CITY OF PEMBROKE, GEORGIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2013

CITY OF PEMBROKE

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Independent Auditors' Report

June 27, 2014

Honorable Mayor and City Council
City of Pembroke
Pembroke, Georgia

Report of the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the remaining fund information of the City of Pembroke, Georgia (the City) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the remaining fund information of the City, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Multiple Grant Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of projects paid with special sales tax proceeds are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The accompanying financial information listed as supplementary information including the combining and individual nonmajor fund financial statements and schedules of projects paid with special sales tax proceeds 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 of projects paid with special sales tax proceeds are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 27, 2014, on our consideration of the City'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. The report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

Holland, Henry & Bromley, LLP
Savannah, Georgia

CITY OF PEMBROKE

STATEMENT OF NET POSITION

DECEMBER 31, 2013

	Primary Government			
	Governmental Type Activities	Business-type Activites	Total	Component Units
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 1,782,716	$ (138,701)	$ 1,644,015	$ 4,645
Receivables:				
Taxes	323,194		323,194	
Fines	106,133		106,133	
Accounts	8,885	81,362	90,247	
Sanitation	9,906		9,906	
Internal balances	451,462	(451,462)	-	
RESTRICTED ASSETS				
Cash and cash equivalents		275,457	275,457	
Certificates of deposit	362,104	151,241	513,345	
CAPITAL ASSETS				
Nondepreciable capital assets	284,287	66,000	350,287	
Depreciable capital assets, net	1,649,719	8,468,413	10,118,132	-
Total assets	4,978,406	8,452,310	13,430,716	4,645
LIABILITIES AND FUND BALANCES				
CURRENT LIABILITIES				
Accounts payable	178,394	37,605	215,999	
Compensated absences payable	2,476	1,647	4,123	
Accrued interest payable		12,896	12,896	
Capital leases payable	15,962	16,831	32,793	
Notes payable	14,022	778,536	792,558	
Revenue bonds payable		53,884	53,884	
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS				
Customer deposits		85,000	85,000	
LONG-TERM LIABILITIES				
Capital leases payable (net of current portion)	-	15,636	15,636	
Compensated absences payable (net of current portion)	9,906	6,588	16,494	
Notes payable (net of current portion)	48,633		48,633	
Revenue bonds payable (net of current portion)	-	3,862,884	3,862,884	-
Total liabilities	269,393	4,871,507	5,140,900	-
NET POSITION				
Net investment in capital assets		3,806,642	3,806,642	
Restricted for:				
Debt service		426,698	426,698	
Confiscated assets	372		372	
Special sales tax	1,304,704		1,304,704	
Unrestricted	3,403,937	(652,537)	2,751,400	4,645
Total net position	$ 4,709,013	$ 3,580,803	$ 8,289,816	$ 4,645

(The accompanying notes are an integral part of these financial statements.)

CITY OF PEMBROKE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2013

Functions/Programs	Expenses	Program Revenue: Fees, Fines, & 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	Net (Expense) Revenue and Changes in Net Position: Primary Government: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Total	Net (Expense) Revenue and Changes in Net Position: Component Units
Primary government								
Governmental Activities								
General government	$ 309,057	$ 119,220		$ 503,606	$ 313,769		$ 313,769	
Public safety	1,013,614	517,043			(496,571)		(496,571)	
Streets and sanitation	597,955	134,089		306,224	(157,642)		(157,642)	
Health and welfare	58,201	12,593			(45,608)		(45,608)	
Recreation and culture	142,962	8,769		6,257	(127,936)		(127,936)	
Interest	2,889	-	-	-	(2,889)		(2,889)	
Total governmental activities	2,124,678	791,714	-	816,087	(516,877)	-	(516,877)	-
Business-type activities								
Water and sewer	1,197,591	1,028,992	-	-	-	$ (168,599)	$ (168,599)	
Total primary government	$ 3,322,269	$ 1,820,706	$ -	$ 816,087	$ (516,877)	$ (168,599)	$ (685,476)	$ -
Component Units								
Downtown Development Authority	$ 34,944	$ -						$ (34,944)
Total component units	$ 34,944	$ -						$ (34,944)
General revenues:								
Property taxes, levied for general purposes					$ 368,648		$ 368,648	
Intergovernmental revenue					544,478	$ 64,995	609,473	
Franchise taxes					248,643		248,643	
Insurance premium tax					113,278		113,278	
Other taxes					92,672		92,672	
Interest earned					8,655	547	9,202	
Proceeds from sale of assets					1,714	23,125	24,839	
Payments from City							-	$ 18,885
Miscellaneous					101,438	-	101,438	10,108
Total general revenue					1,479,526	88,667	1,568,193	28,993
Transfers					(86,129)	86,129	-	-
Change in net position					876,520	6,197	882,717	(5,951)
Net position - beginning of year					3,832,493	3,574,606	7,407,099	1,949
Net position - ending of year					$ 4,709,013	$ 3,580,803	$ 8,289,816	$ (4,002)

(The accompanying notes are an integral part of these financial statements.)

