City of Pelham, Georgia

Basic Financial Statements and
Supplementary Information

For the Fiscal Year Ended June 30, 2015

CITY OF PELHAM, GEORGIA
For The Fiscal Year Ended June 30, 2015
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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, 2015, 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, 2015, 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.

Emphasis of Matter

As described in Note D10, the City implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* effective July 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters

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

Accounting principles generally accepted in the United States of America require that the 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 January 14, 2016 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
January 14, 2016

City of Pelham, Georgia
Statement of Net Position
June 30, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and Equivalents	$ 238,931	$ 306,845	$ 545,776	$ 79,502
Receivables	466,146	88,713	554,859	
Due from Other Governmental Agencies	43,819	87,000	130,819	357,559
Prepaid Expenses	17,304	10,517	27,821	-
Capital Assets				
Land	456,141	717,615	1,173,756	-
Improvements other than buildings	3,406,525	10,991,553	14,398,078	-
Buildings & Building Improvements	2,628,949	1,498,779	4,127,728	2,985,081
Machinery and equipment	1,304,891	180,826	1,485,717	8,625
Construction in progress	370,891	481,175	852,066	-
Less: Accumulated Depreciation	(3,305,875)	(5,619,629)	(8,925,504)	(477,722)
Total Capital Assets	4,861,522	8,250,319	13,111,841	2,515,984
Total Assets	5,627,722	8,743,394	14,371,116	2,953,045
LIABILITIES				
Accounts payable and accrued expenses	228,546	129,579	358,125	3,475
Due to other governmental agencies	357,559	-	357,559	127,673
Deferred Revenues	400,568	-	400,568	-
Short-term notes payable	658,896	-	658,896	-
Long-term liabilities				
Due within one year				
Bonds, capital leases and contracts	133,680	76,379	210,059	293,196
Accrued interest	-	22,078	22,078	-
Due in more than one year				
Bonds, capital leases and contracts	1,229,493	1,432,402	2,661,895	2,311,753
Compensated absences	49,724	12,147	61,871	-
Deferred Inflows - Pension	920,805	-	920,805	-
Net Pension Obligation	933,312	-	933,312	-
Total liabilities	4,912,583	1,672,585	6,585,168	2,736,097
NET POSITION				
Net investment in capital assets	3,498,349	6,741,538	10,239,887	(88,965)
Restricted for:				
Community Development Projects	5,612	-	5,612	-
Unrestricted	(2,788,822)	329,271	(2,459,551)	305,913
Total net position	$ 715,139	$ 7,070,809	$ 7,785,948	$ 216,948

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, 2015

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	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	$ 20,252	$ 347	$ -	$ 42,605	$ 22,700	$ -	$ 22,700	
Judicial	37,976	240,407	-	-	202,431	-	202,431	
Public Safety	389,683	-	-	-	(389,683)	-	(389,683)	
Public Works	431,888	479,108	-	645,325	692,545	-	692,545	
Health, Welfare and Sanitation	53,350	57,528	-	-	4,178	-	4,178	
Culture and Recreation	69,504	-	-	-	(69,504)	-	(69,504)	
Housing and development	124,161	7,336	-	-	(116,825)	-	(116,825)	
Interest on Long-term debt	41,475	-	-	-	(41,475)	-	(41,475)	
Total governmental activities	1,168,289	784,726	-	687,930	304,367	-	304,367	
Business-type activities:								
Water	425,757	611,845	-	-	-	186,088	186,088	
Sewer	394,770	438,159	-	333,229	-	376,618	376,618	
Gas	252,815	318,497	-	-	-	65,682	65,682	
Jail	976,319	1,164,270	-	-	-	187,951	187,951	
Total business-type activities	2,049,661	2,532,771	-	333,229	-	816,339	816,339	
Total primary government	$ 3,217,950	$ 3,317,497	$ -	$ 1,021,159	304,367	816,339	1,120,706	
Component Units								
Development Authority	-	-	-	-				$ -
Joint Development Authority of Mitchell Co & Pelham	283,231	25,419	213,655	-				(44,157)
Total component units	$ 283,231	$ 25,419	$ 213,655	$ -				(44,157)
General revenues:								
Taxes:								
Property taxes, levied for general purposes					817,701	-	817,701	-
Franchise taxes					212,217	-	212,217	-
Insurance premium tax					210,238	-	210,238	-
Alcoholic beverage tax					105,467	-	105,467	-
Other taxes					42,633	-	42,633	-
Unrestricted investment earnings					8	62	70	111
Miscellaneous					162,139	122	162,261	-
Special item - gain on sale of asset					136,474	-	136,474	(366,951)
Transfers					273,305	(273,305)	-	-
Total general revenues, special items, and transfers					1,960,182	(273,121)	1,687,061	(366,840)
Change in net position					2,264,549	543,218	2,807,767	(410,997)
Net position - beginning- as originally stated					1,282,536	6,527,591	7,810,127	627,945
Prior period adjustment					(2,831,946)	-	(2,831,946)	-
Net position - beginnig - restated					(1,549,410)	6,527,591	4,978,181	627,945
Net position - ending					$ 715,139	$ 7,070,809	$ 7,785,948	$ 216,948

