CITY OF ROYSTON, GEORGIA

Annual Financial Report

For the fiscal year ended June 30, 2013

This page intentionally left blank.

CITY OF ROYSTON, GEORGIA
ANNUAL FINANCIAL REPORT
For the fiscal year ended June 30, 2013

TABLE OF CONTENTS

		Page(s)
INTRODUCTORY SECTION:		
	Table of Contents	**i-v**
FINANCIAL SECTION:		
	Independent Auditor's Report	**1-3**
	Management's Discussion and Analysis	**4-15**
BASIC FINANCIAL STATEMENTS		
Exhibit		
	Government-wide Statements	
A-1	Statement of Net Position	**16-17**
A-2	Statement of Activities	**18**
	Fund Financial Statements	
A-3	Balance Sheet – Governmental Funds	**19**
A-4	Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	**20**
A-5	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	**21**
A-6	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	**22**
A-7	Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (GAAP Basis) to Actual – General Fund	**23**
A-8	Statement of Net Position – Proprietary Funds	**24-25**
A-9	Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	**26**
A-10	Statement of Cash Flows – Proprietary Funds	**27-28**
A-11	Statement of Fiduciary Assets and Liabilities	**29**

Table of Contents, continued

BASIC FINANCIAL STATEMENTS (continued)

Exhibit		Page(s)
A-12	**Notes to the Financial Statements**	**30-59**

Item #		Page #
1.	Description of Government Unit	**30**
2.	Summary of Significant Accounting Policies	**30-44**
3.	Deposit and Investment Risk	**44**
4.	Accounts Receivable	**45**
5.	Intergovernmental Receivables	**45**
6.	Property Taxes	**46**
7.	Interfund Transfers	**47**
8.	Capital Assets	**48-49**
9.	Capital and Operating Lease Agreements	**50**
10.	Long-Term Debt	**51-52**
11.	Pension Plan	**53-56**
12.	Deferred Compensation Plans	**56-57**
13.	Hotel/Motel Lodging Tax	**57**
14.	Joint Ventures	**58**
15.	Related Organizations	**58**
16.	Risk Management	**59**
17.	Commitments and Contingencies	**59**

SUPPLEMENTARY INFORMATION

COMBINING AND INDIVIDUAL FINANCIAL STATEMENTS AND SCHEDULES

Exhibit		Page (s)
B-1	Combining Balance Sheet – Nonmajor Governmental Funds	**60-61**
B-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	**62-63**

SUPPLEMENTARY INFORMATION, continued

COMBINING AND INDIVIDUAL FINANCIAL STATEMENTS AND SCHEDULES (continued)

Exhibit		Page (s)
	GENERAL FUND	
C-1	Comparative Balance Sheets	**64**
C-2	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances	**65**
C-3	Schedule of Revenues - Budget (GAAP Basis) and Actual	**66**
C-4	Schedule of Expenditures - Budget (GAAP Basis) and Actual	**67-69**
	SPECIAL REVENUE FUNDS	
D-1	Confiscated Assets Special Revenue Fund Comparative Balance Sheets	**70**
D-2	Confiscated Assets Special Revenue Fund Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (GAAP Basis) and Actual	**71**
D-3	Hotel/Motel Tax Special Revenue Fund Comparative Balance Sheets	**72**
D-4	Hotel/Motel Tax Special Revenue Fund Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (GAAP Basis) and Actual	**73**
D-5	Technology Surcharge Special Revenue Fund Comparative Balance Sheets	**74**
D-6	Technology Surcharge Special Revenue Fund Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (GAAP Basis) and Actual	**75**
D-7	Fire Department Special Revenue Fund Comparative Balance Sheets	**76**
D-8	Fire Department Special Revenue Fund Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (GAAP Basis) and Actual	**77**

Table of Contents, continued

SUPPLEMENTARY INFORMATION, continued

COMBINING AND INDIVIDUAL FINANCIAL STATEMENTS AND SCHEDULES (continued)

Exhibit		Page (s)
	CAPITAL PROJECTS FUNDS	
E-1	Franklin County Special Purpose Local Option Sales Tax #3 Capital Projects Fund Comparative Balance Sheets	**78**
E-2	Franklin County Special Purpose Local Option Sales Tax #3 Capital Projects Fund Comparative Statements of Revenues, Expenditures, and Changes in Fund Balances	**79**
E-3	Hart County Special Purpose Local Option Sales Tax #3 Capital Projects Fund Comparative Balance Sheets	**80**
E-4	Hart County Special Purpose Local Option Sales Tax #3 Capital Projects Fund Comparative Balance Sheets	**81**
E-5	Franklin County Special Purpose Local Option Sales Tax #4 Capital Projects Fund Balance Sheet	**82**
E-6	Franklin County Special Purpose Local Option Sales Tax #4 Capital Projects Fund Statement of Revenues, Expenditures, and Changes in Fund Balances	**83**
E-7	Hart County Special Purpose Local Option Sales Tax #4 Capital Projects Fund Balance Sheet	**84**
E-8	Hart County Special Purpose Local Option Sales Tax #4 Capital Projects Fund Statement of Revenues, Expenditures, and Changes in Fund Balances	**85**
	ENTERPRISE FUNDS	
F-1	Water and Sewer Utility Enterprise Fund Comparative Statements of Net Position	**86-87**
F-2	Water and Sewer Utility Enterprise Fund Comparative Statements of Revenues, Expenses and Changes in Net Position	**88**
F-3	Water and Sewer Utility Enterprise Fund Comparative Statements of Cash Flows	**89-90**
F-4	Natural Gas Utility Enterprise Fund Comparative Statements of Net Position	**91-92**
F-5	Natural Gas Utility Enterprise Fund Comparative Statements of Revenues, Expenses and Changes in Net Position	**93**
F-6	Natural Gas Utility Enterprise Fund Comparative Statements of Cash Flows	**94-95**

Table of Contents, continued

SUPPLEMENTARY INFORMATION, continued

COMBINING AND INDIVIDUAL FINANCIAL STATEMENTS AND SCHEDULES (continued)

Exhibit		Page (s)
F-7	Sanitation Enterprise Fund Comparative Statements of Net Position	**96**
F-8	Sanitation Enterprise Fund Comparative Statements of Revenues, Expenses and Changes in Net Position	**97**
F-9	Sanitation Enterprise Fund Comparative Statements of Cash Flows	**98**
	AGENCY FUNDS	
G-1	Municipal Court Agency Fund Comparative Statements of Assets and Liabilities	**99**
G-2	Municipal Court Agency Fund Statement of Changes in Assets and Liabilities	**100**
	COMPONENT UNIT	
H-1	Downtown Development Authority Comparative Balance Sheets	**101**
H-2	Downtown Development Authority Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (GAAP Basis) and Actual	**102**

OTHER REPORTING SECTION:

SINGLE AUDIT SECTION

	Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards.*	**103-104**
	Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	**105-106**
I-1	Schedule of Expenditures of Federal Awards	**107**
I-2	Notes to the Schedule on Expenditures of Federal Awards	**108**
I-3	Schedule of Findings and Questioned Costs	**109-111**

STATE REPORTING SECTION

J-1	Schedule of Projects Financed with Special Purpose Local Option Sales Tax	**112-113**

This page intentionally left blank.

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Royston, Georgia, as of and for the year ended June 30, 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Royston, Georgia, as of June 30, 2013, and the respective changes in the financial position and where applicable cash flows, thereof, and the budgetary comparison of the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 Royston, Georgia's basic financial statements. The combining and individual fund financial statements, and the state reporting section with the special purpose local option sales tax report, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is also not a required part of the financial statements.

The combining and individual fund financial statements, the special local option sales tax report, 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 fund financial statements and schedules, the special purpose local option sales tax report, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States, the City of Royston, Georgia's basic financial statements for the year ended June 30, 2012, which are not presented with the accompanying financial statements. In our report dated September 26, 2012, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Royston, Georgia's financial statements as a whole. The individual fund financial statements and schedules, related to the 2012 financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

The individual fund financial statements and schedules related to the 2012 financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the 2012 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2012 individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2013, on our consideration of the City of Royston, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Royston, Georgia's internal control over financial reporting and compliance.

Rushton & Company, LLC

Certified Public Accountants

Gainesville, Georgia
October 14, 2013

This page intentionally left blank.

Mayor: David L. Jordan
Mayor Pro-Tem: Keith Turman
Council Members: Matt Fields
Wayne Braswell
Larry Bowen
Kenneth Roach
Lee Strickland

City Manager: Gregory Scott
City Clerk/CFO: Gloria Brown
City Judge: F. Mayes Davison
City Attorney: Michael Green

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Royston, it is our pleasure to present this narrative discussion and analysis of the City of Royston's financial performance, providing an overview of the activities for the fiscal year ended June 30, 2013. The purpose of this narrative is to provide readers of financial statements with information that will help them make timely and meaningful financial decisions or draw conclusions about the City of Royston. This analytical information is designed to be read in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- The City of Royston's assets exceeded its liabilities at June 30, 2013 by $11,437,369 (reported as net position).
- As of June 30, 2013 Royston's governmental funds reported combined ending fund balances of $743,087. Approximately 5% of this total amount, $37,430, is available for spending at the City Council's discretion (unassigned fund balance).

More detailed information regarding these activities and funds begins on page 6.

Overview of the Financial Statements

This discussion and analysis narrative is intended to serve as an introduction to the City of Royston's basic financial statements. The City of Royston's basic financial statements are composed of three elements: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains required supplementary information in addition to our basic financial statements.

Government-wide Financial Statements (Reporting the City as a whole)

The focus of the government-wide financial statements is on the overall financial position and activities of the City of Royston and is designed to provide readers with a broad overview of the City's financial activities in a manner similar to a private business enterprise.

The City's government-wide financial statements include the Statement of Net Position and the Statement of Activities. These two statements report information about the City of Royston using the accrual basis of accounting, which is similar to the accounting used by most private-sector businesses. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The purpose of the ***Statement of Net Position*** (pages 16-17) is to attempt to report all of the assets held and liabilities owed by the City. The City reports all of its assets when it acquires ownership over the assets and reports all of its liabilities when they are incurred. The difference between the total assets and total liabilities is labeled *net position.* Although the purpose of the City is not to accumulate net position, in general, as this amount increases it indicates that the financial position of the City is improving over time.

The ***Statement of Activities*** (page 18), on the other hand, presents the revenues and expenses of the City. Under the accrual basis of accounting mentioned earlier, revenues are recognized when earned and expenses when incurred in this statement. Thus, revenues are reported even when they may not be collected for several weeks after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period. The difference is described as *change in net position.* The primary focus of the Statement of Activities is on the *net cost* of various activities provided by the City and identifies the extent to which each function of the City draws from general revenues or is self-financing through fees, grants, or other sources.

In the Statement of Net Position and the Statement of Activities, we divide the City of Royston into three types of activities:

- ***Governmental Activities*** – Most of the City's basic services are reported under this category, including police, fire, public works, and general administration. Sales tax, property taxes, and intergovernmental revenues finance most of these services.

- ***Business-type Activities*** – The City charges fees to customers to assist in covering all or most of the cost for certain services it provides. The City's natural gas system, water and sewer system, and garbage collection fees are reported in this category.

- ***Discretely Presented Component Unit*** – Component units are legally separate organizations for which the elected officials of the City are financially accountable. The Downtown Development Authority, although legally separate, functions for all practical purposes as a department of the City of Royston, and therefore has been included as an integral part of the primary government.

The City's government-wide financial statements are presented on pages 16-18.

Fund Financial Statements (Reporting the City's Major Funds)

The focus of fund financial statements is directed to specific activities of the City and its most significant funds, not the City as a whole. A fund is an entity with a self-balancing set of accounts that the City uses to tract specific resources and expenditures, either for management purposes or because of legal mandates. In addition to the major funds, individual fund data for the City's non-major funds can be found beginning on page 60. The City's funds are divided into three broad categories – governmental, proprietary, and fiduciary – and use different accounting approaches.

- ***Governmental Funds*** – These funds account for essentially the same functions reported as governmental activities in the government-wide financial statements; however governmental fund financial statements focus on the short-term view of the City's general government operations and the basic services it provides. Governmental funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

  Because the focus of the governmental fund financial statements is narrower than that of the government-wide financial statements and because of the different accounting methods used to prepare them, there are often significant differences between the totals presented in these financial statements. It is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. An analysis of the balance sheet and the statement of revenues, expenditures, and changes in fund balances that reconciles the two statements are provided at the bottom of each statement.

In addition to the General Fund and the Franklin County SPLOST #4 Capital Projects Fund, which are considered major funds, the City of Royston maintains two governmental fund types:

1. Special Revenue Funds
2. Capital Projects Funds

The City of Royston adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The City's basic governmental fund financial statements are presented on pages 19-22 of this report.

- ***Proprietary Funds*** – When the City charges customers for the services it provides – whether to outside customers or to other departments of the City – these services are generally reported in proprietary funds. These proprietary funds are prepared using the same accounting basis as the government-wide financial statements.

  Enterprise fund statements report the same functions presented in the business-type activities columns of the government-wide financial statements. The City of Royston uses enterprise funds, which are considered major funds, to account for its Natural Gas system, Water and Sewer system, and Solid Waste functions.

  The City's proprietary fund financial statements are presented on pages 24-28.

- ***Fiduciary Funds*** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Royston's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City acts as a trustee or fiduciary for the Municipal Court Agency Fund.

  Fiduciary funds are presented in the fund financial statements but are not reported in the government-wide financial statements.

  The City's fiduciary fund Statement of Assets and Liabilities is presented on page 29.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-59 of this report.

Other Supplementary Information

Other supplementary information includes combining financial statements for non-major governmental, proprietary, and fiduciary funds. These funds are added together by fund type and presented in single columns in the basic financial statements but are not reported individually, as with major funds, on the government-wide financial statements.

This report includes two schedules (pages 20 and 22), which reconcile the amounts reported on the governmental fund financial statements (modified accrual basis of accounting) with the governmental activities reported on the government-wide financial statements (accrual basis of accounting). The following summarizes the impact of transitioning from modified accrual-to-accrual accounting:

- Capital assets used in governmental activities on the government-wide statements are not reported on fund financial statements.

- Certain tax revenues that are earned, but not available, are reported as revenue on the government-wide statement but are reported as unavailable revenue on the fund statements.

- Unless due and payable, long-term liabilities, such as lease obligations, compensated absences, bonds and notes payable, and others only appear as liabilities in the government-wide statements.

- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the governmental fund financial statements.

- Bond and note proceeds result in liabilities on the government-wide statements but are recorded as other financing sources on the governmental fund financial statements.

- Certain other outflows represent either increases or decreases in liabilities on the government-wide statements but are reported as expenditures on the governmental fund financial statements.

Overview of the City's Financial Position and Operations

The City's overall financial position and operations for this year is summarized as follows based on the information included in the government-wide financial statements (see pages 16-17):

City of Royston
Net Position (Financial Position)
Fiscal Years 2012 and 2013

	Governmental Activities		Business-Type Activities		Total	
	2012	**2013**	**2012**	**2013**	**2012**	**2013**
Current assets	$ 724,937	$ 929,897	$ 1,498,883	$ 1,181,049	$ 2,223,823	$ 2,110,946
Capital assets	4,103,893	5,199,916	5,244,136	5,614,555	9,348,029	10,814,471
Total assets	4,828,830	6,129,813	6,743,019	6,795,604	11,571,852	12,925,417
Current liabilities	144,592	202,026	413,367	286,464	557,959	488,490
Noncurrent liabilities	23,187	4,399	799,264	995,159	822,451	999,558
Total liabilities	167,779	206,425	1,212,631	1,281,623	1,380,410	1,488,048
Net Position						
Net investment in capital assets	4,069,508	5,161,489	4,382,408	4,499,459	8,451,916	9,660,948
Restricted	507,717	501,492	0	0	507,717	501,492
Unrestricted	83,826	260,407	1,147,983	1,014,522	1,231,809	1,274,929
Total net assets	$ 4,661,051	$ 5,923,388	$ 5,530,391	$ 5,513,981	10,191,442	$ 11,437,369

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets for the City of Royston exceeded liabilities by $11,437,369 at the close of the current year. However, much of the net position is either restricted as to the purposes for which it can be used, or are invested in capital assets.

The largest portion of the City of Royston's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure), less any related debt outstanding that was needed to construct or acquire the assets. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Several factors affected the City's original budget forecasts: The revenue in gas sales was reduced and budgeted prior year fund balance revenue was eliminated and the offset in expenditures was amended out of gas purchases, resulting in a reduction of $300,000 in the natural gas budget. The new Rice Well required a water filtration system that will be reimbursed by way of offsetting the water purchases until the full amount of $14,900 is met. The Code Enforcement position was restored to a full time position creating increased salary and benefit costs.