CITY OF PEMBROKE

BALANCE SHEET - GOVERNMENTAL FUNDS

DECEMBER 31, 2013

	General	Special Sales Tax	Multiple Grant	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	$ 740,734	$ 1,031,473	$ 10,137	$ 372	$ 1,782,716
Receivables:					
Taxes	241,633	81,561			323,194
Fines receivable	106,133				106,133
Accounts receivable	2,628		6,257		8,885
Sanitation	9,906				9,906
Due from other funds	476,204		108,723		584,927
Restricted assets:					
Certificates of deposit	158,281	203,823	-	-	362,104
TOTAL ASSETS	$ 1,735,519	$ 1,316,857	$ 125,117	$ 372	$ 3,177,865
LIABILITIES AND NET ASSETS					
Accounts payable	100,614	3,555	74,225		178,394
Due to other funds	-	8,598	124,867		133,465
Deferred inflos of resources	143,813	-	-	-	143,813
TOTAL LIABILITIES	244,427	12,153	199,092	-	455,672
Fund balances:					
Unassigned	1,491,092				1,491,092
Unassigned			(73,975)		(73,975)
Restricted - special sales tax		1,304,704			1,304,704
Restricted - confiscated assets	-	-	-	372	372
TOTAL FUND BALANCES	1,491,092	1,304,704	(73,975)	372	2,722,193
TOTAL LIABILITIES AND FUND BALANCES	$ 1,735,519	$ 1,316,857	$ 125,117	$ 372	

Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the funds.	1,934,006
Other long-term assets are not available to pay for the current period expenditures, and, therefore, are deferred in the funds.	143,813
Interfund receivables and payable between governmental funds are reported on the fund balance sheet but eliminated on the government-wide statement of net position.	
Intrefund receivable	133,465
Interfund payable	(133,465)
Certain liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.	(90,999)
Net assets of governmental activities	$ 4,709,013

(The accompanying notes are an integral part of these financial statements.)

CITY OF PEMBROKE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	General Fund	Special Sales Tax	Multiple Grant	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$ 1,377,427				$ 1,377,427
Licenses and permits	41,791				41,791
Charges for services	205,669				205,669
Fines and forfeitures	526,434				526,434
Intergovernmental		$ 590,787	$ 312,481		903,268
Interest revenue	5,868	2,786		$ 1	8,655
Miscellaneous	100,642	-	-	796	101,438
Total	2,257,831	593,573	312,481	797	3,164,682
EXPENDITURES					
Current:					
General government	300,384			1,412	301,796
Public safety	994,599				994,599
Streets and sanitation	628,125		108,087		736,212
Health and welfare	58,201				58,201
Recreation and culture	116,864		5,848		122,712
Capital Outlay		10,959			10,959
Debt Service:					
Principal	49,010				49,010
Interest	2,889	-	-	-	2,889
Total	2,150,072	10,959	113,935	1,412	2,276,378
Excess revenues over expenditures	107,759	582,614	198,546	(615)	888,304
OTHER FINANCING SOURCES (USES)					
Transfers in					-
Transfers out		(86,129)			(86,129)
Proceeds from disposal of assets	1,714				1,714
Proceeds from note payable	72,880	-	-	-	72,880
Total other financing sources and uses	74,594	(86,129)	-	-	(11,535)
Net change in fund balance	182,353	496,485	198,546	(615)	876,769
Fund balance - beginning of year	1,308,739	808,219	(272,521)	987	1,845,424
Fund balance - end of year	$ 1,491,092	$1,304,704	$ (73,975)	$ 372	$ 2,722,193

(The accompanying notes are an integral part of these financial statements.)

CITY OF PEMBROKE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2013

Net changes in Fund Balance - Total Governmental Funds		$ 876,769
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Depreciation expense	(140,909)	
Capital outlay	255,981	115,072
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(79,069)
This issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is net effect of these differences in the treatment of long-term debt and related items.		(23,870)
Some expense reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Liability at 12/31/12	-	
Lliability at 12/31/13	12,382	(12,382)
		$ 876,520

(The accompanying notes are an integral part of these financial statements.)

CITY OF PEMBROKE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECUMEBER 31, 2013

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
REVENUES:				
Taxes	$ 1,248,090	$ 1,248,090	$ 1,377,427	$ 129,337
Licenses and permits	36,025	36,025	41,791	5,766
Charges for services	181,370	181,370	205,669	24,299
Fines and forfeitures	237,500	237,500	526,434	288,934
Interest revenue	5,000	5,000	5,868	868
Miscellaneous	76,200	76,200	100,642	24,442
Total revenues	1,784,185	1,784,185	2,257,831	473,646
EXPENDITURES:				
General government	247,575	285,575	300,384	(14,809)
Public safety	700,605	705,605	994,599	(288,994)
Streets and sanitation	675,400	627,400	628,125	(725)
Health & welfare	69,340	50,340	58,201	(7,861)
Recreation & culture	91,265	115,265	116,864	(1,599)
Debt service – principal	-	-	49,010	(49,010)
Debt service – interest	-	-	2,889	(2,889)
Total expenditures	1,784,185	1,784,185	2,150,072	(365,887)
Excess revenues before other financing sources	-	-	107,759	107,759
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of assets			1,714	1,714
Proceeds from capital lease	-	-	72,880	72,880
Total	-	-	74,594	72,880
Net change in fund balance	$ -	$ -	182,353	$ 180,639
Fund balance - beginning of year			1,308,739	
Fund balance - end of year			$ 1,491,092	

(The accompanying notes are an integral part of these financial statements.)

CITY OF PEMBROKE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - MULTIPLE GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues:				
Intergovernmental	$ -	$ -	$ 312,481	$ 312,481
Total revenues	-	-	312,481	312,481
Expenditures:				
Streets and sanitation	-	-	113,935	(113,935)
Total expenditures	-	-	113,935	(113,935)
Excess expenditures before other financing uses	-	-	198,546	198,546
Other financing uses:				
Transfers out	-	-	-	-
Net change in fund balance	$ -	$ -	198,546	$ 198,546
Fund balance - beginning of year			(272,521)	
Fund balance - end of year			$ (73,975)	

(The accompanying notes are an integral part of these financial statements.)

