TOWN OF SHARPSBURG, GEORGIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013

TOWN OF SHARPSBURG, GEORGIA

FINANCIAL REPORT
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TABLE OF CONTENTS

Page

FINANCIAL SECTION

Independent Auditor's Report ..... 1 - 3

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Position 4

Statement of Activities 5

Fund Financial Statements:

Balance Sheet – Governmental Funds 6

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds 7

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities 8

General Fund – Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (GAAP Basis) and Actual 9

Notes to the Financial Statements ..... 10 - 24

Individual Fund Schedules

Schedules of Expenditures of Special Purpose Local Option Sales Tax Proceeds ..... 25 and 26

COMPLIANCE SECTION

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* ..... 27 and 28

Schedules of Findings and Responses ..... 29 - 31

Summary Schedule of Prior Year Findings 32

FINANCIAL SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
Of Town Council
Town of Sharpsburg
Sharpsburg, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the **Town of Sharpsburg, Georgia** (the "Town"), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town as of December 31, 2013, and the respective changes in financial position and the respective budgetary comparisons for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying schedules of expenditures of special purpose local option sales tax proceeds are presented for purposes of additional analysis as required by the Official Code of Georgia 48-8-121, and are not a required part of the basic financial statements.

The schedules of expenditures of special purpose local option sales tax proceeds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of special purpose local option sales tax proceeds are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2015, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
January 13, 2015

TOWN OF SHARPSBURG, GEORGIA

STATEMENT OF NET POSITION
DECEMBER 31, 2013

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 194,470
Taxes receivable	28,543
Accounts receivable	2,865
Due from other governments	5,353
Capital assets:	
Nondepreciable	354,131
Depreciable, net of accumulated depreciation	650,270
Total assets	1,235,632
LIABILITIES	
Accounts payable	28,022
Note payable due within one year	42,667
Note payable due in more than one year	85,333
Total liabilities	156,022
NET POSITION	
Net investment in capital assets	1,004,401
Restricted for:	
Capital projects	149,583
Unrestricted	(74,374)
Total net position	$ 1,079,610

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

TOWN OF SHARPSBURG, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Primary Government:					
General government	$ 250,152	$ 28,006	$ 168	$ -	$ (221,978)
Public works	16,491	-	-	48,690	32,199
Culture and recreation	14,142	-	-	-	(14,142)
Interest on long-term debt	4,055	-	-	-	(4,055)
Total primary government	$ 284,840	$ 28,006	$ 168	$ 48,690	(207,976)
General revenues:					
Property taxes					33,002
Sales taxes					49,172
Alcoholic beverage taxes					10,718
Franchise taxes					14,933
Insurance premium taxes					17,590
Other taxes					6,611
Total general revenues					132,026
Change in net position					(75,950)
Net position, beginning of year					1,155,560
Net position, end of year					$ 1,079,610

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

TOWN OF SHARPSBURG, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	General Fund	SPLOST Fund	2013 SPLOST Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 36,162	$ 115,226	$ 43,082	$ 194,470
Taxes receivable	24,403	-	4,140	28,543
Accounts receivable	2,865	-	-	2,865
Due from other governments	5,353	-	-	5,353
Due from other funds	4,055	25,854	-	29,909
Total assets	$ 72,838	$ 141,080	$ 47,222	$ 261,140
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 17,946	$ 10,076	$ -	$ 28,022
Due to other funds	1,266	-	28,643	29,909
Total liabilities	19,212	10,076	28,643	57,931
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property and franchise taxes	19,452	-	-	19,452
Total deferred inflows of resources	19,452	-	-	19,452
FUND BALANCES				
Restricted for capital projects	-	131,004	18,579	149,583
Unassigned	34,174	-	-	34,174
Total fund balances (deficit)	34,174	131,004	18,579	183,757
Total liabilities, deferred inflows of resources and fund balances	$ 72,838	$ 141,080	$ 47,222	

Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,004,401
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	19,452
Net position of governmental activities	$ 1,079,610