The City's cash balance position, reported as cash and equity in pooled cash in the Statement of Net Position continues to improve slightly during FY 2013. In other areas: the City continues to make life insurance, dental insurance, accident insurance, and short-term disability insurance an option that City employees pay at 100%, GMEBS retirement contributions continue to increase, and other insurance areas experienced a very small increase such as liability, auto, and workman's compensation.

The City continues to explore options of adding ground water sources to cut water treatment costs. The City added a major water customer in late FY2012 that increased water sales in FY2013 and several other small water line extensions are planned in the near future. Several unbudgeted infrastructure/site improvement projects were completed during the year with SPLOST taking care of water/sewer, streets/roads, and recreation. A low-interest loan with a large principal forgiveness was awarded to the City by GEFA for the purpose of adding auto-water meters; these were installed in FY2013. A new waterline extension will begin shortly with the help of an ITAD Grant in Hart County. The Natural Gas department added an extension for additional poultry farms and residential services at Duncan/Rousey Road, in addition to adding a couple of commercial customers.

The Tri-County Wellness Park continues to thrive and is 98% complete at the end of FY2013. Phase I of the project was finished in early FY2011 with the City using SPLOST funds for matching amounts and received funds in the amount of $98,500 from a Recreational Trails Grant. The City applied for a second Recreational Trails Grant for phase II of the Wellness Park in FY2011 and FY2012 but was not awarded the grants. The City continues to move forward in completion of the park with SPLOST funds. The Franklin County Little League Association presented the City with a deed to the fields and SPLOST funds are being used to revamp this facility and hopefully will be ready for use in the spring of 2014.

The Library received funding by the State of Georgia; construction began in early 2013, and should be completed by September 2013. City Hall is temporarily relocating in Dill's Shopping Center until the Library can move into their new facility and then City Hall will be located in the old library building. Construction should begin in August 2013 on the new City Hall.

The City received a grant award from GEMA in FY2013 and a tornado siren and digital citizen advisory sign have been installed; also 100 free weather radios were given to citizens. Streetscape III right-of-ways have been obtained and the construction will begin in FY2014; renovation of the Depot from an ARC Grant should also begin in FY2014.

The City finalized an innovative green waste treatment system receiving a standard permit approval from the Environmental Protection Division of the State of Georgia. This system has started its payback in eliminating the need for dredging thereby eliminating the expenditure of in excess of $150,000 every three to four years.

Although the unrestricted net position of our business-type activities represents 79% ($1,014,522) of total unrestricted net position, these resources cannot be used to add to the net asset surplus in governmental activities. The City generally can only use this net position to finance the continuing operations of the business-type activities.

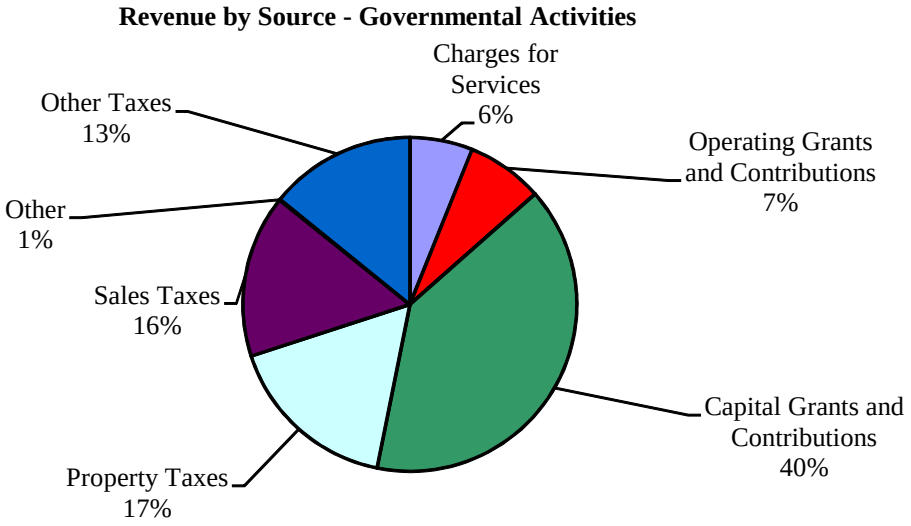
The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the City of Royston's net position changed during the year.

City of Royston
Changes in Net Position
For Fiscal Years 2012 and 2013

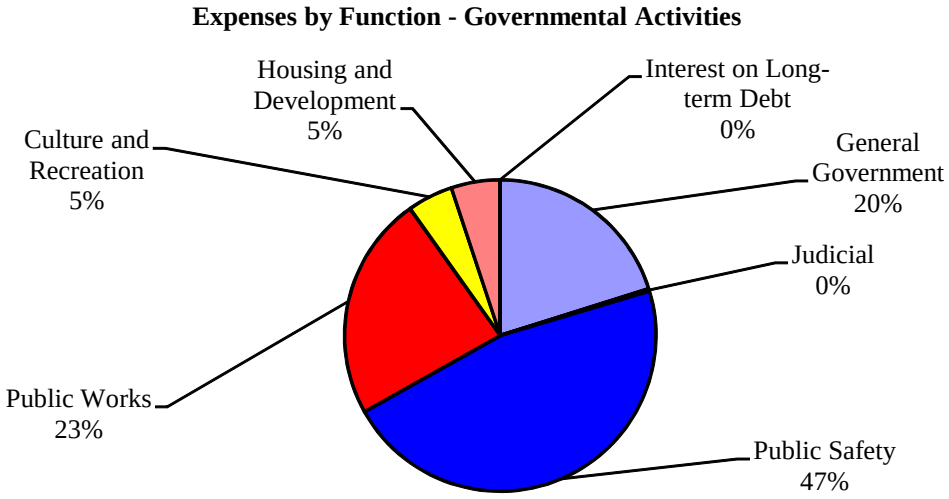
	Governmental Activities		Business-Type Activities		Total	
	2012	**2013**	**2012**	**2013**	**2012**	**2013**
Program revenues:						
Charges for services	$ 180,328	$ 190,075	$ 3,155,301	$ 3,585,874	$ 3,335,629	$ 3,775,949
Operating grants and contributions	49,764	231,190	5,760	5,760	55,524	236,950
Capital grants and contributions	1,280,507	1,238,674	422,202	146,994	1,702,709	1,385,668
General revenues:						
Property taxes	476,753	525,093	0	0	476,753	525,093
Sales tax	488,854	491,967	0	0	488,854	491,967
Other taxes	451,569	442,704	0	0	451,569	442,704
Interest and investment earnings	1,387	939	5,646	1,910	7,033	2,849
Miscellaneous revenue	3,650	2,501	77,292	87,158	80,942	89,659
Total revenues	2,932,812	3,123,143	3,666,201	3,827,696	6,599,013	6,950,839
Expenses						
General Government	469,194	505,432	0	0	469,194	505,432
Judicial	6,716	5,848	0	0	6,716	5,848
Public Safety	1,333,583	1,165,276	0	0	1,333,583	1,165,276
Public Works	667,993	584,725	0	0	667,993	584,725
Culture and Recreation	112,540	119,113	0	0	112,540	119,113
Housing and Development	133,200	126,296	0	0	133,200	126,296
Interest on long-term debt	2,020	1,371	0	0	2,020	1,371
Water and sewer	0	0	900,349	958,967	900,349	958,967
Natural gas	0	0	1,832,886	1,968,438	1,832,886	1,968,438
Sanitation	0	0	278,964	269,446	278,964	269,446
Total expenses	2,725,246	2,508,061	3,012,199	3,196,851	5,737,445	5,704,912
Increase (decrease) in net position before tranfers	207,566	615,082	654,002	630,845	861,568	1,245,927
Transfers	482,095	647,255	(482,095)	(647,255)	0	0
Increase (decrease) in net position	689,661	1,262,337	171,907	(16,410)	861,568	1,245,927
Net position - beginning	3,971,390	4,661,051	5,358,484	5,530,391	9,329,874	10,191,442
Net position - ending	$ 4,661,051	$ 5,923,388	$ 5,530,391	$ 5,513,981	$ 10,191,442	$ 11,437,369

Governmental Activities –

The following chart depicts revenues of the governmental activities for the year:

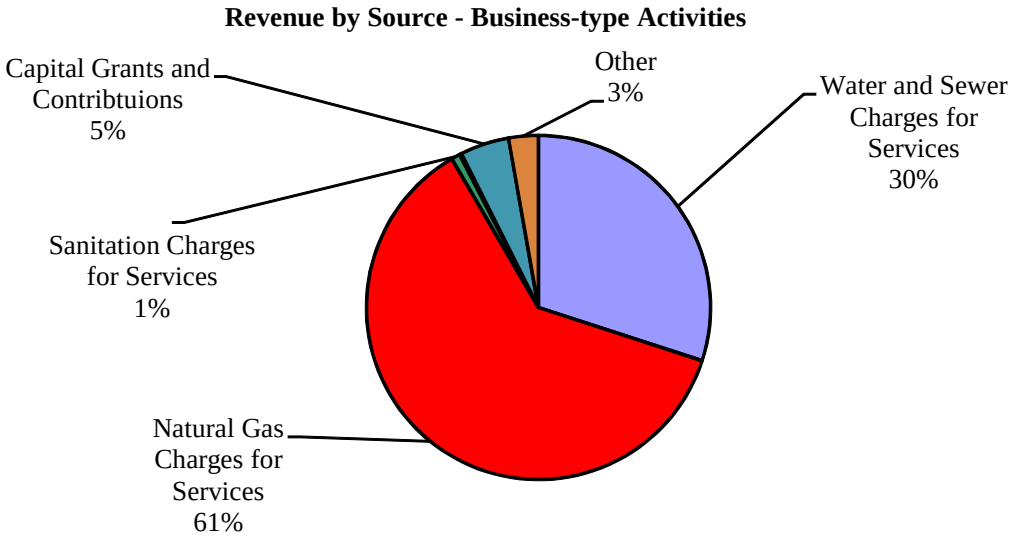


The following chart depicts the expenses of the governmental activities for the year:

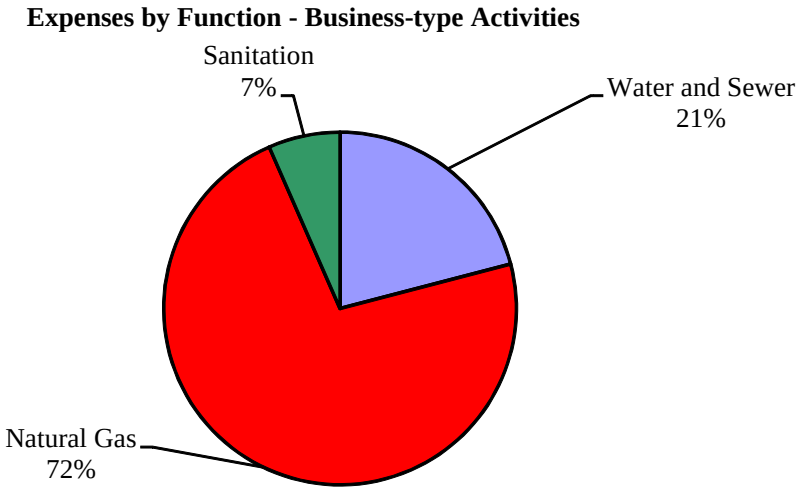


Business-type Activities –

The following chart depicts the revenues of the business-type activities:



The following chart depicts the expenses of the business-type activities:



Financial Analysis of the City's Funds

As noted earlier, the City of Royston uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

> **Governmental Funds.** The focus of the City of Royston's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, assigned and unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.
>
> As the City completed this year, its governmental funds reported a combined ending fund balance of $743,087. Of this amount, $214,758 (29%) constitutes assigned and unassigned fund balance, which is available for appropriation for the general purposes of the funds. The remainder of fund balance is in a nonspendable form or restricted for projects and is not available for spending.
>
> The **General Fund** is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the General Fund was and assigned fund balance was $212,430, while total fund balance reached $241,043. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 1.6% of the total General Fund expenditures, while total fund balance represents 10.5% of that same amount.

General Fund Budget Highlights

The original budget for the General Fund was amended by various additional revenues and appropriations approved after the beginning of the year.

Overall, the General Fund has remained under budget for many years. We continue to strive to reduce the General Fund budget each year.

General Fund expenditures were $2,293,166 with appropriations of $2,505,017. The police department furthered their budget savings by eliminating the 3rd shift dispatch and utilizing 911 and an on-site safe phone.

The City negotiated to lease the top of the downtown water tank and a small portion of the ground to a national cellular phone carrier for a cell transceiver site. This will supply a steady income from the lease for the City for up to thirty years.

Proprietary Funds

The City of Royston's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net position of the City's three proprietary funds totaled as follows:

- Natural Gas $2,341,914
- Water and Sewer Utility $2,856,863
- Sanitation $299,554

The total decrease in net position for the three funds was $32,060. Other factors concerning the finances of these two funds have already been addressed in the discussion of The City's business-type activities.

The Water/Sewer Department entered agreements with Hart and Madison Counties in FY2010 and with the City of Franklin Springs in late FY2012. Madison County is already online for water sales and Hart County came online in early FY2011 and Franklin Springs in late FY2012; another waterline expansion will begin soon in Hart County, but outside of the city limits with an Intergovernmental Agreement between the City and Hart County. A Blue Frog System was installed at the WWTP late in FY2011 and this system has eliminated the costly sludge removal every 3-5 years; improvements continued with this system in FY2012 and FY2013. The City received a non-matching GEFA Green Project Grant for automated water meters in FY2012, which increased the efficiency and accuracy of meter readings and better leak detection.

Gas profit margins leveled some and the Natural Gas Department saw an increase over the last several years. The Natural Gas Department completed multiple gas line expansions in FY2012 and a few in FY2013. These expansions have broadened our residential customer base as well as our commercial poultry customer base. The Natural Gas Department negotiated safety boundaries with neighboring gas companies to solidify our selling areas.

We have experienced significant savings with lessened trips to the landfill, in addition to lowered repair and maintenance, and fuel costs with the garbage truck that was acquired in 2012.

The Service Delivery Strategy Hart County was successfully re- negotiated and approved by Council for a water line extension that is outside of the City's boundaries. The City was awarded an Immediate Threat and Danger grant to allow this project to go forward.

Capital Assets and Debt Administration

Capital Assets. The City of Royston has invested $10,814,471 in capital assets (net of accumulated depreciation). Capital assets include infrastructure, land, buildings, and machinery and equipment. Approximately 52% of these assets are related to business-type activities and approximately 48% relates to governmental activities.

Capital assets held by the City at the end of the current year are summarized as follows:

	Governmental Activities	Business-type Activities	Total
Land	$ 408,187	$ 97,761	$ 505,948
Buildings	3,370,530	240,933	3,611,463
Infrastructure	1,743,695	24,644	1,768,339
Distribution system	0	10,585,911	10,585,911
Vehicles and equipment	2,411,582	1,314,339	3,725,921
Furniture and fixtures	224,463	0	224,463
Construction in progress	954,598	315,228	1,269,826
Total	9,113,055	12,578,816	21,691,871
Accumulated depreciation	(3,913,139)	(6,964,261)	(10,877,400)
Net Capital Assets	$ 5,199,916	$ 5,614,555	$ 10,814,471

Additional information on the City of Royston's capital assets can be found in Note 8 to the Financial Statements, Exhibit A-12, on pages 48-49 of this report.

Long-term debt. At June 30, 2013 the City of Royston had $646,928 in notes payable and $485,702 in capital leases outstanding.

City of Royston
Outstanding Debt
As of June 30, 2013

	Governmental Activities	Business-type Activities	Total
Capital leases	$ 17,528	$ 468,174	$ 485,702
Notes payable	0	646,928	646,928
Total	$ 17,528	$ 1,115,102	$ 1,132,630

The City's total debt increased by $120,389 (approximately 12%) in FY2013. Additional information on the City's long-term debt can be found in Notes 9 and 10 to the Financial Statements, Exhibit A-12, on pages 50-52 of this report.

