	-	-	5,612	5,612
Unassigned	(1,567,594)	(2,700)	-	(1,570,294)
Total fund balances	(1,567,594)	(2,700)	5,612	(1,564,682)
Total liabilities and fund balances	$ 156,592	$ -	$ 171,180	$ 327,772

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

City of Pelham, Georgia
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2014

Total fund balance, governmental funds	$	(1,564,682)
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 this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		4,690,164
Payments for insurance in advance are reported as an expenditure of current financial resources in the period purchased in governmenal activities and therefore are not reported in the funds.		7,418
Some of the City's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds.		14,856
Some liabilities (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable) are not due and payable in the current period and are not included in the fund financial statements, but are included in the government-wide statements.		(1,865,220)
Net Position of Governmental Activities in the Statement of Net Position	$	1,282,536

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

City of Pelham, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

For the Fiscal Year Ended June 30, 2014	General Fund	SPLOST Capital Project Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property Taxes	$ 1,073,413	$ -	$ -	$ 1,073,413
Sales and Miscellaneous Taxes	331,503	-	6,178	337,681
Fees and Fines	169,786	-	-	169,786
Licenses and Permits	57,385	-	-	57,385
Intergovernmental	-	350,895	-	350,895
Charges for Services	447,530	-	-	447,530
Investment Earnings	40	-	-	40
Contributions and Donations	10,101	-	-	10,101
Miscellaneous	73,592	-	-	73,592
Total revenues	2,163,350	350,895	6,178	2,520,423
EXPENDITURES				
Current:				
General Government	382,847	-	-	382,847
Judicial	47,149	-	-	47,149
Public Safety	1,152,065	-	-	1,152,065
Public Works	551,862	-	-	551,862
Health and Welfare	1,565	-	-	1,565
Culture and Recreation	48,300	-	-	48,300
Housing and Development	152,758	-	6,178	158,936
Capital Outlay:				
General Government	234	-	-	234
Public Safety	9,000	-	-	9,000
Public Works	91,619	35,873	-	127,492
Debt Service:				
Principal	-	27,259	-	27,259
Interest and other charges	32,985	12,929	-	45,914
Total Expenditures	2,470,384	76,061	6,178	2,552,623
Excess (deficiency) of revenues over expenditures	(307,034)	274,834	-	(32,200)
OTHER FINANCING SOURCES (USES)				
Transfers in	543,026	-	-	543,026
Transfers out	(275,722)	(242,393)	-	(518,115)
Total other financing sources and uses	267,304	(242,393)	-	24,911
SPECIAL ITEM				
Proceeds from sale of assets	10,388	-	-	10,388
Net change in fund balances	(29,342)	32,441	-	3,099
Fund balances - beginning-as originally repo	942,010	(2,700)	5,612	944,922
Prior Period Adjustment	(2,480,262)	(32,441)	-	(2,447,821)
Fund balances - beginning-as originally repo	(1,538,252)	(35,141)	-	(1,573,393)
Fund balances - ending	$ (1,567,594)	$ (2,700)	$ 5,612	$ (1,564,682)

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

City of Pelham, Georgia

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended June 30, 2014

Net change in fund balances - total governmental funds:	$	3,099
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the asset's useful life. This results in the following adjustment:		
Capital outlay reported as expenditures		171,571
Depreciation expense during the current fiscal period		(181,902)
Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change		(225)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.		(14,856)
Some capital additions were financed through debt agreements. In governmental funds, a long-term debt agreement is considered a source of financing, but in the Statement of Net Position, the debt is reported as a liability.		27,259
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, these are not reported as expenditures in governmental funds:		
Pension assets		(132,699)
Changes in deferred compensation		(6,782)
Governmental funds recognize expenditures for insurance using the purchases method. However, the Statement of Activities uses the consumption method and thus only the amount of insurance benefits consumed are recognized.		7,976
Change in net position of governmental activities	$	(126,559)

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

City of Pelham, Georgia
Statement of Net Position
Proprietary Funds
Business-type Activities-Enterprise Funds

June 30, 2014	Enterprise Funds: Water, Sewer, & Gas	Jail	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 46,574	$ -	$ 46,574
Accounts Receivable, net	131,758	82,667	214,425
Receivables from Other Governments	87,000	-	87,000
Bond Issuance Cost, net of Amortization	7,259	-	7,259
Prepaid Expenses	1,232	2,582	3,814
Restricted Cash:			
Revenue Bond Covenant Accounts	41,674	-	41,674
Total Current Assets	315,497	85,249	400,746
Non-current Assets:			
Capital Assets:			
Land and Improvements	673,651	43,964	717,615
Utility System	10,991,553	-	10,991,553
Construction in Progress	11,608	-	11,608
Buildings	62,343	1,436,435	1,498,778
Equipment and Furniture	194,826	-	194,826
Less Accumulated Depreciation	(5,203,828)	(179,555)	(5,383,383)
Total Non-current Assets	6,730,153	1,300,844	8,030,997
Total Assets	7,045,650	1,386,093	8,431,743
LIABILITIES			
Current Liabilities:			
Accounts Payable	178,008	-	178,008
Salaries payable	4,367	9,893	14,260
Accrued Interest Payable	22,078	-	22,078
Customer Deposits	86,955	-	86,955
Other Accrued Expenses	8,675	-	8,675
Bonds, Notes and Loans Payable	74,337	-	74,337
Total Current Liabilities	374,420	9,893	384,313
Non-current Liabilities:			
Compensated Absences	11,153	5,221	16,374
Bonds, Notes and Loans Payable	1,503,466	-	1,503,466
Total Non-current Liabilities	1,514,619	5,221	1,519,840
Total Liabilities	1,889,039	15,114	1,904,153
NET POSITION			
Invested in Capital Assets, net of Related Debt	5,152,350	1,300,844	6,453,194
Unrestricted	4,261	70,135	74,396
Total Net Position	$ 5,156,611	$ 1,370,979	$ 6,527,590

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

City of Pelham, Georgia
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Business-type Activities-Enterprise Funds

	Enterprise Funds		
For the Year Ended June 30, 2014	**Water, Sewer, & Gas**	**Jail**	**Total**
OPERATING REVENUES			
Charges for services	$ 1,250,793	$ 945,437	$ 2,196,230
Miscellaneous	1	-	1
Total operating revenues	1,250,794	945,437	2,196,231
OPERATING EXPENSES			
Personal services	288,181	735,938	1,024,119
Contractual services	117,293	28,654	145,947
Repairs and maintenance	31,410	22,406	53,816
Other supplies and expenses	400,913	388,173	789,086
Depreciation	213,754	35,911	249,665
Total Operating Expenses	1,051,551	1,211,082	2,262,633
Operating income (loss)	199,243	(265,645)	(66,402)
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	77	-	77
Interest expense	(58,133)	(11,874)	(70,007)
Total non-operating revenue (expenses)	(58,056)	(11,874)	(69,930)
Income (loss) before contributions and transfers	141,187	(277,519)	(136,332)
Transfers in	242,393	275,721	518,114
Transfers out	(484,096)	(58,930)	(543,026)
Change in net position	(100,516)	(60,728)	(161,244)
Total net position - beginning	3,620,255	432,974	4,053,229
Prior period adjustment	1,636,872	998,733	2,635,605
Total net position - beginning - restated	5,257,127	1,431,707	6,688,834
Total net position - ending	$ 5,156,611	$ 1,370,979	$ 6,527,590

