CITY OF SPARTA, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED APRIL 30, 2014

CITY OF SPARTA, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED APRIL 30, 2014

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CLYDE K. WRIGHT, CPA
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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of the
City of Sparta, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities each major fund and the aggregate remaining fund information of the City of Sparta, Georgia, as of and for the year ended April 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud 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, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the City of Sparta, Georgia, as of April 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for 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 budgetary comparison information on pages 27 through 30 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.

The City of Sparta, Georgia has not presented management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financials 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 City of Sparta, Georgia's basic financial statements. The schedules included in other supplementary information as described in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 basic financial statements.

The schedules included in other supplementary information as described in the accompanying table of contents including the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated June 15, 2015 on our consideration of the City of Sparta, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Sparta, Georgia's internal control over financial reporting and compliance.

Wright & Wright, P.C.

June15,2015

Financial Section

Basic Financial Statements

CITY OF SPARTA, GEORGIA

Exhibit 1

STATEMENT OF NET POSITION
APRIL 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 85,980	$ 11,752	$ 97,732
Restricted assets	-	28,566	28,566
Receivables, net of allowances for uncollectible:			
Taxes	232,416	-	232,416
Accounts	26,931	670,771	697,702
Intergovernmental	14,861	-	14,861
Other	-	-	-
Internal balances	299,731	(299,731)	-
Notes receivable	284,356	-	284,356
Prepaid expenses	6,763	13,526	20,289
Capital assets:			
Land and other non-depreciable assets	15,500	338,288	353,788
Other capital assets, net of depreciation	502,807	10,193,344	10,696,151
Total Assets	1,469,345	10,956,516	12,425,861
Liabilities			
Bank overdraft	-	-	-
Accounts payable	206,702	440,610	647,312
Accrued interest payable	-	17,877	17,877
Other current liabilities	12,462	26,023	38,485
Compensated absences payable - current	135,017	95,035	230,052
Short term notes payable	100,500	-	100,500
Customer deposits	-	93,874	93,874
Unearned revenues	30,103	-	30,103
Long-term obligations:			
Due within one year	-	260,314	260,314
Due in more than one year	-	7,139,160	7,139,160
Total Liabilities	484,784	8,072,893	8,557,677
Net Position			
Net investment in capital assets	518,307	3,132,158	3,650,465
Restricted for:			
Debt service	-	6,586	6,586
Capital outlay	36,963	-	36,963
Grant agreement	289,009	-	289,009
Unrestricted	140,282	(255,121)	(114,839)
Total Net Position	$ 984,561	$ 2,883,623	$ 3,868,184

The accompanying Notes to the Financial Statements are an integral part of this statement

CITY OF SPARTA, GEORGIA

EXHIBIT 2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2014

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: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Total
Primary Government							
Governmental Activities:							
General government	$ 220,572	$ 17,872	$ -	$ -	$ (202,700)	$ -	$ (202,700)
Administration	59,622	-	-	-	(59,622)	-	(59,622)
Public safety	399,545	35,989	-	-	(363,556)	-	(363,556)
Street maintenance	245,708	136,762	-	144,104	35,158	-	35,158
Interest on debt	4,568	-	-	-	(4,568)	-	(4,568)
Economic development	2,245	-	-	-	(2,245)	-	(2,245)
Total governmental activities	932,907	190,623	-	144,104	(598,180)	-	(598,180)
Business-type Activities:							
Water and sewer	2,003,159	1,786,378	-	-	-	(216,781)	(216,781)
Gas	870,991	943,434	-	-	-	72,443	72,443
Total business-type activities	2,874,150	2,729,812	-	-	-	(144,338)	(144,338)
Total primary government	$ 3,807,057	$ 2,920,435	$ -	$ 144,104	(598,180)	(144,338)	(742,518)
General revenues:							
Property taxes					277,919	-	277,919
Franchise fees					81,911	-	81,911
Local option sales tax					146,101	-	146,101
TSPLOST					33,318	-	33,318
Insurance premium tax					72,217	-	72,217
Motor vehicle/mobile home taxes					43,398	-	43,398
Beer/liquor/wine taxes					54,021	-	54,021
Occupation taxes					20,031	-	20,031
Unrestricted investment earnings					38	303	341
USDA Grant income					-	731,319	731,319
Miscellaneous					26,706	-	26,706
Transfers					30,000	(30,000)	-
Total general revenues and transfers					785,660	701,622	1,487,282
Change in net position					187,480	557,284	744,764
Net position - beginning					797,081	2,326,339	3,123,420
Net position -ending					$ 984,561	$ 2,883,623	$ 3,868,184

The accompanying Notes to the Financial Statements are an integral part of this statement

CITY OF SPARTA, GEORGIA

EXHIBIT 3

BALANCE SHEET
GOVERNMENTAL FUNDS
APRIL 30, 2014

	General	Non-major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 17,419	$ 68,561	$ 85,980
Receivables, net of allowances for uncollectibles:			
Taxes	232,416	-	232,416
Accounts	26,931	-	26,931
Intergovernmental	11,703	3,158	14,861
Notes receivable	-	284,356	284,356
Due from other funds	304,077	-	304,077
Prepaid expenditures	6,763	-	6,763
Total Assets	$ 599,309	$ 356,075	$ 955,384
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 206,702	$ -	$ 206,702
Accrued expenses	12,462	-	12,462
Short-term notes payable	100,500	-	100,500
Due to other funds	4,346	-	4,346
Total Liabilities	324,010	-	324,010
Deferred Inflow of Resources - Unavailable revenues	263,693	30,103	293,796
Fund Balances (Accumulated Deficit):			
Restricted for grant agreement	-	289,009	289,009
Restricted for capital outlay	-	36,963	36,963
Unreserved, reported in General Fund	11,606	-	11,606
Total Fund Balances (Accumulated Deficit)	11,606	325,972	337,578
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Accumulated Deficit)	$ 599,309	$ 356,075	$ 955,384

The accompanying Notes to the Financial Statements are an integral part of this statement

CITY OF SPARTA, GEORGIA

EXHIBIT 4

RECONCILIATION OF NET ASSETS –GOVERNMENTAL FUNDS IN THE STATEMENT OF NET POSITION
TO TOTAL FUND BALANCE – GOVERNMENTAL FUNDS ON THE BALANCE SHEET
FOR THE YEAR ENDED APRIL 30, 2014

Fund balance - total governmental funds	$	337,578
Amounts reported for governmental activities in the statement of net assets are different because:		
Some liabilities are not due and payable in the current period and therefore are not reported in the funds -		
Compensated absences		(135,017)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds		263,693
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		518,307
Net position of governmental activities	$	984,561

The accompanying Notes to the Financial Statements are an integral part of this statement