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

City of Pelham, Georgia
Balance Sheet
Governmental Funds

June 30, 2015	General Fund	SPLOST Capital Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 238,932	$ -	$ -	$ 238,932
Taxes receivable, net	13,473	-	-	13,473
Receivable from other governments	26,224	11,982	5,612	43,818
Other receivables	52,104	-	400,568	452,672
Total assets	$ 330,733	$ 11,982	$ 406,180	$ 748,895
LIABILITIES				
Accounts payable	$ 201,364	$ -	$ -	$ 201,364
Payable to other governments	360,946	-	-	360,946
Deferred revenue	-	-	400,568	400,568
Other payables	23,796	-	-	23,796
Short-term notes payable	658,896	-	-	658,896
Total liabilities	1,245,002	-	400,568	1,645,570
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	7,774	-	-	7,774
Total deferred inflows of resources	7,774	-	-	7,774
Fund balances:				
Restricted for:				
Community Development Projects	-	-	5,612	5,612
Unassigned	(922,043)	11,982	-	(910,061)
Total fund balances	(922,043)	11,982	5,612	(904,449)
Total liabilities and fund balances	$ 330,733	$ 11,982	$ 406,180	$ 748,895

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, 2015

Total fund balance, governmental funds	$	(904,449)
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.		4,861,521
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.		17,304
Pension net position is not a current financial resource and is not recognized at the fund financial reporting level but is reported in the governmental activities of theStatement of Net Position.		(933,312)
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.		7,774
Deferred Inflows - Pension		(920,804)
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.		(1,412,898)
Net Position of Governmental Activities in the Statement of Net Position	$	715,136

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, 2015	General Fund	SPLOST Capital Project Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property Taxes	$ 1,063,767	$ -	$ -	$ 1,063,767
Sales and Miscellaneous Taxes	331,571	-	7,336	338,907
Fees and Fines	240,407	-	-	240,407
Licenses and Permits	94,077	-	-	94,077
Intergovernmental	42,605	645,325	-	687,930
Charges for Services	479,390	-	-	479,390
Investment Earnings	8	-	-	8
Contributions and Donations	12,350	-	-	12,350
Miscellaneous	113,304	-	-	113,304
Total revenues	2,377,479	645,325	7,336	3,030,140
EXPENDITURES				
Current:				
General Government	368,775	-	-	368,775
Judicial	62,559	-	-	62,559
Public Safety	1,062,074	-	-	1,062,074
Public Works	657,717	-	-	657,717
Health and Welfare	1,200	-	-	1,200
Culture and Recreation	50,796	-	-	50,796
Housing and Development	148,709	5,051	7,336	161,096
Capital Outlay:				
Public Safety	23,112	-	-	23,112
Public Works	-	336,546	-	336,546
Debt Service:				
Principal	14,336	-	-	14,336
Interest and other charges	41,475	-	-	41,475
Total Expenditures	2,430,753	341,597	7,336	2,779,686
Excess (deficiency) of revenues over expenditures	(53,274)	303,728	-	250,454
OTHER FINANCING SOURCES (USES)				
Transfers in	568,390	-	-	568,390
Transfers out	(6,039)	(289,046)	-	(295,085)
Total other financing sources and uses	562,351	(289,046)	-	273,305
SPECIAL ITEM				
Proceeds from sale of assets	136,474	-	-	136,474
Net change in fund balances	645,551	14,682	-	660,233
Fund balances - beginning	(1,567,594)	(2,700)	5,612	(1,564,682)
Fund balances - ending	$ (922,043)	$ 11,982	$ 5,612	$ (904,449)

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, 2015

Net change in fund balances - total governmental funds:	$	660,233
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		358,546
Depreciation expense during the current fiscal period		(187,189)
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.		(7,082)
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:		
Prepaid expenses		6,858
Changes in deferred compensation		13,886
Change in NPO and Deferred Inflows		1,401,994
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.		17,303
Change in net position of governmental activities	$	2,264,549

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, 2015	Enterprise Funds: Water, Sewer, & Gas	Jail	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 266,047	$ -	$ 266,047
Accounts Receivable, net	77,447	11,266	88,713
Receivables from Other Governments	87,000	-	87,000
Prepaid Expenses	3,227	7,289	10,516
Restricted Cash:			
Revenue Bond Covenant Accounts	40,801	-	40,801
Total Current Assets	474,522	18,555	493,077
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	481,175	-	481,175
Buildings	62,343	1,436,436	1,498,779
Equipment and Furniture	180,826	-	180,826
Less Accumulated Depreciation	(5,404,164)	(215,465)	(5,619,629)
Total Non-current Assets	6,985,384	1,264,935	8,250,319
Total Assets	7,459,906	1,283,490	8,743,396
LIABILITIES			
Current Liabilities:			
Accounts Payable	18,420	4,335	22,755
Accrued Interest Payable	22,078	-	22,078
Customer Deposits	91,836	-	91,836
Other Accrued Expenses	14,992	-	14,992
Bonds, Notes and Loans Payable	76,379	-	76,379
Total Current Liabilities	223,705	4,335	228,040
Non-current Liabilities:			
Compensated Absences	12,147	-	12,147
Bonds, Notes and Loans Payable	1,432,402	-	1,432,402
Total Non-current Liabilities	1,444,549	-	1,444,549
Total Liabilities	1,668,254	4,335	1,672,589
NET POSITION			
Net investment in capital assets	5,476,603	1,264,935	6,741,538
Unrestricted	315,049	14,220	329,269
Total Net Position	$ 5,791,652	$ 1,279,155	$ 7,070,807