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

City of Pelham, Georgia
Statement of Cash Flows
Proprietary Funds
Business-type Activities-Enterprise Funds

For the Fiscal Year Ended June 30, 2014	Water, Sewer & Gas	Jail	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	$ 1,277,590	$ 1,002,274	$ 2,279,864
Payments to suppliers	(837,648)	(481,770)	(1,319,418)
Payments to employees	(288,181)	(727,005)	(1,015,186)
NET CASH PROVIDED BY OPERATING ACTIVITIES	151,761	(206,501)	(54,740)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers to/from other funds	(160,510)	216,791	56,281
NET CASH USED FOR NON-CAPITAL FINANCING ACTIVITIES	(160,510)	216,791	56,281
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfer in from SPLOST	(81,193)	-	(81,193)
Acquisition and construction of capital assets	(71,807)	(43,964)	(71,807)
Principal payments on note payable	(47,553)	-	(47,553)
Principal payments on revenue bonds	(30,177)	-	(30,177)
Interest paid	(58,133)	(11,872)	(70,005)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(288,863)	(55,836)	(344,699)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Income	77	-	77
NET CASH PROVIDED FROM INVESTING ACTIVITIES	77	-	77
NET INCREASE IN CASH AND CASH EQUIVALENTS	(297,535)	(45,546)	(343,081)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	385,783	45,546	385,783
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 88,248	$ -	$ 88,248

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

City of Pelham, Georgia
Statement of Cash Flows
Proprietary Funds
Business-type Activities-Enterprise Funds

For the Fiscal Year Ended June 30, 2014	Water, Sewer & Gas	Jail	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	$ 199,243	$ (265,645)	$ (66,402)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	213,754	35,911	249,665
(Increase) decrease in current assets			
Accounts receivable	26,796	56,837	83,633
Prepaid expenses	286	49	335
(Decrease) increase in current liabilities			
Accounts payable	(298,768)	(42,586)	(341,354)
Accrued liabilities	7,340	8,933	16,273
Deposits	3,110	-	3,110
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 151,761	$ (206,501)	$ (54,740)

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

City of Pelham, Georgia
Statement of Fiduciary Assets and Liabilities
June 30, 2014

	Agency Fund
ASSETS	
Cash	$ 37,005
TOTAL ASSETS	$ 37,005
LIABILITIES	
Due to others	$ 37,005
TOTAL LIABILITIES	$ 37,005

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

Notes to Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Pelham was incorporated September 14, 1881, under the laws of the State of Georgia. The City is a municipal corporation governed by an elected mayor and eight-member council, with its fiscal operations monitored by the City Manager. The City provides a range of municipal services as authorized by its Charter including police and fire protection, public works (streets and waste collection), public improvements, water, sewer and gas services, telecommunication services and general administrative services. The accompanying financial statements present the City's primary government and component units for which the City is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Discretely presented component unit. The component unit column in the government-wide financial statements includes the financial data of the Pelham City Economic Authority. The Pelham City Economic Authority was established by the Mayor and City Council of Pelham on March 15, 2001. The Authority has seven members appointed by the Mayor and City Council to serve a four-year term. Once selected, the seven members of the Authority will elect members to serve as a Chairman and a Secretary/Treasurer. Although the Authority is a legally separate entity, the City has the ability to impose its will on the Authority. See section V Component unit for more details.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The City implemented a new reporting model as required by the Governmental Accounting Standards Board beginning July 1, 2003. The implementation of the new reporting model affects the comparability with all prior years' reports.

The government–wide financial statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the non-fiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service. Likewise, the primary government is reported separately from a legally separate component unit for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or

privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government–wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, alcoholic beverage taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

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

The *SPLOST Capital Projects Fund* is the fund used to account for all special local option sales tax revenues as well as the specifically identified projects for which the SPLOST tax was established.

The government reports the following major proprietary funds:

The *Water*, *Sewer* and *Gas Fund* accounts for the activities of the government's water distribution system, sewage treatment plant, sewage pumping station and collection systems.

The *Jail Fund* accounts for activities related to the government's rental of inmate space to various entities.

Additionally, the government reports the following fund types:

Agency funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). The City has one agency fund which is the Jail Fund. Agency funds are reported using the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government–wide financial statements. Exceptions to this general rule are payments between the government's various funds related to charges resulting from services provided through actual operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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. The principal operating revenue of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and

expenses not meeting these definitions are reported as non-operating revenues and expenses.

D. ASSETS, LIABILITIES AND NET POSITION OR EQUITY

1. Deposits and Investments

State statutes authorize the City and the Authority to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. Government; obligations fully insured or guaranteed by the U.S. Government or by a government agency of the United States; obligations of any corporation of the U.S. Government; prime bankers acceptances; the local government investment pool established by Georgia law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia; and additionally, certificates of deposits, NOW accounts and money market accounts of banks which have deposits insured by the Federal Deposit Insurance Corporation; provided, however, that portion of such investment shall be secured by direct obligations of the State of Georgia or the United States which are of a par value equal to 110 percent of funds on deposit at the institution. For the purpose of the Statement of Cash Flows, the City considers cash on hand, cash in demand deposits and certificates of deposit to be cash equivalents.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government–wide financial statements as “internal balances.”

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property tax receivable and trade accounts receivable in excess of 90 days plus a percentage of receivable balances less than 90 days comprise the allowance for uncollectibles.

Property taxes are levied as of October 22, 2013 on property values assessed as of January 1, 2013. The billing, representing the current year tax levy, was mailed October 22, 2013. The billings are considered past due 90 days after the billing date and penalties and interest are assessed. The applicable property is subject to lien after the billings are 90 days delinquent.

3. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government–wide and fund financial statements of the proprietary funds. In the fund financial statements governmental funds record items as expenditures when purchased (purchases method) rather than when consumed.

4. Restricted Assets

Portions of the City's assets are subject to restrictions imposed by parties outside the government (such as creditors, grantors, contributors, laws or regulations of other governments). Self-imposed restrictions that can be removed as easily as imposed are not considered restrictions for financial reporting purposes; although, restrictions can be imposed by the City's constitutional provisions or by enabling legislation that are not easily removed. The City would typically use restricted assets first, as appropriate opportunities arise, but reserve the right to selectively defer the use thereof to a future project or replacement equipment acquisition.

5. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities column in the government–wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than $1,000 for vehicles and machinery and more than $5,000 for all other asset types (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Pursuant to GASB Statement 34, the City is not required to record and depreciate infrastructure assets (e.g. roads, sidewalks, bridges and similar items) acquired before the implementation date became effective. Infrastructure acquired prior to July 1, 2003 has not been recorded for governmental activities. GASB Statement 34 requires the reporting and depreciation of new infrastructure expenditures effective with the beginning of the implementation year (July 1, 2003).