CITY OF SPARTA, GEORGIA

EXHIBIT 5

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED APRIL 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	$ 684,940	$ 33,318	$ 718,258
Licenses and permits	17,872	-	17,872
Fines and forfeitures	35,989	-	35,989
Charges for services	124,016	-	124,016
Grant revenues	144,104	-	144,104
Other revenues	23,710	3,034	26,744
Total revenues	1,030,631	36,352	1,066,983
Expenditures:			
Current:			
General government	201,533	8,728	210,261
Administration	59,622	-	59,622
Public safety	361,725	-	361,725
Street maintenance	243,197	-	243,197
Intergovernmental payments to other governments or agencies	2,892	-	2,892
Debt service	4,568	-	4,568
Capital outlay	141,887	3,600	145,487
Total expenditures	1,015,424	12,328	1,027,752
Deficiency of Revenues Under Expenditures	15,207	24,024	39,231
Other Financing Source -			
Transfers in	41,437	-	41,437
Tranfers out	-	(11,437)	(11,437)
Total other financing source (use)	41,437	(11,437)	30,000
Net Change in Fund Balance	56,644	12,587	69,231
Fund Balance (Accumulated Deficit), Beginning	(45,038)	313,385	268,347
Fund Balance (Accumulated Deficit), Ending	$ 11,606	$ 325,972	$ 337,578

The accompanying Notes to the Financial Statements are an integral part of this statement

CITY OF SPARTA, GEORGIA

EXHIBIT 6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED APRIL 30, 2014

Net change in fund balances - total governmental funds	$ 69,231
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays, reported as expenditures in governmental funds, are shown as capital assets in the Statement of Net Assets as follows -	
Total capital outlay reported as expenditures	145,487
Depreciation expenses on governmental capital assets are included in the governmental activities column in the Statement of Net Assets but are not shown in the governmental funds	(54,621)
Revenues in the statement of activities that do not provide financial resources are not reported as revenues in the funds. The amount of unavailable revenues recognized as revenue in the statement of activities is as follows:	
Property taxes	10,658
Charges for service	12,746
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.	
Compensated absences	3,979
Change in net position of governmental activities	$ 187,480

The accompanying Notes to the Financial Statements are an integral part of this statement

CITY OF SPARTA, GEORGIA

EXHIBIT 7

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED APRIL 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Positive (Negative)
Revenues:				
Taxes	$ 869,100	$ 869,100	$ 684,940	$ (184,160)
Licenses and permits	17,400	17,400	17,872	472
Fines and forfeitures	80,000	80,000	35,989	(44,011)
Charges for services	120,000	120,000	124,016	4,016
Grant revenues	320,000	320,000	144,104	(175,896)
Other revenues	21,200	21,200	23,710	2,510
Total revenues	1,427,700	1,427,700	1,030,631	(397,069)
Expenditures:				
General government	333,000	333,000	201,533	131,467
Administration	76,100	76,100	59,622	16,478
Public safety	443,100	443,100	361,725	81,375
Street maintenance	328,350	328,350	243,197	85,153
Payments to other governmental agencies	4,500	4,500	2,892	1,608
Debt service	1,000	1,000	4,568	(3,568)
Capital outlay	341,650	341,650	141,887	199,763
Total expenditures	1,527,700	1,527,700	1,015,424	512,276
Deficiency of Revenues Under Expenditures	(100,000)	(100,000)	15,207	115,207
Other Financing Source -				
Transfers in	100,000	100,000	41,437	(58,563)
Total other financing sources	100,000	100,000	41,437	(58,563)
Deficiency of Revenues and Other Financing Source Under Expenditures	-	-	56,644	56,644
Fund Balance (Accumulated Deficit), Beginning	(45,038)	(45,038)	(45,038)	-
Fund Balance (Accumulated Deficit), Ending	$ (45,038)	$ (45,038)	$ 11,606	$ 56,644

The accompanying Notes to the Financial Statements are an integral part of this statement

CITY OF SPARTA, GEORGIA

EXHIBIT 8

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2014

	Enterprise Funds		
	Water and Sewer Fund	Natural Gas Fund	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	$ 1,636	$ 10,116	$ 11,752
Receivables, net	476,321	194,450	670,771
Due from other funds	-	46,423	46,423
Prepaid expenses	6,763	6,763	13,526
Total current assets	484,720	257,752	742,472
Noncurrent assets:			
Restricted assets - cash	28,566	-	28,566
Capital assets:			
Land and other non-depreciable assets	335,341	2,947	338,288
Other capital assets, net of depreciation	10,170,715	22,629	10,193,344
Total noncurrent assets	10,534,622	25,576	10,560,198
Total Assets	11,019,342	283,328	11,302,670
LIABILITIES:			
Current Liabilities:			
Accounts payable	264,453	176,157	440,610
Accrued interest payable	17,877	-	17,877
Accrued expenses	12,720	13,303	26,023
Due to other funds	346,154	-	346,154
Compensated absences payable - current	66,017	29,018	95,035
Customer deposits	93,874	-	93,874
Bonds and notes payables	260,314	-	260,314
Total current liabilities	1,061,409	218,478	1,279,887
Noncurrent liabilities-			
Bonds and notes payables	7,139,160	-	7,139,160
Total Liabilities	8,200,569	218,478	8,419,047
NET POSITION:			
Net investment in capital assets	3,106,582	25,576	3,132,158
Unrestricted	(294,395)	39,274	(255,121)
Restricted for debt service	6,586	-	6,586
Total Net Position	$ 2,818,773	$ 64,850	$ 2,883,623

The accompanying Notes to the Financial Statements are an integral part of this statement

CITY OF SPARTA, GEORGIA

EXHIBIT 9

STATEMENT OF CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2014

	Enterprise Funds		
	Water and Sewer Fund	Natural Gas Fund	Total
Operating Revenues:			
Water revenues	$ 1,129,632	$ -	$ 1,129,632
Sewer revenues	626,033	-	626,033
Gas revenues	-	931,184	931,184
Penalties	30,713	12,250	42,963
Total operating revenues	1,786,378	943,434	2,729,812
Operating Expenses:			
Salaries	401,697	176,675	578,372
Payroll taxes	30,040	11,658	41,698
Retirement expense	14,400	10,800	25,200
Group insurance	20,904	21,921	42,825
Workers compensation insurance	6,893	27,618	34,511
Natural gas purchases	-	513,057	513,057
Travel expenses	10,635	19,363	29,998
Office expenses	8,920	4,940	13,860
Insurance	14,245	12,745	26,990
Repairs and maintenance	123,691	42,149	165,840
Professional and technical services	18,847	10,090	28,937
Testing and monitoring	21,934	-	21,934
Depreciation	679,435	4,286	683,721
Pumping expense	102,434	-	102,434
Advertising	94	-	94
Supplies	15,117	495	15,612
Chemicals	64,280	-	64,280
Telephone	5,079	4,520	9,599
Utilities	80,960	4,731	85,691
Uniforms	-	4,507	4,507
Miscellaneous	23,062	1,436	24,498
Total operating expenses	1,642,667	870,991	2,513,658
Operating income (loss)	143,711	72,443	216,154
Non-operating Revenue (Expense):			
Interest income	253	50	303
USDA Grant Income	731,319	-	731,319
Bond issuance costs	(35,519)	-	(35,519)
Interest expense	(324,973)	-	(324,973)
Total non-operating revenue (expense)	371,080	50	371,130
Net income (loss) before transfer	514,791	72,493	587,284
Transfer to other funds	-	(30,000)	(30,000)
Change in net position	514,791	42,493	557,284
Total net position, beginning	2,303,982	22,357	2,326,339
Total net position, ending	$ 2,818,773	$ 64,850	$ 2,883,623