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, 2015	**Water, Sewer, & Gas**	**Jail**	**Total**
OPERATING REVENUES			
Charges for services	$ 1,368,466	$ 1,164,270	$ 2,532,736
Miscellaneous	157	-	157
Total operating revenues	1,368,623	1,164,270	2,532,893
OPERATING EXPENSES			
Personal services	270,560	412,770	683,330
Contractual services	116,734	81,935	198,669
Repairs and maintenance	31,791	23,823	55,614
Other supplies and expenses	373,090	410,146	783,236
Depreciation	214,336	35,911	250,247
Total Operating Expenses	1,006,511	964,585	1,971,096
Operating income (loss)	362,112	199,685	561,797
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	62	-	62
Interest expense	(66,831)	(11,735)	(78,566)
Total non-operating revenue (expenses)	(66,769)	(11,735)	(78,504)
Income (loss) before contributions and transfers	295,343	187,950	483,293
Capital contributions	333,229	-	333,229
Transfers in	289,046	6,039	295,085
Transfers out	(282,577)	(285,813)	(568,390)
Change in net position	635,041	(91,824)	543,217
Total net position - beginning	5,156,611	1,370,979	6,527,590
Total net position - ending	$ 5,791,652	$ 1,279,155	$ 7,070,807

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, 2015	Water, Sewer & Gas	Jail	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	$ 1,422,934	$ 1,235,671	$ 2,658,605
Payments to suppliers	(671,006)	(516,280)	(1,187,286)
Payments to employees	(270,560)	(427,884)	(698,444)
NET CASH PROVIDED BY OPERATING ACTIVITIES	481,368	291,507	772,875
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers to/from other funds	6,469	(279,774)	(273,305)
NET CASH USED FOR NON-CAPITAL FINANCING ACTIVITIES	6,469	(279,774)	(273,305)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Grant proceeds	333,229	-	333,229
Acquisition and construction of capital assets	(473,933)	-	(473,933)
Principal payments on note payable	(48,549)	-	(48,549)
Principal payments on revenue bonds	(20,473)	-	(20,473)
Interest paid	(59,572)	(11,733)	(71,305)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(269,298)	(11,733)	(281,031)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Income	62	-	62
NET CASH PROVIDED FROM INVESTING ACTIVITIES	62	-	62
NET INCREASE IN CASH AND CASH EQUIVALENTS	218,601	-	218,601
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	88,247	-	88,247
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 306,848	$ -	$ 306,848

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, 2015	Water, Sewer & Gas	Jail	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	$ 362,112	$ 199,685	$ 561,797
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	214,336	35,911	250,247
(Increase) decrease in current assets			
Accounts receivable	54,311	71,401	125,712
Prepaid expenses	(1,995)	(4,707)	(6,702)
(Decrease) increase in current liabilities			
Accounts payable	(159,588)	4,331	(155,257)
Accrued liabilities	7,311	(15,114)	(7,803)
Deposits	4,881	-	4,881
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 481,368	$ 291,507	$ 772,875

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, 2015

	Agency Fund
ASSETS	
Cash	$ 33,269
TOTAL ASSETS	$ 33,269
LIABILITIES	
Due to others	$ 33,269
TOTAL LIABILITIES	$ 33,269

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

City of Pelham, Georgia
Statement of Net Position
Component Units
June 30, 2015

	Development Authority	Joint Development Authority of Mitchell Co & Pelham	Totals
	June 30, 2015	December 31, 2014	Totals
ASSETS			
Cash and Equivalents	$ -	$ 79,502	$ 79,502
Due from Other Governmental Agencies	357,559	-	357,559
Capital Assets			
Buildings & Building Improvements	-	2,985,081	2,985,081
Machinery and equipment	-	8,625	8,625
Less: Accumulated Depreciation	-	(477,722)	(477,722)
Total Capital Assets	-	2,515,984	2,515,984
Total Assets	357,559	2,595,486	2,953,045
LIABILITIES			
Accounts payable and accrued expenses	-	3,475	3,475
Due to other governmental agencies	127,673	-	127,673
Long-term liabilities			
Due within one year			
Bonds, capital leases and contracts	108,484	229,253	337,737
Due in more than one year			
Bonds, capital leases and contracts	57,084	2,210,128	2,267,212
Total liabilities	293,241	2,442,856	2,736,097
NET POSITION			
Invested in capital assets, net of related debt	(165,568)	76,603	(88,965)
Unrestricted	229,886	76,027	305,913
Total net position	$ 64,318	$ 152,630	$ 216,948

City of Pelham, Georgia
Statement of Activities
Component Units
For the Fiscal Year Ended June 30, 2015

Activities:	Expenses	Program Revenues: Fees, Fines, and Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Development Authority	Net (Expenses) Revenues and Changes in Net Position: Joint Development Authority of Mitchell Co & Pelham	Total
Component units:						
Development Authority	$ -	$ -	$ -	$ -	$ -	$ -
Joint Development Authority of Mitchell Co & Pelham	283,231	25,419	213,655	-	(44,157)	(44,157)
Total component units	$ 283,231	$ 25,419	$ 213,655	-	(44,157)	(44,157)
General Revenues:						
Investment				-	111	111
Disposal of Gin Building				(366,951)	-	(366,951)
Total General Revenues				(366,951)	111	(366,840)
Change in Net Position				(366,951)	(44,046)	(410,997)
Net position - beginning				431,269	196,676	627,945
Net position - ending				$ 64,318	$ 152,630	$ 216,948

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 units. The component units 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.

The Joint Development Authority of Mitchell County and Pelham was established by the Mitchell County Board of Commissioner and Mayor and City Council of Pelham on June 18, 2007. The Authority has five members: three of such members shall be appointed by the Mayor and City Council of the City of Pelham, and two of such members shall be appointed by the Board of Commissioners of Mitchell County to serve a three-year staggered term. Although, this unit is a legally separate entity, it is important because the city has a significant financial interest in this unit. The JDA is fiscal year is December 31.