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The

total interest expense incurred by the general government during the current fiscal year was $73,173. Of these amounts, none were attributable to the cost of capital assets associated with construction projects.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	40 years
Machinery and equipment	7-10 years
Improvements other than building	20-50 years

6. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government–wide and proprietary fund financial statements. The City's annual leave policy allows an employee to earn and accumulate up to 240 hours. Also, those employees with over ten years of service can accumulate an additional eight hours for each year not to exceed 120 hours, and it will be paid to employees upon separation from City service. In governmental fund types, the cost of vacation benefits is recognized when payments are made to employees. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The General Fund has been used to liquidate compensated absences, unless associated with a specific proprietary fund in prior years.

7. Long-Term Obligations

In the government–wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Equity

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

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

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

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

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

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

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

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

- Committed
- Assigned
- Unassigned

Net Position – Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted as described in the fund balance section above. All other net position is reported as unrestricted.

The City applies restricted resources first when an expense in incurred for purposes for which both restricted and unrestricted net position is available.

9. Deferred Inflows of Resources

During the year ended June 30, 2014 the City implemented GASB 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB 65, Items Previously Reported as Assets and Liabilities. As a result of these standards, certain items previously reported as assets and liabilities are now reported as deferred outflows and deferred inflows of resources.

Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County does not have any items that qualify for reporting in this category.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Property taxes of $28,057 is listed as unavailable and is deferred to be recognized as an inflow of resources in the period that the amounts become available.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Budgets are adopted for the General Fund, Special Revenue and the proprietary funds on an annual basis. The budgets for the General and Special Revenue Funds are adopted on a cash plus 30 days basis, which is not consistent with generally accepted accounting principles. Project-length budgets are adopted for the Capital Projects Fund. Budgets are prepared for the proprietary funds as a management control device; (non-GAAP) hybrid basis of accounting is used in preparing the proprietary fund budgets. All annual appropriations lapse at fiscal year-end.

The budget is prepared and submitted by the City Manager to the administrative committee for their consideration and approval prior to presentation to the full Council for adoption, which is required prior to commencement of the ensuing fiscal year. After the budget requests have been reviewed, a public hearing is held for public comment. After the public hearing, a budget ordinance is adopted by the Mayor and Council. The City's policy for the legal level of budgetary control is at the individual department level. Only the

Mayor and Council can amend the annual budget at the department level. Amendments that change the composition within a departmental budget can occur with the authorization of the City Manager.

Original budgeted amounts for the year ended June 30, 2014, were adopted by the City Council on May 20, 2013. The June 30, 2014 budget was amended on January 23, 2014.

B. DEFICIT FUND BALANCE

The General Fund had a negative fund balance of $1,567,594 as of June 30, 2014. The additional tax and other revenues of the general fund are expected to alleviate the fund's deficit over the next several years.

The Splost Capital Project Fund had a negative fund balance of $2,700 as of June 30, 2014. Revenues in subsequent year are expected to alleviate the fund's deficit balance.

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

All bank balances of deposits as of the balance sheet date are entirely insured or collateralized with securities held by the City or by its agent in the City's behalf.

Custodial Credit Risk – Deposits. This is the risk that in the event of a bank failure, the City's deposits may not be returned to it. All the City's deposits are covered by a combination of federal depository insurance and securities pledged by financial institutions as collateral to protect the deposits of the City as required under state law. Therefore, the City has no custodial credit risk for its deposits.

B. RECEIVABLES

All trade and property taxes receivables are shown net of allowance for uncollectibles.

This space intentionally left blank.

C. CAPITAL ASSETS

Primary Government

Governmental activities:	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated				
Land	$ 456,141	$ -	$ -	$ 456,141
Construction in progress	-	34,345	-	34,345
Total captial assets not being depreciated	456,141	34,345	-	490,486
Capital assets, being depreciated				
Buildings	2,628,949	-	-	2,628,949
Improvements, other than buildings	3,314,546	91,979	-	3,406,525
Machinery and equipment	1,250,094	42,247	-	1,292,341
Total captial assets, being depreciated	7,193,589	134,226	-	7,327,815
Less accumulated depreciation for				
Buildings	(979,681)	(60,712)	-	(1,040,393)
Improvements, other than buildings	(876,086)	(91,544)	-	(967,630)
Machinery and equipment	(1,093,243)	(29,645)	2,775	(1,120,113)
Total accumulated depreciation	(2,949,010)	(181,901)	2,775	(3,128,136)
Total capital assets, being depreciated, net	4,244,579	(47,675)	2,775	4,199,679
Governmental activities capital assets, net	$ 4,700,720	$ (13,330)	$ 2,775	$ 4,690,165

Business-type activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated				
Land	$ 673,651	$ 43,964	$ -	$ 717,615
Construction in progress	-	11,608	-	11,608
Total captial assets not being depreciated	673,651	55,572	-	729,223
Capital assets, being depreciated				
Buildings	1,498,779	-	-	1,498,779
Improvements, other than buildings	10,931,354	60,199	-	10,991,553
Machinery and equipment	194,826	-	-	194,826
Total captial assets, being depreciated	12,624,959	60,199	-	12,685,158
Less accumulated depreciation for				
Buildings	(179,263)	(37,037)	-	(216,300)
Improvements, other than buildings	(4,761,416)	(211,292)	-	(4,972,708)
Machinery and equipment	(193,039)	(1,335)	-	(194,374)
Total accumulated depreciation	(5,133,718)	(249,664)	-	(5,383,382)
Total capital assets, being depreciated, net	7,491,241	(189,465)	-	7,301,776
Business-type activities capital assets, net	$ 8,164,892	$ (133,893)	$ -	$ 8,030,999

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

Governmenal activities:		
General government	$	21,711
Public safety		24,671
Public works		64,661
Health and welfare		52,150
Culture and recreation		18,708
Total depreciation expense-governmental activities	$	181,901
Business-type activities:		
Water	$	131,123
Sewer		80,311
Gas		2,319
Jail		35,911
Total depreciation expense-business-type activities	$	249,664

This space intentionally left blank.

D. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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

Due to/from other funds:

	Interfund Receivable (Due From)	Interfund Payable (Due To)
Governmental Funds		
General Fund	$ 2,700	$ -
SPLOST Capital Project Fund	-	2,700
Sub-total Governmental Funds	2,700	2,700
Totals	$ 2,700	$ 2,700

Governmenal fund receivables-Major Funds	$ 2,700
Governmenal fund payables-Major Funds	(2,700)
Internal balances - Statement of Net Position	$ -

Due to/from balances are the result of short term borrowing between the funds. It is the City's intent to repay these interfund balances during the next fiscal year.

This space intentionally left blank.