Economic Condition and Outlook

Although not immune to the weakened economy, the City of Royston has executed a well thought out and thorough spending plan as well as positioning itself for future growth and health. This has caused it to compare well to other municipalities in the State of Georgia. Several factors were considered during preparation of the budget for FY2014, which include the following:

- The natural gas department net income continued to remain level in FY2010 with less fluctuation of gas prices but a slightly milder winter, which both affect the City's profit margin. The measures that Mayor and Council took in mid FY2006 to stabilize the City's profit margin have been successful. A commercial business customer closed its doors in FY2011 affecting volume of sales, however gas line expansions to various areas to place poultry farms and residents on natural gas should equal the difference in volume of sales. The City expects payback on current expansion projects to have a payback of from one to four more years. The City has completed negotiations with a large commercial customer and have them online now. The expansion additions in FY2012 increased funds in FY2013, even with a mild winter as poultry houses use a great volume of gas year round. The volume of gas has returned with the large commercial customer addition. The Gas Department has completed phase I of a project to ensure that every intersection on the City's bypass has Gas Utilities available.

- After evaluating the wastewater treatment plant the City Council moved forward with the repair of one of the pond liners in FY2010 and plan to repair the #2 pond liner in FY2014. These repairs will extend the life of the wastewater treatment considerably. The City entered into agreements with Madison County and Hart County to supply water for the NE section of Madison County and the SE section of Hart County and with Franklin Springs in FY2012. These agreements resulted in an expanded infrastructure at no cost to the City in FY2010 and, as anticipated, we had a slight increase in water sales for FY2011 and expect a much larger increase in FY2012. A Blue Frog System was installed at the WWTP and will eliminate the costly procedure of sludge removal every 3-5 years; this system has reduced the sludge in-situ and has now been fully permitted by GA EPD. The City received a low-interest, GEFA loan to install auto-water meters and the project has resulted in savings by cutting the time and travel needed to read meters as well as personnel.

- With minimal increases in interest rates on investments with respect to the City's bank balances and certificates of deposits, increases have not been budgeted. LOST negotiations resulted in an increase from one our counties.

- Changes are being made in the dispatch shifts at the Police Department that will result in significant savings by utilizing 911 and a safe-area phone for walk-ups.

- Plans are to build an amphitheater at the Royston Wellness Community Park and SPLOST funds will be used.

- Through a partnership with Royston and use of private donations, the Athens Regional Library System has received funding from the State allowing renovation and re-purposing of the current City Hall/Civic Center into a new expanded and modern Library. The City will then use the present Library as City Hall and a meeting area. The City provided $67,857of the estimated $1.7 million cost toward the Library expansion, which is expected to be finished in September 2013. The library received USDA Grant funds of $50,000 for use in purchasing computer equipment and will use the funding early-FY2014.

- The new City Hall, which will be located at the old library, will be funded with SPLOST funds allocated for Government buildings.

Contacting the City's Financial Services Department

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City of Royston's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed as follows:

City of Royston
ATTN: Gloria A. Brown, Finance Director/City Clerk
634 Franklin Springs Street
Royston, GA 30662

BASIC FINANCIAL STATEMENTS

CITY OF ROYSTON, GEORGIA
STATEMENT OF NET POSITION
June 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
ASSETS				
Current assets				
Cash and cash equivalents	$ 653,591	$ 506,431	$ 1,160,022	$ 10,002
Certificates of deposit	80,262	150,205	230,467	0
Restricted assets				
Cash and cash equivalents	1,776	63,096	64,872	0
Receivables (net)				
Accounts	5,837	323,768	329,605	0
Taxes	85,105	0	85,105	0
Intergovernmental	76,236	0	76,236	0
Interest	253	104	357	0
Prepaid items	26,837	12,881	39,718	0
Inventories	0	124,564	124,564	0
Total current assets	929,897	1,181,049	2,110,946	10,002
Noncurrent assets				
Capital assets				
Non-depreciable	1,362,785	412,989	1,775,774	6,000
Depreciable (net)	3,837,131	5,201,566	9,038,697	0
Total noncurrent assets	5,199,916	5,614,555	10,814,471	6,000
Total assets	6,129,813	6,795,604	12,925,417	16,002
LIABILITIES				
Current liabilities				
Payables				
Accounts	47,423	21,375	68,798	0
Sales tax	0	4,002	4,002	0
Interest	0	1,799	1,799	0
Intergovernmental	81	0	81	0
Accrued salaries and expenses	28,135	11,173	39,308	0
Compensated absences	39,586	32,011	71,597	0
Unearned revenue	69,273	29,478	98,751	0
Customer deposits payable	0	63,090	63,090	0
Capital leases payable	17,528	57,120	74,648	0
Notes payable	0	66,416	66,416	0
Total current liabilities	202,026	286,464	488,490	0
Noncurrent liabilities				
Compensated absences	4,399	3,593	7,992	0
Capital leases payable	0	411,054	411,054	0
Notes payable	0	580,512	580,512	0
Total noncurrent liabilities	4,399	995,159	999,558	0
Total liabilities	206,425	1,281,623	1,488,048	0

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

CITY OF ROYSTON, GEORGIA
STATEMENT OF NET POSITION
June 30, 2013

	Primary Government			Component Unit Downtown Development Authority
	Governmental Activities	Business-type Activities	Total	
NET POSITION				
Net invested in capital assets	$ 5,161,489	$ 4,499,459	$ 9,660,948	$ 6,000
Restricted for:				
Public Safety	27,016	0	27,016	0
Capital outlay	474,476	0	474,476	0
Unrestricted	260,407	1,014,522	1,274,929	10,002
Total net position	$ 5,923,388	$ 5,513,981	$ 11,437,369	$ 16,002

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

CITY OF ROYSTON, GEORGIA
STATEMENT OF ACTIVITIES
For the fiscal year ended June 30, 2013

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Primary government					
Governmental activities					
General Government	$ 505,432	$ 106,575	$ 0	$ 24,954	$ (373,903)
Judicial	5,848	0	0	0	(5,848)
Public Safety	1,165,276	71,258	77,308	317,304	(699,406)
Public Works	584,725	5,700	126,849	60,918	(391,258)
Culture and Recreation	119,113	6,000	27,033	835,498	749,418
Housing and Development	126,296	542	0	0	(125,754)
Interest on long-term debt	1,371	0	0	0	(1,371)
Total governmental activities	2,508,061	190,075	231,190	1,238,674	(848,122)
Business-type activities					
Water and Sewer Utility	958,967	864,782	0	146,994	52,809
Natural Gas Utility	1,968,438	2,447,680	0	0	479,242
Sanitation	269,446	273,412	5,760	0	9,726
Total business-type activities	3,196,851	3,585,874	5,760	146,994	541,777
Total primary government	5,704,912	3,775,949	236,950	1,385,668	(306,345)
Component Unit					
Downtown Development Authority					
Housing and Development	11,396	6,681	3,655	0	(1,060)

	Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Unit
Change in net position				
Net (expense) revenue	$ (848,122)	$ 541,777	$ (306,345)	$ (1,060)
General revenues				
Taxes				
Property	525,093	0	525,093	0
Sales	491,967	0	491,967	0
Franchise	207,675	0	207,675	0
Insurance premium	128,636	0	128,636	0
Intangibles	4,649	0	4,649	0
Alcoholic beverage	70,264	0	70,264	0
Occupational	29,121	0	29,121	0
Hotel/Motel	2,359	0	2,359	0
Payments from City of Royston	0	0	0	1,490
Interest and investment earnings	939	1,910	2,849	0
Other	2,501	87,158	89,659	1,338
Transfers	647,255	(647,255)	0	0
Total general revenues and transfers	2,110,459	(558,187)	1,552,272	2,828
Change in net position	1,262,337	(16,410)	1,245,927	1,768
Net position - beginning	4,661,051	5,530,391	10,191,442	14,234
Net position - ending	$ 5,923,388	$ 5,513,981	$ 11,437,369	$ 16,002

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

CITY OF ROYSTON, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General	Franklin County SPLOST #4 Capital Projects	Nonmajor Governmental Funds	Total
ASSETS				
Cash and cash equivalents	$ 101,982	$ 459,988	$ 91,621	$ 653,591
Certificates of deposit	80,262	0	0	80,262
Restricted assets				
Cash and equivalents	1,776	0	0	1,776
Receivables (net)				
Accounts	5,837	0	0	5,837
Taxes	85,105	0	0	85,105
Intergovernmental	31,722	40,608	3,906	76,236
Interest	253	0	0	253
Due from other funds	3,906	0	0	3,906
Prepaid items	26,837	0	0	26,837
Total assets	$ 337,680	$ 500,596	$ 95,527	$ 933,803
LIABILITIES				
Payables				
Accounts	$ 26,523	$ 1,799	$ 19,101	$ 47,423
Intergovernmental	81	0	0	81
Unearned revenue	0	43,156	26,117	69,273
Due to other funds	0	0	3,906	3,906
Accrued salaries	28,135	0	0	28,135
Total liabilities	54,739	44,955	49,124	148,818
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	41,898	0	0	41,898
FUND BALANCES				
Nonspendable prepaids	26,837	0	0	26,837
Restricted for:				
Public Safety	1,776	0	25,240	27,016
Capital projects	0	455,641	18,835	474,476
Assigned for:				
Budget	175,000	0	0	175,000
Housing and Development	0	0	2,328	2,328
Unassigned	37,430	0	0	37,430
Total fund balances	241,043	455,641	46,403	743,087
Total liabilities, deferred inflows, and fund balances	$ 337,680	$ 500,596	$ 95,527	$ 933,803

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

CITY OF ROYSTON, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
June 30, 2013

Total fund balance - total governmental funds		$ 743,087
Amounts reported for governmental activities in the statement of net assets are different because:		
Some assets are not financial resources and, therefore, are not reported in the funds. These are:		
Capital assets net of accumulated depreciation		5,199,916
Long-term assets (receivables) are not available to pay current period expenditures and, therefore, are reported as unavailable revenue in the funds. These are:		
Property taxes		41,898
Long-term liabilities are not due and payable in the current period and are not reported in the funds. These are:		
Capital leases	$ (17,528)	
Compensated absences	(43,985)	(61,513)
Net position of governmental activities		$ 5,923,388

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

CITY OF ROYSTON, GEORGIA
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the fiscal year ended June 30, 2013

	General	Franklin County SPLOST #4 Capital Projects	Nonmajor Governmental Funds	Total
REVENUES				
Taxes	$ 1,443,832	$ 0	$ 2,359	$ 1,446,191
Licenses and permits	12,752	0	0	12,752
Fines, fees and forfeitures	68,990	0	4,266	73,256
Charges for services	107,067	0	0	107,067
Intergovernmental	46,225	248,557	40,540	335,322
Interest	147	765	275	1,187
Contributions	24,023	0	781	24,804
Other	713	0	0	713
Total revenues	1,703,749	249,322	48,221	2,001,292
EXPENDITURES				
Current				
General Government	519,044	0	0	519,044
Judicial	5,848	0	0	5,848
Public Safety	1,042,923	0	20,841	1,063,764
Public Works	516,224	0	0	516,224
Culture and Recreation	71,158	0	0	71,158
Housing and Development	119,741	0	1,289	121,030
Capital outlay	0	111,212	104,578	215,790
Debt service	18,228	0	0	18,228
Total expenditures	2,293,166	111,212	126,708	2,531,086
Excess (deficiency) of revenue over (under) expenditures	(589,417)	138,110	(78,487)	(529,794)
Other financing sources (uses)				
Transfers in (out)				
Transfers in	716,328	0	0	716,328
Transfers out	0	0	(65,073)	(65,073)
Sale of capital assets	1,820	0	0	1,820
Total other financing sources (uses)	718,148	0	(65,073)	653,075
Net change in fund balance	128,731	138,110	(143,560)	123,281
Fund balances, July 1	112,312	317,531	189,963	619,806
Fund balances, June 30	$ 241,043	$ 455,641	$ 46,403	$ 743,087

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

CITY OF ROYSTON, 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, 2013

Net change in fund balances - total governmental funds		$ 123,281
Amounts reported for governmental activities in the statement of activities are different because:		
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 and reported as depreciation expense.		
Capital outlays	$ 265,299	
Depreciation	(271,734)	(6,435)
Contributions of capital assets from other governments and individuals increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.		1,106,489
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These include recognition of unavailable property taxes.		13,573
Distributions of capital assets decrease net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.		
Distribution of capital asset to Water and Sewer Utility Enterprise Fund		(4,000)
In the statement of activities, the loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale of capital assets increase financial resources.		
Cost of assets disposed	(31,733)	
Related accumulated depreciation	31,702	(31)
The proceeds of debt issuance provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Debt principal repayments	$ 16,857	
Debt proceeds	0	16,857
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.		
Compensated absences	12,603	12,603
Change in net position of governmental activities		$ 1,262,337

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

CITY OF ROYSTON, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP) AND ACTUAL
For the fiscal year ended June 30, 2013

	Budget			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Taxes	$ 1,349,400	$ 1,349,400	$ 1,443,832	$ 94,432
Licenses and permits	13,100	13,100	12,752	(348)
Fines, fees and forfeitures	68,200	68,200	68,990	790
Charges for services	115,877	114,877	107,067	(7,810)
Intergovernmental	17,000	17,000	46,225	29,225
Interest	1,200	1,200	147	(1,053)
Contributions	8,300	17,005	24,023	7,018
Other	5,900	6,900	713	(6,187)
Total revenues	1,578,977	1,587,682	1,703,749	116,067
EXPENDITURES				
Current				
General Government				
Mayor and Council	101,950	100,150	96,407	3,743
Administration	430,650	458,746	422,599	36,147
Elections	1,450	1,450	38	1,412
Judicial				
Municipal Court	10,258	10,258	5,848	4,410
Public Safety				
Police	1,085,857	1,049,356	984,443	64,913
Fire	54,381	65,382	50,256	15,126
Animal Control	8,747	8,747	8,224	523
Public Works				
Streets	474,383	467,256	404,103	63,153
Maintenance Shop	89,619	89,619	87,688	1,931
Cemetery	18,000	24,750	24,433	317
Culture and Recreation				
Library	31,125	31,125	31,147	(22)
Parks and Recreation	32,295	40,377	40,011	366
Housing and Development				
Code Enforcement	64,546	64,546	49,484	15,062
Better Hometown Program	69,026	69,026	64,257	4,769
Downtown Development Authority	6,000	6,000	6,000	0
Debt service				
Public Safety				
Fire	18,229	18,229	18,228	1
Total expenditures	2,496,516	2,505,017	2,293,166	211,851
Excess (deficiency) of revenues over (under) expenditures	(917,539)	(917,335)	(589,417)	327,918
Other financing sources (uses)				
Transfers in (out)				
Transfers in	737,539	737,539	716,328	(21,211)
Sales of capital assets	5,000	5,000	1,820	(3,180)
Contingency	0	(204)	0	204
Total other financing sources (uses)	742,539	742,335	718,148	(24,187)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(175,000)	(175,000)	128,731	303,731
Fund balances, July 1	175,000	175,000	112,312	(62,688)
Fund balances, June 30	$ 0	$ 0	$ 241,043	$ 241,043

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

CITY OF ROYSTON, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

	Business Type			
	Water and Sewer Utility	Natural Gas Utility	Sanitation	Totals
ASSETS				
Current assets				
Cash and cash equivalents	$ 78,470	$ 237,829	$ 190,132	$ 506,431
Certificates of deposit	0	150,205	0	150,205
Restricted assets				
Cash and cash equivalents	20,075	43,021	0	63,096
Receivables (net)				
Accounts	94,808	194,271	34,689	323,768
Interest	0	104	0	104
Inventories	0	124,564	0	124,564
Prepaid items	8,035	2,816	2,030	12,881
Total current assets	201,388	752,810	226,851	1,181,049
Noncurrent assets				
Capital assets				
Non-depreciable	371,230	35,330	6,429	412,989
Depreciable (net)	2,921,533	2,126,563	153,470	5,201,566
Total noncurrent assets	3,292,763	2,161,893	159,899	5,614,555
Total assets	3,494,151	2,914,703	386,750	6,795,604
LIABILITIES				
Current liabilities				
Payables				
Accounts	10,385	9,728	1,262	21,375
Sales tax	0	4,002	0	4,002
Interest	0	0	1,799	1,799
Accrued salaries	4,321	5,608	1,244	11,173
Compensated absences	11,955	14,142	5,914	32,011
Unearned revenue	2,072	26,549	857	29,478
Capital leases	0	57,120	0	57,120
Notes payable	48,677	0	17,739	66,416
Liabilities payable from restricted assets:				
Customer deposits payable	20,075	43,015	0	63,090
Total current liabilities	97,485	160,164	28,815	286,464

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

CITY OF ROYSTON, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

	Business Type			
	Water and Sewer Utility	Natural Gas Utility	Sanitation	Totals
Noncurrent liabilities				
Compensated absences	$ 1,365	$ 1,571	$ 657	$ 3,593
Capital leases	0	411,054	0	411,054
Notes payable	522,788	0	57,724	580,512
Total noncurrent liabilities	524,153	412,625	58,381	995,159
Total liabilities	621,638	572,789	87,196	1,281,623
NET POSITION				
Net invested in capital assets	2,721,298	1,693,725	84,436	4,499,459
Unrestricted	151,215	648,189	215,118	1,014,522
Total net position	$ 2,872,513	$ 2,341,914	$ 299,554	$ 5,513,981