CITY OF PEMBROKE
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2013

ASSETS		
Cash	$	(138,701)
Receivables:		
Accounts receivable		81,362
Restricted assets:		
Cash		275,457
Certificates of deposit		151,241
Total current assets		369,359
Nondepreciable capital assets		66,000
Depreciable capital assets (net where applicable)		8,468,413
Total capital assets		8,534,413
Total Assets	$	8,903,772
LIABILITIES AND NET ASSETS		
Accounts payable	$	37,605
Compensated absences payable		1,647
Interest payable		12,896
Due to other funds		451,462
Current portion of bond payables		53,884
Notes payable		778,536
Current portion of capital leases		16,831
Customer deposits		85,000
Total current liabilities		1,437,861
Compensated absences payable (net of current portion)		6,588
Capital leases (net of current portion)		15,636
Bonds payable (net of current portion)		3,862,884
Total liabilities		5,322,969
Net Position:		
Net investment in captial assets		3,806,642
Restricted for debt service		426,698
Unrestricted		(652,537)
Total Net Position	$	3,580,803

(The accompanying notes are an integral part of these financial statements.)

CITY OF PEMBROKE
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2013

REVENUES		
Operating revenues:		
Water sales and sewer revenue	$	952,851
Other operating income		76,141
Total		1,028,992
EXPENSES		
Operating expenses:		
Salaries		234,567
Payroll taxes		15,907
Depreciation		270,772
Legal		22,389
Utilities		134,746
Rent		50,000
Repair and maintenance		34,493
Insurance		48,352
Chemicals		5,964
Audit		1,875
Other operating expenses		27,429
Lab		6,527
Gas/Oil		13,690
Retirement		17,099
Telephone		5,833
Supplies		41,776
Equipment		7,021
Male prisoner expenses		60,162
Contracted expenses		28,490
Total		1,027,092
Operating loss		1,900
Nonoperating revenues (expenses):		
Interest income		547
Interest expense		(170,499)
Proceeds from disposal of assets		23,125
Intergovernmental revenue		64,995
Total		(81,832)
Transfers in		86,129
Change in net position		6,197
Net Position - beginning of year		3,574,606
Net Position - end of year	$	3,580,803

(The accompanying notes are an integral part of these financial statements.)

CITY OF PEMBROKE

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

FOR THE YEAR ENDED DECEMBER 31, 2013

Cash flows from operating activities:	
Cash received from providing services	$ 1,019,170
Cash paid to suppliers	(557,477)
Cash paid to employees	(234,567)
Net cash provided by operating activities	227,126
Cash flows from capital and related financing activities:	
Purchase of equipment/land	(816,081)
Interest payments	(170,499)
Proceeds from sale of assets	23,125
Principal payments on bonds payable	(50,353)
Bond issuance	694,000
Payments on notes payable	(95,654)
Increase in capital leases payable	30,782
Transfers	86,129
Intergovernmental revenue	64,995
Net cash used for capital and related financing activities	(233,556)
Cash flows from investment activities:	
Interest on investments	547
Net decrease in cash	(5,883)
Cash - beginning of year	293,880
Cash - end of year	287,997
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	1,900
Adjustment to reconcile net loss to net cash provided by operating activities:	
Depreciation	270,772
Increase in accounts receivable	(9,822)
Decrease in accounts payable and deposits	(19,461)
Decrease in due to other fund	(16,263)
Net cash provided by operating activities	$ 227,126

(The accompanying notes are an integral part of these financial statements.)

CITY OF PEMBROKE
STATEMENT OF NET POSITION
COMPONENT UNIT
DECEMBER 31, 2013

	Downtown Development Authority of the City of Pembroke
ASSETS	
Cash	$ 4,645
Non-depreciable capital assets	-
TOTAL ASSETS	4,645
LIABILITIES	
Note payable	-
TOTAL LIABILITIES	-
NET POSITION	
Net investment in captial assets	
Unrestricted	4,645
TOTAL NET POSITION	$ 4,645

(The accompanying notes are an integral part of these financial statements.)

CITY OF PEMBROKE
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2013

	Downtown Development Authority of the City of Pembroke
OPERATING REVENUES:	
Revenue	$ 10,108
Total operating revenues	10,108
OPERATING EXPENSES	
Other	34,944
Total operating expenses	34,944
OPERATING INCOME	(24,836)
NON-OPERATING REVENUES (EXPENSES)	
Intergovernmental	18,885
Total non-operating revenue (expenses)	18,885
CHANGE IN NET POSITION	(5,951)
NET POSITION - BEGINNING OF YEAR	10,596
NET POSITION - END OF YEAR	$ 4,645

(The accompanying notes are an integral part of these financial statements.)

CITY OF PEMBROKE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

NOTE 1 - THE REPORTING ENTITY

The City of Pembroke, Georgia (the City) operates under a corporate charter that was revised on February 21, 1951. During 2005, the City celebrated its Centennial anniversary of incorporation. The City's government is a Council/Mayor form of government and provides the following services: public safety (police and fire), highways and streets, sanitation, culture and recreation, public improvements, cemetery, planning and zoning and general administration.