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, 2014 on property values assessed as of January 1, 2014. The billing, representing the current year tax levy, was mailed October 22, 2014. 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 $41,475. 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 is incurred for purposes for which both restricted and unrestricted net position is available.

9. Deferred Inflows of Resources

During the year ended June 30, 2015 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 $7,774 is listed as unavailable and is deferred to be recognized as an inflow of resources in the period that the amounts become available.

10. Adoption of Accounting Pronouncement

The City adopted GASB Statement No. 68 *Accounting and Financial Reporting of Pensions – an amendment to GASB Statement No. 27,* as well as Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No, 68.* The objective of this statement is to improve decision usefulness of information in employer entity financial reports and will enhance its value for assessing accountability and inter-period equity by requiring the recognition of the entire net pension liability and a more comprehensive measure of pension expense. Decision-usefulness and accountability will also be enhanced through new note disclosures and required supplementary information.

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, 2015, were adopted by the City Council on May 19, 2014.

B. DEFICIT FUND BALANCE

The General Fund had a negative fund balance of $922,043 as of June 30, 2015. The additional tax and other revenues of the general fund are expected to alleviate the fund's deficit over the next several years.

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.

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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	336,546	-	370,891
Total captial assets not being depreciated	490,486	336,546	-	827,032
Capital assets, being depreciated				
Buildings	2,628,949	-	-	2,628,949
Improvements, other than buildings	3,406,525	-	-	3,406,525
Machinery and equipment	1,292,341	22,000	(9,450)	1,304,891
Total captial assets, being depreciated	7,327,815	22,000	(9,450)	7,340,365
Less accumulated depreciation for				
Buildings	(1,040,393)	(60,451)	-	(1,100,844)
Improvements, other than buildings	(967,630)	(96,145)	-	(1,063,775)
Machinery and equipment	(1,120,113)	(30,593)	9,450	(1,141,256)
Total accumulated depreciation	(3,128,136)	(187,189)	9,450	(3,305,875)
Total capital assets, being depreciated, net	4,199,679	(165,189)	-	4,034,490
Governmental activities capital assets, net	$ 4,690,165	$ 171,357	$ -	$ 4,861,522

Business-type activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated				
Land	$ 717,615	$ -	$ -	$ 717,615
Construction in progress	11,608	469,567	-	481,175
Total captial assets not being depreciated	729,223	469,567	-	1,198,790
Capital assets, being depreciated				
Buildings	1,498,779	-	-	1,498,779
Improvements, other than buildings	10,991,553	-	-	10,991,553
Machinery and equipment	194,826	-	(14,000)	180,826
Total captial assets, being depreciated	12,685,158	-	(14,000)	12,671,158
Less accumulated depreciation for				
Buildings	(216,300)	(37,037)	-	(253,337)
Improvements, other than buildings	(4,972,708)	(212,773)	-	(5,185,481)
Machinery and equipment	(194,374)	(437)	14,000	(180,811)
Total accumulated depreciation	(5,383,382)	(250,247)	14,000	(5,619,629)
Total capital assets, being depreciated, net	7,301,776	(250,247)	-	7,051,529
Business-type activities capital assets, net	$ 8,030,999	$ 219,320	$ -	$ 8,250,319

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

Governmenal activities:		
General government	$	24,472
Public safety		23,200
Public works		68,659
Health and welfare		52,150
Culture and recreation		18,708
Total depreciation expense-governmental activities	$	187,189
Business-type activities:		
Water	$	132,629
Sewer		79,513
Gas		2,194
Jail		35,911
Total depreciation expense-business-type activities	$	250,247

Depreciation expense of $35,911 for assets acquired through capital leases for the year ended June 30, 2015 is included in current year depreciation expense.

The assets acquired through capital leases are as follows:

	Business-type Activities
Leased Assets:	
Buildings	$ 1,436,436
Less: accumulated depreciation	(215,465)
Total	$ 1,220,971

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D. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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

Interfund transfers:

	Transfer In			
Transfer Out	**General Fund**	**Major - Enterprise Funds - Jail**	**Major Enterprise- Water, Sewer and Gas**	**Total**
General Fund	$ -	$ 6,039	$ -	$ 6,039
SPLOST Capital Projects Fund	-	-	289,046	289,046
Major - Enterprise Funds - Water, Sewer and Gas	282,577	-	-	282,577
Major - Enterprise Funds - Jail	285,813	-	-	285,813
Totals	$ 568,390	$ 6,039	$ 289,046	$ 863,475

Transfers from the SPLOST Fund in the amount of $289,046 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, 2015 the principal balance due was $887,365.

Year ending June 30,	Principal	Interest
2016	121,759	146,297
2017	765,606	11,201
Totals	$ 887,365	$ 157,497

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%.	$ 698,310
$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%.	68,130
Total Revenue Bonds	$ 766,440

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Revenue bond debt service requirements to maturity are as follows:

Year ending June 30,	Principal	Interest
2016	27,243	38,322
2017	28,605	36,960
2018	30,035	35,530
2019	31,537	34,028
2020	33,114	32,451
2021-2025	192,125	135,700
2026-2030	245,205	82,620
2031-2033	178,575	18,149
Totals	$ 766,440	$ 413,759

Notes Payable

Governmental Activities

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, 2015, the balance of the note outstanding was $475,808 bearing an annual interest rate of 5%.