The accompanying Notes to the Financial Statements are an integral part of this statement

CITY OF SPARTA, GEORGIA

EXHIBIT 10

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2014

	Enterprise Funds		
	Water and Sewer Fund	Natural Gas Fund	Total
Cash Flows from Operating Activities:			
Receipts from customers	$ 1,491,980	$ 886,535	$ 2,378,515
Payments to suppliers	(334,002)	(615,295)	(949,297)
Payments to employees	(462,947)	(247,719)	(710,666)
Payments to others	(46,380)	(21,748)	(68,128)
Payments from (to) other funds	42,920	3,662	46,582
Net cash provided by (used in) operating activities	691,571	5,435	697,006
Cash Flows from Noncapital Financing Activities -			
Transfer from (to) other funds	-	(30,000)	(30,000)
Net cash provided by (used in) by noncapital financing activities	-	(30,000)	(30,000)
Cash Flows from Capital and Related Financing Activities:			
Proceeds from USDA Grant	731,319	-	731,319
Bond issuance costs	(35,519)	-	(35,519)
Acquisition of capital assets	(1,302,858)	-	(1,302,858)
Borrowings of capital debt	1,023,637	-	1,023,637
Principal payments on capital debt	(849,102)	-	(849,102)
Interest payments on capital debt	(325,524)	-	(325,524)
Net cash used in capital and related financing activities	(758,047)	-	(758,047)
Cash Flows from Investing Activities -			
Interest income	253	50	303
Net decrease in cash and cash equivalents	(66,223)	(24,515)	(90,738)
Balances - beginning of year	96,425	34,631	131,056
Balances - end of year	$ 30,202	$ 10,116	$ 40,318
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$ 143,711	$ 72,443	$ 216,154
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	679,435	4,286	683,721
Net change in assets and liabilities attributable to operations:			
Accounts receivable	(299,738)	(94,599)	(394,337)
Other receivables	-	38,373	38,373
Customers deposits	5,340	-	5,340
Accounts payable	112,606	(39,460)	73,146
Accrued expenses payable	2,507	-	2,507
Due from other funds	-	3,662	3,662
Prepaid expenses	(673)	(673)	(1,346)
Bank overdraft	(364)	-	(364)
Compensated absences payable	5,827	21,403	27,230
Due to other funds	42,920	-	42,920
	$ 691,571	$ 5,435	$ 697,006
Components of Cash and Cash Equivalents:			
Unrestricted cash and cash equivalents	$ 1,636	$ 10,116	$ 11,752
Restricted cash and cash equivalents	28,566	-	28,566
Total cash and cash equivalents	$ 30,202	$ 10,116	$ 40,318

The accompanying Notes to the Financial Statements are an integral part of this statement

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Sparta, Georgia have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to Government units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. The more significant accounting policies established in GAAP and used by the City are described below.

The reporting entity is comprised of the primary government and any component units or other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organizations; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the City in that the City approves the budget, levies their taxes or issues their debt. As of April 30, 2014, City of Sparta, Georgia had no component units.

A. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are supported by taxes and intergovernmental revenues and are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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 customer or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues.*

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting,* as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they will be collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City of Sparta, Georgia. It is used to account for all financial resources of the general Government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The *Water and Sewer Fund* accounts for the provision of water/sewer services to the residents of the City. The *Natural Gas Fund* accounts for the provision of natural gas services to the residents of the City.

Additionally, the City reports the following fund type -

The *Special Revenue Funds* accounts for revenue sources that are legally restricted to expenditure for specific purposes. The City currently utilizes the Redevelopment Fund as a Special Revenue Fund.

The *Capital Projects Fund* accounts for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds. The City currently utilizes the TSPLSOT Fund and the LMIG Fund as Capital Projects Funds.

GASB 34 eliminates the presentation of *Account Groups*, but provides for these records to be maintained and used to account for fixed assets and long-term liabilities that are not reflected on the balance sheet of Governmental type funds due to the current financial resources measurement focus that they use.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Governmental activities have been consolidated in the government-wide financial statements. Total governmental funds have been combined with general fixed assets and long term liabilities. The effect of interfund activity has been removed from the government-wide financial statements. Due to/from other funds have been eliminated as well as operating transfers between funds. The net operating loss from internal service funds has been charged to the functional expense categories based on employee insurance claims submitted by department. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses, including operating grants, investment earnings and interest expense.

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

C. Assets, Liabilities and Net Assets or Equity

1. ***Deposits and Investments*** - Cash includes amounts in both interest-bearing and non-interest-bearing demand deposits. State statutes authorize the Government to invest in obligations of the U.S. Treasury, obligations of the State of Georgia or any other states, obligations fully insured or guaranteed by the United States government or governmental agency, Local Government Investment Pool, commercial paper, corporate bonds, obligation of other political subdivisions of the State of Georgia and repurchase agreements. Any bank deposit in excess of the total FDIC insured amount must be secured by an equivalent amount of State or U.S. obligations.

   For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

2. ***Receivables and Payables*** - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. The current portion of these interfund receivables and payables are classified as "due from other funds" or "due to other funds" in the governmental funds.

   Non-current portions of long-term interfund loans receivable/payable are reported as "advances to other funds" or "advances from other funds". Advances receivable in the Governmental funds are offset equally by a fund balance reserve account, which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation and are not expendable available financial resources.

3. ***Prepaid Items*** - For prepaid expenditures in the government-wide and fund financial statements, the City reports the expenditures during the benefiting period.

4. ***Restricted Assets*** – Certain assets, cash, of the Water and Sewer Fund are classified as restricted assets because their use is completely restricted to the payment of the revenue and bonds payable.

5. ***Capital Assets*** – Capital assets, which include property, plant equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the Government as assets with an initial, individual cost of more than $1,000 and an estimated useful life in excess of two years. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. General infrastructure assets acquired prior to May 1, 2004 are not reported in the basic financial statements.

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

   Major outlays for capital assets and improvements are capitalized as projects are constructed. GASB statement 37 prohibits the capitalization of interest on assets constructed for use in governmental activities. However, interest from debt not considered to be general long-term debt may be included as part of the cost of assets constructed for business-type activities. The total interest expense incurred by the City during the current fiscal year was $341,936. Of this amount, $12,395 was included as part of the cost of capital assets under construction in connection with public building construction projects.

