City of Summerville, Georgia

Annual Financial Report

for the

Fiscal Year Ended June 30, 2013

By Authority of

The Mayor and City Council

CITY OF SUMMERVILLE, GEORGIA
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2013

Table of Contents

FINANCIAL SECTION

Independent Auditor's Report 1

Basic Financial Statements:

Government Wide Financial Statements:

Statement of Net Position 3

Statement Of Activities 4

Fund Financial Statements:

Balance Sheet - Governmental Funds 5

Reconciliation of the Balance Sheet to Statement of Net Position of 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

Statement of Revenues, Expenditures, and Changes in Fund Balances-General Fund-Budget and Actual 9

Statement of Revenues, Expenditures, and Changes in Fund Balances-Confiscated Assets Special Revenue Fund-Budget and Actual 10

Statement of Revenues, Expenditures, and Changes in Fund Balances-Capital Projects Fund-2007 SPLOST-Budget and Actual 11

Statement of Revenues, Expenditures, and Changes in Fund Balances-Victorian Christmas Special Revenue Fund-Budget and Actual 12

Statement of Net Position-Proprietary Funds 13

Statement of Revenues, Expenses, and Changes in Fund Net Position-Proprietary Funds 14

Statement of Cash Flows-Proprietary Funds 15

Notes to the Financial Statements 16

COMPLIANCE SECTION

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* 36

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 38

Schedule of Expenditures of Federal Awards 40

Schedule of Findings and Questioned Costs 41

Schedule of Special Local Option Sales Tax 43

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Council
Of the City of Summerville, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Summerville, Georgia as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, business-type activities and each major fund information of the City of Summerville, Georgia, as of June 30, 2013, and the respective changes in financial position, and cash flows where applicable 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

Management has omitted 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

The Schedule of Special Local Option Sales Tax Expenditures 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 Schedule of Special Purpose Local Option Sales Tax Expenditures is 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 December 2, 2013, on our consideration of the City of Summerville, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Summerville, Georgia's internal control over financial reporting and compliance.

Williamson + Company

Williamson & Company
Certified Public Accountants
December 2, 2013

FINANCIAL SECTION

CITY OF SUMMERVILLE, GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government		
	Governmental Activities	Business - type Activities	Total
ASSETS			
Cash and cash equivalents	$ 2,717,614	$ 10,968	$ 2,728,582
Receivables - net	101,444	1,016,269	1,117,713
Prepaids	-	8,336	8,336
Inventories	9,463	146,391	155,854
Restricted cash	361,849	1,127,843	1,489,692
Bond issue cost - net of amortization		162,972	162,972
Capital assets:			
Land and improvements	864,570	13,132	877,702
Construction in progress	-	3,647,725	3,647,725
Other capital assets, net of depreciation	3,536,792	15,144,580	18,681,372
Total capital assets	4,401,362	18,805,437	23,206,799
Total assets	7,591,732	21,278,216	28,869,948
LIABILITIES			
Accounts payable and other current liabilities	50,043	398,911	448,954
Accrued wages payable and withholdings	35,114	15,072	50,186
Internal balances	158,028	(158,028)	-
Retainage payable	-	36,338	36,338
Interest payable	-	165,124	165,124
Customer deposits	6,119	623,681	629,800
Bond discount - net of amortization	-	(16,138)	(16,138)
Long-term liabilities (Note 7):			
Due within one year	30,424	751,668	782,092
Due in more than one year	579,462	11,471,712	12,051,174
Total Liabilities	859,190	13,288,340	14,147,530
NET POSITION			
Net investment in capital assets	4,134,630	6,930,084	11,064,714
Restricted			
Drug enforcement activities	37,068	-	37,068
Recreation	11,094	-	11,094
Customer Deposits	-	47,521	47,521
Acquisition and construction of capital assets	303,660	160,048	463,708
Debt service	-	920,274	920,274
Unrestricted	2,246,090	(68,051)	2,178,039
Total net position	$ 6,732,542	$ 7,989,876	$ 14,722,418

The accompanying notes are an integral part of this financial statement.