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

CITY OF ROYSTON, GEORGIA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the fiscal year ended June 30, 2013

	Business Type			
	Water and Sewer Utility	Natural Gas Utility	Sanitation	Totals
OPERATING REVENUES				
Charges for sales and services	$ 864,782	$ 2,447,680	$ 273,412	$ 3,585,874
Other	46,695	35,888	4,575	87,158
Total operating revenues	911,477	2,483,568	277,987	3,673,032
OPERATING EXPENSES				
Costs of sales and services	388,557	1,500,236	105,698	1,994,491
Personal services	396,333	351,335	122,310	869,978
Depreciation	156,624	94,541	36,558	287,723
Other	0	9,021	0	9,021
Total operating expenses	941,514	1,955,133	264,566	3,161,213
Operating income (loss)	(30,037)	528,435	13,421	511,819
Non-operating revenues (expenses)				
Intergovernmental	0	0	5,760	5,760
Interest revenue	238	1,050	622	1,910
Interest expense	(17,453)	(13,305)	(4,880)	(35,638)
Total non-operating revenues (expenses)	(17,215)	(12,255)	1,502	(27,968)
Income (loss) before capital contributions and transfers	(47,252)	516,180	14,923	483,851
Capital contributions				
Capital contributions	4,000	0	0	4,000
Intergovernmental	146,994	0	0	146,994
Total capital contributions	150,994	0	0	150,994
Income (loss) before transfers	103,742	516,180	14,923	634,845
Transfers in (out)				
Transfers in	65,073	0	0	65,073
Transfers out	(22,624)	(477,624)	(216,080)	(716,328)
Total transfers	42,449	(477,624)	(216,080)	(651,255)
Change in net position	146,191	38,556	(201,157)	(16,410)
Net position, July 1	2,726,322	2,303,358	500,711	5,530,391
Net position, June 30	$ 2,872,513	$ 2,341,914	$ 299,554	$ 5,513,981

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

CITY OF ROYSTON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the fiscal year ended June 30, 2013

	Business Type			
	Water and Sewer Utility	Natural Gas Utility	Sanitation	Totals
Cash flows from operating activities:				
Receipts from customers	$ 869,363	$ 2,378,466	$ 273,371	$ 3,521,200
Payments to suppliers	(391,357)	(1,507,870)	(108,851)	(2,008,078)
Payments to employees	(394,732)	(350,813)	(122,931)	(868,476)
Other receipts	46,695	35,888	4,575	87,158
Other payments	0	(9,021)	0	(9,021)
Net cash provided (used) by operating activities	129,969	546,650	46,164	722,783
Cash flows from non-capital financing activities:				
Receipts from other governments	0	0	5,760	5,760
Payments to other funds	(22,624)	(477,624)	(216,080)	(716,328)
Net cash provided (used) by non-capital financing activities	(22,624)	(477,624)	(210,320)	(710,568)
Cash flows from capital and related financing activities:				
Receipts from other governments	170,538	0	0	170,538
Receipts from other funds	65,073	0	0	65,073
Issuance of notes payable	323,389	0	0	323,389
Interest paid	(19,753)	(20,030)	(3,816)	(43,599)
Acquisition of capital assets	(585,017)	(69,125)	0	(654,142)
Payment of capital related accounts payable	0	(25,167)	0	(25,167)
Principal payments - notes	(22,281)	0	(17,037)	(39,318)
Principal payments - capital lease	0	(31,826)	0	(31,826)
Principal payments - bonds	(115,000)	0	0	(115,000)
Net cash provided (used) by capital and related financing activities	(183,051)	(146,148)	(20,853)	(350,052)
Cash flows from investing activities:				
Interest received	238	1,325	622	2,185
Proceeds from sale of investments	0	149,381	0	149,381
Purchase of investments	0	(150,205)	0	(150,205)
Net cash provided (used) by investing activities	238	501	622	1,361
Net increase (decrease) in cash and cash equivalents	(75,468)	(76,621)	(184,387)	(336,476)
Cash and cash equivalents, July 1	174,013	357,471	374,519	906,003
Cash and cash equivalents, June 30	$ 98,545	$ 280,850	$ 190,132	$ 569,527

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

CITY OF ROYSTON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the fiscal year ended June 30, 2013

	Business Type			
	Water and Sewer Utility	Natural Gas Utility	Sanitation	Totals
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	$ (30,037)	$ 528,435	$ 13,421	$ 511,819
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	156,624	94,541	36,558	287,723
(Increase) decrease in accounts receivable	6,067	(38,193)	322	(31,804)
(Increase) decrease in prepaid items	(987)	(520)	(428)	(1,935)
(Increase) decrease in inventories	0	(7,895)	0	(7,895)
Increase (decrease) in accounts payable	(1,813)	781	(2,725)	(3,757)
Increase (decrease) in sales tax payable	0	999	0	999
Increase (decrease) in unearned revenue	(426)	(21,414)	(363)	(22,203)
Increase (decrease) in accrued payroll liabilities	1,601	522	(621)	1,502
Increase (decrease) in deposits payable	(1,060)	(10,606)	0	(11,666)
Total adjustments	160,006	18,215	32,743	210,964
Net cash provided (used) by operating activities	$ 129,969	$ 546,650	$ 46,164	$ 722,783
Cash and cash equivalents reconciliation:				
Cash and cash equivalents	$ 78,470	$ 237,829	$ 190,132	$ 506,431
Restricted assets				
Cash and cash equivalents	20,075	43,021	0	63,096
Total cash and cash equivalents	$ 98,545	$ 280,850	$ 190,132	$ 569,527

Noncash investing, capital, and financing activities:

Contributions of capital assets totaled $4,000 for the fiscal year ended June 30, 2013.

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

CITY OF ROYSTON, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
June 30, 2013

	Municipal Court Agency Fund
ASSETS	
Equity in pooled cash	$ 9,497
LIABILITIES	
Due to other agencies	$ 9,497

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

1. Description of Government Unit

The City of Royston was established in 1879. The City operates under a council/mayor form of government and provides the following services: public safety, street and sanitation, culture and recreation, public improvements and general and administrative services. In addition, the City operates public utilities for water, sewer, and gas for the incorporated and immediate surrounding areas.

The City is governed by an elected six-member council.

2. Summary of Significant Accounting Policies

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business- type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

B. Reporting Entity

The accompanying financial statements present the government and its component units, entities for which the government is considered financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legaly seprate entities. Thus, blended component untis are appropriately presented as funds of the primary government. Each discretely presented component unit is reported componenet unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

2. Summary of Significant Accounting Policies (continued)

B. Reporting Entity, continued

City of Royston Downtown Development Authority

The City of Royston Downtown Development Authority was established as a legally separate entity, which operates pursuant to the Official Code of Georgia Annotated. The Authority consists of seven members appointed by the City Council and an executive director. The Downtown Development Authority provides for the vitalization of the downtown area of the City of Royston. In many respects, the Authority functions similar to a City department through regular participation in department director meetings, budget approval, accounting, payroll, etc.

The City of Royston Downtown Development Authority is reported in a separate column to emphasize that it is legally separate from the City. Individual financial statements are presented as part of the City's Annual Financial Report in the section labeled "Component Unit" (See Exhibit H). The City of Royston Downtown Development Authority has a June 30th year-end. Individual financial statements may be obtained by contacting the City of Royston Downtown Development Authority, 634 Franklin Springs Street, Royston, GA 30662.

C. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As discussed earlier, the government has one discretely presented component unit. While the Downtown Development Authority is not considered to be a major component unit, it is nevertheless shown in a separate column in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

2. Summary of Significant Accounting Policies (continued)

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category—governmental, proprietary, and fiduciary—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 nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

Franklin County SPLOST #4 Capital Projects Fund – This fund is used to account for long-term projects financed by the passage of the 2010 Franklin County special purpose local option sales tax.

The City reports the following major proprietary funds:

Water and Sewer Utility Fund - This fund is used to account for activities connected with the development, operation and maintenance of water and sewer services in the City of Royston.

Natural Gas Utility Fund – This fund is used to account for activities connected with the development, operation and maintenance of natural gas services in the City of Royston.

Sanitation Fund – This fund is used to account for activities connected with the collection and disposal of residential, commercial, industrial and institutional solid waste in the City of Royston.

2. Summary of Significant Accounting Policies (continued)

D. Basis of Presentation – Fund Financial Statements, continued

Additionally, the City reports the following fund types:

Governmental Fund Types

Special Revenue Funds - This fund type is used to account for the proceeds of specific revenue sources that are legally or donor restricted to expenditure for specified purposes.

Capital Projects Funds - This fund type is used to account for financial resources to be used for the acquisition or construction of capital assets (other than those financed by the proprietary or fiduciary funds).

Fiduciary Fund Types

Agency Funds – Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that are held either for the City or for others. The City has an agency fund to account for the activity of the Municipal Court.

Component Units

The Royston Downtown Development Authority is accounted for using a current financial resources measurement focus and uses the modified accrual basis of accounting. Under this method, revenues are recognized when susceptible to accrual (i.e. when they both become measurable and available).

2. Summary of Significant Accounting Policies (continued)

D. Basis of Presentation – Fund Financial Statements, continued

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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.

2. Summary of Significant Accounting Policies (continued)

E. Measurement Focus and Basis of Accounting, continued

The 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 collectible 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

2. Summary of Significant Accounting Policies (continued)

F. Revenues and Expenditures/Expenses

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. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Certain indirect costs have been included as part of program expenses reported for the various functional activities.

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 Water and Sewer, Natural Gas, and Solid Waste Funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal services 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 as non-operating revenues and expenses.

G. Budgets and Budgetary Accounting

The City Council adopts an annual budget for all governmental fund types, prior to July 1, except for the Capital Projects Funds. The Capital Projects Funds are budgeted by City Council when capital projects are approved. The operating budget includes proposed expenditures and the means of financing them. The budget is legally enacted by the passage of a resolution.

In January each year, the departments submit their budget requests to the Chief Financial Officer. The Finance Department compiles a complete citywide budget and submits the proposed budget to the City Manager for review. Meetings are held between the City Manager, Chief Financial Officer, and department heads in February to review the proposed budget. The City Manager then submits the proposed budget to the City Council by May 1.

2. Summary of Significant Accounting Policies (continued)

G. Budgets and Budgetary Accounting, continued

During June, the Mayor and Council conduct a public hearing to discuss the proposed budget and to obtain input from the citizens of the City of Royston. This hearing is publicized in the local newspaper at least two weeks before the hearing. The final proposed budget is then adopted by the City Council on or before June 30 during a regular Council meeting, which is also open to the public.

The level of legal budgetary control (the level at which expenditures may not exceed appropriations) is the department level. Changes may be made within an operating budget by departmental request through the City Manager except for equipment requests under $5,000, which must be approved by the City Manager, and equipment requests over $5,000 and changes in personal services budgets, which must be approved by the City Council. All operating budget transfers between departments and all changes to Capital Projects budgets must be approved by City Council. Formal budgetary integration is employed as a management control device during the year.

Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) at the legal level of budgetary control, which is the department level. Expenditures may not exceed the appropriations within a fund. Budgets, as reported in the financial statements, are as originally passed by ordinance and subsequently amended. During the year, several supplementary appropriations are made as needed. The results are increases and decreases to the appropriations within the funds. All annual appropriations lapse at year-end.

H. Cash and Investments

Cash and cash equivalents, as reported in the statement of cash flows, includes amounts in demand deposits, amounts with fiscal agents and investments with an original maturity at three months or less. Investments are reported at fair value with accrued interest shown under a separate caption on the balance sheet. Reinvested interest on certain debt service and capital project investments is included in the investment accounts.

2. Summary of Significant Accounting Policies (continued)

I. Intergovernmental Receivables

Receivables for state, federal, and local governments are recorded as revenue for the period of the allocation or as earned based on expenditures made for which reimbursement is due.

J. Inventories

Inventories of the Natural Gas Utility Enterprise Fund are valued at cost on the first-in, first-out method.

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2013, are recorded as prepaid items.

L. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

GASB Statement No. 34 required the City to report and depreciate new infrastructure assets effective with the beginning of the fiscal year ended June 30, 2004. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Prior to July 1, 2007, neither their historical costs nor related depreciation had historically been reported in the financial statements. For entities the size of the City of Royston, retroactive reporting of infrastructure assets was not required.

2. Summary of Significant Accounting Policies (continued)

L. Capital Assets, continued

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets ranging as follows:

	Useful Life in Years	Capitalization Threshold
Buildings	50	$ 2,000
Distribution systems	50	$ 20,000
Roads	50	$ 100,000
Bridges and culverts	50	$ 40,000
Equipment	10	$ 2,000
Vehicles	5	$ 2,000
Furniture and fixtures	5	$ 2,000
Land improvements	15	$ 2,000

All land will be valued and capitalized.

The costs of normal maintenance and repairs that do not add value or materially extend the life of the asset are charged to operations as incurred. Costs of major additions and improvements are capitalized.

2. Summary of Significant Accounting Policies (continued)

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

N. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation benefits which will be paid to the employees upon separation from City service. Accumulated unpaid vacation pay amounts are accrued when incurred by the City in the government-wide, proprietary, and fiduciary fund financial statements. The liability of the proprietary funds is recorded as an expense and a liability of those funds as the benefits accrue to the employees. In governmental fund types, a liability is recorded only if the benefit has matured and is expected to be liquidated with expendable available financial resources.

2. Summary of Significant Accounting Policies (continued)

O. 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 straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. The face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financial sources while discounts on debt issuances are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

P. Capital Contributions

Federal, state and local government assistance in the form of grants that are permanent in nature and restricted for the construction or acquisition of specific property and equipment is recorded as an asset and as non-operating revenue.

Q. Fund Balances – Governmental Funds

The City of Royston implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2011. In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at June 30, 2013, by the City are nonspendable in form. The City has not reported any amounts that are legally or contractually required to be maintained intact.

2. Summary of Significant Accounting Policies (continued)

Q. Fund Balances – Governmental Funds, continued

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the City Council, the City of Royston's highest level of decision making authority, which include the language "committed for the purpose of". Commitments may be modified or rescinded only through adoption of a subsequent resolution. A resolution committing amounts must be adopted prior to the end of the fiscal year; however, the amount to be committed may be determined within 120 days of fiscal year-end.

Assigned – includes amounts that the City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the City Council's adopted policy, amounts may be assigned by the City Manager, under the authorization of the City Council, through a written memorandum. Amounts appropriated to eliminate a projected deficit in the subsequent fiscal year's budget shall constitute assignments and are documented by adoption of the City's annual operating budget. Equity amounts reported in special revenue funds, capital project funds, debt service funds, or permanent funds not otherwise classified as nonspendable, restricted, or committed shall constitute assignments of fund balance.

Unassigned – includes amounts that do not fall into one of the above four categories. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The General Fund is the only fund that should report this category of fund balance.

For the purposes of fund balance classification, the City considers restricted amounts spent first when an expenditure is incurred for which both restricted and unrestricted fund balance is available. Furthermore, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance can be used, then committed amounts are spent first, followed by assigned amounts, and then unassigned amounts.

2. Summary of Significant Accounting Policies (continued)

R. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

S. Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

T. Restricted Assets and Restricted Net Position

Restricted assets of the Enterprise Funds represent certain resources set aside for the repayment of revenue bonds because they are maintained in a separate bank account and their use is limited by applicable bond covenants.

Restricted net position is equal to the excess of the restricted assets funded from operations over the liabilities to be paid with restricted assets which are due in one year or less. Restricted assets exclude bond proceeds for calculation of reserve.

2. Summary of Significant Accounting Policies (continued)

U. Comparative Data and Reclassifications

Comparative total data of the prior period has been presented in the accompanying individual fund financial statements in order to provide an understanding of changes in the City's financial position and operations. Certain 2012 amounts have been reclassified to conform with the 2013 presentation.

3. Deposit and Investment Risk

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned. The City has no formal policy, but follows the State of Georgia requirement that all deposits be federally insured or fully collateralized.

Interest Rate Risk

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

State of Georgia law limits investments to include certificates of deposit, repurchase agreements, direct and agency obligations of the United States, obligations of the State of Georgia, pooled investment programs of the State of Georgia, and no-load mutual funds of direct obligations of the United States. The City has no investment policy that would further limit its investment choices. Investments are reported at fair value.