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

Assets	Years
Buildings	15-35
Infrastructure	20
Furniture and fixtures	7-10
Machinery and equipment	5-15
Vehicles	3-10

6. ***Compensated Absences*** - It is the Government's policy to permit employees to accumulate earned but unused paid leave benefits. All paid leave benefits are accrued when incurred in the government-wide, proprietary and fiduciary fund 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.

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

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

8. ***Fund Equity*** - Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources. Contributed capital is recorded in the proprietary fund that has received contributions from the general fund. Prior contributed capital amounts have been restated as either net assets restricted, unrestricted or invested in capital assets, net of related debt.

   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 City is bound to honor constraints on the specific purposes for which amounts in the those funds can be spent. Fund balances are classified as follows:

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

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

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

Assigned – Funds balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed.

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

The City uses restricted amounts to be spent when both restricted and unrestricted fund balances are available, unless there are legal documents/contracts that prohibit the use of restricted fund balances, such as grant agreements that require a dollar match. Additionally, the City would then use committed, assigned and lastly, unassigned amounts from the unrestricted fund balances when expending funds.

Net Position

Net investment in capital assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction or improvement of the assets.

Restricted net position – This amount is restricted by external creditors, grantors, contributors or laws or regulations of other governments.

Unrestricted net position – This amount is all net position that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net position."

9. ***Estimates*** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

The annual budget is the financial plan for the operation of the City of Sparta, Georgia for the ensuing annual period. The budget process provides for a professional management approach to the establishment of priorities and the implementation of work programs while providing an orderly means for control and evaluation of the financial posture of the Government. The City of Sparta budgets are adopted on a basis generally consistent with GAAP inasmuch as encumbrances are not recorded. Annual appropriated budgets are adopted for the General Fund and the Redevelopment Fund. Prior to the fiscal year end, the Council prepares a proposed operating budget for the year commencing the following May 1. The operating budget includes proposed expenditures and the means of financing them. The City holds a public hearing on the budget, giving notice thereof at least ten days in advance by publication in the official organ of the City of Sparta, Georgia. The budget is then revised and adopted or amended by the City shortly after the beginning of the year to which it applies. The budget so adopted may be revised during the year only by formal action of the City in a regular meeting and no increase shall be made therein without provision also being made for financing same. The City Clerk is delegated to transfer sums within departments. No increase in the departmental budgets for the City may be made without the approval of the City Council and amendments to the budget. The General Fund is subject to budgetary control on a department basis.

B. Excess of Expenditures over Appropriations in Individual Funds of the General Fund

The individual funds, which had expenditures in excess of appropriations, as well as the object level within each fund at which the excess was incurred, are as follows:

	Expenditures	Appropriations	Expenditures Over Appropriations
General Fund -			
Debt Service -			
Interest and other charges	4,568	1,000	3,568

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Investments – The Government owns no investments as of April 30, 2014.

Custodial Credit Risk – Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of April 30, 2014, $0 of the government's bank balance was exposed to custodial credit risk.

As of April 30, 2014, the City did not have a formal investment policy. Additional disclosures with regards to deposits and investments can be located in the *Summary of Significant Accounting Policies* under the *Assets, Liabilities and Equity* section.

B. Property Taxes

State law requires that property taxes be based on assessed value that is 40% of fair market value. All real and personal property are valued as of January 1 of each year and must be declared and reported on a return for tax purposes by May 1. Upon completion of all assessments and tax returns, the information is turned over to the Hancock County Tax Appraiser, for compilation of the tax digest. The completed tax digest must be submitted to the State Revenue Commissioner for approval. The State Revenue Commissioner must ascertain that real property on the tax digest has been assessed at the state mandated forty percent (40%) of fair market value. If not, the commissioner may require an across the board percentage adjustment to all real property. The City distributes tax notices and collects tax payments. Property taxes are usually levied on assessed valuation on August 20 and are due by November 20 and considered delinquent by November 21. Property taxes are attached as an enforceable lien on the day the taxes become delinquent. The total real and personal property tax levy is recorded as revenue in the fiscal year in which such amounts will be available (collected within 60 days of year-end).

The City levied a tax of 14.145 mills on the tax value of all taxable property in the City for calendar year 2013. The net digest for 2013 on property in the City was $20,239,873 and the tax levied amounted to $286,293. The total real and personal property tax levy is recorded as revenue in the fiscal year in which such amounts will be available (collected as of year-end) as net current assets. In the accompanying financial statements, the portion of the property tax levy for the tax year 2013 collected during the current year, and within 60 days of year-end, has been recognized as revenue.

Property taxes receivable, shown net of allowance for uncollectibles, at April 30, 2014, is composed of the following:

Year of Levy:	
2013	$ 85,637
2012	69,719
2011	56,732
2010	48,530
2009	26,030
2008	22,659
2007	17,926
Prior to 2007	32,790
Total taxes receivable	360,023
Less - allowance for uncollectibles	(127,607)
Net receivable	$ 232,416

The allowance for uncollectible property taxes was determined as follows:

Year of Levy	Percentage Allocation	Outstanding Balance	Amount Allocated To Reserve
2013	10%	$ 85,637	$ 8,564
2012	20%	69,719	13,944
2011	30%	56,732	17,020
2010	40%	48,530	19,412
2009	50%	26,030	13,015
2008	60%	22,659	13,595
2007	70%	17,926	12,548
2006	80%	11,702	9,361
2005	90%	9,394	8,455
2004	100%	11,694	11,694
Total		$ 360,023	$ 127,607

C. Accounts Receivable

Primary Government

Receivables at April 30, 2014 for the City's individual major funds and non-major funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	General	Water and Sewer Fund	Natural Gas Fund	Non-major Funds
Receivables:				
Taxes	$ 360,023	$ -	$ -	$ -
Notes	-	-	-	284,356
Intergovernmental	11,703	-	-	3,158
Accounts	52,657	931,326	380,197	-
Other	-	-	-	-
Gross receivables	424,383	931,326	380,197	287,514
Less: allowance for Uncollectibles	(153,333)	(455,005)	(185,747)	-
Net total receivables	$ 271,050	$ 476,321	$ 194,450	$ 287,514

D. Capital Assets

Primary Government

Capital asset activity for the year ended April 30, 2014 was as follows:

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated:				
Land	$ 15,500	$ -	$ -	$ 15,500
Other capital assets:				
Buildings and Improvements	319,529	-	-	319,529
Infrastructure	264,232	141,887	-	406,119
Furniture and fixtures	2,223	-	-	2,223
Machinery and equipment	95,089	-	-	95,089
Autos and trucks	636,540	3,600	-	640,140
Total other capital assets at historical cost	1,317,613	145,487	-	1,463,100
Less accumulated depreciation:				
Buildings and Improvements	262,498	7,056	-	269,554
Infrastructure	4,397	7,686	-	12,083
Furniture and fixtures	2,222	-	-	2,222
Machinery and equipment	77,308	4,644	-	81,952
Autos and trucks	559,247	35,235	-	594,482
Total accumulated depreciation	905,672	54,621	-	960,293
Other capital assets, net	411,941	90,866	-	502,807
Governmental activities capital assets, net	$ 427,441	$ 90,866	$ -	$ 518,307