Interfund transfers:

	Transfer In			
Transfer Out	**General Fund**	**Major - Enterprise Funds - Jail**	**Major Enterprise- Water, Sewer and Gas**	**Total**
General Fund	$ -	$ 275,721	$ -	$ 275,721
SPLOST Capital Projects Fund	-	-	242,393	242,393
Major - Enterprise Funds - Water, Sewer and Gas	484,096	-	-	484,096
Major - Enterprise Funds - Jail	58,930	-	-	58,930
Totals	$ 543,026	$ 275,721	$ 242,393	$ 1,061,140

Transfers from the SPLOST Fund in the amount of $242,393 were for capital expenditures moved to the Water, Sewer & Gas Fund.

All other transfers were for normal general operating purposes.

E. LONG-TERM DEBT

Capital Leases

Governmental Activities

The City entered into a capital lease agreement on October 15, 2007 with the Bank of America for $1,254,524. This capital lease was to fund the purchase/construction of two phases for pods to house inmates. Monthly payments of $22,338 are due beginning May 15, 2008 and monthly payments of $1,920 are due beginning November 15, 2008. At June 30, 2009, the balance of the note outstanding was $1,038,151. On April 7, 2010 this note was assigned to Mooring Capital Fund, LLC under the same terms, with the renewal starting on January 1, 2010 and ending on December 31, 2010. On July 30, 2010 no payments had been made and Mooring declared all rental payments payable during the 2010 Renewal Term in the amount of $268,056 plus late fees in the amount of $3,623 to be due, thereby accelerating all amounts due in 2010 under the Lease Purchase Agreement. On the close of business on August 15, 2010, the City of Pelham, GA was in default under the Lease Purchase Agreement and owed Mooring $380,265 plus $11,608 in late charges. A forbearance was granted to the City of Pelham, GA with the terms of payments in the amount of $13,403 would be made beginning on August 31,2010 and the last payment occurring on January 31, 2011. Beginning February 15, 2011, the City of Pelham, GA will resume making payments of $22,338 to Mooring. All payments beginning August 31, 2010 will be applied in the following order: (i) attorneys' fees and other expenses related to collection efforts; (ii) late fees; (iii) outstanding interest; and (iv) principal. In addition the City of Pelham will pay Mooring $415,040, which is the balance due under the Lease Purchase Agreement, within fifteen (15) days of the expiration of the

Lease Purchase Agreement. As of June 30, 2014 the principal balance due was $887,365.

Year ending June 30,	Principal	Interest
2015	$ 121,759	$ 146,297
2016	144,942	123,114
2017	620,664	9,080
Totals	$ 887,365	$ 278,491

Revenue Bonds

Business-type Activities

The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The proceeds of the 1993A and 1993B Water and Sewer Revenue Bonds were used for the purpose of expanding the Water and Sewer system to provide additional services to new customers.

Revenue bonds outstanding at year-end are as follows:

$1,025,000 Water and Sewer Revenue Bonds, series 1993A, due in annual installments of varying amounts from January 11, 1994, through January 11, 2033, interest at 5%.	$ 716,963
$100,000 Water and Sewer Revenue Bonds, series 1993B, due in annual installments of varying amounts from January 11, 1994, through January 11, 2033, interest at 5%.	69,950
Total Revenue Bonds	$ 786,913

This space intentionally left blank

Revenue bond debt service requirements to maturity are as follows:

Year ending June 30,	Principal	Interest
2015	$ 26,219	$ 39,346
2016	27,530	38,035
2017	28,907	36,658
2018	30,352	35,213
2019	31,870	33,695
2020-2024	184,906	142,919
2025-2029	235,992	91,833
2030-2033	221,137	27,323
Totals	$ 786,913	$ 445,022

Notes Payable

Governmental Activities

The City established a note on March 31, 2004 with the Bank of Camilla for $178,500 bearing interest at 3.8%. The proceeds of the debt were used to purchase a fire truck. Ten annual payments of $21,789 are due beginning November 10, 2004. At June 30, 2014, the balance of the note outstanding was $0.

The City entered into a note on November 15, 2007 with Family Bank. The note is secured by the Pelham City Hall Building with an original balance of $550,000. At June 30, 2014, the balance of the note outstanding was $490,144 bearing an annual interest rate of 5%.

Notes payable debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest
2015	$ 11,204	$ 24,507
2016	11,764	23,947
2017	12,352	23,359
2018	454,824	22,741
	$ 490,144	$ 94,554

Business-type Activities

The City established a note on January 31, 2003 with the Georgia Environmental Facilities Authority for $462,640 bearing interest at 0%. The debt was used for the construction of a water tank. Seventy-eight quarterly payments of $5,931 are due beginning July 1, 2005. At June 30, 2014, the balance of the note outstanding was $249,114.

Notes payable debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest
2015	$ 23,725	$ -
2016	23,725	-
2017	23,725	-
2018	23,725	
2019	23,725	
2020	23,725	
2021-2025	106,764	-
Totals	$ 249,114	$ -

The City established a note on July 31, 2008 with the Georgia Environmental Facilities Authority for an amount up to $949,240 bearing interest at 4.10%. The debt was used for the build of an additional sprayfield. Two-hundred and forty-five monthly payments of $3,881 are due beginning May 1, 2010. At June 30, 2014, the balance of the note outstanding was $541,776.

Year Ending June 30	Principal	Interest
2015	$ 24,393	$ 22,181
2016	25,393	21,181
2017	26,434	20,140
2018	27,518	19,056
2019	28,646	17,928
2020-2024	161,840	71,028
2025-2029	197,852	35,016
2030-2031	49,700	4,634
	$ 541,776	$ 211,164

This space intentionally left blank

Changes in Long-term Liabilities

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

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities					
Capital leases payable	$ 887,365	$ -	$ -	$ 887,365	$ 121,759
Notes payable	517,403	-	(27,259)	490,144	11,204
Compensated absences	56,766	41,692	(34,910)	63,548	-
Total long-term liabilties- Governmental Activities	$ 1,461,534	$ 41,692	$ (62,169)	$ 1,441,057	$ 132,963
Business-type activities					
Revenue bonds	$ 817,090	$ -	$ (30,177)	$ 786,913	$ 26,219
Notes payable	838,444	-	(47,553)	790,891	48,118
Compensated absences	14,101	16,125	(13,853)	16,373	-
Total long-term liabilties- Business-type Activities	$ 1,669,635	$ 16,125	$ (91,583)	$ 1,594,177	$ 74,337

F. SHORT-TERM DEBT

Governmental Activities

The City refinanced and consolidated on July 27, 2010, the construction note of the Mental Health Center, the new line of credit and a long term loan on a Econoline Van. Principal and interest payments in the amount of $1,902 are due monthly starting October 19,2010. The note is secured by the Mental Health Center Building. At June 30, 2014, the balance of the note outstanding was $391,521 bearing an annual interest rate of 3.50%.

Tax Anticipation Notes

The City entered into a new tax anticipation note on January 24, 2013. The note is secured by the 2014 Tax Digest Revenue with the Pelham Banking Company at an interest rate of 4.50%. The principal and interest are due by January 1, 2013. At June 30, 2014, the note had an outstanding balance of $305,211. The purpose of this loan was for operating expenses.