Concentration of Credit Risk

The City has no formal policy on the amount the City may invest in any one issuer.

Foreign currency risk

The City has no investments denominated in a foreign currency.

4. Accounts Receivable

Net accounts receivable at June 30, 2013 consist of the following:

Major Funds		
General Fund		$ 5,837
Enterprise Funds		
Water and Sewer Utility	$ 185,402	
Less: Allowances for Uncollectibles	(90,594)	
Natural Gas Utility	348,917	
Less: Allowances for Uncollectibles	(154,646)	
Sanitation	60,953	
Less: Allowances for Uncollectibles	(26,264)	323,768
Total Primary Government		$ 329,605

5. Intergovernmental Receivables

Intergovernmental receivables at June 30, 2013 consist of the following:

Major Funds	
General Fund	
State of Georgia	$ 31,722
Franklin County SPLOST #4	
Franklin County, Georgia	40,608
Non Major Funds	
Hart County SPLOST #3	
Hart County, Georgia	411
Hart County SPLOST #4	
Hart County, Georgia	3,495
Total Primary Government	$ 76,236

6. Property Taxes

Taxes receivable as of June 30, 2013 consist of property taxes for seven years as follows:

Year of Levy	Amount
2012	$ 35,278
2011	11,272
2010	6,028
2009	3,218
2008	2,981
2007	2,406
2006	2,927
2005	2,393
	66,503
Less allowance for uncollectible	(22,380)
Total	$ 44,123

Property tax rates are set by the City Council each year and are limited by statutory or constitutional provision. Property values are assessed as of January 1st each year. Property taxes for fiscal year 2013, based upon the assessments of January 1, 2012, were billed on December 12, 2012 and due on February 19, 2013. Tax liens are issued 90 days after the due date. The tax rate of 10.0 mills for fiscal year 2013 was levied on December 11, 2012.

Other Taxes

$40,982 of sales taxes are also included in taxes receivable.

7. Interfund Receivables, Payables, and Transfers

A summary of interfund receivables and payables as of June 30, 2013 is as follows:

	Due from:
	Nonmajor Governmental Funds
Due to:	
Major Funds	
General	$ 3,906

The balance reported as Due to/Due from represent loans between the borrower funds and the lender. Balances reported between in the General Fund and nonmajor governmental funds resulted from transactions to alleviate equity in pooled cash deficits at year-end.

A summary of interfund transfers is as follows:

Transfer Out Fund	Transfer In Fund	Amount
Natural Gas Utility	General	$ 477,624
Water Sewer Utility	General	22,624
Sanitation	General	216,080
Nonmajor Governmental	Water Sewer Utility	65,073
		$ 781,401

Interfund transfers are used to 1) move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them, and 2) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers are eliminated in the government-wide financial statements if the interfund transfer is within the governmental fund group or business-type fund group.

8. Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013
Governmental activities				
Non-depreciable assets				
Land	$ 408,187	$ 0	$ 0	$ 408,187
Construction in progress	0	954,598	0	954,598
Total non-depreciable assets	408,187	954,598	0	1,362,785
Depreciable assets				
Buildings	3,368,230	2,300	0	3,370,530
Infrastructure	1,725,734	17,961	0	1,743,695
Vehicles and equipment	2,052,471	394,844	(35,733)	2,411,582
Furniture and fixtures	222,378	2,085	0	224,463
Total depreciable assets	7,368,813	417,190	(35,733)	7,750,270
Accumulated depreciation				
Buildings	(1,901,388)	(66,727)	0	(1,968,115)
Infrastructure	(194,626)	(42,548)	0	(237,174)
Vehicles and equipment	(1,371,078)	(153,883)	31,702	(1,493,259)
Furniture and fixtures	(206,015)	(8,576)	0	(214,591)
Total accumulated depreciation	(3,673,107)	(271,734)	31,702	(3,913,139)
Total depreciable assets, net	3,695,706	145,456	(4,031)	3,837,131
Governmental activities capital assets, net	$ 4,103,893	$ 1,100,054	$ (4,031)	$ 5,199,916
Business-type activities				
Non-depreciable assets				
Land	$ 97,761	$ 0	$ 0	$ 97,761
Construction in progress	571,201	4,963	(260,936)	315,228
Total non-depreciable assets	668,962	4,963	(260,936)	412,989
Depreciable assets				
Buildings	240,933	0	0	240,933
Land improvements	24,644	0	0	24,644
Distribution system	9,686,484	899,427	0	10,585,911
Vehicles and equipment	1,299,652	14,687	0	1,314,339
Total depreciable assets	11,251,713	914,114	0	12,165,827
Accumulated depreciation				
Buildings	(112,691)	(4,819)	0	(117,510)
Land improvements	(6,157)	(1,643)	0	(7,800)
Distribution system	(5,615,560)	(195,480)	0	(5,811,040)
Vehicles and equipment	(942,130)	(85,781)	0	(1,027,911)
Total accumulated depreciation	(6,676,538)	(287,723)	0	(6,964,261)
Total depreciable assets, net	4,575,175	626,391	0	5,201,566
Business-type activities capital assets, net	$ 5,244,137	$ 631,354	$ (260,936)	$ 5,614,555

8. Capital Assets (continued)

Capital asset activity for the Downtown Development Authority Component Unit for the year ended June 30, 2013 was as follows:

	Balance 6/30/2012	Increases	Decreases	Balance 6/30/2013
Downtown Development Authority Component Unit				
Non-depreciable assets				
Construction in progress	$6,000	$0	$0	$6,000

Depreciation expense was charged to functions/programs as follows:

Primary Government	
Governmental activities	
General Government	$ 22,506
Public Safety	132,594
Public Works	63,449
Culture and Recreation	48,939
Housing and Development	4,246
Total depreciation expense for governmental activities	$ 271,734
Business-type activities	
Water and Sewer Utility	$ 156,624
Natural Gas Utility	94,541
Sanitation	36,558
Total depreciation expense for business-type activities	$ 287,723

9. Capital and Operating Lease Agreements

The City has entered into agreements for the lease of certain equipment. The terms of the agreements meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, which defines a capital lease generally as one which transfers benefits and risk of ownership to the lessee. The balance of these leases at June 30, 2013 are $17,528 and $468,174 for the governmental activities and business-type activities, respectively.

The following is a schedule of the future minimum lease payments together with the present value of the net minimum lease payments as of June 30, 2013:

Year Ending June 30,	Governmental Activities	Business-type Activities
2014	$ 18,229	$ 69,141
2015	0	69,141
2016	0	69,141
2017	0	69,141
2018	0	69,141
2019-2021	0	172,850
Total minimum lease payments	18,229	518,555
Less amounts representing interest	(701)	(50,381)
Present value of minimum lease payments	$ 17,528	$ 468,174

Total assets leased under capital leases are $147,926 for governmental activities and are reported as vehicles. Total assets leased under capital leases are $500,000 for business-type activities and are reported as infrastructure.

The City's lease agreements, other than such agreements described above, are relatively minor commitments (generally for office machines) and are in compliance with state law.

10. Long-Term Debt

Notes Payable

On October 1, 2004, the City entered into an agreement the Georgia Environmental Facilities Authority for expansion of the City's water and sewerage system. The City borrowed $381,024 due in monthly installments of $2,333 principal and interest through October 1, 2024; interest at 4.12% ($253,172 outstanding).

On May 22, 2012, the City entered into an agreement the Georgia Environmental Facilities Authority for expansion of the City's water and sewerage system. The City borrowed $323,389 due in monthly installments of $2,851 principal and interest through April 1, 2023; interest at 1.13% ($318,293 outstanding).

On March 25, 2012, the City entered into an agreement the United States Department of Agriculture to purchase a vehicle. The City borrowed $92,500 due in annual installments of $20,852 principal and interest through December 1, 2026; interest at 4.625% ($75,463 outstanding).

Annual debt service requirements for notes payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ 66,416	$ 16,649	$ 83,065
2015	68,252	14,813	83,065
2016	70,137	12,928	83,065
2017	72,124	10,941	83,065
2018	53,303	8,910	62,213
2019-2023	280,438	24,924	305,362
2024-2025	36,258	1,055	37,313
Totals	$ 646,928	$ 90,220	$ 737,148

10. Long-Term Debt (continued)

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities, while revenue bonds are issued for the construction and expansion of proprietary activities. General obligation bonds are direct obligations and pledge the full faith, credit and taxing powers of the City while revenue bonds pledge the revenues of the proprietary activity for repayment of the bond issues.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt of the City for fiscal year ended June 30, 2013:

	Balance 6/30/2012	Additions	Deductions	Balance 6/30/2013	Due Within One Year
Governmental activities					
Capital lease obligations	$ 34,385	$ 0	$ (16,857)	$ 17,528	$ 17,528
Compensated absences	56,588	38,326	(50,929)	43,985	39,586
Total governmental activities	$ 90,973	$ 38,326	$ (67,786)	$ 61,513	$ 57,114
Business-type activities					
Revenue bonds	$ 115,000	$ 0	$ (115,000)	$ 0	$ 0
Notes payable	362,857	323,389	(39,318)	646,928	66,416
Capital lease obligations	500,000	0	(31,826)	468,174	57,120
Compensated absences	33,409	32,592	(30,397)	35,604	32,011
Total business-type activities	$ 1,011,266	$ 355,981	$ (216,541)	$ 1,150,706	$ 155,547

Revenue bond issue costs and discounts/premiums are amortized over the life of the related debt using the straight-line method. In prior years, compensated absences of the governmental activities were liquidated in the General Fund.

11. Pension Plan

On June 12, 2007, the City elected to contribute and participate in an agent multiple-employer plan for fiscal year 2008 and periods thereafter. The plan's assets may be used only for the payment of benefits to the members of the plan, in accordance with the terms of the plan. See Note 2 – Summary of Significant Accounting Policies for basis of accounting and reporting of investments.

Plan Description and Contribution Information

The City contributes to the Georgia Municipal Employees Benefit System Retirement Fund (GMEBSRF), an agent multiple-employer defined benefit plan that acts as a common investment and administrative agent for municipalities in the State. The plan is administered by the Georgia Municipal Association (GMA) and provides pension benefits, death and disability benefits, which were established and may be amended by City Council Ordinance and change of contract with GMA. All full-time City employees are eligible to participate in GMEBSFR after one year of service. The normal retirement date of full-time City employees is attainment of age 65 with 5 years of credited service. City employees may elect early retirement on the first day of any month prior to his/her normal retirement date if he/she has attained age 55 and has a minimum of 10 years credited service. Upon retirement, the participant is entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1.5 percent of his/her average monthly earnings as defined in the plan for each year of credited service. The system also provides death and disability benefits. Employees vest in the plan after 5 years of full-time service with the City.

11. Pension Plan (continued)

Plan Description and Contribution Information, continued

GMEBS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to Georgia Municipal Employees Benefit System, 201 Pryor Street SW, Atlanta, Georgia 30303.

Current membership in the plan is as follows:

Retirees and beneficiaries currently receiving benefits	8
Terminated vested participants entitled to but not yet receiving benefits	6
Active participants	47
Total number of participants	61

Funding Policy. The contribution requirements of the City are established and may be amended by City Council. Plan members are not allowed to make contributions to this plan. The City is required to contribute at an actuarially determined rate. The current rate is 10.07% of annual covered payroll. The City Council provides for the benefits and funding policy through a City ordinance and maintains the authority to change the policy. Costs of administering the plan are financed through contributions and earnings.

Annual Pension Cost and Net Pension Obligation

The net pension obligation was computed as part of an actuarial valuation performed as of January 1, 2013. Significant actuarial assumptions used in the valuation include:

Rate of return on investments of present and future assets compounded annually	7.8%
Projected salary increases: Inflation	3.5%
Post-retirement benefit increases	3.5%
Life expectancy before and after retirement (Group Annuity Mortality table)	1983

11. Pension Plan (continued)

Annual Pension Cost and Net Pension Obligation, continued

The Plan's funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, accumulate funds so that sufficient assets will be available to pay benefits when due. The contribution rate for normal cost is determined using the projected unit credit actuarial funding method. The actuarial value of assets was determined by using the sum of actuarial value at the beginning of the 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 the end of the year. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 2008 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year. The remaining amortization period at January 1, 2013 varies for the bases. The significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the net pension obligations. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

The City's annual pension cost and net pension obligations for the current year were as follows:

Annual pension cost	$	147,025
Contributions made		147,025
Increase (decrease) in net pension obligation		0
Net pension obligation - beginning of year		0
Net pension obligation - end of year	$	0

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Trend information for the pension plan is presented.

11. Pension Plan (continued)

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	$ 37,997	100%	$ 0
2009	104,923	100%	0
2010	118,203	100%	0
2011	129,006	100%	0
2012	135,376	100%	0
2013	147,025	100%	0

Historical Trend Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll** (c)	AAL as a Percentage of Covered Payroll ((b-a)/c)
3/1/2008	$ 34,503	$ 412,006	$ 377,503	8.37%	$ 1,289,462	29.28%
3/1/2009	116,069	507,258	391,189	22.88%	1,471,928	26.58%
1/1/2010	192,379	656,984	464,605	29.28%	1,423,620	32.64%
1/1/2011	322,106	772,966	450,860	41.67%	1,378,879	32.70%
1/1/2012	441,964	924,301	482,337	47.82%	1,435,417	33.60%
1/1/2013	585,443	1,045,423	459,980	56.00%	1,364,662	33.71%

** Payroll of participants whose attained age is less than the assumed retirement age

12. Deferred Compensation Plans

The City provides retirement benefits for its employees through two deferred compensation, defined contribution plans. The Plans were created under Internal Revenue Code Sections 457 and 401(a). The first plan is administered by the Public Employees Benefits Services Corporation (PEBSCO), an independent third party. In fiscal year 2002, the City elected to participate in the plan administered by the Georgia Municipal Association (GMA), an independent third party. Participating employees at the time of the conversion were given the option of remaining with the plan administered by PEBSCO, or changing to the plan administered by GMA. All employees who became eligible to participate in the deferred compensation, defined contribution plan after the conversion were enrolled in the GMA plan. The City Council provides for the benefits and funding policy through a City ordinance and maintains the authority to change the policy.

12. Deferred Compensation Plans (continued)

Under the terms of the Plans, employees may defer a portion of their salary through voluntary contributions to the Plan. Employees may defer a maximum of 25% of their salary, up to the maximum allowable by federal law. After completing 90 days of service, the City will contribute 25% of the employee's contributions per year. At June 30, 2013, there were 12 members of the Plans.

There is a cap of $1,000 per eligible employee for City contributions. Funds are vested 100% at the time of contribution. Amounts held in the Plans are not available to the employees until termination, retirement, death, or unforeseeable emergency.

During the fiscal year, the City contributed $4,518 to the plans based on covered salaries of $413,025. Plan members made voluntary contributions of $18,072 to the plans. Total payroll was $1,740,783.

The City has no fiduciary relationship with the plans, and plan assets are not available to the City or its general creditors. The Plans assets are held in trust by the administrator for the exclusive benefit of the participants of the Plans.

13. Hotel/Motel Lodging Tax

The City has levied a 3% lodging tax. A summary of the transactions for the year ending June 30, 2013, follows:

Lodging Tax Receipts	$2,359	
Disbursements to		
Downtown Development Authority	$1,289	55% of Tax Receipts

14. Joint Ventures

The City of Royston participates with various other cities in the Northern Piedmont Multi-Agency Narcotics Squad (MANS) to facilitate the investigation, arrest, prosecution and conviction of those residents and non-residents involved in the manufacture, use, distribution, and sale of illicit drugs. The City has an ongoing financial responsibility of funding for this unit. This funding is determined each year from a budget of grant monies and individual municipalities participation. The MANS unit is funded primarily through grant monies and operates on a balanced budget determined by revenue. The financial records of the MANS unit are maintained by Franklin County Georgia and reported in their audit report. During fiscal year 2013, the City contributed $6,991 in cash financing. A copy of the MANS unit financial statements can be obtained from Franklin County, Georgia, 141 Athens Street, Carnesville, Georgia 30521.

Under Georgia law, the City, in conjunction with other cities and counties in the northeast Georgia area, is a member of the Georgia Mountains Regional Commission and is required to pay annual dues thereto. During its year ended June 30, 2013, the city paid $2,124 in such dues. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RC in Georgia. The RC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RDC. Separate financial statements may be obtained from Georgia Mountains Regional Commission, 1310 West Ridge Road, Gainesville, Georgia 30501.