CITY OF SUMMERVILLE, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets — Primary Government: Governmental Activities	Business-type Activities	Totals
Primary government:							
Governmental activities:							
General government	$ 723,370	$ 59,292	$ 11,300	$ 434,956	$ (217,822)	$ -	$ (217,822)
Police	1,425,035	411,757	-	-	(1,013,278)	-	(1,013,278)
Fire	468,126	464,524	9,600	-	5,998	-	5,998
Animal control	24,767	-	-	-	(24,767)	-	(24,767)
Streets	738,604	356	201,592	-	(536,656)	-	(536,656)
Culture and recreation	731,213	12,592	127,725	-	(590,896)	-	(590,896)
Codes enforcement	28,022	16,753	-	-	(11,269)	-	(11,269)
Sanitation	214,155	199,266	-	-	(14,889)	-	(14,889)
Interest on Long-term Debt	7,706	-	-	-	(7,706)	-	(7,706)
Total governmental activities	4,360,998	1,164,540	350,217	434,956	(2,411,285)	-	(2,411,285)
Business-type activities:							
Water/Sewer	3,213,824	3,738,384	-	937,407	-	1,461,967	1,461,967
Gas	5,498,198	6,866,109	-	-	-	1,367,911	1,367,911
Total business-type activities	8,712,022	10,604,493	-	937,407	-	2,829,878	2,829,878
Total primary government	$ 13,073,020	$ 11,769,033	$ 350,217	$ 1,372,363	(2,411,285)	2,829,878	418,593
General revenues:							
Taxes:							
Property taxes, levied for general purposes					32,584	-	32,584
Franchise taxes					318,567	-	318,567
Insurance premium taxes					225,884	-	225,884
Malt beverage taxes					98,524	-	98,524
Investment earnings					6,460	1,323	7,783
Gain on Sale of Capital Assets					8,775	10,025	18,800
Miscellaneous					49,998	-	49,998
Transfers					1,445,322	(1,445,322)	-
Total general revenues and transfers					2,186,114	(1,433,975)	752,140
Change in net position					(225,171)	1,395,904	1,170,733
Net position - beginning					6,957,713	6,593,972	13,551,685
Net position - ending					$ 6,732,542	$ 7,989,876	$ 14,722,418

The accompanying notes are an integral part of this financial statement.

CITY OF SUMMERVILLE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Capital Projects SPLOST Fund	Confiscated Drug Fund	Victorian Christmas Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 2,717,614	$ 313,709	$ -	$ -	$ 3,031,323
Receivables (net of allowance for uncollectibles)	101,423	-	-	21	101,444
Inventories	9,463	-	-	-	9,463
Cash - Restricted	8,617	-	37,068	2,456	48,141
Due from other funds	3,625,202	-	-	-	3,625,202
Total assets	$ 6,462,319	$ 313,709	$ 37,068	$ 2,477	$ 6,815,573
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 39,995	$ 10,049	$ -	$ -	$ 50,044
Accrued wages payable and withholdings	35,115	-	-	-	35,115
Due to other funds	3,783,230				3,783,230
Customer deposits	6,119	-	-	-	6,119
Total liabilities	3,864,459	10,049	-	-	3,874,508
Fund Balances:					
Nonspendable:					
Inventories	9,463	-	-	-	9,463
Loans receivable	17,904	-	-	-	17,904
Restricted for:					
Drug enforcement activities	-	-	37,068	-	37,068
Acquisition and construction of capital assets	-	303,660	-	-	303,660
Recreation	8,617	-	-	2,477	11,094
Unassigned	2,561,876	-	-	-	2,561,876
Unreserved, reported in nonmajor:					
Capital projects fund	-	-	-	-	-
Total fund balances	2,597,860	303,660	37,068	2,477	2,941,065
Total liabilities and fund balances	$ 6,462,319	$ 313,709	$ 37,068	$ 2,477	$ 6,815,573

The accompanying notes are an integral part of this financial statement.

CITY OF SUMMERVILLE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

Reconciliation of the Balance Sheet to the Statement of Net Position

Total fund balances - governmental funds	$	2,941,065
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. This amount represents capital assets net of accumulated depreciation.		4,401,362
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.		(609,886)
Effects of miscellaneous rounding of amounts		1
Net position of governmental activities	$	6,732,542

The accompanying notes are an integral part of this financial statement.

CITY OF SUMMERVILLE, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Capital Projects SPLOST Fund	Confiscated Drug Fund	Victorian Christmas Fund	Total Governmental Funds
REVENUES					
Taxes	$ 642,975	$ -	$ -	$ -	$ 642,975
Licenses and permits	47,416	-	-	-	47,416
Intergovernmental	234,176	434,956	-	-	669,132
Charges for services	705,368	-	-	-	705,368
Fines and forfeitures	405,387	-	6,370	-	411,757
Contributions	147,089	-	-	-	147,089
Investment earnings	6,156	266	38	-	6,460
Miscellaneous income	48,809	-	-	2,725	51,534
Total revenues	2,237,376	435,222	6,408	2,725	2,681,731
EXPENDITURES					
Current:					
General government	689,826.49	-	-	-	689,826
Police	1,405,810.69	-	9,640	-	1,415,451
Fire	399,892.63	-	-	-	399,893
Animal control	23,100.00	-	-	-	23,100
Streets	728,560.72	-	-	-	728,561
Culture and recreation	590,319.80	-	-	3,672	593,992
Codes enforcement	28,022.23	-	-	-	28,022
Sanitation	214,154.83	-	-	-	214,155
Debt Service:					
Principal	29,653	-	-	-	29,653
Interest	7,706	-	-	-	7,706
Capital Outlay:					
General government	18,361	-	-	-	18,361
Police	58,631	-	-	-	58,631
Fire	-	-	-	-	-
Streets	-	-	-	-	-
Culture and recreation	3,500	-	-	-	3,500
Codes enforcement	2,134	-	-	-	2,134
Water and Sewer	-	305,245	-	-	305,245
Total expenditures	4,199,673	305,245	9,640	3,672	4,518,230
Excess (deficiency) of revenues over expenditures	(1,962,297)	129,977	(3,232)	(947)	(1,836,499)
OTHER FINANCING SOURCES (USES)					
Transfers in	1,876,950	-	-	-	1,876,950
Transfers out	-	(126,384)	-	-	(126,384)
Capital leases	-	-	-	-	-
Total other financing sources and (uses)	1,876,950	(126,384)	-	-	1,750,566
SPECIAL ITEM					
Proceeds from sale of capital assets	8,775	-	-	-	8,775
Net change in fund balances	(76,572)	3,593	(3,232)	(947)	(77,158)
Fund balances - beginning	2,674,432	300,067	40,300	3,424	3,018,223
Fund balances - ending	$ 2,597,860	$ 303,660	$ 37,068	$ 2,477	$ 2,941,065