Changes in Short-term Liabilities

Short-term liability activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities				
Short-term (excluding TANs)	$ 398,297	$ -	$ (6,776)	$ 391,521
Tax anticipation notes	327,234	-	(22,023)	305,211
Total short-term liabilties-Governmental Activities	$ 725,531	$ -	$ (28,799)	$ 696,732

G. RESTRICTED ASSETS

Enterprise Funds. Specific enterprise funds are required to be segregated as to use and are therefore identified as restricted assets.

The City of Pelham, Georgia's Water and Sewer Revenue Bond ordinance requires the establishment of a Sinking Fund to provide for the accumulation of resources to retire the Water and Sewer Revenue Bonds. The funding for the retirement of the bonds is provided from the operations of the Water and Sewer operations. The balance in the Sinking Fund at June 30, 2014 is $ 41,674.

Liabilities payable from restricted assets:

Current portion of bonds payable	$ 26,219
Interest payable	39,346
Total liabilities payable from restricted assets	$ 65,565

IV. OTHER INFORMATION

A. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, for which the City carries commercial insurance. The basis for estimating the liabilities for unpaid claims is "IBNR" established by an actuary.

The City has not compiled a record of the claims paid up to the applicable deductible for the prior or current fiscal year. The City is aware of two claims, which the City is liable for (one up to the applicable deductible), (one not covered by insurance) which were

outstanding and unpaid at June 30, 2014. No provisions have been made in the financial statements for the year ended June 30, 2014 for any estimate of potential unpaid claims.

C. CONTINGENT LIABILITIES

Grants:

The City participates in Federal and State-assisted grant programs. These programs are subject to program compliance audits by the grantor or its representative. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Litigation:

The City Attorney represented that there are some pending or threatened litigations against the City, and additionally, some unasserted claims or assessments. At this time it would appear that none of these will have a negative material impact upon the City's financial statements.

For more information on compliance with laws and regulations, please refer to findings 2008-1, 2010-2, 2010-5, 2012-1 and 2012-2.

Intergovernmental Agreement:

On July 1, 2007, the City entered into an agreement with Mitchell County and The Joint Development Authority of Mitchell County and Pelham upon which the City pledged an annual sum not to exceed the equivalent of 2.5 mills of the ad valorem tax levied by Pelham on the real property within its boundaries with said payment or payments to be made only if the income generated by the operation of the Hand Trading Company Building by the JDA is not sufficient to service the debt secured by the Hand Trading Company Building property. The original amount of this note was 2 million dollars and revenues were not sufficient to make the payments for the 2014 fiscal year. The City made payments totaling $101,564 during the 2014 fiscal year.

D. JOINT VENTURES

Southwest Georgia Regional Commission. The City of Pelham, in conjunction with cities and counties in the fourteen (14) county Southwest Georgia area, is a member of the Southwest Georgia Regional Commission (RC). Membership in an RC is automatic for each municipality and county in the state. The Official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the RCs. Each county and municipality in the state is required by law to pay minimum annual dues to the RC. The RC Board membership includes the chief elected official of each county and the chief elected official of each municipality. The County Board members and Municipal Board members from the same county elect one member of the Board who is a

resident (but not an elected or appointed official or employee of the county or municipality) to serve as the non-public Board member from a county.
The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defines RCs as "public agencies and instrumentalities of their members." Georgia laws also provide that the member governments are liable for any debts or obligations of an RC beyond its resources. (O.C.G.A. 50-8-39)

Separate financial statements may be obtained: Southwest Georgia Regional Commission, P.O. Box 346, 30 West Broad Street, Camilla, Georgia 31730-0346.

E. RELATED ORGANIZATIONS

The City's officials are also responsible for appointing the members of the boards of other organizations; however, the City's accountability for the organizations does not extend beyond making appointments. The City Council appoints board members to the Housing Authority, Library Board and the Mitchell County Economic Development Authority.

F. PENSION PLAN

Plan Description. The City contributes to the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple employer public retirement system that acts as a common investment and administrative agent for cities, counties, authorities and agencies in the State of Georgia. The plan is also a defined benefit plan. Regular, full-time employees who work at least 30 hours per week may participate in the plan after completion of one year of continuous service. Normal retirement age is 65, provided the employee has at least 5 years of credited service. Early retirement is permitted between ages 55 and 65 provided the employee has at least 10 years of credited service. City employees who retire at or after normal retirement age with ten years of credited service are entitled to an annual retirement benefit payable for life. The monthly benefit is determined by first calculating the employee's average monthly earnings from the consecutive 5-year period prior to retirement in which earnings are the highest. The sum of 1% of the average monthly earnings which are less than or equal to the amount for covered compensation for the employee's year of birth and 1.75% of average monthly earnings in excess of the covered compensation is multiplied by the number of years of credited service at retirement age to calculate the dollar value of the monthly retirement benefit.

Also, the pension plan provides for death benefits and disability benefits. These benefit provisions and all other requirements are established by state statute and City ordinance obligations to contribute are established by Council resolutions; amendments to the plan must also be authorized by resolution of the Council. Employees are not required to contribute to the plan. The Georgia Municipal Benefits System issues a publicly available financial report, which may be obtained by contacting Towers Perrin in Atlanta, Georgia. The funding policy for the plan is to contribute an amount equal to the recommended contribution each year. The recommended contribution meets the guidelines for

calculating an annual required contribution set forth in Paragraphs 9-10 of Statement No. 27. These contributions are determined under the projected unit credit actuarial cost method and the asset valuation method for developing the actuarial value of assets. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1981 and 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 level dollar amount. These amortization periods, if applicable, are closed for this plan year. The current rate of contribution for the City is 0% of annual covered payroll.

Annual Pension Cost and Net Pension Obligation. The City failed to pay all required contributions, and therefore has a net pension obligation at year end as detailed in the schedule below:

Year Beginning July 1,	ARC	City Contributions	Interest on Prior Year NPO	ARC Adjustment	Amortization factor	Pension Cost	Change in NPO	NPO at End of the Year
	a	b	(prior year h)*.0775 c	(prior year h)/e d	e	a+c-d f	f-b g	npo+g h
2010	$ 111,865	$ 26,061	$ -	$ -	$ 18	$ 111,865	$ 85,804	$ 85,804
2011	129,959	57,326	6,650	4,828	18	131,781	74,455	160,259
2012	151,206	118,940	12,420	9,017	18	154,609	35,669	195,928
2013	149,261	57,884	15,184	11,025	18	153,421	95,537	291,465
2014	142,311	15,800	22,589	16,400	18	148,499	132,699	424,165
2015	145,600	-	32,873	23,867	18	154,606	154,606	578,770

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

The significant actuarial assumptions used in the current valuation, as of January 1, 2014 are:

Net Investment Rate of Return	7.75% per year
Projected Salary Increases	3.50% per year
Cost of living adjustment	3.50% per year

The plan computes the actuarial value of assets by using a roll forward of the prior year's actuarial value with contributions, disbursements, and expected return on investments, plus 10% of investment gains (losses) during the ten prior years. The annual required contribution for the current year was determined using the projected unit credit method.