15. Related Organizations

The Housing Authority of the City of Royston is considered a related organization to the City of Royston. The City appoints members to the Authority, but does not have the ability to impose its will or create a financial benefit or burden for the Authority. The Authority provides low-income housing for the individuals in the City of Royston. The City received $14,503 as payment-in-lieu-of-taxes for fiscal year 2013. Separate financial statements may be obtained from Housing Authority of the City of Royston, 216 Hartwell Street, Royston, Georgia 30662.

16. Risk Management

Material estimates have been made by management about the life of depreciated capital assets. Management has used a conservative approach on these estimates.

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. City has elected to manage its risk financing activities through the purchase of commercial insurance.

There have been no insurance settlements exceeding insurance coverage for any of the past three fiscal years.

Management estimates liabilities for unpaid claims based on the probability of losses exceeding the occurrence limits and the reasonableness of estimating those losses. At June 30, 2013, the City has no losses that are probable or estimable and accordingly has not recognized any liability.

17. Commitments and Contingencies

Contingencies

The City's legal counsel has stated that there are presently no determinable lawsuits.

This page intentionally left blank.

COMBINING STATEMENTS

NONMAJOR GOVERNMENTAL FUNDS

CITY OF ROYSTON, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013

	Special Revenue	
	Confiscated Assets	**Hotel/Motel Tax**
ASSETS		
Cash and cash equivalents	$ 4,927	$ 2,328
Intergovernmental receivable	0	0
Total assets	$ 4,927	$ 2,328
LIABILITIES		
Accounts payable	$ 0	$ 0
Due to other funds	0	0
Unearned revenue	0	0
Total liabilities	0	0
FUND BALANCES		
Restricted for:		
Public Safety	4,927	0
Capital projects	0	0
Assigned for Housing and Development	0	2,328
Total fund balances	4,927	2,328
Total liabilities and fund balances	$ 4,927	$ 2,328

Special Revenue		Capital Projects			Total
Technology Surcharge	Fire Department	Franklin County SPLOST #3	Hart County SPLOST #3	Hart County SPLOST #4	Nonmajor Governmental Funds
$ 8,875	$ 11,438	$ 64,053	$ 0	$ 0	$ 91,621
0	0	0	411	3,495	3,906
$ 8,875	$ 11,438	$ 64,053	$ 411	$ 3,495	$ 95,527
$ 0	$ 0	$ 19,101	$ 0	$ 0	$ 19,101
0	0	0	411	3,495	3,906
0	0	26,117	0	0	26,117
0	0	45,218	411	3,495	49,124
8,875	11,438	0	0	0	25,240
0	0	18,835	0	0	18,835
0	0	0	0	0	2,328
8,875	11,438	18,835	0	0	46,403
$ 8,875	$ 11,438	$ 64,053	$ 411	$ 3,495	$ 95,527

CITY OF ROYSTON, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the fiscal year ended June 30, 2013

	Special Revenue	
	Confiscated Assets	**Hotel/Motel Tax**
REVENUES		
Taxes	$ 0	$ 2,359
Fines, fees, and forfeitures	0	0
Intergovernmental	0	0
Interest	0	0
Contributions	1	0
Total revenues	1	2,359
EXPENDITURES		
Current		
Public Safety	0	0
Housing and Development	0	1,289
Capital outlay	0	0
Total expenditures	0	1,289
Excess (deficiency) of revenues over (under) expenditures	1	1,070
Other financing sources (uses)		
Transfers out	0	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	1	1,070
Fund balances, July 1	4,926	1,258
Fund balances, June 30	$ 4,927	$ 2,328

Special Revenue		Capital Projects			Total
Technolgy Surcharge	Fire Department	Franklin County SPLOST #3	Hart County SPLOST #3	Hart County SPLOST #4	Nonmajor Governmental Funds
$ 0	$ 0	$ 0	$ 0	$ 0	$ 2,359
4,266	0	0	0	0	4,266
0	16,984	0	12,066	11,490	40,540
26	0	249	0	0	275
0	780	0	0	0	781
4,292	17,764	249	12,066	11,490	48,221
4,120	16,721	0	0	0	20,841
0	0	0	0	0	1,289
0	0	96,672	4,411	3,495	104,578
4,120	16,721	96,672	4,411	3,495	126,708
172	1,043	(96,423)	7,655	7,995	(78,487)
0	0	(49,423)	(7,655)	(7,995)	(65,073)
172	1,043	(145,846)	0	0	(143,560)
8,703	10,395	164,681	0	0	189,963
$ 8,875	$ 11,438	$ 18,835	$ 0	$ 0	$ 46,403

This page intentionally left blank.

GENERAL FUND

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

CITY OF ROYSTON, GEORGIA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
June 30, 2013 and 2012

	2013	2012
ASSETS		
Cash and cash equivalents	$ 101,982	$ 21,759
Certificates of deposit	80,262	79,740
Restricted assets		
Cash and cash equivalents	1,776	1,481
Receivables (net)		
Accounts	5,837	4,853
Taxes	85,105	82,625
Intergovernmental	31,722	0
Interest	253	833
Due from other funds	3,906	0
Prepaid items	26,837	24,383
Total assets	$ 337,680	$ 215,674
LIABILITIES		
Payables		
Accounts	$ 26,523	$ 60,685
Intergovernmental	81	82
Accrued salaries and payroll liabilities	28,135	14,270
Total liabilities	54,739	75,037
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property tax	41,898	28,325
FUND BALANCES		
Nonspendable prepaid items	26,837	24,383
Restricted for Public Safety	1,776	1,481
Assigned for:		
Budget	175,000	86,448
Unassigned	37,430	0
Total fund balances	241,043	112,312
Total liabilities, deferred inflows, and fund balances	$ 337,680	$ 215,674

CITY OF ROYSTON, GEORGIA
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended June 30, 2013 and 2012

	2013	2012
REVENUES		
Taxes	$ 1,443,832	$ 1,414,957
Licenses and permits	12,752	13,974
Fines, fees and forfeitures	68,990	67,044
Charges for services	107,067	97,523
Intergovernmental	46,225	16,574
Interest	147	1,338
Contributions	24,023	9,735
Other	713	3,180
Total revenues	1,703,749	1,624,325
EXPENDITURES		
Current		
General Government	519,044	469,515
Judicial	5,848	6,716
Public Safety	1,042,923	1,082,701
Public Works	516,224	569,326
Culture and Recreation	71,158	62,469
Housing and Development	119,741	146,428
Debt service		
Public Safety	18,228	18,230
Total expenditures	2,293,166	2,355,385
Excess (deficiency) of revenues over (under) expenditures before transfers	(589,417)	(731,060)
Other financing sources (uses)		
Transfers in (out)		
Technology Surcharge Fund	0	(2,750)
Water and Sewer Utility Fund	22,624	24,229
Natural Gas Utility Fund	477,624	494,350
Sanitation Fund	216,080	62,165
Sales of capital assets	1,820	470
Total other financing sources (uses)	718,148	578,464
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	128,731	(152,596)
Fund balances, July 1	112,312	264,908
Fund balances, June 30	$ 241,043	$ 112,312

CITY OF ROYSTON, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

	2013			2012
	Final Budget	Actual	Variance	Actual
REVENUES				
Taxes				
General property taxes				
Property tax	$ 445,000	$ 452,339	$ 7,339	$ 437,857
Motor vehicle tax	27,000	47,004	20,004	29,209
Cost, penalties, and interest	5,900	12,177	6,277	7,465
Total general property taxes	477,900	511,520	33,620	474,531
Local option sales tax	450,000	491,967	41,967	488,854
Intangible tax	3,200	4,649	1,449	2,190
Franchise tax	203,000	207,675	4,675	228,565
Insurance premium tax	121,100	128,636	7,536	121,107
Beer and wine tax	65,000	70,264	5,264	70,948
Occupational tax	27,800	29,121	1,321	27,119
Other taxes	1,400	0	(1,400)	1,643
Total taxes	1,349,400	1,443,832	94,432	1,414,957
Licenses and Permits				
Building permits	1,500	542	(958)	1,864
Alcohol licenses and penalties	11,600	12,210	610	12,110
Total licenses and permits	13,100	12,752	(348)	13,974
Fines, fees and forfeitures	68,200	68,990	790	67,044
Charges for Services				
Cemetery lot sales	12,000	5,700	(6,300)	2,780
Fire protection	1,000	1,000	0	750
Civic Center rents	7,500	6,000	(1,500)	8,203
Indirect expenses	94,377	94,367	(10)	85,790
Total charges for services	114,877	107,067	(7,810)	97,523
Intergovernmental				
Grants and receipts	17,000	46,225	29,225	16,574
Interest	1,200	147	(1,053)	1,338
Contributions	17,005	24,023	7,018	9,735
Other	6,900	713	(6,187)	3,180
Total revenues	$ 1,587,682	$ 1,703,749	$ 116,067	$ 1,624,325

CITY OF ROYSTON, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

	2013			2012
	Final Budget	Actual	Variance	Actual
EXPENDITURES				
Current				
General Government				
Mayor and Council				
Personal services	$ 72,669	$ 72,468	$ 201	$ 66,888
Contractual services	25,472	22,430	3,042	27,231
Materials and supplies	2,009	1,509	500	1,513
Total Mayor and Council	100,150	96,407	3,743	95,632
Administration				
Personal services	289,000	264,241	24,759	206,706
Contractual services	101,245	99,079	2,166	84,139
Materials and supplies	28,813	22,594	6,219	24,145
Capital outlay	28,673	28,585	88	44,903
Payments to other agencies	11,015	8,100	2,915	11,050
Total Administration	458,746	422,599	36,147	370,943
Elections				
Contract services	1,250	38	1,212	2,882
Materials and supplies	200	0	200	58
Total Elections	1,450	38	1,412	2,940
Total General Government	560,346	519,044	41,302	469,515
Judicial				
Municipal Court				
Personal Services	10,258	5,848	4,410	6,716
Public Safety				
Police				
Personal services	820,075	772,006	48,069	744,173
Contractual services	115,331	96,550	18,781	107,416
Materials and supplies	79,150	84,877	(5,727)	90,127
Capital outlay	21,800	16,800	5,000	67,447
Payments to other agencies	13,000	14,210	(1,210)	13,159
Total Police Department	1,049,356	984,443	64,913	1,022,322
Fire				
Personal services	12,931	10,856	2,075	10,872
Contractual services	39,094	22,677	16,417	27,074
Materials and supplies	13,357	16,723	(3,366)	13,686
Total Fire Department	65,382	50,256	15,126	51,632
Animal Control				
Payments to others agencies	8,747	8,224	523	8,747
Total Public Safety	1,123,485	1,042,923	80,562	1,082,701

CITY OF ROYSTON, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

	2013			2012
	Final Budget	Actual	Variance	Actual
Public Works				
Streets				
Personal services	$ 215,619	$ 200,889	$ 14,730	$ 223,535
Contractual services	101,606	94,550	7,056	100,153
Materials and supplies	125,700	108,664	17,036	124,751
Capital outlay	24,331	0	24,331	0
Total Streets	467,256	404,103	63,153	448,439
Maintenance Shop				
Personal services	60,270	60,328	(58)	59,938
Contractual services	7,449	4,894	2,555	6,434
Materials and supplies	18,302	18,966	(664)	16,607
Capital outlay	3,598	3,500	98	0
Total Maintenance Shop	89,619	87,688	1,931	82,979
Cemetery				
Contractual services	21,370	21,777	(407)	35,609
Materials and supplies	3,380	2,656	724	2,299
Total Cemetery	24,750	24,433	317	37,908
Total Public Works	581,625	516,224	65,401	569,326
Culture and Recreation				
Library				
Contractual services	3,400	3,736	(336)	3,315
Materials and supplies	9,725	10,911	(1,186)	10,219
Payments to other agencies	18,000	16,500	1,500	18,000
Total Library	31,125	31,147	(22)	31,534
Parks and Recreation				
Contractual services	16,700	15,562	1,138	14,072
Materials and supplies	15,972	16,744	(772)	16,863
Capital outlay	7,705	7,705	0	0
Total Parks and Recreation	40,377	40,011	366	30,935
Total Culture and Recreation	71,502	71,158	344	62,469
Housing and Development				
Code Enforcement				
Personal services	45,266	35,734	9,532	42,733
Contractual services	14,900	11,578	3,322	12,851
Materials and supplies	4,380	2,172	2,208	6,646
Capital outlay	0	0	0	19,695
Total Code Enforcement	64,546	49,484	15,062	81,925

CITY OF ROYSTON, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

	2013			2012
	Final Budget	Actual	Variance	Actual
Housing and Development				
Better Hometown Program				
Personal services	$ 45,934	$ 44,559	$ 1,375	$ 45,047
Contractual services	16,921	15,648	1,273	14,654
Materials and supplies	6,171	4,050	2,121	4,802
Total Better Hometown Program	69,026	64,257	4,769	64,503
Agency allocations				
Downtown Development Authority	6,000	6,000	0	0
Total Housing and Development	139,572	119,741	19,831	146,428
Total Current	2,486,788	2,274,938	211,850	2,337,155
Debt service				
Public Safety				
Fire	18,229	18,228	1	18,230
Total expenditures	$ 2,505,017	$ 2,293,166	$ 211,851	$ 2,355,385

This page intentionally left blank.

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally or donor restricted to expenditure for specified purposes.

Confiscated Assets Fund - Used to account for the cash received either from a cash confiscation or cash received from a sale of capital assets acquired from a drug raid.

Hotel/Motel Tax Fund - Used to collect Hotel/Motel taxes which are used to support trade and tourism in the City of Royston.

Technology Surcharge Fund - Used to account for fines and fees received restricted for the purchase of computer hardware and software for the Police Department.

Fire Department Fund - Used to account for intergovernmental revenue and contributions from individuals received for the City of Royston Fire Department

CITY OF ROYSTON, GEORGIA
CONFISCATED ASSETS SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
June 30, 2013 and 2012

	2013	2012
ASSETS		
Cash and cash equivalents	$ 4,927	$ 4,926
FUND BALANCES		
Restricted for Public Safety	$ 4,927	$ 4,926

CITY OF ROYSTON, GEORGIA
CONFISCATED ASSETS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

	2013			2012
	Final Budget	Actual	Variance	Actual
REVENUES				
Fines, fees, and forfeitures	$ 4,459	$ 0	$ (4,459)	$ 0
Contributions	0	1	1	0
Total revenues	4,459	1	(4,458)	0
EXPENDITURES				
Current				
Public Safety				
Materials and supplies	4,459	0	4,459	168
Total expenditures	4,459	0	4,459	168
Excess (deficiency) of revenues over (under) expenditures	0	1	1	(168)
Fund balances, July 1	0	4,926	4,926	5,094
Fund balances, June 30	$ 0	$ 4,927	$ 4,927	$ 4,926

CITY OF ROYSTON, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
June 30, 2013 and 2012

	2013	2012
ASSETS		
Cash and cash equivalents	$ 2,328	$ 1,460
LIABILITIES		
Accounts payable	$ 0	$ 202
FUND BALANCES		
Assigned for Housing and Development	2,328	1,258
Total liabilites and fund balance	$ 2,328	$ 1,460

CITY OF ROYSTON, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

	2013			2012
	Final Budget	Actual	Variance	Actual
REVENUES				
Hotel/motel taxes	$ 2,700	$ 2,359	$ (341)	$ 1,640
Total revenues	2,700	2,359	(341)	1,640
EXPENDITURES				
Current				
Housing and Development Agency allocations	2,700	1,289	1,411	1,299
Total expenditures	2,700	1,289	1,411	1,299
Excess (deficiency) of revenues over (under) expenditures	0	1,070	1,070	341
Fund balances, July 1	0	1,258	1,258	917
Fund balances, June 30	$ 0	$ 2,328	$ 2,328	$ 1,258

CITY OF ROYSTON, GEORGIA
TECHNOLOGY SURCHARGE SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
June 30, 2013 and 2012

	2013	2012
ASSETS		
Cash and cash equivalents	$ 8,875	$ 8,703
FUND BALANCES		
Restricted for Public Safety	$ 8,875	$ 8,703

CITY OF ROYSTON, GEORGIA
TECHNOLOGY SURCHARGE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

	2013			2012
	Final Budget	Actual	Variance	Actual
REVENUES				
Fines, fees, and forfeitures	$ 4,200	$ 4,266	$ 66	$ 5,037
Interest	0	26	26	49
Total revenues	4,200	4,292	92	5,086
EXPENDITURES				
Current				
Public Safety				
Materials and supplies	4,120	4,120	0	0
Capital outlay	0	0	0	7,250
Total expenditures	4,120	4,120	0	7,250
Excess (deficiency) of revenues over (under) expenditures	80	172	92	(2,164)
Other financing sources (uses)				
Transfers in (out)				
General Fund	0	0	0	2,750
Contingency	(80)	0	80	0
Total other financing sources (uses)	(80)	0	80	2,750
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	172	172	586
Fund balances, July 1	0	8,703	8,703	8,117
Fund balances, June 30	$ 0	$ 8,875	$ 8,875	$ 8,703

CITY OF ROYSTON, GEORGIA
FIRE DEPARTMENT SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
June 30, 2013 and 2012

	2013	2012
ASSETS		
Cash and cash equivalents	$ 11,438	$ 10,395
FUND BALANCES		
Restricted for Public Safety	$ 11,438	$ 10,395

CITY OF ROYSTON, GEORGIA
FIRE DEPARTMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

	2013			2012
	Final Budget	Actual	Variance	Actual
REVENUES				
Intergovernmental	$ 15,000	$ 16,984	$ 1,984	$ 16,854
Contributions	2,000	780	(1,220)	3,601
Total revenues	17,000	17,764	764	20,455
EXPENDITURES				
Current				
Public Safety				
Materials and supplies	10,500	7,410	3,090	18,830
Capital outlay	15,000	9,311	5,689	11,514
Payments to other agencies	1,500	0	1,500	1,500
Total expenditures	27,000	16,721	(10,279)	31,844
Excess (deficiency) of revenues over (under) expenditures	(10,000)	1,043	11,043	(11,389)
Other financing sources (uses)				
Transfers in (out)				
General Fund	10,000	0	(10,000)	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	1,043	1,043	(11,389)
Fund balances, July 1	0	10,395	10,395	21,784
Fund balances, June 30	$ 0	$ 11,438	$ 11,438	$ 10,395

This page intentionally left blank.