Notes payable debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest
2016	11,921	23,790
2017	12,517	23,194
2018	451,371	22,569
	$ 475,808	$ 69,553

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, 2015, the balance of the note outstanding was $225,389.20.
Notes payable debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest
2016	23,725	-
2017	23,725	-
2018	23,725	
2019	23,725	
2020	23,725	
2021-2025	106,764	-
Totals	$ 225,389	$ -

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, 2015, the balance of the note outstanding was $516,952.

Year Ending June 30	Principal	Interest
2016	25,411	21,181
2017	26,453	20,140
2018	27,537	19,056
2019	28,666	17,928
2020	29,842	16,753
2021-2025	168,594	64,393
2026-2030	206,109	26,904
2031	4,342	2,628
	$ 516,952	$ 188,983

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2015 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	490,143	-	(14,335)	475,808	11,921
Compensated absences	63,548	27,288	(41,174)	49,662	-
Total long-term liabilties- Governmental Activities	$ 1,441,056	$ 27,288	$ (55,509)	$ 1,412,835	$ 133,680
Business-type activities					
Revenue bonds	$ 786,913	$ -	$ (20,473)	$ 766,440	$ 27,243
Notes payable	790,890	-	(48,549)	742,341	49,136
Compensated absences	16,373	11,631	(15,795)	12,209	-
Total long-term liabilties- Business-type Activities	$ 1,594,176	$ 11,631	$ (84,817)	$ 1,520,990	$ 76,379

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, 2015, the balance of the note outstanding was $380,950 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 2015 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, 2015, the note had an outstanding balance of $277,946. The purpose of this loan was for operating expenses.

Changes in Short-term Liabilities

Short-term liability activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities				
Short-term (excluding TANs)	$ 391,521	$ -	$ (10,571)	$ 380,950
Tax anticipation notes	305,211	-	(27,265)	277,946
Total short-term liabilties-Governmental Activities	$ 696,732	$ -	$ (37,836)	$ 658,896

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, 2015 is $ 40,801.

Liabilities payable from restricted assets:

Current portion of bonds payable	$ 27,243
Interest payable	38,322
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 one claim, which the City could be liable for which was outstanding and unpaid at June 30, 2015. The City has entered into a settlement agreement pending the final approval by the Court, which is resulting in a relatively small payment above the coverage amount in addition to the deductible and attorney fee. No provisions have been made in the financial statements for the year ended June 30, 2015 for any estimate of potential unpaid claims.

B. 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, 2012-2 and 2013-1.

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.

C. 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.

D. 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.

E. 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.

Net Investment Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Long-term Nominal Real Rate of Return
Domestic equity	50.00%	5.95%	9.20%
International equity	15.00%	6.45%	9.70%
Fixed income	25.00%	1.55%	4.80%
Real estate	10.00%	3.75%	7.00%
Cash	0.00%		
Total	100.00%		

Rate of Return: 7.75% On-going basis, based on long-term expected rate of return on pension plan investments.

Significant actuarial assumptions. The total pension liability was determined by an actuarial valuation as of September 30, 2014, using the following actuarial assumptions, applied to all prior periods included in the measurement:

The significant actuarial assumptions used in the current valuation, as of January 1, 2015 are:

Net Investment Rate of Return	7.75 % per year
Projected Salary Increases	3.25 % plus service based merit increases
Cost of living adjustment	3.25%

Mortality rates were based on the RP-2000 Combined Mortality Table with sex-distinct rates, set forward two years for males and one year for females. The RP-2000 mortality tables were determined to contain sufficient provision appropriate to reasonable reflect future mortality improvement, based on a four-year review of mortality experience for the period January 1, 2010 to June 30, 2014. Mortality experience will be reviewed periodically and updated if necessary.

Net Pension Liability. The components of the net pension liability of participating entities were as follows:

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at September 30, 2013 *	$ 4,759,976	$ 2,724,737	$ 2,035,239
Changes for the year:			
Service Cost	112,780	-	112,780
Interest	288,316	-	288,316
Difference Between expected and actual expenses	(187,773)	-	(187,773)
Employer Contributions	-	18,974	(18,974)
Employee Contributions	-	-	-
Net Investment Income	-	305,522	(305,522)
Benefit Payments	(234,396)	(234,396)	-
Administrative Expense	-	(9,403)	9,403
Other Changes	(1,000,157)	-	(1,000,157)
Net Changes	(1,021,230)	80,697	(1,101,927)
Balance at December 31, 2014 **	$ 3,738,746	$ 2,805,434	$ 933,312

*Entry Age Normal liabilities calculated using ages and service months as of January 1, 2014 are used to measure TPL as of September 30, 2013. The balances as of September 30, 2013 constitute measurements of the NPL for the fiscal year ending June 30, 2014.
**Entry Age Normal liabilities calculated using ages and service months as of January 1, 2015 are used to measure TPL as of September 30, 2014. The balances as of September 30, 2014 constitute measurements of the NPL for the fiscal year ending June 30, 2015.

Discount Rate. The discount rate used to measure the total pension liability was 7. 75%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	6.75%	7.75%	8.75%
Sensitivity of the Net Pension Liability to Changes in the Discount Rate	$ 1,413,064	$ 933,309	$ 536,702

Pension Expense and Deferred Outflows of Resources and Deferred Inflow of Resources Related to Pensions

Pension expense for the year ended June 30, 2015.