The accompanying notes are an integral part of this financial statement.

CITY OF SUMMERVILLE, GA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Net change in fund balances		$ (77,158)
Amounts reported for governmental activities in the Statement of Activities are different because:		
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:		
Net change in compensated absences		18,399
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlays exceeded depreciation in the current period:		
Capital outlay expenditures recorded in the governmental funds	82,626	
Depreciation expense recorded in the Statement of Activites	(278,692)	
		(196,066)
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		29,653
Effects of miscellaneous rounding of amounts		1
Change in net position of governmental activities		$ (225,171)

CITY OF SUMMERVILLE, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budget			Variance with final budget - positive (negative)
	Original	As Amended	Actual	
REVENUES				
Taxes	$ 657,000	$ 683,884	$ 642,975	$ (40,909)
Licenses and permits	34,500	40,000	47,416	7,416
Intergovernmental	31,000	76,003	234,176	158,173
Charges for services	705,400	697,400	705,368	7,968
Fines and forfeitures	446,100	452,714	405,387	(47,327)
Contributions	258,850	256,500	147,089	(109,411)
Investment earnings	9,201	4,801	6,156	1,355
Miscellaneous income	44,159	68,807	48,809	(19,998)
Total revenues	2,186,210	2,280,109	2,237,376	(42,733)
EXPENDITURES				
Current:				
General government	646,367	712,315	708,187	4,128
Police	1,600,873	1,569,977	1,464,442	105,535
Fire	402,422	413,863	399,893	13,970
Animal control	25,200	25,200	23,100	2,100
Streets	671,790	732,650	728,561	4,089
Culture and recreation	623,055	605,250	593,820	11,430
Codes enforcement	28,250	30,250	30,156	94
Sanitation	213,500	215,100	214,155	945
Debt service:				
Principal	30,452	29,653	29,653	-
Interest	7,710	7,706	7,706	-
Total expenditures	4,249,619	4,341,964	4,199,673	142,291
Excess (deficiency) of revenues over expenditures	(2,063,409)	(2,061,855)	(1,962,297)	99,558
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,977,283	1,876,950	(100,333)
Transfers out	-	-	-	-
Capital leases	-	-	-	-
Total other financing sources and (uses)	-	1,977,283	1,876,950	(100,333)
SPECIAL ITEM				
Proceeds from sale of capital assets	3,000	8,000	8,775	775
Net change in fund balances	(2,060,409)	(76,572)	(76,572)	-
Fund balances - beginning	2,674,432	2,674,432	2,674,432	-
Fund balances - ending	$ 614,023	$ 2,597,860	$ 2,597,860	$ -

The accompanying notes are an integral part of this financial statement.

CITY OF SUMMERVILLE, GEORGIA
CONFISCATED DRUG SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Forfeitures	$ 5,000	$ 6,550	$ 6,370	$ (180)
Investment Earnings	75	75	38	(37)
Total Revenues	5,075	6,625	6,408	(217)
EXPENDITURES				
Current:				
Police	5,075	6,625	9,640	(3,015)
Total Expenditures	5,075	6,625	9,640	(3,015)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(3,232)	(3,232)
Net Change in Fund Balance	-	-	(3,232)	(3,232)
Fund Balance - Beginning of Year	40,300	40,300	40,300	-
Fund Balance - End of Year	$ 40,300	$ 40,300	$ 37,068	$ (3,232)

The accompanying notes are an integral part of this financial statement.

CITY OF SUMMERVILLE, GEORGIA
CAPITAL PROJECTS FUND
2007 SPLOST
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
PROJECT LENGTH BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Project Length Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Taxes	$ 3,050,000	$ 3,050,000	$ 434,956	$ (2,615,044)
Interest	-	-	266	266
Total Revenues	3,050,000	3,050,000	435,222	(2,614,778)
EXPENDITURES				
Capital Outlays - Water and Sewer Improvements	3,050,000	3,050,000	431,629	2,618,371
Total Expenditures	3,050,000	3,050,000	431,629	2,618,371
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	3,593	3,593
Net Change in Fund Balance	-	-	3,593	3,593
Fund Balance - Beginning of Year	-	-	300,067	300,067
Fund Balance - End of Year	$ -	$ -	$ 303,660	$ 303,660

The accompanying notes are an integral part of this financial statement.