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

TOWN OF SHARPSBURG, GEORGIA

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

	General	SPLOST	2013 SPLOST	Total Governmental Funds
Revenues				
Property taxes	$ 30,002	$ -	$ -	$ 30,002
Sales taxes	49,172	-	-	49,172
Alcoholic beverage taxes	10,718	-	-	10,718
Franchise fees	14,933	-	-	14,933
Insurance premium taxes	17,590	-	-	17,590
Other taxes	6,611	-	-	6,611
Licenses and permits	5,970	-	-	5,970
Intergovernmental	-	1,254	47,036	48,290
Charges for services	14,036	-	-	14,036
Interest income	-	213	187	400
Other revenues	8,168	-	-	8,168
Total revenues	157,200	1,467	47,223	205,890
Expenditures				
Current:				
General government	208,497	-	-	208,497
Capital outlay	-	38,447	152,589	191,036
Debt service:				
Interest	-	-	4,055	4,055
Total expenditures	208,497	38,447	156,644	403,588
Excess (deficiency) of revenues under expenditures	(51,297)	(36,980)	(109,421)	(197,698)
Other financing sources:				
Issuance of note payable	-	-	128,000	128,000
Total other financing sources	-	-	128,000	128,000
Net change in fund balances	(51,297)	(36,980)	18,579	(69,698)
Fund balances, beginning of year	85,471	167,984	-	253,455
Fund balances, end of year	$ 34,174	$ 131,004	$ 18,579	$ 183,757

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

TOWN OF SHARPSBURG, GEORGIA

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

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds.	$	(69,698)
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. This is the amount by which capital outlays exceeded depreciation in the current period.		118,748
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		3,000
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(128,000)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		-
	$	(75,950)

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

TOWN OF SHARPSBURG, GEORGIA
GENERAL FUND

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

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Revenues:				
Taxes:				
Property taxes	$ 25,230	$ 25,230	$ 30,002	$ 4,772
Sales taxes	56,000	56,000	49,172	(6,828)
Alcoholic beverage taxes	10,000	10,000	10,718	718
Franchise taxes	23,550	23,550	14,933	(8,617)
Insurance premium tax	17,000	17,000	17,590	590
Other taxes	6,775	6,775	6,611	(164)
Total taxes	138,555	138,555	129,026	(9,529)
Licenses and permits:				
Business licenses	9,200	9,200	5,970	(3,230)
Total licenses and permits	9,200	9,200	5,970	(3,230)
Charges for services:				
Community Center rental	12,500	12,500	10,400	(2,100)
Recreation fees	3,700	3,700	3,486	(214)
Other charges for services	-	-	150	150
Total charges for services	16,200	16,200	14,036	(2,164)
Miscellaneous				
Rental Income	-	-	8,000	8,000
Contributions and donations	-	-	168	168
Total miscellaneous	-	-	8,168	8,168
Total revenues	163,955	163,955	157,200	(6,755)
Expenditures:				
Current:				
General government				
Personal services / employee benefits	51,600	51,600	54,515	(2,915)
Purchased / contracted services	107,105	107,105	145,995	(38,890)
Supplies	3,500	3,500	4,520	(1,020)
Capital outlay	1,750	1,750	3,467	(1,717)
Total general government	163,955	163,955	208,497	(44,542)
Total expenditures	163,955	163,955	208,497	(44,542)
Deficiency of revenues under expenditures	-	-	(51,297)	(51,297)
Net change in fund balances	-	-	(51,297)	(51,297)
Fund balances, beginning of year	85,471	85,471	85,471	-
Fund balances, end of year	$ 85,471	$ 85,471	$ 34,174	$ (51,297)

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Sharpsburg, Georgia (the "Town") have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

A. Reporting Entity

The Town of Sharpsburg was incorporated in 1871. The Town operates under the Mayor and Council form of government and provides the following services to its citizens as authorized by its charter: recreation, public works, planning and zoning, and general and administrative services. As required by generally accepted accounting principles, the financial statements of the reporting entity include the accounts of all Town operations and all activities of the Town.

Based upon criteria set forth by Governmental Accounting Standards Board (GASB) Statement 14 "The Financial Reporting Entity" as amended by GASB Statement 39 "Determining Whether Certain Organizations are Component Units", and GASB Statement 61 "The Financial Reporting Entity: Omnibus", the Town was determined to have no component units as of December 31, 2013.