Pension expense for the year ended June 30, 2015

Service Cost	$ 112,780
Interest on TPL	288,316
Employee contributions	-
Administrative cost	9,403
Expected return on assets	(202,455)
Expensed portion of current year period differences between expected and actual expenrience in TPL	(46,944)
Expensed portion of current year period assumption	(232,507)
Current year plan changes	(70,126)
Expensed portion of current year period differences between projected and actual investment earnings	(20,615)
Current year recognition of deferred inflows and outflows established in prior years	-
Total	$ (162,148)

Deferred outflows/inflows of resources related to pensions:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and acutal experience	$ -	$ (140,829)
Change in assumptions	-	(697,524)
Net differences between projected and actual earnings on pension plan investments.	-	(82,452)
Total	-	(920,805)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Projected recognition of deferred outflows/(inflows).

	Year Established	Outstanding Balance at July 1, 2014	Amount Recognized During FYE June 30, 2015	Outstanding Balance at June 30, 2015
Fiscal Year Inflows				
Demographics	2015	$ (187,773)	$ (46,944)	$ (140,829)
Investment	2015	(103,067)	(20,615)	(82,452)
Assumption Change	2015	(930,031)	(232,507)	(697,524)
Total Inflows		$ (1,220,871)	$ (300,066)	$ (920,805)

Deferred Outflows/(Inflows) Recognized in Future Years

	2016	2017	2018	2019
Fiscal Year Inflows				
Demographics	$ (46,943)	$ (46,943)	$ (46,943)	$ -
Investment	(20,613)	(20,613)	(20,613)	(20,613)
Assumption Change	(232,508)	(232,508)	(232,508)	-
Total Inflows	$ (300,064)	$ (300,064)	$ (300,064)	$ (20,613)

F. 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, 2015 follows:

Lodging tax receipts	$ 7,336
Disbursement to promote tourism and economic development.	(2,934)
Disbursement for other purposes	(4,402)
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.

G. 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	$ (922,043)
Total	$ (922,043)

H. 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 placed any repayment funds on this loan in a separate bank account as required by the grant document. At fiscal year-end, this account should have had a balance of $135,688.

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.

V. PRIOR PERIOD ADJUSTMENTS

The city implemented GASB 68 during the fiscal year ended June 30, 2015. As a result beginning Net Pension Liability had to be restated resulting in a $2,831,946 prior period adjustment.

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VI. COMPONENT UNIT-PELHAM CITY ECONOMIC AUTHORITY

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. 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, 2015, 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, 2015 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Component Unit					
City of Pelham, Georgia	$ 165,568	$ -	$ -	$ 165,568	$ 108,484
Total long-term liabilties- Governmental Activities	$ 165,568	$ -	$ -	$ 165,568	$ 108,484

Year Ending June 30	Principal	Interest
2016	$ 108,484	$ 26,204
2017	15,758	1,078
2018	16,238	598
2019	25,088	2,972
	$ 165,568	$ 30,852

C. 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	(91,737)	-	(91,737)	-
Total accumulated depreciation	(91,737)	-	(91,737)	-
Total capital assets, being depreciated, net	366,951	-	366,951	-
Governmental activities capital assets, net	$ 366,951	$ -	$ 366,951	$ -

Buildings are depreciated over 40 years.

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VII. COMPONENT UNIT-JOINT DEVELOPMENT AUTHORITY OF MITCHELL COUNTY AND PELHAM

A. REPORTING ENTITY

The Joint Development Authority of Mitchell County and Pelham was established by the Mitchell County Board of Commissioner and Mayor and City Council of Pelham on June 18, 2007. The Authority has five members: three of such members shall be appointed by the Mayor and City Council of the City of Pelham, and two of such members shall be appointed by the Board of Commissioners of Mitchell County to serve a three-year staggered term. Although, this unit is a legally separate entity, it is important because the city has a significant financial interest in this unit. The JDA is fiscal year is December 31.

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 & Building Improvements	$ 2,985,081	$ -	$ -	$ 2,985,081
Machinery and equipment	8,625	-	-	8,625
Total captial assets, being depreciated	2,993,706	-	-	2,993,706
Less accumulated depreciation for				
Buildings & Building Improvements	(340,308)	(134,051)	-	(474,359)
Machinery and equipment	(2,500)	(863)	-	(3,363)
Total accumulated depreciation	(342,808)	(134,914)	-	(477,722)
Total capital assets, being depreciated, net	2,650,898	(134,914)	-	2,515,984
Governmental activities capital assets, net	$ 2,650,898	$ (134,914)	$ -	$ 2,515,984

Buildings are depreciated over 40 years.

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C. LONG-TERM DEBT

The Authority established a note November 21, 2007 with Pelham Banking Company for $2,200,000 bearing interest at 7.5%. The debt was used to fund the renovation improvements on the Hand Trading Co building. The Authority is to make 46 semi-annual payments of $89,427 due beginning December 2007. At December 31, 2014 the balance of the note outstanding was $1,780,186.

The Authority established a note December 1, 2007 with One Georgia for $500,000 bearing interest at 0%. The debt was used to fund the renovation improvements on the Hand Trading Co building. The Authority is to make 80 quarterly payments of $6,414 due beginning December 2007. This note was modified on August 22, 2012.

The Authority modified a note on August 22, 2012 with One Georgia for $461,842 bearing interest at 0%. The Authority is to make 112 quarterly payments of $4,124 due beginning October 1, 2013. At December 31, 2014, the balance of the note outstanding was $424,195.

The Authority established a note November 2007 with The City of Pelham, GA for $235,000. The debt was used to fund the renovation improvements on the Hand Trading Co building. The Authority is to make 46 semi-annual payments of $89,427 due beginning December 2007. At December 31, 2014, the balance of the note outstanding was $235,000.