CITY OF SUMMERVILLE, GEORGIA
VICTORIAN CHRISTMAS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Grant Revenues	$ -	$ -	$ 2,725	$ 2,725
Investment Earnings	-	-	-	-
Total Revenues	-	-	2,725	2,725
EXPENDITURES				
Current:				
Police	-	-	3,672	(3,672)
Total Expenditures	-	-	3,672	(3,672)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(947)	(947)
Net Change in Fund Balance	-	-	(947)	(947)
Fund Balance - Beginning of Year	3,424	3,424	3,424	-
Fund Balance - End of Year	$ 3,424	$ 3,424	$ 2,477	$ (947)

The accompanying notes are an integral part of this financial statement.

CITY OF SUMMERVILLE, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Enterprise Funds		
	Water & Sewer	Gas	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ -	$ 10,968	$ 10,968
Receivables, Net	550,491	465,778	1,016,269
Due From Other Funds	1,482,708	1,968,605	3,451,313
Prepaids	-	8,336	8,336
Inventories	107,524	38,867	146,391
Total Current Assets	2,140,723	2,492,554	4,633,277
Noncurrent Assets:			
Restricted Assets:			
Cash - Customer Deposits	27,828	19,693	47,521
Cash - Construction	668	159,380	160,048
Cash - Debt Service	920,274	-	920,274
Bond Issue Cost - Net of Amortization	162,972	-	162,972
Capital Assets:			
Land and Improvements	13,132	-	13,132
Construction In Progress	3,545,768	101,957	3,647,725
Distribution and Collection Systems	41,939,117	4,343,424	46,282,541
Buildings	19,706	59,416	79,122
Equipment	735,363	375,296	1,110,659
Less Accumulated Depreciation	(27,655,239)	(4,672,501)	(32,327,740)
Total Noncurrent Assets	19,709,589	386,665	20,096,254
Total Assets	21,850,312	2,879,219	24,729,531
LIABILITIES			
Current Liabilities:			
Accounts Payable	34,567	379,418	413,985
Due To Other Funds	2,045,488	1,247,796	3,293,284
Interest Payable	161,396	3,728	165,124
Retainage Payable	36,339	-	36,339
Customer Deposits	180,227	443,454	623,681
Bonds, Notes, and Loans Payable	667,770	83,898	751,668
Total Currrent Liabilities	3,125,787	2,158,294	5,284,081
Noncurrent Liabilities:			
Compensated Absences	98,247	82,158	180,405
Bond Discount - Net of Amortization	(16,138)	-	(16,138)
Bonds, Notes, and Loans Payable	10,999,993	291,314	11,291,307
Total Noncurrrent Liabilities	11,082,102	373,472	11,455,574
Total Liabilities	14,207,889	2,531,766	16,739,655
NET POSITION			
Net investment in capital assets	6,930,084	-	6,930,084
Restricted			
Customer Deposits	27,828	19,693	47,521
Acquisition and Construction of Capital Assets	668	159,380	160,048
Debt Service	920,274	-	920,274
Unrestricted	(236,431)	168,380	(68,051)
Total Net Position	$ 7,642,423	$ 347,453	$ 7,989,876

The accompanying notes are an integral part of this financial statement.

CITY OF SUMMERVILLE, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Enterprise Funds		
	Water & Sewer	Gas	Total
OPERATING REVENUES			
Charges for services	$ 3,738,374	$ 6,866,109	$ 10,604,483
Other	10	-	10
Total operating revenues	3,738,384	6,866,109	10,604,493
OPERATING EXPENSES			
Salaries, Wages and Employee Benefits	1,149,084	729,397	1,878,481
Cost of Gas for Resale	-	4,470,452	4,470,452
Services and Supplies	948,211	170,893	1,119,104
Administrative Expense	112,957	100,826	213,783
Depreciation	544,735	18,908	563,643
Amortization	13,842	-	13,842
Total operating expenses	2,768,829	5,490,476	8,259,305
Operating income (loss)	969,555	1,375,633	2,345,188
NONOPERATING REVENUES (EXPENSES)			
Interest and investment revenue	1,199	124	1,323
Interest expense	(444,996)	(7,722)	(452,718)
Gain on sale of capital assets	10,025	-	10,025
Total nonoperating revenues (expenses)	(433,772)	(7,598)	(441,370)
Income (loss) before contributions and transfers	535,783	1,368,035	1,903,818
Capital contributions	1,242,652	-	1,242,652
Transfers in	495,070	-	495,070
Transfers out	(950,566)	(1,295,070)	(2,245,636)
Change in net position	1,322,939	72,965	1,395,904
Total net position - beginning	6,319,484	274,488	6,593,972
Total net position - ending	$ 7,642,423	$ 347,453	$ 7,989,876

The accompanying notes are an integral part of this financial statement.