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Unfunded AAL (UAAL) (1-2)	Funded Ratio (1/2)	Covered Payroll (3)	UAAL as a Percentage of Covered Payroll [(2-1)/3]
3/1/2003	$ 2,257,187	$ 1,870,032	$ 387,155	120.70%	$ 778,827	-49.71%
3/1/2004	$ 2,347,660	$ 1,996,307	$ 351,353	117.60%	$ 829,157	-42.37%
3/1/2005	$ 2,439,273	$ 2,341,411	$ 97,862	104.18%	$ 864,498	-11.32%
3/1/2006	$ 2,557,577	$ 2,379,146	$ 178,431	107.50%	$ 806,197	-22.13%
3/1/2007	$ 2,698,436	$ 2,766,134	$ (67,698)	97.55%	$ 1,121,977	6.03%
3/1/2008	$ 2,851,625	$ 3,012,417	$ (160,792)	94.66%	$ 1,284,641	12.52%
3/1/2009	$ 2,336,934	$ 3,203,776	$ (866,842)	72.94%	$ 1,262,370	68.67%
1/1/2010	$ 2,936,641	$ 3,044,428	$ (107,787)	96.46%	$ 1,309,991	8.23%
1/1/2011	$ 2,999,550	$ 3,305,975	$ (306,425)	90.73%	$ 1,422,615	21.54%
1/1/2012	$ 2,849,749	$ 3,454,230	$ (604,481)	82.50%	$ 1,384,487	43.66%
1/1/2013	$ 2,844,847	$ 3,568,311	$ (723,464)	79.73%	$ 1,282,033	56.43%
1/1/2014	$ 2,958,336	$ 3,675,520	$ (717,184)	80.49%	$ 1,165,752	61.52%
1/1/2015	$ 2,939,206	$ 3,552,352	$ (613,146)	82.74%	$ 1,252,459	48.96%

G. HOTEL/MOTEL LODGING TAX

The City of Pelham has levied a 5% lodging tax. A summary of the transactions for the year ending June 30, 2014 follows:

Lodging tax receipts	$ 6,178
Disbursement to promote tourism and economic development.	(2,471)
Disbursement for other purposes	(3,707)
Balance of lodging tax funds on hand at end of the year	$ -

The city expended 40 % of these taxes received during the year to promote tourism and economic development within the city. The other 60% was used for other purposes.

This space intentionally left blank

H. FUND EQUITY

Fund Balances:

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

Special Revenue Funds	
EIP - Used to account for community development projects.	$ 5,612
Total	$ 5,612

- ***Unassigned*** – The following fund balances are unassigned:

General Fund	
Fund Balance	$ (1,567,594)
Total	$ (1,567,594)

I. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The City was awarded a Department of Community Affairs grant (CDBG EIP 04q-x-101-2-3040) for $180,000 upon which it loaned $169,500 to the Pelham City Economic Development Authority. The grant agreement required the City to set up a Revolving Loan Fund with a separate bank account to collect the repayments from the Pelham Economic Development Authority.

The City has not collected any repayments on this loan and as a result no funds have been placed in a separate account as required by the grant document. At fiscal year-end, this account should have had a balance of $101,016.

The City is working to correct this deficiency/non-compliance as soon as possible. The possible consequences of this non compliance, if any, cannot be reasonably determined at this time.

Excess of expenditures over appropriations

Section 1200.112 and 2300.106L of GASB Standards requires that material violations of finance - related and contractual provisions be disclosed. The City was in violation of the following State statute during the year ending June 30, 2014:

Law Section - O.C.G.A. 36-81-3 & 36-81-5

The City exceeded its budget at the “legal level of control” in the following department(s):

Department	Fund	Balance Over Budget
Highways and Streets	General	$ 21,084

Georgia Statues (O.C.G.A. 36-81-5-(b) defines the "legal level of control", at a minimum, to be the department level.

V. PRIOR PERIOD ADJUSTMENTS

The city has decided to restate various funds balances to better manage and more accurately report the current financial position of each fund. These changes are as follows:

Entity-wide		Fund Statements			
Governmental Funds	Business-type Funds	General	SPLOST CPF	Water and Sewer	Jail Fund
$ -	$ -	$ 32,441	$ (32,441)	$ -	$ -
(2,635,605)	2,635,605	(2,635,605)	-	1,636,872	998,733
122,902	-	122,902			
(291,465)	-	-	-	-	-
$ (2,804,168)	$ 2,635,605	$ (2,480,262)	$ (32,441)	$ 1,636,872	$ 998,733

- $ 32,441 was paid back to the general fund from the SPLOST capital projects fund for qualified SPLOST referendum expenditures paid by the General Fund in prior years.
- Inter-fund loans totaling $ 2,635,605 were accumulated over many years and will never be repaid. For this reason these balances have been restated.
- Outstanding checks (reported as accounts payable in the 2013 audit) totaling $ 122,902 were voided and will not be reissued. The liabilities associated with these check have now been renegotiated and these checks will not be reissued.
- The city did not make all required minimum pension payments in prior years. This has resulted in a net pension obligation. The net pension obligation as of June 2013 was $ 291,465. Net assets are being restated to reflect the recording of this liability.

This space intentionally left blank.

VI. COMPONENT UNIT

A. REPORTING ENTITY

The Pelham City Economic Authority was established by the Mayor and City Council of Pelham on March 15, 2001. The Authority has seven members appointed by the Mayor and City Council to serve a four-year term. Once selected, the seven members of the Authority will elect members to serve as a Chairman and a Secretary/Treasurer.

The Authority is presented in the City's financial statements as a discretely presented component unit. Financial statements may be obtained at the offices of the City of Pelham, Georgia.

B. CAPITAL ASSETS

Governmental activities:	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, being depreciated				
Buildings	$ 458,688	$ -	$ -	$ 458,688
Total captial assets, being depreciated	458,688	-	-	458,688
Less accumulated depreciation for				
Buildings	(80,269)	(11,468)	-	(91,737)
Total accumulated depreciation	(80,269)	(11,468)	-	(91,737)
Total capital assets, being depreciated, net	378,419	(11,468)	-	366,951
Governmental activities capital assets, net	$ 378,419	$ (11,468)	$ -	$ 366,951

Buildings are depreciated over 40 years.

This space intentionally left blank.

C. LONG-TERM DEBT

The Authority established a note February 2007 with The City of Pelham, Georgia for $169,500 bearing interest at 3.00%. The debt was used to pay down on existing bank loans that were used for the construction of cottonseed warehouse. The Authority is to make 144 monthly payments of $1,403 due beginning March 2007. At June 30, 2014, the balance of the note outstanding was $165,568.

Notes payable debt service requirements to maturity are as follows:

Changes in Long-term Liabilities

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

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Component Unit					
City of Pelham, Georgia	$ 165,568	$ -	$ -	$ 165,568	$ 93,191
Total long-term liabilties- Governmental Activities	$ 165,568	$ -	$ -	$ 165,568	$ 93,191

Year Ending June 30,	Principal	Interest
2015	$ 93,191	$ 24,661
2016	15,293	1,543
2017	15,758	1,078
2018	16,238	598
2019	25,088	2,972
Totals	$ 165,568	$ 30,852

This space intentionally left blank.