B. Government-wide and Fund 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 Town. (For the most part, the effect of interfund activity has been removed from these statements). Governmental activities are normally supported by taxes and intergovernmental revenues.

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resource 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. 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 Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental revenues, franchise taxes, licenses, and investment income 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. All other revenue items are considered to be measurable and available only when cash is received by the Town.

In accordance with GASB Statement No. 33, “Accounting and Financial Reporting for Nonexchange Transactions”, the corresponding assets (receivables) in nonexchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

The Town reports the following major governmental funds:

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

The **Special Purpose Local Option Sales Tax Fund** accounts for the proceeds of a one percent tax. Funds are used for sidewalks and road improvement projects.

The **2013 Special Purpose Local Option Sales Tax Fund** accounts for the proceeds of a one percent tax. Funds are to be collected for a period of six years, beginning January 2013 and ending December 2018, and are to be used for cultural, recreation and historic projects; roads, streets and bridges; and utility projects.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

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

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund. Revenues and expenditures of the Capital Projects Funds are budgeted on a project basis and are, therefore, excluded from presentation in the financial statements. All appropriations lapse at the end of the December 31 fiscal year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Town of Sharpsburg because it is at present not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

E. Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Town.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as "due to/from other funds."

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2013, are recorded as prepaid items in both the government-wide and fund financial statements.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than $2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. In accordance with GASB 34, the Town has elected not to include infrastructure acquired or constructed prior to January 1, 2003.

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

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	20 - 60
Improvements other than buildings	25
Infrastructure	50
Machinery and equipment	5 - 15

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for non-vesting accumulated rights to receive sick pay benefits since the Town does not have a policy to pay any amounts when employees separate from service with the Town. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

J. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bonds payable are reported net of the applicable discount or premium. Issuance costs are expensed.

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

K. Fund Equity

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Fund Equity (Continued)

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

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

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

- ***Assigned*** – Fund balances are reported as assigned when amounts are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. The Town Council has not authorized anyone to assign fund balances.

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

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Town's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Town's policy to use fund balance in the following order: 1) committed, 2) assigned, and 3) unassigned.

Net Position – Net position represent the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the Town has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Management Estimates

The preparation of financial statements in conformity with accounting principals generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of assets and liabilities during the reporting period. Actual results could differ from those estimates.

M. Deferred Outflows / Inflows of Resources

The Town implemented GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*, as of January 1, 2012. These standards establish accounting and financial reporting for deferred outflows / inflows of resources and the concept of net position as the residual of all other elements presented in a statement of net position.

In addition to assets, the statement of net position and governmental balance sheet 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. The Town does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position and governmental balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of these items, 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 from property and sales taxes and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense." The details of this difference are as follows:

Capital outlay	$	152,589
Depreciation expense		(33,841)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	118,748

NOTE 3. LEGAL COMPLIANCE – BUDGETS

The Town of Sharpsburg, Georgia follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Budgets are prepared by the Town Clerk prior to November 15 for the fiscal year to commence January 1.

2. Public hearings are conducted at the Town Hall to obtain taxpayer comments. The budget is formally enacted through passage of a resolution by the Town Council.

3. All budget revisions or changes must be approved as required by Georgia law and administrative policy. Expenditures should not exceed the legally adopted budget at the department level without Council action amending the budget. The Town Clerk has the authority to transfer line item budget amounts within their department up to $500 without Council approval. All appropriations lapse at the end of each fiscal year.

4. Budgets are based on the same method of accounting as the funds they represent.

   Budgeted amounts are as originally adopted, or as amended by the Town Council. Individual amendments were not material in relation to the original appropriations.

NOTE 3. LEGAL COMPLIANCE – BUDGETS (CONTINUED)

5. For the year ended December 31, 2013, expenditures exceeded budget in the General Fund, as follows:

Personal services/employee benefits	$	2,915
Purchased/ contracted services		38,890
Supplies		1,020
Capital outlay		1,717

These over expenditures were funded by available fund balance.

NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits and investments as of December 31, 2013, are as follows:

Amounts as presented on the entity-wide statement of net position:		
Governmental activities:		
Cash and cash equivalents	$	194,470
Cash deposited with financial institutions	$	194,470

Credit risk. State statutes authorize the Town to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

At December 31, 2013, the Town had no investments.