The City has implemented the Governmental Accounting Standards Board Statement 14, "The Financial Reporting Entity". Statement 14 applies at all levels to all state and local governments. The Statement applies to financial reporting by primary governments, governmental joint ventures, jointly governed organizations, and other stand-alone governments; and it applies to the separately issued financial statements of governmental component units. The financial reporting entity of (a) primary government, (b) organizations for which the primary government is financially accountable, and (c) primary organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The nucleus of a financial reporting entity usually is a primary government. However, a governmental organization other than a primary government (such as a component unit, a joint venture, a jointly governed organization, or another standalone government) serves as the nucleus for its own reporting entity when it issues separate financial statements.

The Downtown Development Authority of the City of Pembroke is a public corporation created to promote industry, trade, and economic growth in the City. The City appoints the members of the authority's board and assists in its funding. Separate financial statements are not prepared.

NOTE 2 - BASIS OF PRESENTATION

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government (the City). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and therefore, clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including taxes, are presented as general revenues.

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

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 revenues of the City's enterprise 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 this definition are reported on non-operating revenues and expenses.

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It is used to account for all revenues and expenditures which are not accounted for in other funds.
Special Sales Tax Fund - The special sales tax fund accounts for the special purpose local option sales tax received from Bryan County to be spent for various capital projects.
Multiple Grant Fund – The multiple grant fund is a special revenue fund used to account for intergovernmental revenues that are legally restricted to expenditure for a specific purpose.

The City reports the following major enterprise fund:

Water/Sewer Fund – The Water/Sewer Fund is used to account for operation and maintenance of the City's water and sewer system.

Additionally, the City reports the following fund types:

The special revenue fund accounts for revenue sources that are legally restricted to expenditure for specific purpose.

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

NOTE 3 - BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus.

Governmental Funds

All governmental funds are accounted for using the modified accrual basis accounting. Under the modified accrual basis of accounting, revenues are generally recognized when they become measurable and available as net current assets. Revenues which are susceptible to accrual include (1) property taxes, (2) garbage collection fees and (3) interest, franchise taxes, sales taxes and intergovernmental revenues when received after the end of the accounting period so as to be both measurable and available. Property tax revenues are considered measurable and available to the extent they are collected within the current period or collected sixty days after the end of the period. Property taxes not collected within sixty days after the end of the period are recorded as deferred revenues and recognized when collected.

For the City, the phrase "available for exchange transactions" means expected to be received within 60 days of year-end.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid vacation, sick pay, and other employee benefits which are not accrued; (2) inventory type items which are expensed when purchased; and (3) principal and interest on general long-term debt which is recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. The flow of current financial resources measurement focus is used for all governmental funds.

Those revenues susceptible to accrual are property taxes, franchise taxes, licenses, interest revenue, police fines and charges for services. Sales taxes collected and held by the state at year-end on behalf of the City are recognized as revenue.

Proprietary Funds

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Unbilled water and sewer utility service receivables are recorded at year end.

The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

GASB No. 34 requires government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund or account group, but distinguish between the City's governmental activities and business type activities. Significantly, the statement of net position will include noncurrent assets which were previously reported in the General Fixed Asset Account Group and long-term liabilities previously reported in the General Long-Term Debt Account Group. In addition, the government-wide statement of activities reflects depreciation expenses on the City's capital assets.

Like the government-wide financial statements, all proprietary fund types are accounted for on a flow of economic resources management focus on both financial reporting levels.

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Budgetary Data

1. Budgets are adopted for all governmental fund types. Prior to December 1, the Mayor submits to the Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Council holds a public hearing on the budget, giving notice thereof at least ten days in advance by publication in the official organ.
3. The budget is then revised and adopted or amended by the Council prior to December 31.
4. The budget so adopted may be revised during the year only by formal action of the Council in a regular meeting and no increase shall be made therein without provision also being made for financing same.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles.
6. Budgeted amounts are as originally adopted with one budget amendment before year end. All expenditures were approved by the City Council before funds were expended.
7. The level of control (level at which expenditures may not legally exceed the budget) is exercised by the Mayor and Council at the department level.

Encumbrances

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

Inventory

Inventory consists of expendable supplies held for consumption. The cost of these supplies on hand are considered immaterial to the balance sheets of the various funds and are not shown as assets of the funds nor is any portion of the fund balance reported as an expenditure when purchased.

Receivables

Property taxes are considered fully collectible and therefore no provision for uncollectible taxes is provided.

Accounts receivable of the Governmental Fund are stated net of an allowance for doubtful accounts of $48,000.

Accounts receivable of the Water and Sewer Fund are stated net of an allowance for doubtful accounts of $3,766.

Compensated absences and other employee benefits

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to service already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

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

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

Deposits and investments

The City's cash and cash equivalents consists of cash on hand and on deposit with financial institutions. For purposes of reporting cash on the statement of net position, the City considers all unrestricted highly liquid investments with original maturities of three months or less from the date of acquisition to be cash equivalents.

All investments are reported at fair value, which is based on quoted market prices.

The City is authorized by Georgia statutes to invest in the following:

1. Deposit accounts with eligible depository institutions,
2. Obligations of the State of Georgia or of other states,
3. Obligations issued by the United States government,
4. Obligations fully insured or guaranteed by the United States government or a United States government agency,
5. Obligations of any corporation of the United States government,
6. Prime banker's acceptances,
7. The local government investment pool established by Georgia Code Section 36-83-8,
8. Repurchase agreements, and
9. Obligations of other political subdivisions of the State of Georgia

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair value on the date received. For infrastructure, the City only reported after the implementation of GASB No.34.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings and infrastructure	20 – 50
Machinery and equipment	3 – 15
Water/Sewer System	5 – 50

Deficits

The only fund to have a deficit fund balance as of December 31, 2013 was the multiple grant special revenue fund with a deficit balance of $73,975.