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated:				
Land	$ 338,288	$ -	$ -	$ 338,288
Total capital assets not being depreciated	338,288	-	-	338,288
Other capital assets:				
Buildings	20,357	-	-	20,357
Utility systems	20,355,685	1,299,737	-	21,655,422
Machinery and equipment	338,381	3,121	-	341,502
Furniture and fixtures	20,707	-	-	20,707
Total other capital assets at historical cost	20,735,130	1,302,858	-	22,037,988
Less accumulated depreciation:				
Buildings	24,449	721	-	25,170
Utility systems	10,857,473	660,838	-	11,518,311
Machinery and equipment	263,560	20,815	-	284,375
Furniture and fixtures	15,441	1,347	-	16,788
Total accumulated depreciation	11,160,923	683,721	-	11,844,644
Other capital assets, net	9,574,207	619,137	-	10,193,344
Business-type activities capital assets, net	$ 9,912,495	$ 619,137	$ -	$ 10,531,632

Governmental activities depreciation expense:	
General Government	$ 14,290
Public Safety	37,820
Street Maintenance	2,511
Total governmental activities depreciation expense:	$ 54,621
Business-type activities:	
Water	$ 679,435
Natural Gas	4,286
Total business-type activities depreciation expense	$ 683,721

E. Interfund Receivables, Payables and Transfers

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

Receivable Fund	Payable Fund	
General Fund	Water and Sewer Fund	$ 304,077
Gas Fund	Water and Sewer Fund	42,077
Gas Fund	General Fund	4,346
		$ 350,500

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

During the fiscal year ended April 30, 2014, the City and the Georgia Department of Corrections were in negotiations over increased water rates that the City Council had approved. As of April 30, 2014, the Georgia Department of Corrections owed the City approximately $465,000 in current and past due utility charges. As a result, the City's General Fund and Gas Fund loaned to the Water and Sewer Fund money to cover operating expenditures. The Georgia Department of Corrections paid this past due amount in March 2015.

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service. Resources are accumulated in a fund or component unit to support and simplify the administration of various projects or programs. Transfers within the Primary Government were as follows:

Transfers:	Transfers Out	Transfers In
General Fund	$ -	$ 41,437
Redevelopment Fund	4,970	-
TSPLOST Fund	6,467	-
Gas Fund	30,000	-
Total transfers	$ 41,437	$ 41,437

F. Landfill Post-Closure Care

The City's landfill was closed on April 1, 1994 under Georgia Environmental Protection Division (EPD) guidelines. Since that time, 9 ground water monitoring wells, 2 surface water locators and 9 methane monitoring locations have been installed under EPD Solid Waste Guidelines. Since closure, the City has monitored the site and will continue such monitoring, as prescribed by the EPD guidelines. During the fiscal year ended April 30, 2014, the City had $38,401 in post-closure expenditures. Future annual costs associated with these requirements are estimated at $11,885 per year for the remaining period of required monitoring. This annual estimate is based on costs experienced during the initial years of required monitoring. Due to the immateriality of the estimated post-closure costs, no liability has been established for the post-closure costs. In the future, significant economic inflation or deflation, technology or applicable laws or regulations may change future estimates of the annual costs. As of April 30, 2014, financial assurance requirements are no longer required by the City in relation to the landfill.

G. Long-Term Debt

Primary Government Notes Payable

The 1990 Series Water and Sewer Revenue Bonds held by the U. S. Farmers Home Administration require, in the bond resolution approved pursuant to the issuance of the bonds, that revenues be used to pay for certain specific designated expenditures. The 1990 Series Bond Ordinance sets forth the use of revenues of the water and sewer system. Article V states that revenues are to be deposited to the revenue fund account, from which are paid operation and maintenance costs, the sinking fund requirements for the 1993 bonds, the sinking fund requirements for the 1980 and 1981 bonds, and junior and subordinate bonds. After paying these obligations, the remaining moneys are to be paid into renewal and extension fund account. After the required payments are made into the sinking fund and renewal and extension fund accounts, any remaining moneys may be used as the City may so determine.

The sinking fund account requires funding of the monthly interest and principle payments. Additionally, funding in the amount of $1,900 per month is required until a reserve of $209,000 is attained for the 1990 bonds, plus a reserve of $81,800 for the 1981 bonds, for a total of $290,800. The funding reserve account did not meet the bonding requirements as established by the bond covenants. The balance of the sinking fund account as of April 30, 2014 was $4,290.

The renewal and extension fund account is to be funded with excess revenues until a $50,000 balance is attained. Moneys in this account may be used to correct any deficiency in the sinking fund, or to make required payments of principle and interest. The balance of the renewal and extension account as of April 30, 2014 was $2,296.

The following is a summary of long-term debt at April 30, 2014:

	Total	Current	Long-term
Water and Sewer Fund:			
Revenue bonds held by the U.S. Farmers Home Administration:			
Water and sewer bonds, 1980-A Series, issued in the amount of $1,250,000 for water and sewer improvements. 5% interest rate with principal due in annual installments to December 1, 2019, interest payable semi-annually. Annual payments are approximately $75,000. The bonds are redeemable at par.	$ 302,370	$ 61,595	$ 240,775
Water and sewer bonds, 1981 Series, issued in the amount of $120,000 for water and sewer improvements. 5% interest rate with payments of approximately $7,500 due in annual installments to December 1, 2020. The bonds are redeemable at par.	30,964	6,178	24,786
Water and sewer bonds, 1990-A Series, issued in the amount of $1,855,000 for water and sewer improvements. 5% interest rate with payments of approximately $111,000 due in annual installments to December 1, 2029. The bonds are redeemable at par.	1,165,471	55,477	1,109,994
Water and sewer bonds, 1990-B Series, issued in the amount of $1,106,000 for water and sewer improvements. 5% interest rate with payments of approximately $66,000 due in annual installments to December 1, 2029. The bonds are redeemable at par.	697,484	33,200	664,284
Water and sewer bonds, 2000-A Series, issued in the amount of $2,551,000 for water and sewer improvements. 4.5% interest rate with payments of approximately $137,760 due in annual installments to June 1, 2041. The bonds are redeemable at par.	2,156,782	47,383	2,109,399
Water and sewer bonds, 2000-B Series, issued in the amount of $2,875,412 for water and sewer improvements. 4.5% interest rate with payments of approximately $155,280 due in annual installments to June 1, 2041. The bonds are redeemable at par.	2,431,044	42,037	2,389,007
Water and sewer bonds, 2014-A Series, issued in the amount of $336,000 for water and sewer improvements. 2.5% interest rate with payments of approximately $13,300 due in annual installments to February 6, 2044. The bonds are redeemable at par.	335,139	7,650	327,489
Water and sewer bonds, 2014-B Series, issued in the amount of $281,000 for water and sewer improvements. 2.125% interest rate with payments of approximately $10,000 due in annual installments to February 6, 2044. The bonds are redeemable at par.	280,220	6,794	273,426
Total Revenue bonds held by the U.S. Farmers Home Administration	$ 7,399,474	$ 260,314	$ 7,139,160

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

Long-term liabilities:	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Within More Than One Year
Governmental Activities						
Compensated absences payable	$ 138,996	$ 73,865	$ 77,844	$ 135,017	$ 135,017	$ -

The compensated absences liability will be paid from the General Fund.