Required Supplementary Information

City of Pelham, Georgia
Budgetary Basis Comparision Schedule
General Fund

For the Fiscal Year Ended June 30, 2014	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
REVENUES				
Taxes				
Property	$ 781,500	$ 781,500	$ 862,505	$ 81,005
Franchise	192,000	192,000	201,546	9,546
Alcoholic Beverage	120,000	120,000	113,459	(6,541)
Insurance Premium	180,000	180,000	201,074	21,074
Intangible	3,700	3,700	4,511	811
Financial Institution	16,000	16,000	13,730	(2,270)
Sales and Miscellaneous Taxes	-	-	3,240	3,240
Fees and Fines	235,000	235,000	162,970	(72,030)
Licenses and Permits	57,730	57,730	57,385	(345)
Intergovernmental	-	-	-	-
Charges for Services	445,900	445,900	461,211	15,311
Investment Earnings	-	-	40	40
Contributions & Donations from Private Sources	-	-	10,101	10,101
Miscellaneous	86,300	86,300	73,592	(12,708)
TOTAL REVENUES	2,118,130	2,118,130	2,165,364	47,234
EXPENDITURES				
General Government				
Legislative	50,000	50,000	17,484	32,516
Executive	106,000	115,759	112,586	3,173
Elections	6,600	9,929	9,929	-
Financial	243,000	308,493	243,720	64,773
Law	7,200	7,200	7,200	-
Buildings	1,500	1,500	1,082	418
Total General Government	414,300	492,881	392,001	100,880
Judicial				
Municipal Court	65,000	65,000	47,079	17,921
Total Judicial	65,000	65,000	47,079	17,921
Public Safety				
Police	801,000	826,588	823,755	2,833
Fire	390,000	390,000	324,646	65,354
Other	9,240	9,240	9,240	-
Total Public Safety	1,200,240	1,225,828	1,157,641	68,187
Public Works				
Highway and Streets	119,000	119,000	157,428	(38,428)
Solid Waste Collection	350,000	360,939	348,105	12,834
Maintenance and Shop	97,000	145,368	137,289	8,079
Cemetery	10,000	10,000	-	10,000
Total Public Works	576,000	635,307	642,822	(7,515)
Health and Welfare				
Health	23,000	23,000	15,576	7,424
Community Services	11,500	11,500	130	11,370
Total Health Welfare	34,500	34,500	15,706	18,794
Culture and Recreation				
Recreation	24,300	27,488	824	26,664
Parks	2,000	6,535	6,378	157
Libraries	54,000	54,000	41,098	12,902
Total Culture and Recreation	80,300	88,023	48,300	39,723

City of Pelham, Georgia
Budgetary Basis Comparision Schedule
General Fund

For the Fiscal Year Ended June 30, 2014	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Housing and Development				
Protective Inspection	2,460	2,925	2,925	-
Code Enforcement	55,250	55,987	50,793	5,194
Economic Development and Assistance	120,000	120,000	98,876	21,124
Total Housing and Development	177,710	178,912	152,594	26,318
TOTAL EXPENDITURES - ALL DEPARTMENTS	2,548,050	2,720,451	2,456,143	264,308
Net Excess before Transfers	(429,920)	(602,321)	(290,779)	311,542
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	543,026	543,026
Transfers (Out)	-	-	(275,722)	(275,722)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	267,304	267,304
SPECIAL ITEMS				
Proceeds from sale of capital assets	3,000	3,000	10,388	7,388
Total Special Items'	3,000	3,000	10,388	7,388
Net Excess (Deficit)	(426,920)	(599,321)	(13,087)	586,234
Fund balances - beginning of the year (budgetary basis)	942,010	942,010	942,010	-
Fund balances - end of the year (budgetary basis)	$ 515,090	$ 342,689	928,923	$ 586,234
Adjustment for basis differences			(16,255)	
Fund balances - end of the year GAAP Basis			$ 912,668	

Note A - Explanation of Differences between Revenues, Expenditures and Other Financing Sources (Uses) for Budgetary Funds on a Budgetary Basis and GAAP General Fund on a GAAP Basis

Financial Statements General Fund:	General Fund
Revenues	
Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedule	$ 2,165,364
Adjustments:	
The City budgets revenues on the cash basis of accounting rather than the modified accrual basis of accounting	(2,014)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-general fund	$ 2,163,350
Expenditures	
Adjustments:	
Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedules	$ 2,456,143
Adjustments:	
The City budgets for expenditures on the cash plus 30 days basis of accounting rather than all accounts payables that would be recognized using the modified accrual basis of acounting.	14,241
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-general fund	$ 2,470,384

Supplementary Information

Combining Fund Statements and Schedules

City of Pelham, Georgia
Non-Major Special Revenue Funds
Combining Balance Sheet

June 30, 2014	Hotel/Motel Tax Fund	CDBG RLF Fund	Totals
ASSETS			
Intergovernmental receivable	$ -	$ 5,612	$ 5,612
Notes receivable	-	165,568	165,568
TOTAL ASSETS	$ -	$ 171,180	$ 171,180
LIABILITIES AND FUND BALANCE			
Deferred revenue	$ -	$ 165,568	$ 165,568
TOTAL LIABILITIES	-	165,568	165,568
FUND BALANCES			
Restricted for:			
Community Development Projects	-	5,612	5,612
TOTAL LIABILITES AND FUND BALANCE	$ -	$ 171,180	$ 171,180

City of Pelham, Georgia
Non-Major Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2014	Hotel/Motel Tax Fund	CDBG RLF Fund	Totals
REVENUES			
Hotel/Motel Tax	$ 6,178	$ -	$ 6,178
TOTAL REVENUES	6,178	-	6,178
EXPENDITURES			
Capital Outlay			
Housing and Development	6,178	-	6,178
TOTAL EXPENDITURES	6,178	-	6,178
Net Change in Fund Balance	-	-	-
Fund Balance - Beginning of Year	-	5,612	5,612
Fund Balance - End of Year	$ -	$ 5,612	$ 5,612

City of Pelham, Georgia
Budgetary Comparision Schedule
Hotel/Motel - Non-Major Special Revenue Fund

For the Fiscal Year Ended June 30, 2014	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES				
Hotel/Motel Tax	$ 6,000	$ 6,000	$ 6,178	$ 178
TOTAL REVENUES	6,000	6,000	6,178	178
EXPENDITURES				
Housing and Development				
Economic Development and Assistance	6,000	6,000	6,178	(178)
Total Housing and Development	6,000	6,000	6,178	(178)
TOTAL EXPENDITURES - ALL DEPARTMENTS	6,000	6,000	6,178	(178)
Net Excess	$ -	$ -	$ -	$ -