Inter-fund transactions

Inter-fund transactions are reflected as loans, are for services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when a fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other inter-fund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide columnar presentation.

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- In the governmental fund financial statements, fund balances are classified as follows:

Non-spendable – Amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of the City Charter, the City Code, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution.

Assigned – Amounts that are designated by the Mayor for the particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval for capital projects by the City Council.

Unassigned – All amounts not included in other spendable classifications.

Net Position- Net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets. This net amount is also adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other components of net position are reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications - committed and then assigned fund balances before using unassigned fund balances.

NOTE 5 - DEPOSITS AND INVESTMENTS

At year end, the carrying amount of the City's deposits was $1,919,472 and the certificates of deposit carrying amount was $513,345 for a total carrying amount of $2,432,817. The financial institution balance was $2,023,771 and $514,894 for cash deposits and certificates of deposit respectively for a total financial institution balance of $2,538,665, which was entirely insured or collateralized with securities held by the pledging financial institution's agent in the City's name.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to the City. The Official Code of Georgia Annotated (OCGA) Section 45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by a surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110% of the public funds being secured after the deduction of the amount of depository insurance. The city has no custodial credit risk policy that would require additional collateral requirements.

The carrying amount of the City's deposits and certificates of deposit are classified as follows on the statement of net position:

	2013
Cash and cash equivalents	$ 1,919,472
Certificates of deposit	513,345
Total	$ 2,432,817

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. *Credit risk* is the risk that issuer or counterparty to an investment will not fulfill its obligations. State law governs the investment of retirement funds (OCGA 47-20-84) and limits investments to maximum concentrations by investment category (at cost). The City has no formal investment policy that would further limit its investment choices.

NOTE 6 - LITIGATION AND COMMITMENTS

At December 31, 2013, the City was involved in a discrimination lawsuit in which the case settled for $15,000. This liability is properly included in the accompanying financial statements.

The City may be named in an additional discrimination lawsuit, however the City intends to vigorously defend the case and therefore, no related liability is included in the accompanying financial statements.

NOTE 7 - STEWARDSHIP AND COMPLIANCE

The City participates in various federally and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. 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.

NOTE 8 - PENSION REQUIREMENTS

The City participates in the Georgia Municipal Employees Benefit System (GMEBS). The Board of Trustees of GMEBS has adopted an actuarial funding policy for determination of annual contributions and the systematic funding of liabilities arising under the plan. The plan is an agent multiple-employer defined benefit pension plan. The minimum annual contribution is required under Public Retirement Systems Law (Georgia Code Section 47-20-10). The primary benefit of the plan is to fund retirement for participant employees. Benefits are fully vested after 5 years of service. Participants become eligible to retire at 65, with 5 years of participation in the Plan. Upon eligibility to retire, participants are entitled to an annual benefit in the amount of 2.0% of final average earnings up to a participant's amount of covered compensation, multiplied by the participant's years of total credited service. These benefit provisions and all other requirements are established and amended by local ordinance. The pension plan issues a stand-alone financial report.

The GMEBS issues a publicly available financial report that includes financial statements and supplementary information. The report may be obtained by writing to:

Georgia Municipal Association
201 Pryor Street, SW
Atlanta, Georgia 30303-3606

Trend information

Year ending	Annual Pension Cost	% of APC Contributied	Net Pension Obligation
12/31/2011	40,277	100%	-
12/31/2012	46,205	100%	-
12/31/2013	46,266	100%	-

Annual pension cost for the year ended December 31, 2013 was $46,266. The required contribution rate of the City is 11.81% of the employee's salary. The employees are not required to make contributions. July 1, 2013 is the actuarial valuation date. On this date, there was no actuarial accrued liability. The pension plan issues a stand-alone financial report.

Significant Actuarial Assumptions

The significant actuarial assumptions used to compute the actuarial accrued liability are the same as those used to compute the actuarial determined contribution requirements of the plan.

The significant actuarial assumptions used in the current valuation are:

Rate of return on investment	7.75% per year
Projected salary increases for Inflation and merit	3.5% per year
Postretirement benefit increases	Not applicable

Effect of Plan Changes on the Actuarial Accrued Liability

The plan provisions valued and the actuarial assumptions are the same as those used in the preceding valuation. The amortization period for the unfunded actuarial accrued liability is open and varies based on the bases, with the net effective amortization period of 11 years.

NOTE 8 - PENSION REQUIREMENTS (continued)

Funding Policy and Annual Contributions

The funding policy for the plan is to contribute an amount equal to the recommended contribution in each year. These contributions are determined under the projected unit credit actuarial cost method. The period and related method for amortizing the initial unfunded actuarial accrued liability is 30 years from 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. The recommended contributions under this policy for 2013 are shown below:

Normal cost	
Plan benefits	$ 46,266
Recommended contribution	78,649
Covered payroll	654,481
Recommended contribution as a % of covered payroll	11.81%

Effect of Plan Changes on Contribution Requirements

The plan provisions valued and the actuarial assumptions and cost methods are the same as those used to determine the contribution requirement for the preceding year.