Interest rate risk. The Town 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.

Custodial credit risk – deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of December 31, 2013, all of the Town's bank balances were covered by either federal depository insurance or by collateral held by the Town's agent in the Town's name.

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk – Investments. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, a government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require all investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities.

NOTE 5. RECEIVABLES

Property taxes were levied on October 1, 2013, against a taxable digest established as of January 1, 2013. Property taxes were due on December 1, 2013, and were considered delinquent the following day (December 2, 2013) – which would also be the lien date. Receivables are recorded when taxes are levied and billed.

The net receivables collected during the year ended December 31, 2013, and expected to be collected by February 28, 2014, are recognized as revenues in the year ended December 31, 2013. Net receivables estimated to be collectible subsequent to February 28, 2014 are recorded as revenue when received.

Receivables consisted of the following at December 31, 2013:

	General	2013 SPLOST	Total
Taxes	$ 24,403	$ 4,140	$ 28,543
Accounts receivable	2,865	-	2,865
Due from other governments	5,353	-	5,353
Total receivables	$ 32,621	$ 4,140	$ 36,761

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2013, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 201,542	$ 152,589	$ -	$ 354,131
Total	201,542	152,589	-	354,131
Capital assets, being depreciated:				
Buildings	309,726	-	-	309,726
Improvements other than buildings	36,664	-	-	36,664
Infrastructure	471,003	-	-	471,003
Machinery and equipment	34,190	-	-	34,190
Total	851,583	-	-	851,583
Less accumulated depreciation for:				
Buildings	(67,953)	(13,825)	-	(81,778)
Improvements other than buildings	(19,809)	(1,389)	-	(21,198)
Infrastructure	(56,587)	(16,492)	-	(73,079)
Machinery and equipment	(23,123)	(2,135)	-	(25,258)
Total	(167,472)	(33,841)	-	(201,313)
Total capital assets, being depreciated, net	684,111	(33,841)	-	650,270
Total capital assets, being depreciated, net	$ 885,653	$ 118,748	$ -	$ 1,004,401

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

Governmental activities:	
General government	$ 5,758
Public works	16,491
Culture and recreation	11,592
Total depreciation expense - governmental activities	$ 33,841

NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2013 is as follows:

	Due From		
	General Fund	2013 SPLOST Fund	Total
Due To			
General Fund	$ -	$ 4,055	$ 4,055
SPLOST Fund	1,266	24,588	25,854
Total	$ 1,266	$ 28,643	$ 29,909

These balances primarily resulted from the purchase of property during the year. Certain monies were paid out of the General and SPLOST funds that should have been paid out of the 2013 SPLOST fund. As such, the due to/due froms were set up to properly record reimbursement due to the General and SPLOST funds from the 2013 SPLOST Fund.

NOTE 8. LONG-TERM DEBT

The Town's only debt is the result of the purchase of property during the year. The Town purchased property on Terrentine Road, and plans to turn the property into a park. To pay for the property, the Town took out a loan with United Community Bank. Though the note calls for full payment of principal and interest on December 31, 2013, the bank and the Town have agreed that the Town will pay the principal on this note in six equal installments of $21,333 each year, plus accrued interest at 5.16%. The note will renew each year until the balance is paid in full. Long-term debt activity for the Town is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Note payable	$ -	$ 128,000	$ -	$ 128,000	$ 42,667
	$ -	$ 128,000	$ -	$ 128,000	$ 42,667

NOTE 8. LONG-TERM DEBT (CONTINUED)

The debt service requirements, including interest, are as follows:

	Principal	Interest	Total
2014	$ 42,667	$ 5,504	$ 48,171
2015	21,334	4,403	25,737
2016	21,333	3,302	24,635
2017	21,333	2,202	23,535
2018	21,333	1,101	22,434
	$ 128,000	$ 16,512	$ 144,512

The Town made the 2013 interest payment in December of 2013; however, they did not make the 2013 principal payment until January of 2014. As such, two principal payments are included as maturing in 2014, while only one interest payment will be due.