State Reporting Requirements

City of Pelham, Georgia
Schedule of Special Purpose
Local Option Sales Tax

June 30, 2014

Project	Original Estimated Cost	Current Estimated Cost	Prior Year	Current Year	Total	Estimated Percentage Of Completion
April 1, 2006-March 31, 2011						
Upgrade & Improvements to Sanitary Sewer System	$ 1,257,600	$ 1,716,818	$ 1,716,818	$ -	$ 1,716,818	100.00%
Road Improvements	361,920	212,003	212,003	-	212,003	100.00%
Recreation Facilities	300,000	208,988	208,988	-	208,988	100.00%
TOTAL	$ 1,919,520	$ 2,137,809	$ 2,137,809	$ -	$ 2,137,809	100.00%

City of Pelham, Georgia
Schedule of Special Purpose
Local Option Sales Tax

June 30, 2014

Project	Original Estimated Cost	Current Estimated Cost	Prior Year	Current Year	Total	Estimated Percentage Of Completion
2012						
Hand Trading Co Building	$ 70,000	$ 70,000	$ -	$ 1,168	$ 1,168	1.67%
General Obligation Debt incurred with the sanitary sewer rehabiliation, sanitary sewer improvements, construction of a mental health facility and the purchase of a fire truck.	532,000	532,000	191,136	208,462	399,598	75.11%
Sewer Improvements	304,357	304,357	26,100	106,560	132,660	43.59%
Roads & Bridges	1,500,000	1,500,000	505	34,705	35,210	2.35%
TOTAL	$ 2,406,357	$ 2,406,357	$ 217,741	$ 350,895	$ 568,636	23.63%

Direct SPLOST fund capital and debt service expenditures	$ 76,061
Transfers to enterprise fund for debt service and capital expenditures	242,393
Reimbursements paid to general fund for prior year debt service payments	32,441
	$ 350,895

Governmental Auditing Standards Requirements

Perry L. Henry, LLC

Certified Public Accountant and Consultant

Perry L. Henry, CPA, CGFM, CFS

Members

American Institue of Certified Pubilic Accountants

Georgia Society of Certified Public Accountants

726 East Shotwell Street, P.O. Box 1422 Bainbridge, GA 39818 * Phone 229-246-0550 * Fax 229-246-7908

Honorable Mayor and Members of
the City Council
City of Pelham, Georgia

We have audited, in accordance with audit standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Pelham, 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 Colquitt's basic financial statements, and have issued our report dated thereon August 20, 2015.

Internal Control over Financial Reporting

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

Our 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 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 our audit we did not identify any deficiencies in internal control that we

consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2012-1 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Pelham, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards which are described in the accompanying Schedule of Findings and Responses as items 2008-1*, *2010-2*, *2010-5, 2012-2, 2013-1 & 2014-1.*

City of Pelham's Response to Findings

City of Pelham, Georgia's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses*. The* City of Pelham, Georgia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Perry L. Henry, LLC

Perry L. Henry, LLC
Bainbridge, Georgia
August 20, 2015

2008-1

Condition: The City was awarded a Department of Community Affairs grant (CDBG EIP 04q-x-101-2-3040) for $180,000 upon which it loaned $169,500 to the Pelham City Economic Development Authority. The grant agreement required the City to set up a Revolving Loan Fund with a separate bank account to collect the repayments from the Pelham Economic Development Authority.

The City has not collected any repayments on this loan and as a result no funds have been placed in a separate account as required by the grant document. At fiscal year-end this account should have had a balance of $101,016.

Cause: Required payments have not been made to the City from the Pelham City Economic Development Authority.

Effect: The City is in violation of grant compliance requirements.

Recommendation: The City should move immediately to collect required payments from the DDA and file appropriate reports.

Management's Response: Management concurs with the finding and is working out a resolution to this issue with the

2010-2

Condition: The City defaulted on the lease purchase agreement with Mooring Capital Fund, LLC. The City has acknowledged the default and has since entered into a Forbearance Agreement. The city has now not complied with the Forbearance Agreement.

Cause: The City did not make the payments as called for in the lease agreement or Forbearance Agreement.

Effect: The City is currently facing litigation due to this situation.

Recommendation: The City should work to resolve this issues to the mutual satisfaction of both parties.

Management's Response: Management concurs with the finding and is working hard to comply with the agreement.

2010-5

Condition: The City printed checks and held them for extended periods of time.

Cause: The City did not have the financial resources to pay the expenses.

Effect: The reconciled cash balance and accounts payable were both materially understated.

Recommendation: The City should book unpaid invoices as accounts payables and only cut checks when financial resources are available to liquidate such liabilities.

Management's Response: Management concurs and will begin making changes to the way such transactions are being recorded.

2012-1

Condition: The City does not have adequate separation of duties in various functions of the City.

Criteria: Internal control is a process designed to provide reasonable assurance about your objectives with regard to reliability of:

(1) financial reporting,
(2) effectiveness and efficiency of operations, and
(3) Compliance with applicable laws and regulations.

Cause: There is an insufficient number of staff to properly segregate functions of all transaction cycles.

Effect: The City will be exposed to increased risk that the financial statements could be materially misstated whether by error or intentionally and not be detected in a timely manner.

Recommendation: The City should monitor the control environment and continue to strengthen controls where cost effective.

Management's Response: Management agrees. A corrective action plan will be issued under a separate cover.

2012-2

Condition: The City entered into a TAN note during the fiscal year but failed to pay the note by year end. This loan was entered into in accordance with the provisions of Article IX, V, V of the Georgia Constitution (the Temporary Borrowing Clause). It is required by state law that such loans must be repaid by year-end.

Cause: The City did not have funds sufficient to repay this note by year-end.

Effect: The City is in violation of State Law.

Recommendation: The City should adjust finances to ensure adequate funds are available to retire such notes at year end.

Management's Response: Management concurs with the finding and will take corrective steps for future years.

2013-1

Condition: The City of Pelham is delinquent in its contributions to the Georgia Municipal Employees Benefit System (GMEBS) retirement plan.

Cause: The City did not make its contributions as required.

Effect: The City is in noncompliance with Article 2 of OCGA §47-20.

Recommendation: The City should work to resolve this situation immediately.

Management's Response: Management concurs with the finding and has worked out an agreement with GMEBS to become current within ten years.

2014-1

Condition:

The City was in violation of State budget statutes for the year ended June 30, 2014 because certain departmental expenditures exceeded their budget at the legal level of control. The Georgia Statutes define the legal level of control, at a minimum, to be at the departmental level. The departments and the budget analysis follow:

	EXPENDITURES		
	BUDGETED	ACTUAL	(EXCESS)
General Fund:			
Department:			
Highways and Streets	$ 119,000	$ 157,428	$ (38,428)

Criteria:

State budget statutes require departmental expenditures to not exceed their budget at the legal level of control.

Cause:

Budget to actual numbers were not periodically reviewed with the budget being amended as needed.

Effect:

Expenditures are not managed in accordance with budget statues and actions of the City Council.

Recommendation:

Emphasize management of expenditures and periodic comparison to the budget.

Management's Response:

Management agrees with finding and will periodically monitor budget and make amendments as necessary. A corrective action plan will be issued under a separate cover.