Current Plan Membership

As of July 1, 2013, the current plan membership includes the following categories of participants:

	2013
Retirees and beneficiaries currently receiving benefits	17
Terminated employees entitled to benefits but not yet receiving them	18
Current active employees	
Vested	15
Nonvested	15
Total membership in the plan	65

NOTE 8 - PENSION REQUIREMENTS (continued)

Historical Trend Information

The table below sets forth required supplementary information to be disclosed in the plan's financial statements. The items presented are based on the July 1, 2013 actuarial valuation:

	2013
Market value of assets	$ 922,541
Actuarial accrued liability	1,184,918
Percentage funded	85.13%
Unfunded actuarial accrued liability	(176,154)
Annual covered payroll	654,481
Unfunded accrued liability as a percentage of covered payroll	26.92%

Fiscal Year Starting July 1	Actuarial Value of Assets	Acturarial Accrued Liability	% Funded	Unfunded Accrued Liability	Annual Covered Payroll	Actual Accrued Liability as a % of Covered Payroll	Annual Pension Costs
2011	909,312	1,063,902	85.47%	154,590	672,964	8.95%	40,227
2012	951,211	1,104,798	86.10%	153,587	651,187	23.59%	46,205
2013	1,008,764	1,184,918	85.13%	176,154	654,481	26.92%	46,266

Asset Data

GMEBS has supplied all asset data used in the valuation. The market value of assets is based on current values as of two months preceding the valuation date and is assumed to be current through that date.

Participant Data

The primary source of participant data for the current valuation is a census of all participants which was prepared by the employer through GMEBS. The data are typically collected by the employer two months prior to valuation date and assumed to be current through that date. This pension plan issues a stand-alone report. The amortization period for the unfunded actuarial liability is open.

NOTE 8 - PENSION REQUIREMENTS (continued)

Actuarial Assumptions and Methods

Economic Assumptions	
Interest rate	7.75%
Annual rates of increase in:	
Salaries	3.5%
Cost of living adjustment	N/A

Demographic Assumptions

Mortality	RP-2000 Combined Mortality Table
Retirement	Employees: 65 with 5 years of service Officials: 65
Form of payment	Life annuity
Administrative expenses	$2,500 plus $45 per participant, plus .05% of the market value of assets.

Actuarial Methods

Normal Cost and Actuarial Accrued Liability	Projected Unit Credit
Actuarial Value of Assets	Sum of the actuarial value at the beginning of year and the cash flow during year plus the assumed investment return, adjusted by 10 percent of the amount that the value exceeds or is less that the market value at end of year. The actuarial value is adjusted, if necessary, to within 26% of market value for 2013.

NOTE 9 - PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1 of each year. Property taxes are billed on or about September 15th of each year and are payable within sixty days. Property tax revenues are recognized when levied to the extent that they result in current receivables (i.e., collectible in 60 days). The millage rate was 10.00. For the year ended December 31, 2013, property taxes were levied on August 20, 2013 and were due November 15, 2013.

NOTE 10 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

	2013
Water and Sewer Fund	$ (451,462)
Multiple Grant Fund	$ (16,144)
SPLOST	$ (8,598)
General Fund	$ 476,204

The outstanding balances between funds result mainly from the time lag between the dates that (1) inter-fund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The City expects to pay all inter-fund balances within one year.

Inter-fund transfers:

Transfer out	Transfer in	2013
SPLOST fund	Water/Sewer fund	$ 86,129

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) move unrestricted general fund revenues to finance various programs that the City must account for in other funds in accordance with budgetary authorizations.

NOTE 11 - CAPITAL ASSETS OF GENERAL FUND

	Balance 12/31/2012	Additions	Deletions	Balance 12/31/2013
Capital assets not being depreciated:				
Construction in progress	$ 325,835	$ 124,638	$ 277,683	$ 172,790
Land	111,497	-	-	111,497
Total nondepreciable capital assets	437,332	124,638	277,683	284,287
Other capital assets:				
Building	1,666,881	17,750		1,684,631
Infrastructure	758,358	277,683		1,036,041
Machinery and equipment	1,763,836	113,593	20,000	1,857,429
Total other capital assets	4,189,075	409,026	20,000	4,578,101
Accumulated depreciation:				
Building	1,080,595	72,091		1,152,686
Infrastructure	73,870	11,107		84,977
Machinery and equipment	1,653,008	57,711	20,000	1,690,719
Total accumulated depreciation	2,807,473	140,909	20,000	2,928,382
TOTAL	$ 1,818,934	$ 392,755	$ 277,683	$ 1,934,006

Depreciation expense:	
General government	$ 24,129
Public safety	26,672
Streets and sanitation	64,010
Recreation and culture	26,098
Total depreciation expense	$ 140,909

NOTE 12 - CAPITAL ASSETS OF PROPRIETARY FUND

	Balance 12/31/2012	Additions	Deletions	Balance 12/31/2013
Capital assets not being depreciated:				
Construction in progress	$ -	$ 762,591	$ -	$ 762,591
Land	66,000	-	-	66,000
Total nondepreciable capital assets	66,000	762,591	-	828,591
Other capital assets:				
Machinery and equipment	789,162	53,490	59,479	783,173
Water/Sewer system	9,380,025	-	-	9,380,025
Total other capital assets	10,169,187	53,490	59,479	10,163,198
Accumulated depreciation:				
Machinery and equipment	328,791	22,620	59,479	291,932
Water/Sewer system	1,917,292	248,152	-	2,165,444
Total accumulated depreciation	2,246,083	270,772	59,479	2,457,376
TOTAL	$ 7,989,104	$ 545,309	$ -	$ 8,534,413

NOTE 13 - LONG-TERM DEBT

Governmental Activities	Balance 12/31/12	Additions	Reductions	Balance 12/31/13
Notes payable	$ -	$ 72,880	$ 10,225	$ 62,655
Compensated absences payable		12,382		12,382
Capital leases payable	54,747	-	38,785	15,962
Total Governmental Activities	$ 54,747	$ 85,262	$ 49,010	$ 90,999
Business-Type Activities				
Capital leases payable	$ 1,685	$ 48,190	$ 17,408	$ 32,467
Revenue bonds payable	3,273,121	694,000	50,353	3,916,768
Compensated absences payable		8,235		8,235
Notes payable	874,190	778,536	874,190	778,536
Total Business-Type Activities	$ 4,148,996	$ 1,528,961	$ 941,951	$ 4,736,006

General long-term debt of governmental funds consisted of lease and note payable obligations on various pieces of equipment. Amounts due in one year for governmental activities include $15,962 on capital leases and $14,022 on notes payable totaling $29,984.