Notes payable debt service requirements to maturity are as follows:

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2014 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Component Unit					
Pelham Banking Company	$ 1,847,465	$ -	$ (67,279)	$ 1,780,186	$ 45,339
One Georgia	440,995	-	(16,800)	424,195	16,494
City of Pelham, Georgia	235,000	-	-	235,000	-
Total long-term liabilties-Governmental Activities	$ 2,523,460	$ -	$ (84,079)	$ 2,439,381	$ 61,833

Year Ending June 30,	Principal	Interest
2015	$ 61,833	$ 133,514
2016	65,234	130,114
2017	68,890	126,458
2018	72,820	122,528
2019	77,044	118,304
2020	81,585	113,763
2021-2040	2,011,975	857,090
	$ 2,439,381	$ 1,601,771

Required Supplementary Information

City of Pelham, Georgia
Budgetary Basis Comparision Schedule
General Fund

For the Fiscal Year Ended June 30, 2015	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
REVENUES				
Taxes				
Property	$ 797,000	$ 797,000	$ 845,588	$ 48,588
Franchise	191,100	191,100	212,217	21,117
Alcoholic Beverage	120,000	120,000	105,467	(14,533)
Insurance Premium	200,000	200,000	210,238	10,238
Intangible	3,700	3,700	2,915	(785)
Financial Institution	16,000	16,000	10,943	(5,057)
Sales and Miscellaneous Taxes	-	-	7,969	7,969
Fees and Fines	137,000	137,000	240,407	103,407
Licenses and Permits	59,530	59,530	94,077	34,547
Intergovernmental	-	-	42,605	42,605
Charges for Services	458,200	458,200	479,390	21,190
Investment Earnings	-	-	8	8
Contributions & Donations from Private Sources	-	-	12,350	12,350
Miscellaneous	68,300	68,300	167,470	99,170
TOTAL REVENUES	2,050,830	2,050,830	2,431,644	380,814
EXPENDITURES				
General Government				
Legislative	50,000	50,000	41,554	8,446
Executive	107,000	129,920	128,097	1,823
Elections	6,600	6,600	4,656	1,944
Financial	249,000	249,000	226,297	22,703
Law	7,200	7,200	7,200	-
Buildings	1,500	1,500	1,301	199
Total General Government	421,300	444,220	409,105	35,115
Judicial				
Municipal Court	45,000	60,423	60,061	362
Total Judicial	45,000	60,423	60,061	362
Public Safety				
Police	740,000	740,000	730,190	9,810
Fire	365,000	365,000	271,612	93,388
Other	9,240	9,240	9,240	-
Total Public Safety	1,114,240	1,114,240	1,011,042	103,198
Public Works				
Highway and Streets	426,120	426,120	167,129	258,991
Solid Waste Collection	343,000	343,000	321,338	21,662
Maintenance and Shop	120,000	120,000	117,641	2,359
Total Public Works	889,120	889,120	606,108	283,012
Health and Welfare				
Health	20,000	20,000	13,903	6,097
Community Services	11,000	11,000	1,445	9,555
Total Health Welfare	31,000	31,000	15,348	15,652
Culture and Recreation				
Recreation	7,300	14,783	11,796	2,987
Parks	2,000	8,265	8,265	-
Libraries	40,000	40,000	30,735	9,265
Total Culture and Recreation	49,300	63,048	50,796	12,252

City of Pelham, Georgia
Budgetary Basis Comparision Schedule
General Fund

For the Fiscal Year Ended June 30, 2015	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Housing and Development				
Protective Inspection	2,460	2,596	2,556	40
Code Enforcement	55,650	55,650	47,754	7,896
Economic Development and Assistance	119,000	119,000	94,595	24,405
Total Housing and Development	177,110	177,246	144,905	32,341
TOTAL EXPENDITURES - ALL DEPARTMENTS	2,727,070	2,779,297	2,297,365	481,932
Net Excess before Transfers	(676,240)	(728,467)	134,279	862,746
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	673,520	673,520
Transfers (Out)	-	-	(74,262)	(74,262)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	599,258	599,258
SPECIAL ITEMS				
Proceeds from sale of capital assets	3,000	3,000	136,474	133,474
Total Special Items'	3,000	3,000	136,474	133,474
Net Excess (Deficit)	(673,240)	(725,467)	870,011	1,595,478
Fund balances - beginning of the year (budgetary basis)	(1,567,594)	(1,567,594)	-	1,567,594
Fund balances - end of the year (budgetary basis)	$ (2,240,834)	$ (2,293,061)	870,011	$ 3,163,072
Adjustment for basis differences			(187,553)	
Fund balances - end of the year GAAP Basis			$ 682,458	

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	$ 2,431,644
Adjustments:	
The City budgets revenues on the cash basis of accounting rather than the modified accrual basis of accounting	1
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-general fund	$ 2,431,645
Expenditures	
Adjustments:	
Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedules	$ 2,297,365
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.	187,554
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-general fund	$ 2,484,919

SCHEDULE OF CHANGES IN THE COUNTY'S NET PENSION LIABILITY AND RELATED RATIOS

		2015
Service cost	$	112,780
Interest		288,316
Differerences between expected and actual experience		(187,773)
Changes of assumption		(930,031)
Changes in benefit terms		(70,126)
Benefit payments, including refunds of employee contributions		(234,396)
Net change in total pension liability		(1,021,230)
Total Pension Liability as of beginning		4,759,973
Total Pension Liability as of ending (a)		3,738,743
Employer contributions	$	18,974
Employee contributions (including buyback)		-
Net investment income		305,522
Benefit payments, including refunds of employer contributions		(234,396)
Administrative expense		(9,403)
Other		-
Net Change in fiduciary net position		80,697
Plan fiduciary net position - beginning		2,724,737
Plan fiduciary net position - ending (b)		2,805,434
Net Pension Liability - ending: (a)-(b)	$	933,309
Plan's fiduciary net position as a percentage of the total pension liability		75.04%
Covered-employee payroll	$	1,252,459
Net pension liability as a percentage of covered-employee payroll		74.5%

Note: This schedule will present 10 year of information once the data is available.