Long-term liabilities:	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Within More Than One Year
Business-Type Activities						
Compensated absences payable	$ 67,805	$ 27,230	$ -	$ 95,035	$ 95,035	$ -
Notes payable - Bank of Hancock County	210,363	406,637	617,000	-	-	-
Water and sewer bonds - Series 1980-A	361,781	-	59,411	302,370	61,595	240,775
Water and sewer bonds - Series 1981	36,932	-	5,968	30,964	6,178	24,786
Water and sewer bonds - Series 1990-A	1,216,098	-	50,627	1,165,471	55,477	1,109,994
Water and sewer bonds - Series 1990-B	727,441	-	29,957	697,484	33,200	664,284
Water and sewer bonds - Series 2000-A	2,196,504	-	39,722	2,156,782	47,383	2,109,399
Water and sewer bonds - Series 2000-B	2,475,820	-	44,776	2,431,044	42,037	2,389,007
Water and sewer bonds - Series 2014-A	-	336,000	861	335,139	7,650	327,489
Water and sewer bonds - Series 2014-B	-	281,000	780	280,220	6,794	273,426
Total Business-Type Activities	$ 7,292,744	$ 1,050,867	$ 849,102	$ 7,494,509	$ 355,349	$ 7,139,160

Debt service requirements to maturity for the revenue bonds are as follows:

Debt Service

Revenue bonds:

Year Ending April 30	Principal	Interest
2015	260,314	321,624
2016	271,714	310,224
2017	284,717	297,221
2018	298,355	283,583
2019	257,835	275,892
2020-2024	1,321,731	1,175,159
2025-2029	1,595,619	834,092
2030-2034	1,068,654	539,576
2035-2039	1,323,968	284,262
2040-2044	716,567	25,814
Total	$ 7,399,474	$ 4,347,447

H. Short - Term Debt

The City uses a line of credit to provide operating funds on a short – term basis throughout the year. Short-term liability activity for the primary government for the year ended April 30, 2014 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities	$ 100,500	$ 100,500	$ 100,500	$ 100,500

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses experienced by the City are covered by commercial insurance for all risks, except for workers compensation benefits. The City is self-insured in regards to workers compensation benefits. During the fiscal years ended April 30, 2014 and 2013, the City paid employee workers compensation claims in the amount of approximately $32,799 and $40,961, respectively. The Government estimates liabilities for workers compensation claims as the claims are incurred.

A table summarizing activity involving self-insured workers compensation benefits is as follows:

	2014	2013
Claims Liability, Beginning	$ -	$ -
Claims incurred throughout the year	32,799	40,961
Payment of claims	(32,799)	(40,961)
Other	-	-
Claims Liability, End	$ -	$ -

B. Post Employment Benefits

Voluntary payments to several retired employees are being paid at $300 per month to each retired employee as part of a defined contribution plan maintained and administered by the City. Payments are made at the discretion of City Council and can be discontinued at their discretion. Retirement expense for the year ended April 30, 2014 totaled approximately $36,000. Full-time employees, regardless of age, that meet the 20 year length of service requirement are eligible for the benefits. Benefits may be offered to an employee under extenuating circumstances with the approval of City Council.

C. Commitments and Contingencies

Reservations of fund balances of Governmental funds are established to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures. Specific reservations of the fund balance accounts are summarized below.

Reserve Under Grant Agreement

The reserve was created to represent those funds that are restricted for the specific use of the Redevelopment Fund.

Balance, May 1, 2013	$ 303,273
Net change	(14,264)
Balance, April 30, 2014	$ 289,009

Asserted Claims

As of April 30, 2014, the City was the defendant in several lawsuits. The City's attorney assessed each of these lawsuits as having a low probability of a negative outcome against the City.

D. Joint Venture

Under Georgia law, the City, in conjunction with other cities and counties in their area, is a member of the Central Savannah River Area Regional Development Center (CSRA RDC) and is required to pay annual dues thereto. During its year ended April 30, 2011, the City paid $1,400 in such dues. Membership in a RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RDC in Georgia. The RDC Board membership includes the chief elected official of each City and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of a RDC. Separate financial statements may be obtained from:

Central Savannah River Area Regional Development Center
3023 Riverwatch Parkway, Suite A
Augusta, Georgia 30907

E. Redevelopment Fund Note Receivable

In 1990, the City obtained a Community Development Block Grant to use as loan funds as part of the rehabilitation of a historic downtown hotel. As the loan is repaid, a revolving loan fund will be established for similar needs. The loan, whose balance at April 30, 2014 was $278,701, is subordinated to a Farmers Home Administration first mortgage of $1,455,000. The loan carries interest of 1%. Annual payments of principle and interest are $7,500. In addition, taxes saved as a result of being in a special historic district up to $7,500 a year are to be paid as payment in lieu of taxes. Both payments annually provide for a 30-year amortization. Principle payments over the next five years average $11,400 annually.

F. Subsequent Events

The City performed an evaluation of subsequent events through June 15, 2015, the date upon which the City's financial statements were available for issue. The City has not evaluated subsequent events after this date. No subsequent events were identified that would have required a change to the financial statements or disclosure in the notes to the financial statements.

Required Supplementary Information Other Than Management's Discussion and Analysis

CITY OF SPARTA, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2014

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Taxes Revenues:				
General property taxes and public utilities	$ 429,600	$ 429,600	$ 267,261	$ (162,339)
Occupation taxes	25,000	25,000	20,031	(4,969)
Franchise fees	93,000	93,000	81,911	(11,089)
Vehicle taxes	20,000	20,000	41,944	21,944
Mobile home taxes	2,500	2,500	1,454	(1,046)
Beer, liquor, wine tax	64,000	64,000	54,021	(9,979)
Local option sales tax	160,000	160,000	146,101	(13,899)
Insurance premium tax	75,000	75,000	72,217	(2,783)
Total taxes revenues	869,100	869,100	684,940	(184,160)
Fines and Forfeitures-				
Municipal Court fines and forfeitures	80,000	80,000	35,989	(44,011)
Licenses and Permits:				
Building permits	3,000	3,000	4,160	1,160
Parade permits	400	400	625	225
Beer and liquor licenses	13,000	13,000	12,562	(438)
Regulatory fees	-	-	525	525
Re-zoning application fees	1,000	1,000	-	(1,000)
Total licenses and permits	17,400	17,400	17,872	472
Charges for Services-				
Garbage fees	120,000	120,000	124,016	4,016
Grant Revenue -				
Georgia Department of Transportation grant	320,000	320,000	144,104	(175,896)
Other Revenue -				
Miscellaneous revenues	21,200	21,200	23,710	2,510
Total Revenues	$ 1,427,700	$ 1,427,700	$ 1,030,631	$ (397,069)