CAPITAL PROJECTS FUNDS

These funds are used to account for financial resources to be used for the acquisition or construction of specifically planned projects (other than those financed by proprietary funds.

Franklin County Special Purpose Local Option Sales #3 Tax Fund – Used to account for long-term projects financed by the passage of the Franklin County special purpose local option sales tax #3.

Hart County Special Purpose Local Option Sales Tax #3 Fund – Used to account for long-term projects financed by the passage of the Hart County special purpose local option sales tax #3.

Franklin County Special Purpose Local Option Sales #4 Tax Fund – Used to account for long-term projects financed by the passage of the Franklin County special purpose local option sales tax #4.

Hart County Special Purpose Local Option Sales Tax #4 Fund – Used to account for long-term projects financed by the passage of the Hart County special purpose local option sales tax #4.

CITY OF ROYSTON, GEORGIA
FRANKLIN COUNTY SPECIAL PURPOSE LOCAL OPTION SALES TAX #3
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
June 30, 2013 and 2012

	2013	2012
ASSETS		
Cash and cash equivalents	$ 64,053	$ 166,330
LIABILITIES		
Accounts payable	$ 19,101	$ 1,649
Unearned revenue	26,117	0
Total liabilities	45,218	1,649
FUND BALANCES		
Restricted for capital projects	18,835	164,681
Total liabilities and fund balances	$ 64,053	$ 166,330

CITY OF ROYSTON, GEORGIA
FRANKLIN COUNTY SPECIAL PURPOSE LOCAL OPTION SALES TAX #3
CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the fiscal years ended June 30, 2013 and 2012

	2013	2012
REVENUES		
Intergovernmental	$ 0	$ 313,533
Interest	249	915
Total revenues	249	314,448
EXPENDITURES		
Capital outlay		
Public Works		
Streets	61,633	38,552
Culture and Recreation		
Recreation	35,039	45,554
Total expenditures	96,672	84,106
Excess (deficiency) of revenues over (under) expenditures	(96,423)	230,342
Other financing sources (uses)		
Transfers in (out)		
Water and Sewer Utility Fund	(49,423)	(98,649)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(145,846)	131,693
Fund balances, July 1	164,681	32,988
Fund balances, June 30	$ 18,835	$ 164,681

CITY OF ROYSTON, GEORGIA
HART COUNTY SPECIAL PURPOSE LOCAL OPTION SALES TAX #3
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
June 30, 2013 and 2012

	2013	2012
ASSETS		
Intergovernmental receivable	$ 411	$ 0
LIABILITIES		
Due to other fund	$ 411	$ 0
FUND BALANCES		
Restricted for capital projects	0	0
Total liabilities and fund balances	$ 411	$ 0

CITY OF ROYSTON, GEORGIA
HART COUNTY SPECIAL PURPOSE LOCAL OPTION SALES TAX #3
CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the fiscal years ended June 30, 2013 and 2012

	2013	2012
REVENUES		
Intergovernmental	$ 12,066	$ 9,996
Total revenues	12,066	9,996
EXPENDITURES		
Capital outlay		
Public Works		
Streets	4,411	9,996
Total expenditures	4,411	9,996
Excess (deficiency) of revenues over (under) expenditures	7,655	0
Other financing sources (uses)		
Transfers in (out)		
Water and Sewer Utility Fund	(7,655)	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	0
Fund balances, July 1	0	0
Fund balances, June 30	$ 0	$ 0

CITY OF ROYSTON, GEORGIA
FRANKLIN COUNTY SPECIAL PURPOSE LOCAL OPTION SALES TAX #4
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
June 30, 2013 and 2012

	2013	2012
ASSETS		
Cash and cash equivalents	$ 459,988	$ 0
Intergovernmental receivable	40,608	317,531
Total assets	$ 500,596	$ 317,531
LIABILITIES		
Accounts payable	$ 1,799	$ 0
Unearned revenue	43,156	0
Total liabilities	44,955	0
FUND BALANCES		
Restricted for capital projects	455,641	317,531
Total liabilities and fund balances	$ 500,596	$ 317,531

CITY OF ROYSTON, GEORGIA
FRANKLIN COUNTY SPECIAL PURPOSE LOCAL OPTION SALES TAX #4
CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
For the fiscal years ended June 30, 2013 and 2012

	2013	2012
REVENUES		
Intergovernmental	$ 248,557	$ 317,531
Interest	765	0
Total revenues	249,322	317,531
EXPENDITURES		
Capital outlay		
General Government		
Administration	23,005	0
Public Safety		
Fire	39,097	0
Public Works		
Streets	4,110	0
Culture and Recreation		
Libraries	45,000	0
Total expenditures	111,212	0
Excess (deficiency) of revenues over (under) expenditures	138,110	317,531
Fund balances, July 1	317,531	0
Fund balances, June 30	$ 455,641	$ 317,531

CITY OF ROYSTON, GEORGIA
HART COUNTY SPECIAL PURPOSE LOCAL OPTION SALES TAX #4
CAPITAL PROJECTS FUND
BALANCE SHEET
June 30, 2013

ASSETS		
Intergovernmental Receivable	$	3,495
LIABILITIES		
Due to other fund	$	3,495
FUND BALANCES		
Restricted for capital projects		0
Total liabilities and fund balances	$	3,495

CITY OF ROYSTON, GEORGIA
HART COUNTY SPECIAL PURPOSE LOCAL OPTION SALES TAX #4
CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
For the fiscal year ended June 30, 2013

REVENUES	
Intergovernmental	$ 11,490
Total revenues	11,490
EXPENDITURES	
Capital outlay	
Public Safety	
Fire	3,495
Total expenditures	3,495
Excess (deficiency) of revenues over (under) expenditures	7,995
Other financing sources (uses)	
Transfers in (out)	
Water and Sewer Utility Fund	(7,995)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0
Fund balances, July 1	0
Fund balances, June 30	$ 0

This page intentionally left blank.

ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The funds are self-supporting in nature where the costs, including depreciation, of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges.

Water and Sewer Utility Fund - Used to account for activities connected with the development, operation and maintenance of water and sewer services in the City of Royston.

Natural Gas Utility Fund - Used to account for activities connected with the development, operation and maintenance of natural gas services in the City of Royston.

Sanitation Fund - Used to account for activities connected with the collection and disposal of residential, commercial, industrial and institutional solid waste in the City of Royston.

CITY OF ROYSTON, GEORGIA
WATER AND SEWER UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
June 30, 2013 and 2012

	2013	2012
ASSETS		
Current assets		
Cash and cash equivalents	$ 78,470	$ 152,878
Receivables		
Accounts (net)	94,808	112,647
Intergovernmental	0	11,772
Prepaid items	8,035	7,048
Total current assets	181,313	284,345
Restricted assets		
Customer Deposits		
Cash and cash equivalents	20,075	21,135
Capital assets		
Land	67,645	67,645
Land improvements	24,644	24,644
Buildings	94,400	94,400
Vehicles and equipment	445,560	430,873
Water system	6,801,733	6,232,365
Construction in progress	303,585	298,622
Accumulated depreciation	(4,444,804)	(4,288,179)
Total capital assets (net of accumulated depreciation)	3,292,763	2,860,370
Total assets	3,494,151	3,165,850

CITY OF ROYSTON, GEORGIA
WATER AND SEWER UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
June 30, 2013 and 2012

	2013	2012
LIABILITIES		
Current liabilities		
Payables		
Accounts	$ 10,385	$ 12,198
Interest	0	2,300
Accrued salaries	4,321	5,041
Compensated absences	11,955	9,899
Unearned revenue	2,072	2,498
Notes payable	48,677	17,198
Revenue bonds payable	0	115,000
Total current liabilities	77,410	164,134
Current liabilities payable from restricted assets		
Customer deposits payable	20,075	21,135
Long-term liabilities		
Compensated absences	1,365	1,100
Notes payable	522,788	253,159
Total long-term liabilities	524,153	254,259
Total liabilities	621,638	439,528
NET POSITION		
Net investment in capital assets	2,721,298	2,475,013
Unrestricted	151,215	251,309
Total net position	$ 2,872,513	$ 2,726,322

CITY OF ROYSTON, GEORGIA
WATER AND SEWER UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the fiscal years ended June 30, 2013 and 2012

	2013	2012
OPERATING REVENUES		
Charges for sales and services		
Water sales	$ 533,038	$ 535,234
Sewer charges	331,744	335,804
Other	46,695	42,363
Total operating revenues	911,477	913,401
OPERATING EXPENSES		
Costs of sales and services	388,557	325,348
Personal services	396,333	410,105
Depreciation	156,624	139,585
Total operating expenses	941,514	875,038
Operating income (loss)	(30,037)	38,363
Non-operating revenues (expenses)		
Interest revenue	238	768
Interest expense	(17,453)	(16,209)
Total non-operating revenues (expenses)	(17,215)	(15,441)
Income (loss) before capital contributions and transfers	(47,252)	22,922
Capital contributions		
Capital contribution	4,000	0
Intergovernmental	146,994	394,729
Total capital contributions	150,994	394,729
Income (loss) before transfers	103,742	417,651
Transfers in (out)		
General Fund	(22,624)	(20,360)
Hart County SPLOST #4	7,995	0
Hart County SPLOST #3	7,655	0
Franklin County SPLOST Fund #3	49,423	98,649
Total transfers	42,449	78,289
Change in net position	146,191	495,940
Net position, July 1 (original)	2,726,322	2,239,484
Prior period adjustments	0	(9,102)
Net position, July 1 (restated)	2,726,322	2,230,382
Net position, June 30	$ 2,872,513	$ 2,726,322

CITY OF ROYSTON, GEORGIA
WATER AND SEWER UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the fiscal years ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Receipts from customers	$ 869,363	$ 856,153
Payments to suppliers	(391,357)	(344,119)
Payments to employees	(394,732)	(415,990)
Other receipts	46,695	42,363
Net cash provided (used) by operating activities	129,969	138,407
Cash flows from non-capital financing activities:		
Payments to other funds	(22,624)	(20,360)
Cash flows from capital and related financing activities:		
Receipts from other governments	170,538	394,729
Receipts from other funds	65,073	98,649
Interest paid	(19,753)	(18,509)
Acquisition of capital assets	(585,017)	(608,997)
Issuance of notes payable	323,389	0
Principal payments - notes	(22,281)	(16,471)
Principal payments - bonds	(115,000)	(115,000)
Net cash provided (used) by capital and related financing activities	(183,051)	(265,599)
Cash flows from investing activities:		
Interest received	238	768
Net increase (decrease) in cash and cash equivalents	(75,468)	(146,784)
Cash and cash equivalents, July 1	174,013	320,797
Cash and cash equivalents, June 30	$ 98,545	$ 174,013

CITY OF ROYSTON, GEORGIA
WATER AND SEWER UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the fiscal years ended June 30, 2013 and 2012

	2013	2012
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ (30,037)	$ 38,363
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	156,624	139,585
(Increase) decrease in accounts receivable	6,067	(12,119)
(Increase) decrease in prepaid items	(987)	(1,305)
Increase (decrease) in accounts payable	(1,813)	(17,466)
Increase (decrease) in unearned revenue	(426)	(2,339)
Increase (decrease) in deposits payable	(1,060)	(427)
Increase (decrease) in accrued payroll liabilities	1,601	(5,885)
Total adjustments	160,006	100,044
Net cash provided (used) by operating activities	$ 129,969	$ 138,407
Cash and cash equivalents reconciliation:		
Cash and cash equivalents	$ 78,470	$ 152,878
Customers deposits		
Cash and cash equivalents	20,075	21,135
Total cash and cash equivalents	$ 98,545	$ 174,013

Noncash investing, capital, and financing activities:

Contributions of capital assets totaled $4,000 for the fiscal year ended June 30, 2013.

CITY OF ROYSTON, GEORGIA
NATURAL GAS UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
June 30, 2013 and 2012

	2013	2012
ASSETS		
Current assets		
Cash and cash equivalents	$ 237,829	$ 187,721
Certificates of deposit	150,205	149,381
Receivables		
Accounts (net)	194,271	156,078
Interest	104	379
Inventories	124,564	116,669
Prepaid items	2,816	2,296
Total current assets	709,789	612,524
Restricted assets		
Construction Fund		
Cash and cash equivalents	6	116,129
Customer Deposits		
Cash and cash equivalents	43,015	53,621
Total restricted assets	43,021	169,750
Capital assets		
Land	23,687	23,687
Buildings	99,433	99,433
Vehicles and equipment	356,263	356,263
Natural gas system	3,784,180	3,454,120
Construction in progress	11,643	272,578
Accumulated depreciation	(2,113,313)	(2,018,772)
Total capital assets (net of accumulated depreciation)	2,161,893	2,187,309
Total assets	2,914,703	2,969,583

CITY OF ROYSTON, GEORGIA
NATURAL GAS UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
June 30, 2013 and 2012

	2013	2012
LIABILITIES		
Current liabilities		
Payables		
Accounts	$ 9,728	$ 34,114
Sales tax	4,002	3,003
Interest	0	6,725
Accrued salaries	5,608	5,813
Compensated absences	14,142	13,487
Unearned revenue	26,549	47,963
Capital leases	57,120	31,826
Total current liabilities	117,149	142,931
Current liabilities payable from restricted assets		
Customer deposits payable	43,015	53,621
Long-term liabilities		
Compensated absences	1,571	1,499
Capital leases	411,054	468,174
Total long-term liabilities	412,625	469,673
Total liabilities	572,789	666,225
NET POSITION		
Net investment in capital assets	1,693,725	1,803,438
Unrestricted	648,189	499,920
Total net position	$ 2,341,914	$ 2,303,358

CITY OF ROYSTON, GEORGIA
NATURAL GAS UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the fiscal years ended June 30, 2013 and 2012

	2013	2012
OPERATING REVENUES		
Charges for sales and services		
Gas sales	$ 2,403,640	$ 1,943,349
Gas services and repairs	44,040	57,147
Other	35,888	30,120
Total operating revenues	2,483,568	2,030,616
OPERATING EXPENSES		
Costs of sales and services	1,500,236	1,408,048
Personal services	351,335	317,954
Depreciation	94,541	90,385
Other	9,021	9,774
Total operating expenses	1,955,133	1,826,161
Operating income (loss)	528,435	204,455
Non-operating revenues (expenses)		
Interest revenue	1,050	3,274
Interest expense	(13,305)	(6,725)
Total non-operating revenues (expenses)	(12,255)	(3,451)
Income (loss) before transfers	516,180	201,004
Transfers in (out)		
General Fund	(477,624)	(497,360)
Change in net position	38,556	(296,356)
Net position, July 1	2,303,358	2,599,714
Net position, June 30	$ 2,341,914	$ 2,303,358

CITY OF ROYSTON, GEORGIA
NATURAL GAS UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the fiscal years ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Receipts from customers	$ 2,378,466	$ 1,987,819
Payments to suppliers	(1,507,870)	(1,440,176)
Payments to employees	(350,813)	(323,105)
Other receipts	35,888	30,120
Other payments	(9,021)	(9,774)
Net cash provided (used) by operating activities	546,650	244,884
Cash flows from non-capital financing activities:		
Payments to other funds	(477,624)	(497,360)
Cash flows from capital and related financing activities:		
Issuance of capital lease	0	500,000
Principal payments - capital lease	(31,826)	0
Payment of capital related accounts payable	(25,167)	0
Interest paid	(20,030)	0
Acquisition of capital assets	(69,125)	(579,046)
Net cash provided (used) by capital and related financing activities	(146,148)	(79,046)
Cash flows from investing activities:		
Interest received	1,325	3,271
Proceeds from maturities of investments	149,381	148,039
Purchase of investments	(150,205)	(149,381)
Net cash provided (used) by investing activities	501	1,929
Net increase (decrease) in cash and cash equivalents	(76,621)	(329,593)
Cash and cash equivalents, July 1	357,471	687,064
Cash and cash equivalents, June 30	$ 280,850	$ 357,471

CITY OF ROYSTON, GEORGIA
NATURAL GAS UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the fiscal years ended June 30, 2013 and 2012

	2013	2012
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ 528,435	$ 204,455
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	94,541	90,385
(Increase) decrease in accounts receivable	(38,193)	(24,917)
(Increase) decrease in inventory	(7,895)	10,836
(Increase) decrease in prepaid items	(520)	2,659
Increase (decrease) in accounts payable	781	(45,623)
Increase (decrease) in deposits payable	(10,606)	(2,946)
Increase (decrease) in sales tax payable	999	(172)
Increase (decrease) in unearned revenue	(21,414)	15,358
Increase (decrease) in accrued payroll liabilities	522	(5,151)
Total adjustments	18,215	40,429
Net cash provided (used) by operating activities	$ 546,650	$ 244,884
Cash and cash equivalents reconciliation:		
Cash and cash eqivalents	$ 237,829	$ 187,721
Construction Fund		
Cash and cash equivalents	6	116,129
Customer deposits		
Cash and cash equivalents	43,015	53,621
Total cash and cash equivalents	$ 280,850	$ 357,471

Noncash investing, capital, and financing activities:

Acquistion of capital assets through accounts payable totaled $25,167 for the fiscal year ended June 30, 2012.