SCHEDULE OF CONTRIBUTIONS

	2015
Actuarially determined contribution	*
Contributions in relation to the actuarially determined contribution	*
Contribution deficiency (excess)	*
Covered-employee payroll	*
Contributions as a percentage of coveredemployee payroll	*

* 2015 information will be determined after fiscal year end and will be included in the 2016 valuation report.

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date	The actuarially determined contribution rate was determined as of January 1, 2015, with aninterest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the fiscal year ending June 30, 2016.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	Remaining amortization period varies for the bases, with a net effective amortization period of 10 years
Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Actuarial Assumptions:	
Net Investment Rate of Return	7.75%
Projected Salary Increases	3.25% plus service based merit increases
Cost of Living Adjustments	3.25%
Retirement Age	
age 65-69	60%
70 and over	100%
Mortality	RP-2000-Combined

Supplementary Information

Combining Fund Statements and Schedules

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

June 30, 2015	Hotel/Motel Tax Fund	CDBG RLF Fund	Totals
ASSETS			
Intergovernmental receivable	$ -	$ 5,612	$ 5,612
Notes receivable	-	400,568	400,568
TOTAL ASSETS	$ -	$ 406,180	$ 406,180
LIABILITIES AND FUND BALANCE			
Deferred revenue	$ -	$ 400,568	$ 400,568
TOTAL LIABILITIES	-	400,568	400,568
FUND BALANCES			
Restricted for:			
Community Development Projects	-	5,612	5,612
TOTAL LIABILITES AND FUND BALANCE	$ -	$ 406,180	$ 406,180

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, 2015	Hotel/Motel Tax Fund	CDBG RLF Fund	Totals
REVENUES			
Hotel/Motel Tax	$ 7,336	$ -	$ 7,336
TOTAL REVENUES	7,336	-	7,336
EXPENDITURES			
Capital Outlay			
Housing and Development	7,336	-	7,336
TOTAL EXPENDITURES	7,336	-	7,336
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, 2015	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES				
Hotel/Motel Tax	$ 6,000	$ 6,000	$ 7,336	$ 1,336
TOTAL REVENUES	6,000	6,000	7,336	1,336
EXPENDITURES				
Housing and Development				
Economic Development and Assistance	6,000	6,000	7,336	(1,336)
Total Housing and Development	6,000	6,000	7,336	(1,336)
TOTAL EXPENDITURES - ALL DEPARTMENTS	6,000	6,000	7,336	(1,336)
Net Excess	$ -	$ -	$ -	$ -

State Reporting Requirements

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

June 30, 2015

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	$ 5,051	$ 6,219	8.88%
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	424,965	192,816	617,781	116.12%
Sewer Improvements	304,357	304,357	107,293	96,230	203,523	66.87%
Roads & Bridges	1,500,000	1,500,000	35,210	336,546	371,756	24.78%
TOTAL	$ 2,406,357	$ 2,406,357	$ 568,636	$ 630,643	$ 1,199,279	49.84%

City of Pelham, Georgia
Community Development Block Grant
Source and Application of Funds Schedule

June 30, 2015	**Grant #13p-x-100-2-5564**
Total Program Year 2015 funds allocated to recipient	$ 455,918
Less: Total Program Year 2015 funds drawn down by recipient	(333,229)
Funds still available from Program Year 2015 Resources	$ 122,689
Total Program Year 2015 funds held at beginning of year	$ -
Total Program Year 2015 funds drawn down and received by recipient	333,229
Less: Funds applied and expended to Program Year 2015 costs	(324,229)
TOTAL PROGRAM YEAR 2015 FUNDS HELD BY RECIPIENT	$ 9,000

City of Pelham, Georgia
Community Development Block Grant
Budget to Actual Funds Schedule

June 30, 2015		Grant #13p-x-100-2-5564				
	Activity Number	Latest Approved Budget CDBG Funds	Current Period Expenditures	Prior Period Expenditures	Grand Total Expenditures to Date	Questioned Costs
	P-03J-02	$ 428,575	$ 312,229	$ -	$ 312,229	$ -
	A-21A-00	27,343	12,000	-	12,000	-
TOTAL		$ 455,918	$ 324,229	$ -	$ 324,229	$ -

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and 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, 2015, 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 January 14, 2016.

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.*

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
January 14, 2016.

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 received funds from the DDA but they weren't specifically designated as loan payments and were deposited into the general fund and spent for general operating expenses. As a result no funds have been placed in a separate account as required by the grant document.

Cause: Payments received were not designated as loan repayments and were not accounted for properly.

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

Recommendation: The City should move to place all funds into the RLF bank account as soon as possible.

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 has negotiated a settlement subsequent to fiscal year end.

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 has corrected this issues subsequent to fiscal year end.

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 agrees with finding and will work to correct this finding during the current fiscal year.

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.