NOTE 9. DEFERRED COMPENSATION PLAN

The Town participates in the Georgia Municipal Association 457(b) Deferred Compensation Plan (the Plan) which is administered by the Georgia Municipal Association through their service manager, CitiStreet. The Plan provides retirement benefits to plan participants and beneficiaries. Plan provisions and contribution requirements are established and may be amended by the Town.

Employees contribute to the Plan on a discretionary basis. The Town does not make any contributions on behalf of participants in the Town’s deferred compensation plan. For the year ended December 31, 2013, employee contributions totaled $2,950.

Pursuant to the Statement Number 32 of the Governmental Accounting Standards Board "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans”, the Town does not have a fiduciary relationship with the 457 plan. Accordingly, the balances and transactions of the Town's 457 plan are not reported in the Town's financial statements.

NOTE 10. RISK MANAGEMENT

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

NOTE 10. RISK MANAGEMENT (CONTINUED)

As part of these risk pools, the Town is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pools' agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The Town is also to allow the pools' agents and attorneys to represent the Town in investigation, settlement discussions and all levels of litigation arising out of any claim made against the Town within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the workers' compensation law of Georgia.

The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

Settled claims in the past three (3) years have not exceeded insurance coverage.

NOTE 11. JOINT VENTURE

Under Georgia law, the Town, in conjunction with other cities and counties in the ten (10) county area of Butts, Carroll, Coweta, Heard, Lamar, Meriwether, Pike, Spalding, Troup, and Upson Counties is a member of the Three Rivers Regional Commission (RC) and is required to pay annual dues thereto. During its fiscal year ended December 31, 2013, the Town paid membership dues in the amount of $347. 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:

Three Rivers Regional Commission
120 North Hill Street
Griffin, Georgia 30224

NOTE 12. COMMITMENTS AND CONTINGENCIES

Litigation:

The Town is involved in various claims and matters of litigation resulting from normal operations. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Town attorney, the resolution of these matters will not have a materially adverse effect on the financial condition of the Town.

Grant Contingencies:

The Town has received Federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the Town believes such disallowances, if any, will not be significant.

TOWN OF SHARPSBURG, GEORGIA

SCHEDULES OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS

FOR THE YEAR ENDED DECEMBER 31, 2013

Project	Estimated Cost		Expenditures		Cumulative Total
	Original	Current	Prior Years	Current Year	
2002					
Street improvements	$ 233,500	$ 205,500	$ 334,511	$ 33,704	$ 368,215
Sidewalks	50,000	78,000	78,000	-	78,000
Water tower	-	-	75,408	-	75,408
Recreational building improvement	-	-	205,052	4,743	209,795
Land purchase	-	-	36,289	-	36,289
Total	$ 283,500	$ 283,500	$ 729,260	$ 38,447	$ 767,707

TOWN OF SHARPSBURG, GEORGIA

SCHEDULES OF EXPENDITURES OF
2013 SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS

FOR THE YEAR ENDED DECEMBER 31, 2013

Project	Estimated Cost		Expenditures		Cumulative Total
	Original	Current	Prior Years	Current Year	
2013					
Roads, streets and bridges	$ 100,000	$ 100,000	$ -	$ -	$ -
Utility projects	100,000	100,000	-	-	-
Culture, recreation and historic projects	175,000	175,000	-	156,644	156,644
Total	$ 375,000	$ 375,000	$ -	$ 156,644	$ 156,644

COMPLIANCE SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

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 Town Council
Town of Sharpsburg
Sharpsburg, Georgia

We have audited, 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, the financial statements of the governmental activities and each major fund of the Town of Sharpsburg, Georgia (the Town), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated January 13, 2015.

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2013-2 and 2013-3 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2013-1 to be a significant deficiency.

Compliance and Other Matters

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

Town of Sharpsburg's Response to Findings

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's responses were 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

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

Mauldin & Jenkins, LLC

Macon, Georgia
January 13, 2015

TOWN OF SHARPSBURG, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2013

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	X yes ____ no
Significant deficiencies identified not considered to be material weaknesses?	X yes ____ none reported
Noncompliance material to financial statements noted?	_____ yes X no

Federal Awards

There was not an audit of major federal award programs for the year ended December 31, 2013 due to the total amount expended being less than $500,000.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2013-1. Segregation of Duties

Criteria: Internal controls should be in place which would provide reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business.