CITY OF ROYSTON, GEORGIA
SANITATION ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
June 30, 2013 and 2012

	2013	2012
ASSETS		
Current assets		
Cash and cash equivalents	$ 190,132	$ 374,519
Accounts receivable (net)	34,689	35,011
Prepaid items	2,030	1,602
Total current assets	226,851	411,132
Capital assets		
Land	6,429	6,429
Buildings	47,100	47,100
Vehicles and equipment	512,515	512,515
Accumulated depreciation	(406,145)	(369,587)
Total capital assets (net of accumulated depreciation)	159,899	196,457
Total assets	386,750	607,589
LIABILITIES		
Current liabilities		
Payables		
Accounts	1,262	3,987
Interest	1,799	735
Accrued salaries	1,244	1,012
Compensated absences	5,914	6,682
Unearned revenue	857	1,220
Notes payable	17,739	17,910
Total current liabilities	28,815	31,546
Long-term liabilities		
Compensated absences	657	742
Notes payable	57,724	74,590
Total long-term liabilities	58,381	75,332
Total liabilities	87,196	106,878
NET POSITION		
Net investment in capital assets	84,436	103,957
Unrestricted	215,118	396,754
Total net position	$ 299,554	$ 500,711

CITY OF ROYSTON, GEORGIA
SANITATION ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the fiscal years ended June 30, 2013 and 2012

	2013	2012
OPERATING REVENUES		
Charges for sales and services		
Sanitation fees	$ 273,412	$ 283,767
Other	4,575	4,809
Total operating revenues	277,987	288,576
OPERATING EXPENSES		
Costs of sales and services	105,698	133,776
Personal services	122,310	117,354
Depreciation	36,558	27,099
Total operating expenses	264,566	278,229
Operating income (loss)	13,421	10,347
Non-operating revenue (expenses)		
Intergovernmental revenue	5,760	5,760
Interest revenue	622	1,604
Interest expense	(4,880)	(735)
Total non-operating revenue (expenses)	1,502	6,629
Income (loss) before capital contributions and transfers	14,923	16,976
Capital contributions		
Intergovernmental	0	27,473
Income (loss) before transfers	14,923	44,449
Transfers in (out)		
General Fund	(216,080)	(63,024)
Change in net position	(201,157)	(18,575)
Net position, July 1	500,711	519,286
Net position, June 30	$ 299,554	$ 500,711

CITY OF ROYSTON, GEORGIA
SANITATION ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the fiscal years ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Receipts from customers	$ 273,371	$ 281,954
Payments to suppliers	(108,851)	(133,178)
Payments to employees	(122,931)	(119,777)
Other receipts	4,575	4,809
Net cash provided (used) by operating activities	46,164	33,808
Cash flows from non-capital financing activities		
Receipts from other governments	5,760	5,760
Payments to other funds	(216,080)	(63,024)
Net cash provided (used) by non-capital financing activities	(210,320)	(57,264)
Cash flows from capital and related financing activities:		
Receipts from other governments	0	27,473
Acquisition of capital assets	0	(194,949)
Interest paid	(3,816)	0
Principal payments - notes	(17,037)	0
Issuance of note payable	0	92,500
Net cash provided (used) by capital and related financing activities	(20,853)	(74,976)
Cash flows from investing activities:		
Interest received	622	1,604
Net increase (decrease) in cash and cash equivalents	(184,387)	(96,828)
Cash and cash equivalents, July 1	374,519	471,347
Cash and cash equivalents, June 30	$ 190,132	$ 374,519
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ 13,421	$ 10,347
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation expense	36,558	27,099
(Increase) decrease in accounts receivable	322	(1,145)
(Increase) decrease in prepaid items	(428)	47
Increase (decrease) in accounts payable	(2,725)	551
Increase (decrease) in unearned revenue	(363)	(668)
Increase (decrease) in accrued payroll liabilities	(621)	(2,423)
Total adjustments	32,743	23,461
Net cash provided by operating activities	$ 46,164	$ 33,808

AGENCY FUND

These funds are used to account for assets held by the City as an agent to be expended in accordance with the conditions of its agency capacity.

Municipal Court Agency Fund - Used to account, on a temporary basis, for fines collected by the Municipal Court that ultimately transmitted to the General Fund or another agency.

CITY OF ROYSTON, GEORGIA
MUNICIPAL COURT AGENCY FUND
COMPARATIVE STATEMENTS OF ASSETS AND LIABILTIES
June 30, 2013 and 2012

	2013	2012
ASSETS		
Equity in pooled cash	$ 9,497	$ 12,369
LIABILITIES		
Due to other agencies	$ 9,497	$ 12,369

CITY OF ROYSTON, GEORGIA
MUNICIPAL COURT AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the fiscal year ended June 30, 2013

	Balance July 1	Additions	Deletions	Balance June 30
ASSETS				
Equity in pooled cash	$ 12,369	$ 52,766	$ (55,638)	$ 9,497
LIABILITIES				
Due to other agencies	$ 12,369	$ 52,766	$ (55,638)	$ 9,497

This page intentionally left blank.

COMPONENT UNIT

Downtown Development Authority – Used to account for governmental revenues and contributions reserved for City business development.

CITY OF ROYSTON, GEORGIA
DOWNTOWN DEVELOPMENT AUTHORITY (A COMPONENT UNIT)
COMPARATIVE BALANCE SHEETS
June 30, 2013 and 2012

	2013	2012
ASSETS		
Cash	$ 10,002	$ 8,234
FUND BALANCES		
Assigned for Housing and Development	$ 10,002	$ 8,234

CITY OF ROYSTON, GEORGIA
DOWNTOWN DEVELOPMENT AUTHORITY (A COMPONENT UNIT)
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

	2013			2012
	Final Budget	Actual	Variance	Actual
REVENUES				
Intergovernmental	$ 7,700	$ 1,490	$ (6,210)	$ 1,399
Contributions	12,500	3,655	(8,845)	2,950
Miscellaneous	9,800	8,019	(1,781)	9,771
Total revenues	30,000	13,164	(16,836)	14,120
EXPENDITURES				
Current				
Housing and Development				
Contractual services	10,150	2,894	7,256	6,852
Materials and supplies	12,400	8,502	3,898	7,887
Payment to other agencies	5,000	0	5,000	3,200
Total expenditures	27,550	11,396	16,154	17,939
Excess (deficiency) of revenues over (under) expenditures	2,450	1,768	(682)	(3,819)
Other financing sources (uses)				
Contingency	(2,450)	0	2,450	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	1,768	1,768	(3,819)
Fund balances, July 1	0	8,234	8,234	12,053
Fund balances, June 30	$ 0	$ 10,002	$ 10,002	$ 8,234

This page intentionally left blank.

SINGLE AUDIT SECTION

This section contains reports required by OMB A-133 and grantor agencies.

This page intentionally left blank.

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 Royston, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Royston, Georgia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Royston, Georgia's basic financial statements and have issued our report thereon dated October 14, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Royston, 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 Royston's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Royston's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during 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 questioned costs as item 13-1 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Royston, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 the no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Royston, Georgia's Response to Findings

The City of Royston, Georgia's response to the findings identified in our audit is in the accompanying schedule of findings and questioned costs. The City of Royston, 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 them.

Purpose of this Report

This report is intended 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 City of Royston, Georgia's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rushton & Company, LLC

Certified Public Accountants

Gainesville, Georgia
October 14, 2013

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City of Royston, Georgia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Royston, Georgia's major federal programs for the year ended June 30, 2013. The City of Royston, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Royston, Georgia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Royston's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the City of Royston, Georgia's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Royston, Georgia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of the City of Royston, Georgia, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Royston's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Royston's internal control over compliance.

P.O. Box 2917 | 726 South Enota Drive | Suite A | Gainesville, GA 30503 | 770.287.7800 [P] | 770.287.7801 [F] | www.RushtonandCompany.com
W. Barclay Rushton, CPA | J. Chris Hollifield, CPA | Perry C. Barnett, CPA, PFS | Sally Walden-Crowe, CPA

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Rushton & Company, LLC

Certified Public Accountants

Gainesville, Georgia
October 14, 2013

CITY OF ROYSTON, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the fiscal year ended June 30, 2013

Federal Grant/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Number	Expenditures
U.S. Department of Defense			
Passed through:			
Georgia Emergency Management Agency			
Donations/Loans of Obsolete DOD Property			
Capital assets and equipment	12.700	YTAF48	$ 284,696
U.S. Department of Housing and Urban Development			
Passed through:			
Georgia Department of Community Affairs			
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	10p-x-059-2-5225	8,398
U.S. Environmental Protection Agency			
Passed through:			
Georgia Environmental Finance Authority			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	DWSRF 10-019	
Loans			323,389
Grants			138,596
Total U.S Department of Agriculture			461,985
U.S. Department of Homeland Security			
Passed through:			
Georgia Emergency Management Agency			
Emergency Management Performance Grants	97.042	OEM12-164	31,722
Total Federal Awards			$ 786,801

See accompanying notes to the schedule of expenditures of federal awards and the schedule of findings and questioned costs.

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the SEFA) includes the federal grant activity of the City of Royston, Georgia, under programs for the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because this schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City.

2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

CITY OF ROYSTON, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2013

1. Summary of the Auditor's Results

A. Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	None noted
Significant deficiency(ies) identified not considered material weaknesses?	Yes
Noncompliance material to financial statements noted?	None noted

B. Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	None noted
Significant deficiency(ies) identified not considered material weaknesses?	None noted
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?	None noted
Identification of major programs:	
66.468 Capitalization Grants for Drinking Water State Revolving Funds	
Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	No

2. Financial Statement Findings

A. Current Year Audit Findings

Comment 13-1

Condition: City personnel may require additional training in the application of generally accepted accounting principles and the preparation of financial statements. Currently, the City relies on the external auditors for technical assistance in applying generally accepted accounting principles and the preparation of the financial statements. This is common for governments of similar size and structure to the City of Royston. Under current auditing standards, providing technical assistance does not impair the independence of the external auditor. However, changes to auditing standards by standards setting boards could state that providing technical assistance would impair the independence of the external auditor. This does not indicate that the Chief Financial Officer is not trained to perform the daily accounting functions, but that the City has elected as a cost benefit to outsource this expertise to their auditors.

Criteria: Effective internal control requires that the City accept responsibility and understanding of the audited financial report.

Effect: Failure to understand the financial statements may lead to material misstatements.

Recommendation: City personnel should continue to receive training in the identification and application of generally accepted accounting principles and the preparation of the City's financial statements.

Management Response: Management concurs with this finding. The City has determined that the cost of training City personnel to fully perform the duties of financial director is prohibitive. The governing body and management have determined that personnel should receive training to the extent that is economically feasible and to continue to rely on the technical assistance of the external auditor or other qualified professional when necessary. This action was taken immediately upon receipt of the comment from our auditors.

B. Prior Year Audit Findings Follow-Ups

Comment 12-1

Condition: City personnel may require additional training in the application of generally accepted accounting principles and the preparation of financial statements. Currently, the City relies on the external auditors for technical assistance in applying generally accepted accounting principles and the preparation of the financial statements. This is common for governments of similar size and structure to the City of Royston. Under current auditing standards, providing technical assistance does not impair the independence of the external auditor. However, changes to auditing standards by standards setting boards could state that providing technical assistance would impair the independence of the external auditor. This does not indicate that the Chief Financial Officer is not trained to perform the daily accounting functions, but that the City has elected as a cost benefit to outsource this expertise to their auditors.

The City Council and management have determined that personnel should receive training to the extent that is economically feasible and to continue to rely on the technical assistance of the external auditor or other qualified professionals when necessary.

3. Federal Award Findings and Questioned Costs

The audit of our basic financial statements and schedule of expenditures of federal awards disclosed no audit findings or questioned costs which are required to be reported under Section 510(a) of OMB A-133.

This page intentionally left blank.

STATE REPORTING SECTION

CITY OF ROYSTON, GEORGIA
SCHEDULE OF PROJECTS FINANCED WITH
SPECIAL PURPOSE LOCAL OPTION SALES TAX
For the fiscal year ended June 30, 2013

Project	Estimated Cost * Original	Estimated Cost * Current	Expenditures Prior Years	Expenditures Current Year	Expenditures Total
FRANKLIN COUNTY SPLOST #3					
Fire	$ 195,718	$ 195,718	$ 190,148	$ 0	$ 190,148
Recreation	192,523	226,203	147,406	35,040	182,446
Streets	283,122	283,122	212,647	61,633	274,280
Library	44,041	44,041	43,670	0	43,670
Water and Sewer	656,843	656,843	647,375	49,423	696,798
Total	$ 1,372,247	$ 1,405,927	$ 1,241,246	$ 146,096	$ 1,387,342
FRANKLIN COUNTY SPLOST #4					
Library; Roads, Streets, Bridges, and Sanitation; Water, Sewer, and Stormwater; Recreation; Administrative Buildings/ Government Buildings/ Facilities; Fire:	$ 1,402,140	$ 1,402,140			
Adminstrative Buildings/ Government Buildings/Facilities			0	23,005	23,005
Fire Facilities and Equipment			0	39,097	39,097
Library Facillities and Equipment			0	45,000	45,000
Streets and Improvements			0	4,110	4,110
Total	$ 1,402,140	$ 1,402,140	$ 0	$ 111,212	$ 111,212

CITY OF ROYSTON, GEORGIA
SCHEDULE OF PROJECTS FINANCED WITH
SPECIAL PURPOSE LOCAL OPTION SALES TAX
For the fiscal year ended June 30, 2013

Project	Estimated Cost * Original	Estimated Cost * Current	Expenditures Prior Years	Expenditures Current Year	Expenditures Total
HART COUNTY SPLOST #3					
Streets	$ 59,400	$ 59,400	$ 9,996	$ 4,000	$ 13,996
Recreation	39,600	39,600	39,631	0	39,631
Total	$ 99,000	$ 99,000	$ 49,627	$ 4,000	$ 53,627
HART COUNTY SPLOST #4					
Recreation; Public Safety; Water, Wastewater; Streets. Roads, Bridges:	$ 358,400	$ 358,400			
Fire Facilities and Equipment			0	3,495	3,495
Water and Sewer Facilities and Equipment			0	7,995	7,995
	$ 358,400	$ 358,400	$ 0	$ 11,490	$ 11,490

* Estimated cost represents the portion of these projects to be financed with Special Purpose Local Option Sales Tax. Actual costs that are in excess of these amounts have been financed through alternative funds.

This page intentionally left blank.