Long-term debt of proprietary funds consisted of bonds payable, a note payable to a local financial institution, compensated absences payable and lease obligations on various equipment. The water and sewer note payable was for financing for water and sewer extension and equipment. The interest rate was 3.50% per annum. The original loan amount was $874,190. The City's long-term debt to maturity, including interest of $27,300, is as follows:

Year ending December 31, 2013	$ 805,836

The water and sewer fund leases payable consisted of one lease from BB&T Governmental Finance for financing new water sewer vehicles. The interest rate is 3.24%. The original loan amount is $48,190. At December 31, 2013, $16,831 was current lease payable with $15,636 long term.

NOTE 13 - LONG-TERM DEBT (continued)

Revenue bonds – proprietary funds

The resolutions under which the bond series were issued provide that principal and interest are to be paid solely from the revenues of the system, which are pledged for that purpose. The revenue bonds were issued for the construction and expansion of the water and sewer system. The bonds outstanding at year end are as follows:

Purpose	Original Issue	Interest Rate	Bond Payable
2002 A bonds	$ 1,669,300	4.50%	$ 1,507,177
2002 B bonds	1,900,000	4.50%	1,715,591
2013 A bond	694,000	2.75%	694,000
Total bonds			3,916,768
Less: current portion			53,884
Total long-term debt			$ 3,862,884

Revenue bonds debt service requirements to maturity are as follows.

Year	Principal	Interest	Total
2014	$ 53,884	$ 174,841	$ 228,725
2015	64,814	160,870	225,684
2016	67,608	158,077	225,685
2017	70,524	155,160	225,684
2018	73,570	152,114	225,684
2019-2023	418,465	709,955	1,128,420
2024-2028	517,567	610,853	1,128,420
2029-2033	640,700	487,720	1,128,420
2034-2038	793,781	334,639	1,128,420
2039-2043	967,894	144,203	1,112,097
2044-2048	119,042	26,338	145,380
2049-2053	128,919	8,739	137,658
TOTAL	$ 3,916,768	$ 3,123,509	$ 7,040,277

Capital leases- governmental funds

The City has entered into several lease agreements as lessee for vehicles and equipment. These lease agreements qualify as capital leases for accounting purposes and have been recorded at the present values of the future minimum lease payments as of the date of their inceptions. These leases vary in remaining life from 1-5 years and have annual interest rates of 3.48%. The equipment leased under capital leases as of December 31, 2013 consisted of the following:

Vehicles	$ 15,962
Equipment	-
Total	$ 15,962

NOTE 13 - LONG-TERM DEBT (continued)

The following is a schedule of future minimum lease payments under the capital leases:

Year ending December 31,	
2014	$ 16,310
2015	-
2016	-
2017	-
2018	-
Total minimum lease payments	16,310
Less amounts interest	349
Present value of future minimum lease payments	$ 15,962

Capital leases- proprietary funds

The City has entered into a lease agreement as lessee for vehicles for water and sewer department use. This lease agreement qualifies as a capital lease for accounting purposes and has been recorded at the present value of the future minimum lease payments as of the date of its inception. This lease has a remaining life of 2 years and has an annual interest rate of 3.24%.

The equipment leased under capital leases as of December 31, 2013 consisted of the following:

Vehicles	$ 32,467
Equipment	-
Total	$ 32,467

The following is a schedule of future minimum lease payments under the capital leases:

Year ending December 31,	
2014	$ 16,831
2015	16,831
2016	-
2017	-
2018	-
Total minimum lease payments	33,662
Less amounts interest	1,195
Present value of future minimum lease payments	$ 32,467

NOTE 14 - LEASE COMMITMENTS

The City leases office equipment under a non-cancelable lease which expires October 2018. At December 31, 2013, future minimum payments required on this non-cancelable operating lease are as follows:

Year	Total
2014	$ 4,320
2015	4,320
2016	4,320
2017	4,320
2018	3,240
TOTAL	$ 20,520

Expense associated with the lease agreement totaled approximately $1,080 for 2013.

NOTE 15 - EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2013, expenditures exceeded appropriations in general government, public safety, street and sanitation, recreation and culture, health and welfare, debt service-principle and debt service-interest of the general fund by $14,809, $288,994, $725, $1,599, $7,861, $49,010 and $2,889 respectively. In the multiple grant fund, street and sanitation expenditures exceeded appropriations by $113,935. These over expenditures were funded by greater than anticipated revenues in each fund.

NOTE 16 - STATEMENT OF CASH FLOWS

As required by GASB statement No. 9, a statement of cash flows has been presented rather than a statement of changes in financial position for the proprietary fund. The amount of $287,997 is considered highly liquid.

NOTE 17 - PREPAID ITEMS

There were no amounts recorded for prepaid items in the financial statements. Prepaid items are amounts that would benefit future periods; therefore, these amounts would not be recorded as expenditures in the appropriate funds.