Condition: Appropriate segregation of duties does not exist among recording, distribution, reconciliation of cash accounts and other operational functions in various areas of Town operations.

Context: Several instances of overlapping duties were noted during interviews regarding internal control procedures.

Effect: Failure to properly segregate duties among recording, distribution, and reconciliation of accounts can lead to misappropriation of funds that is not detected during the normal course of business.

Cause: The failure to properly segregate duties is due to the limited number of individuals available to perform each of the duties.

Recommendation: The duties of recording, distribution, approving, writing and signing of checks, and reconciliation of accounts should be segregated among employees.

TOWN OF SHARPSBURG, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2013

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2013-1. Segregation of Duties (Continued)

Views of Responsible Officials: We concur. The Town is in the process of reviewing their systems to evaluate and determine the most efficient and effective solution to properly segregate duties among recording, distribution, and reconciliation of accounts to provide reasonable assurance that an individual cannot misappropriate funds without being detected during the normal course of business.

2013-2. Taxes Receivable and Deferred Revenues

Criteria: Generally accepted accounting principles require revenue to be recognized in the accounting period in which it becomes both measurable and available to finance expenditures in the current period.

Condition: The Town did not properly record accounts receivable relating to property tax or Special Local Option Sales Tax. In addition, the Town did not defer the correct amount of franchise tax revenue for the year ended December 31, 2013.

Context: We addressed this matter with Town officials and they were able to determine the appropriate amount of accounts receivable for property tax and Special Purpose Local Option Sales Tax and the correct amount of deferred franchise tax that should be recorded at December 31, 2013.

Effect: An audit adjustment to property tax receivable, Special Purpose Local Option Sales Tax receivable and deferred franchise tax revenue was required to be recorded within the General Fund and SPLOST Fund as of December 31, 2013.

Recommendation: We recommend the Town begin recognizing and recording all necessary tax adjustments at the end of each financial reporting cycle.

Views of Responsible Officials: We concur. The Town has begun to recognize and record all necessary tax adjustments at the end of each reporting cycle.

2013-3. Accounts Payable

Criteria: The Town's management is responsible for ensuring expenditures are recorded when incurred and measurable, and its financial statements and the related information are accurate. This would include recognizing the expenditures and liabilities for costs associated with the receipt of goods or services.

TOWN OF SHARPSBURG, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2013

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2013-3. Accounts Payable (Continued)

Condition: At December 31, 2013, the Town's general ledger accounts (namely accounts payable) did not include significant obligations of the Town and required the recording of significant adjustments to ultimately reflect all obligations owed by the Town as of December 31, 2013.

Context: We addressed this matter with Town officials and they were able to determine the appropriate amount of liability that should be recorded at December 31, 2013.

Effect: Subsequent to year end, the Town recorded adjustments to increase the total of all accounts payable by approximately $10,000.

Cause: The Town did not have a system in place to support management's assertions that the accounts payable and other accruals were complete, accurate, and properly valued in a timely manner.

Recommendation: We recommend the Town implement and maintain a system which will provide reasonable assurance that the accounts payable and other accruals reported by the Town represent a complete and accurate listing of obligations owed by the Town. The system should include internal controls which will reduce to a relatively low level the risk that the Town's obligations are materially misstated.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not applicable.

TOWN OF SHARPSBURG, GEORGIA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2013

STATUS OF PRIOR YEAR AUDIT FINDINGS

2012 - 1. Segregation of Duties

For the year ending December 31, 2012, we noted the Town of Sharpsburg failed to properly segregate duties due to the limited number of individuals available to perform each of the duties.

Status: The above finding was not corrected for the year ended December 31, 2013. See finding 2013-1.

2012 - 2. Taxes Receivable and Deferred Revenues

For the year ending December 31, 2012, we noted the Town of Sharpsburg failed to properly record accounts receivable and deferred revenue relating to property taxes, Special Local Option Sales Tax and franchise taxes.

Status: The above finding was not corrected for the year ended December 31, 2013. See finding 2013-2.