CITY OF SUMMERVILLE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Enterprise Funds		
	Water & Sewer	Gas	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	$ 3,733,592	$ 6,330,052	$ 10,063,644
Payments to suppliers	(620,364)	(4,733,476)	(5,353,840)
Payments to employees	(1,147,835)	(714,415)	(1,862,250)
Net cash provided by operating activities	1,965,393	882,161	2,847,554
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer from other funds	-	-	-
Transfer to other funds	(950,566)	(800,000)	(1,750,566)
Net cash provided (used) by noncapital financing activities	(950,566)	(800,000)	(1,750,566)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from capital debt	284,345	248,000	532,345
Capital contributions	940,659	-	940,659
Purchases of capital assets	(1,073,170)	(113,085)	(1,186,255)
Principal paid on capital debt	(615,289)	(59,016)	(674,305)
Interest paid on capital debt	(455,370)	(9,467)	(464,837)
Proceeds from sales of capital assets	10,025	-	10,025
Net cash (used) by capital and related financing activities	(908,800)	66,432	(842,368)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned	1,198	124	1,322
Net (decrease) in cash and cash equivalents	107,225	148,717	255,942
Cash balances - July 1 (Including $841,545 & $30,388 in restricted cash)	841,545	41,325	882,870
Cash balances - June 30 (Including $948,770 & $19,693 in restricted cash)	$ 948,770	$ 190,042	$ 1,138,812
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	$ 969,555	$ 1,375,633	$ 2,345,188
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	544,735	18,908	563,643
Bond issue / discount amortization	13,842	-	13,842
(Increase) decrease in accounts receivable	103,996	(953,851)	(849,855)
(Increase) decrease in inventories	(30,006)	5,005	(25,001)
(Increase) decrease in prepaids	-	3,691	3,691
Increase (decrease) in accounts and other payables	331,848	357,489	689,337
Increase (decrease) in customer deposits	31,423	75,286	106,709
Net cash provided by operating activities	$ 1,965,393	$ 882,161	$ 2,847,554

The accompanying notes are an integral part of this financial statement.

Note 1. Summary of Significant Accounting Policies

The City of Summerville was incorporated January 1, 1891, and operates under a Council-Manager form of government. The City provides the following services: Animal Control, Culture and Recreation, Public Works (which includes Streets and Sanitation), Public Utilities (Gas and Water), Public Safety (Police and Fire), General and Administrative Services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to the 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 government's accounting policies are described below.

A. Reporting Entity

The financial statements of the reporting entity include those of the City (the primary government) and its component units. In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. As required by generally accepted accounting principles, certain potential component units are considered for inclusion in the reporting entity because of the significance of their operational or financial relationships with the City. At June 30, 2013, the City of Summerville had no component units.

Related Organization

The City council is responsible for appointing all board members of the Summerville Housing Authority. However, the City has no further accountability for the Authority, nor does it have any financial interest or control over the Authority. At year-end there were no receivables or payables between the City and this organization. Financial statements are available at the Housing Authority's office.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements, each of which present different views of the City. The government-wide and fund financial statements categorize primary activities as either governmental or business type. Fiduciary funds are not included in the government-wide statements.

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, permits and fines, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate component units for which the primary government is financially accountable.

In the government-wide statement of net assets, governmental and business type activities are presented on a consolidated basis and reflect full accrual, economic resources basis, which includes long-term assets and receivables as well as long-term debt and obligations.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly

identifiable with a specific function. *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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues.*

Fund financial statements emphasize major funds in either the governmental or business-type category. Non-major governmental funds (if any) are reported as a separate column in the fund financial statements. Fiduciary funds are presented in the fund financial statements.

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

The financial transactions of the City are recorded in individual funds which provide a separate set of self-balancing accounts that are comprised of assets, liabilities, reserves, fund equity, revenues and expenditures.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Howerver, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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 the government receives the cash. In applying the susceptible to accrual concept, nonexchange transactions are recognized in accordance with GASB Statement 33.

The government reports the following major governmental funds:

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

The *Capital Projects Fund* accounts for the receipt and disbursements of Special Local Option Sales Tax assessments that are to be used to finance the acquisition and/or construction of capital assets.

The *Confiscated Drug Fund* accounts for law enforcement confiscations of cash and property seized in the course of illegal narcotics-related arrests.

The government reports the following major proprietary funds:

The *Water and Sewer Fund* accounts for those operations of the City which involve water distribution, sewage pumping stations, collection systems, and the sewage treatment plant. A fee is charged to external users for goods or services, and the activity is intended to be self-supporting.

The *Gas Fund* accounts for those operations of the City which involve natural gas distribution, to include gas line maintenance and additions, meter maintenance and additions/replacement. A fee is charged to external users for goods or services and this activity is also intended to be self-supporting.