CITY OF SPARTA, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2014

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Expenditures:				
General Government:				
Salaries	$ 51,700	$ 51,700	$ 45,898	$ 5,802
Payroll taxes	4,000	4,000	3,471	529
Workers compensation reserve fund	32,700	32,700	18,967	13,733
Service contracts	10,500	10,500	8,653	1,847
Utilities	7,400	7,400	6,476	924
Telephone	5,500	5,500	5,105	395
Supplies	3,300	3,300	2,837	463
Landfill expenditures	32,000	32,000	6,512	25,488
Dues and subscriptions	2,000	2,000	1,012	988
Professional services	32,500	32,500	37,614	(5,114)
Repairs and maintenance	20,800	20,800	3,642	17,158
Insurance - general	25,200	25,200	19,503	5,697
Election/Registration expenditures	20,000	20,000	7,213	12,787
Postage	4,000	4,000	2,252	1,748
Equipment rental	3,800	3,800	3,499	301
Travel and training	3,500	3,500	3,171	329
GSCCCA	12,000	12,000	5,429	6,571
Advertising	5,000	5,000	1,312	3,688
Miscellaneous expenditures	57,100	57,100	18,967	38,133
Total General Government	$ 333,000	$ 333,000	$ 201,533	$ 131,467
Administration:				
Salaries:				
Mayor	$ 10,800	$ 10,700	$ 9,370	$ 1,330
Council	13,500	13,500	11,675	1,825
City Clerk's office	18,000	18,000	15,166	2,834
Payroll taxes	3,145	3,145	2,763	382
Retirement expenditures	3,600	3,600	3,600	-
Telephone	1,450	1,450	967	483
Repairs and maintenance	1,800	1,900	1,309	591
Gas and oil	100	100	-	100
Travel and training	17,105	17,105	9,707	7,398
Recorders court	3,600	3,600	3,600	-
Dues and subscriptions	2,000	2,000	1,465	535
Miscellaneous expenditures	1,000	1,000	-	1,000
Total Administration	$ 76,100	$ 76,100	$ 59,622	$ 16,478

CITY OF SPARTA, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2014

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Public Safety:				
Salaries:				
Police department	$ 284,000	$ 284,000	$ 272,320	$ 11,680
Fire department	16,000	16,000	5,875	10,125
Payroll taxes	23,200	23,200	21,060	2,140
Retirement expenditures	4,500	4,500	4,500	-
Workers compensation insurance	800	800	48	752
Group insurance	7,200	7,200	6,285	915
Utilities	19,000	19,000	11,316	7,684
Clothing and uniforms	4,000	4,000	-	4,000
Supplies	3,400	3,400	3,733	(333)
Tools and hardware	200	200	10	190
Telephone	14,200	14,200	10,721	3,479
Repairs and maintenance	21,750	21,750	3,352	18,398
Gasoline and oil	20,600	20,600	11,702	8,898
Travel and training	5,000	5,000	1,796	3,204
Donations	600	600	600	-
Miscellaneous	18,650	18,650	8,407	10,243
Total Public Safety	$ 443,100	$ 443,100	$ 361,725	$ 81,375
Street Maintenance:				
Salaries	$ 40,000	$ 40,000	$ 40,380	$ (380)
Payroll taxes	3,150	3,150	2,936	214
Group insurance	7,200	7,200	6,285	915
Workers compensation insurance	1,200	1,200	744	456
Retirement expenditures	7,200	7,200	7,200	-
Utilities	1,800	1,800	1,428	372
Solid waste disposal	126,000	126,000	89,742	36,258
Street and traffic lights	60,000	60,000	44,763	15,237
Gasoline, oil and grease	9,000	9,000	8,010	990
Street and road improvements	22,600	22,600	2,710	19,890
Repairs and maintenance	17,200	17,200	6,306	10,894
Groundwater monitoring	30,000	30,000	31,889	(1,889)
Tools and hardware	400	400	116	284
Miscellaneous	2,600	2,600	688	1,912
Total Street Maintenance	$ 328,350	$ 328,350	$ 243,197	$ 85,153

CITY OF SPARTA, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2014

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Payments to Other Government Agencies:				
CSRA RDC	$ 1,500	$ 1,500	$ 1,400	$ 100
Historical Preservation	200	200	-	200
Better Hometown Project	1,000	1,000	-	1,000
Development Authority	1,000	1,000	845	155
Uncle Remus Library	800	800	647	153
Total Payments to Other Government Agencies	$ 4,500	$ 4,500	$ 2,892	$ 1,608
Debt Service -				
Interest and other charges	$ 1,000	$ 1,000	$ 4,568	$ (3,568)
Capital Outlay:				
General Government	$ 226,000	226,000	$ 141,887	$ 84,113
Street Department	104,650	104,650	-	104,650
Police Department	11,000	11,000	-	11,000
Total Capital Outlay	$ 341,650	$ 341,650	$ 141,887	$ 199,763
Total Expenditures	$ 1,527,700	$ 1,527,700	$ 1,015,424	$ 512,276

Other Supplementary Information

Nonmajor Governmental Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

- ***Redevelopment Fund*** – To account for the CDBG redevelopment loan outstanding and the revolving loan fund created by the payments received there from.

Capital Projects Funds are used to account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

- ***TSPLOST Fund*** – To account for the TSPLOST funds received that are legally restricted to expenditure for particular purposes.
- ***LMIG Fund*** – To account for the LMIG funds received that are legally restricted to expenditure for particular purposes.