NOTE 18 - RISK MANAGEMENT

The government is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Government has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Workers Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for member local governments.

NOTE 18 - RISK MANAGEMENT (continued)

As part of these risk pools, the Government is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The Government is also to allow the pool's agents and attorneys to represent the Government in investigation, settlement discussions and all levels of litigation arising out of any claim made against the Government within the scope of loss protection furnished by the funds.
The Funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the worker's compensation law of Georgia. The funds are to pay all cost taxed against the members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense. Settled claims in the past three years have not exceeded the coverages.

NOTE 19 - JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the nine counties and thirty cities, is a member of the Coastal Georgia Regional Commission (CRC) and is required to pay annual dues thereto. Membership in a CRC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the CRC in Georgia. The CRC Board membership includes the chief elected official of each city and municipality of the area. OCGA 50-8-391 provides that the member governments are liable for any debts or obligations of a CRC. Separate financial statements may be obtained from:

Coastal Georgia Regional Commission
127 F Street
Brunswick, Georgia 31520

CITY OF PEMBROKE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	Confiscated Assets Fund	Total Governmental Funds
ASSETS		
Cash	$ 372	$ 372
Total assets	372	372
LIABILITIES AND FUND BALANCES		
Accounts payable	-	-
Due to other funds	-	-
Total liabilities	-	-
Fund balance:		
Restricted - confiscated assets	372	372
Total fund balance	372	372
Total liabilities and fund balance	$ 372	$ 372

CITY OF PEMBROKE
COMBINING STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Confiscated Assets Fund	Total Governmental Funds
REVENUES:		
Intergovernmental		
Special investigations	$ 796	$ 796
Interest revenue	1	1
Total revenues	797	797
EXPENDITURES:		
Public safety	1,412	1,412
Total expenditures	1,412	1,412
Change in fund balance	(615)	(615)
OTHER FINANCING SOURCES (USES):		
Transfers in	-	-
	-	-
Change in fund balance	(615)	(615)
Fund balance - beginning of year	987	987
Fund balance - end of year	$ 372	$ 372

CITY OF PEMBROKE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CONFISCATED ASSETS FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues:				
Special Investigations	$ 1,500	$ 1,500	$ 796	$ 704
Interest revenue	-	-	1	(1)
Total revenues	1,500	1,500	797	703
Expenditures:				
Public safety	1,500	1,500	1,412	88
Total expenditures	1,500	1,500	1,412	88
Excess revenues before other financing uses	-	-	(615)	615
Other financing uses:				
Transfers out	-	-	-	-
Excess revenues over expenditures and other uses	$ -	$ -	(615)	$ -
Fund balance - beginning of year			987	
Fund balance - end of year			$ 372	

CITY OF PEMBROKE
SCHEDULE OF EXPENDITURES
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2013

			Expenditures	
Project Description:	Original Estimated Cost	Revised Estimated Cost	Prior Years	Current Year	Total
CDBG Project (2820) match on water and sewer system improvements	$ 475,315	$ 475,315	$ 475,315	$ -	$ 475,315
CDBG Project (3062) match on water and sewer system improvements	775,000	1,232,130	1,232,130	86,129	1,318,259
Attorney Fees	-	-	-	3,555	3,555
Bank check fees	126	126	126	-	-
Municipal facilities	535,000	1,395,714	1,395,714	7,404	1,403,118
Total all Projects	$ 1,785,441	$ 3,103,285	$ 3,103,285	$ 97,088	$ 3,196,692

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MEMBER:

American Institute of
Certified Public Accountants

Georgia Society of
Certified Public Accountants

South Carolina Association of
Certified Public Accountants

Private Companies Practice
Section Firms Division of
American Institute of
Certified Public Accountants

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Honorable Mayor and City Council
City of Pembroke
Pembroke, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the remaining fund information of the City of Pembroke (the City) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 27, 2014.

Internal Control Over Financial Reporting

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

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

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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 certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be significant deficiencies.

Compliance and Other Matters

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

City of Pembroke's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City'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.

Holland, Henry & Bromley, LLP

Holland, Henry & Bromley, LLP
Savannah, Georgia
June 27, 2014

CITY OF PEMBROKE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
For the year ended December 31, 2013

Significant Deficiencies

2013-1: Cash Activity

Activity for several cash and investment accounts was not recorded on the general ledger. Commingled cash, consisting of eight general ledger accounts, was not properly reconciled and transactions were not recorded under the correct general ledger account.

City Response:

Based on recommendations, the City will work with other departments to implement practices to properly record activities on these accounts a monthly basis.

2013-2: Receivable and Water Deposit Reconciliation

Reports for receivable accounts relating to water, sewer, fire and sanitation as well as police fines did not agree to the general ledger balance.

City Response:

As the current aging reports were close but not absolute, the City has addressed some posting issues in the software and will monitor them monthly by comparing them to the Trial Balance. We will consult with the software vendor to verify the accounts. We will also implement a monitoring system to verify that Police Fines receivables are valid.

2013-3: Enterprise Fund Debt Principal Payments

Enterprise fund debt was not properly recorded.

City Response:

Measures will be implemented to properly record pay down of debt for principal and interest.

2013-4: Water Deposit Records

A detailed ledger stating the amount of each customer's water deposit is not being maintained.

City Response:

The City will contact the Software vendor to see if they can format a spreadsheet within the software to track customer deposits and refunds. If not, we will generate one in house to monitor and maintain.