Both the water/sewer and gas funds are reported as major funds. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water/sewer and gas enterprise funds are charges to customers for sales and services. Both funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 government has elected not to follow subsequent private-sector guidance.

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.

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

D. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. An annual appropriated budget is adopted for the general fund. Annual appropriations lapse at fiscal year end.

Encumbrance or commitments related to the unperformed contract for goods or services (if any) were for immaterial amounts and therefore are not reported as reservations of fund balances.

E. Cash and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, and must be by law insured or collateralized, and investments, if any, are limited by law and bond ordinances, to federal and state securities and stated at fair value.

F. Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. The balances which represent receivables and payables between pgovernmental and business-type activities are reported as internal balances. As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are administrative charges between the general fund and the water/sewer and gas funds. Elimination of these charges would distort the direct costs and revenues reported for the two funds.

G. Restricted Cash

Demand and time deposits set aside for repayment of water and sewer revenue bonds are classified as restricted on the balance sheet because their use is limited by applicable bond covenants.

H. Capital Assets

Capital assets that cost more than $1,000 with an estimated useful life of more than one year are capitalized and depreciated. Capital assets, including property, plant, vehicles, equipment and infrastructure (streets, bridges, curbs and gutters, sidewalks, drainage and lighting systems) are reported in the applicable governmental or business-type activities columns in the government-wide statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair value on the date of acquisition. Depreciation is computed on the straight-line basis over the estimated useful life of the asset.

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 capital assets, as applicable.

Interest is capitalized on proprietary fund assets acquired with debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

I. Compensated Absences

Vested or accumulated vacation leave and sick leave is recorded as an expense and a liability when incurred in the proprietary fund financial statements and as a liability in the governmental funds only in the government-wide financial statements.

J. Long-term Obligations

Long-term debt and other obligations are reported as a liability in the government-wide financial statements and the proprietary fund financial statements.

K. Bond Discounts/Issuance Costs

Bond discounts and issuance costs are deferred and amortized over the term of the bonds using the bonds-outstanding method which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of the bonds payable whereas issuance costs are recorded as deferred charges.

L. Fund Equity

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

Fund Balance - represents the difference between current assets and current liabilities. In the fund financial statements, governmental funds report fund balance classifications based on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- Nonspendable – fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (for example, 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 – fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent would be expressed by the City Council itself or the Council would delegate the authority to assign fund balance to management.

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

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

Net Position – represents the different between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any unspent borrowings for the acquisition, construction of capital assets. Net position may be reported as restricted or unrestricted.

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City had no items that qualified as a deferred outflow of resources for fiscal 2013.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City had no items that qualified as a deferred inflow of resources for fiscal 2013.

N. Inventory

Inventory is valued at lower of cost (first-in, first-out) or market. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. The Street, Water/Sewer Fund, and Gas Fund inventories are valued at lower of cost or market using the first-in, first-out method.

O. Property Tax

The City is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation. Property taxes become a lien on the first day of the levy year.

The City did not levy a property tax for the fiscal year ended June 30, 2013.

Note 2. Legal Compliance - Budgets

Georgia Law requires an annual balanced budget for the general fund and a project length budget for each capital project fund. All departments of the City submit requests for appropriation to the City Clerk so that a budget may be prepared. The budget is prepared by fund, function (department), and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

No later than 45 days prior to the beginning of the fiscal year, the proposed budget is presented to the mayor and council for review. The council holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Department heads may make transfers of appropriations within a department. The legal level of budgetary control is at the department level. Transfers of appropriations between departments must be approved by an affirmative vote of a majority of the council, except for emergencies as defined by the charter and unanimously voted by council. The 2013 General Fund budget was voted upon and adopted by the city council.

Note 3. Deposits and Investments

Cash includes amounts in demand and time deposits that must be by law insured or collateralized, and investments, if any, are limited by law and bond ordinances, to federal and state securities.

At year end the government's carrying amount of deposits was $4,218,274 and the bank balance was $4,547,347. The bank balance was covered by $100,000 federal depository insurance and the remaining $4,447,347 balance was collateralized with securities held by the pledging financial

institution's trust department or agent in the government's name. This represents a category 2 level of risk.

The City's investments are categorized as either (1) insured or collateralized with securities held by the City or its agent in the City's name, (2) collateralized with securities held by the pledging financial institutions trust department or agent in the City's name or (3) uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name.

The City has no investments other than cash.