CITY OF SPARTA, GEORGIA

EXHIBIT 12

BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND
APRIL 30, 2014

	Special Revenue	Capital Project		Total Nonmajor Governmental Funds
	Redevelopment Fund	TSPLOST Fund	LMIG Fund	
ASSETS				
Cash	$ 4,653	$ 33,805	$ 30,103	$ 68,561
Intergovernmental receivable	-	3,158	-	3,158
Notes receivable, net of uncollectible	284,356	-	-	284,356
Total Assets	$ 289,009	$ 36,963	$ 30,103	$ 356,075
LIABILITIES AND FUND BALANCE				
Liability				
Deferred revenue	$ -	$ -	$ 30,103	$ 30,103
Fund Balance -				
Restricted for grant agreement	289,009	-	-	289,009
Restricted for capital outlay	-	36,963	-	36,963
Total fund balance	289,009	36,963	-	325,972
Total Liabilities and Fund Balance	$ 289,009	$ 36,963	$ 30,103	$ 356,075

CITY OF SPARTA, GEORGIA

EXHIBIT 13

STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCES
NONMAJOR GOVERNMENTAL FUND
FOR THE YEAR ENDED APRIL 30, 2014

	Special Revenue	Capital Project		Total
	Redevelopment Fund	TSPLOST Fund	LMIG Fund	Nonmajor Governmental Funds
Revenues:				
TSPLOST Income	$ -	$ 33,318	$ -	$ 33,318
Interest income	3,034	-	-	3,034
Total revenues	3,034	33,318	-	36,352
Expenditures:				
Bad debts	8,728	-	-	8,728
Capital outlay	3,600	-	-	3,600
Total expenditures	12,328	-	-	12,328
Excess of Revenues Over Expenditures	(9,294)	33,318	-	24,024
Other Financing Use -				
Transfer out	(4,970)	(6,467)	-	(11,437)
Net change in fund balance	(14,264)	26,851	-	12,587
Fund Balance, Beginning	303,273	10,112	-	313,385
Fund Balance, Ending	$ 289,009	$ 36,963	$ -	$ 325,972

CITY OF SPARTA, GEORGIA

EXHIBIT 14

BUDGETARY COMPARISON SCHEDULE – REDEVELOPMENT FUND
FOR THE YEAR ENDED APRIL 30, 2014

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenue -			
Interest Income	$ 7,500	$ 3,034	$ (4,466)
Expenditures:			
Bad debts	-	8,728	(8,728)
Miscellaneous	7,500	-	7,500
Capital outlay	-	3,600	(3,600)
Total expenditures	7,500	12,328	(4,828)
Excess of Revenues Over Expenditures	-	(9,294)	(9,294)
Other Financing Use -			
Transfer out	-	(4,970)	(4,970)
Total other financing use	-	(4,970)	(4,970)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(14,264)	(14,264)
Fund Balance, Beginning	-	303,273	303,273
Fund Balance, Ending	$ -	$ 289,009	$ 289,009

Compliance Section

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CLYDE K. WRIGHT, CPA
BRIAN K. WRIGHT, CPA

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*

To the Mayor and Council
City of Sparta, 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, the business type activities, each major fund, and the aggregate remaining fund information of the City of Sparta, Georgia as of and for the year ended April 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Sparta's basic financial statements and have issued our report thereon dated June 15, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Sparta, 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 Sparta, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Sparta's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies in internal control over financial reporting noted as item 14-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sparta Georgia'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 14-2.

City of Sparta, Georgia's Response to Findings

City of Sparta, Georgia's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City of Sparta, Georgia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Wright & Wright, P.C.

June 15, 2015

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Mayor and Council
City of Sparta, Georgia

Report on Compliance for Each Major Federal Program

We have audited the City of Sparta, 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 Sparta, Georgia's major federal programs for the year ended April 30, 2014. The City of Sparta, 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 Sparta, 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 Sparta, Georgia'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 of the City of Sparta, Georgia's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Sparta, 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 federal programs for the year ended April 30, 2014.

Report on Internal Control Over Compliance

Management of the City of Sparta, 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, we considered the City of Sparta, Georgia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our 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 Sparta, Georgia's internal control over compliance.

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.

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.

Wright & Wright, P.C.

June 15, 2016

CITY OF SPARTA, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED APRIL 30, 2014

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	
United States Department of Agriculture,				
Rural Development				
Water and Waste Disposal Loan and Grant Program	10.760		$ 1,299,737	*

* Water and sewer revenue bonds outstanding as of April 30, 2014 totaled $7,399,474.

A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Sparta, Georgia and is presented on the accrual basis of accounting. 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

B – MEASUREMENT FOCUS

The determination of when an award is expended is based on when the activity related to the award occurred.

C – AMOUNT PROVIDED TO SUBRECIPIENTS

Of the federal awards listed, the City had no major programs that provided amounts to subrecipients.

CITY OF SPARTA, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED APRIL 30, 2014

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness (es) identified?	Yes
Significant deficiency(ies) identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal Control over major programs:	
Material weakness (es) identified?	Yes
Significant deficiency(ies) identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)?	No

Identification of major programs:

Name of Federal Program or Cluster	CFDA#
Water and Waste Disposal Loan and Grant Program	10.760

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	No

No matters were reported

CITY OF SPARTA, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended April 30, 2014

FINDINGS – FINANCIAL STATEMENT AUDIT

14-1 Segregation of Duties

Condition

Due to the small size of the City's staff, controls are not practical to provide adequate segregation of duties in the cash receipts and disbursements functions.

Effect

Because of the failure to separate control over cash, errors or fraud that might avoid detection are possible.

Recommendation

The City Council should implement other internal controls in areas where segregation of duties is not practical.

Views of Responsible Officials

We concur and will continue to require dual signatures on checks and council approval for non recurring expenditures, as well as the use of daily reconciliation procedures across department lines to help alleviate the segregation issues.

COMPLIANCE AND OTHER MATTERS

14-2 Budgetary

Condition

In the City's General Fund, actual expenditures exceeded budget appropriations in two departments. This is a violation of state law.

Effect

Fiscal control and accountability over departmental expenditures may be jeopardized.

Recommendation

The City should monitor the budget and amend it when appropriate.

Views of Responsible Officials

Our City Council will analyze budgetary financial data periodically and amend the budget when appropriate.

CITY OF SPARTA
PO Box H, 12912 Broad Street
Sparta, Georgia 31087

Georgia Department of Audits & Accounts
270 Washington Street, S.W.
Suite 1-156
Atlanta, Georgia 30334-8400

Gentlemen:

The following constitutes our corrective action plan regarding the findings and recommendations in our audit report for the year ended April 30, 2014.

With respect to the findings in the "Independent Auditor's Report on Internal Control Structure Based on an Audit of General Purpose Financial Statements Performed in Accordance with *Government Auditing Standards*," we submit the following comments:

We annually review our system of internal control after our audited financial statements are received, along with any suggestions from the accounting firm as to improvements that can be made to strengthen controls.

1. Due to the small size of the City's staff, controls are not practical to provide adequate segregation of duties in the cash receipts and disbursements functions. The City requires dual signatures on checks and council approval for non-recurring expenditures, as well as the use of daily reconciliation procedures across department lines to help alleviate the segregation issues.

2. The following general fund departments had excesses of actual expenditures over appropriations in the amount shown for the year ended April 30, 2014:

   Debt Service $3,568

   In the future, the Mayor and Council will more closely monitor expenditures to determine if a budget amendment needs to be made or whether expenses should be reduced.

We feel that our internal control system is as strong as possible in the above described situation with the limited number of personnel involved. As indicated in the auditor's report, no significant errors or irregularities were found because of our lack of segregation of duties.

Should you need any further explanation of this matter please contact us.

Sincerely,

William Evans, Jr.
Mayor, City of Sparta