Note 4. Receivables

As of June 30, 2013, receivables for the City's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Receivables:	Governmental Activities	Business-type Activities	Total
Taxes	$ 128,474	$ -	$ 128,474
Accounts	117,730	1,701,442	1,819,172
Total	246,204	1,701,442	1,947,646
Less: Allowance for Uncollectibles	(144,760)	(685,173)	(829,933)
Net Total Receivables	$ 101,444	$ 1,016,269	$1,117,713

Note 5. Interfund Receivables, Payables, and Transfers

Due To/From Other Funds

Outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services, short-term non-operating subsidies and other miscellaneous transactions between funds. This activity is similar to lending/borrowing arrangements and outstanding balances at year-end are presented as "due/to from other funds". Balances between governmental or proprietary funds are netted when presented in the government-wide statements and reported as "internal balances". As of June 30, 2013, interfund receivables and payables that resulted from various interfund transactions were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	$ (562,781)
Gas Fund	General Fund	720,809
Total		$ 158,028

Transfers and Payments

Routine transfers and payments between funds are to subsidize operations and capital acquisitions. Interfund transfers for the year ending June 30, 2013 are as follows:

Between Governmental and Business-type Funds:

Source Fund	Transfer To Fund	Amount
Capital Projects	Water Fund	$ (305,245)
Gas	General Fund	800,000
Water Sewer	General Fund	950,566
		$ 1,445,321

Transfers on the fund level statements are different because transfers in the amount of $305,245 from the capital projects fund to the water fund are shown as capital outlays in the governmental funds.

Note 6. Capital Assets

The following table provides a summary of capital asset activity for governmental activities:

Governmental Activities:	Balance July 1, 2012	Additions	Deletions	Transfers (To)/From	Balance June 30, 2013
Capital Assets Not Being Depreciated					
Land	$ 864,570	$ -	$ -	$ -	$ 864,570
Construction In Progress	-	-	-	-	-
Total Capital Assets Not Being Depreciated	864,570	-	-	-	864,570
Capital Assets Being Depreciated					
Buildings	2,887,070	3,500	-	-	2,890,570
Improvements	85,788	-	-	-	85,788
Equipment	5,446,708	79,126	(39,275)	-	5,486,559
Total Capital Assets Being Depreciated	8,419,566	82,626	(39,275)	-	8,462,917
Less Accumulated Depreciation For:					
Buildings	(2,207,677)	(35,198)	-	-	(2,242,875)
Improvements	(38,069)	(6,005)	-	-	(44,074)
Equipment	(2,440,962)	(237,489)	39,275	-	(2,639,176)
Total Accumulated Depreciation	(4,686,708)	(278,692)	39,275	-	(4,926,125)
Total Capital Assets Being Depreciated, Net	3,732,858	(196,066)	-	-	3,536,792
Governmental Activity Capital Assets, Net	$ 4,597,428	$ (196,066)	$ -	$ -	$ 4,401,362

The following table provides a summary of capital assets activity for business-type activities:

Business-type Activities:	Balance July 1, 2012	Additions	Deletions	Transfers (To)/From	Balance June 30, 2013
Capital Assets, Not Being Depreciated					
Land	$ 13,132	$ -	$ -	$ -	$ 13,132
Construction In Progress	2,594,293	1,053,432	-	-	3,647,725
Total Capital Assets Not Being Depreciated	2,607,425	1,053,432	-	-	3,660,857
Capital Assets, Being Depreciated					
Buildings	79,122	-	-	-	79,122
Systems	46,239,780	44,261	-	-	46,284,041
Equipment	1,177,074	36,300	(104,216)	-	1,109,158
Total Capital Assets Being Depreciated	47,495,976	80,561	(104,216)	-	47,472,321
Less Accumulated Depreciation For:					
Buildings	(63,775)	(2,146)	-	-	(65,921)
Systems	(30,936,236)	(482,997)	-	-	(31,419,233)
Equipment	(868,303)	(78,500)	104,216	-	(842,587)
Total Accumulated Depreciation	(31,868,314)	(563,643)	104,216	-	(32,327,741)
Total Capital Assets Being Depreciated, Net	15,627,662	(483,082)	-	-	15,144,580
Business-type Activities Capital Assets, Net	$ 18,235,087	$ 570,350	$ -	$ -	$ 18,805,437

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

General Government	$ 34,687
Public Safety	18,406
Fire	68,716
Streets	12,075
Recreation	143,141
Animal Control	1,667
Total Depreciation Expense	$ 278,692

Business-type Activities	
Water/Sewer	$ 544,735
Gas	18,908
Total Depreciation Expense	$ 563,643

The following estimated useful lives are used to compute depreciation (straight-line method):

Buildings	20-50 years
Equipment	3-10 years
Infrastructure	50 years
Park Improvements	5-40 years
System	20-75 years

Note 7. Long-term Debt

The following is a summary of the City's long–term debt activity for the year ended June 30, 2013:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Due Within One Year
Governmental Activities:					
Capital Leases	$ 296,384	$ -	$ 29,653	$ 266,731	$ 30,424
Compensated Absences	361,554	153,768	172,167	343,155	-
Total Governmental Activities	$ 657,938	$ 153,768	$ 201,820	$ 609,886	$ 30,424
Business-type Activities:					
Capital Leases	$ -	$ 248,000	$ -	$ 248,000	$ 21,864
Loans Payable	4,017,139	144,134	456,298	3,704,975	189,804
Revenue Bonds	8,610,000	-	520,000	8,090,000	540,000
Compensated Absences	179,247	106,164	105,006	180,405	-
Total Business-type Activities	$ 12,806,386	$ 498,298	$ 1,081,304	$ 12,223,380	$ 751,668

Advance Refundings

In 2005 the City issued $9,695,000 of Combined Public Utility Revenue and Refunding Bonds ("2005 Bonds") for the advance refunding of the City's 2002 Combined Public Utility Revenue and Refunding Bonds ("2002 Bonds") and for related capital improvements to the City's water system. As a result of this issuance, $7,749,047 was used to purchase United States Government State and Local Government Series securities that were placed into an escrow account for the purpose of generating resources for payment of principal, interest, and redemption premium on the 2002 Bonds beginning in fiscal year 2013 and continuing through maturity in fiscal year 2026. The portion of the 2002 Bonds being refunded is considered defeased and has been removed from the government wide Statement of Net Assets and the proprietary fund Balance Sheet. As of June 30, 2013, $6,920,000 was considered defeased.

Compensated absences in governmental activities are liquidated by the general fund and compensated absences in the business-type activities are liquidated by the water and gas funds.

Long – term debt payable at June 30, 2013 is composed of the following issues:

Loans Payable

$701,000 Municipal Gas Authority of Georgia Loan: Due in annual installments of $68,483, bearing interest at 5.00%, with a maturity date of December 1, 2014.	$ 127,213
$1,481,839 GEFA Loan: With total approved loan amount of $1,489,839, and fully drawn down as of June 30, 2009; due in monthly installments of $9,089, bearing interest at 4.14%, with a maturity date of May 1, 2029.	1,269,922
$201,600 GEFA Loan: With total approved loan amount of $201,600 and $172,800 drawn down. This loan entered repayment phase as of April 1, 2011; due in monthly installments of $958, bearing interest at 3.00%, with a maturity date of April 1, 2031.	158,678
$2,484,448 GEFA Loan: With total approved loan amount of $2,484,448 and $2,484,448 drawn down. This loan entered repayment phase as of January 1, 2013; due in monthly installments of $12,104, bearing interest at 3.00%, with a maturity date of January 1, 2033.	2,149,162
Total Loans Payable	$ 3,704,975

Annual debt service requirements to maturity for the MGAG loan payable are as follows:

Fiscal Year Ending	Principal	Interest	Total
2014	$ 62,034	$ 6,449	$ 68,483
2015	65,179	3,304	68,483
Total	$ 127,213	$ 9,753	$ 136,966

Annual debt service requirements to maturity for the GEFA loans payable are as follows:

Fiscal Year Ending	Principal	Interest	Total
2014	$ 146,314	$ 119,512	$ 265,826
2015	151,442	114,384	265,826
2016	156,756	109,070	265,826
2017	162,260	103,566	265,826
2018	167,963	97,863	265,826
2019-2023	932,840	396,290	1,329,130
2024-2028	1,109,766	219,364	1,329,130
2029-2033	750,421	47,892	798,313
Total	$ 3,577,762	$ 1,207,941	$ 4,785,703

Revenue Bonds

$9,695,000 Series 2005 Combined Public Utility Revenue Refunding and Improvement Bonds with $170,000 of principal due January 1, 2011 bearing interest at 3.99%, and a maturitydate of January 1, 2026.

$ 8,090,000

Revenue bond debt service requirements to maturity are as follows:

Fiscal Year Ending	Principal	Interest	Total
2014	$ 540,000	$ 322,791	$ 862,791
2015	565,000	301,245	866,245
2016	585,000	278,702	863,702
2017	605,000	255,360	860,360
2018-2022	3,420,000	893,561	4,313,561
2023-2026	2,375,000	191,920	2,566,920
Total	$ 8,090,000	$ 2,243,579	$ 10,333,579

Note 8. Lease Obligations

Operating Leases

The City has no operating lease obligations.

Capital Leases

The City has entered into a lease agreement with Branch Bank & Trust as lessee for financing the acquisition of a 'pumper' fire truck from Pierce Manufacturing Inc., for $304,055.

This lease agreement with Branch Bank & Trust qualifies as a capital lease for accounting purposes (title transfers at the end of the lease term) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date the equipment is acquired.

The City's equipment under lease has a cost of $266,731 and accumulated depreciation of $60,811 as of June 30, 2013. The following is a schedule of the future minimum lease payments under this capital lease, and the present value of the net minimum lease payments at June 30, 2013. The effective interest rate at June 30, 2013 is 2.60%.

The City has entered into a lease agreement with Branch Bank & Trust as lessee for financing the installation of natural gas line extensions for $248,000.

This lease agreement with Branch Bank & Trust qualifies as a capital lease for accounting purposes (title transfers at the end of the lease term) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date the equipment is acquired.

The City's gas lines under lease are currently under construction and have a cost of $101,957 and accumulated depreciation of $0 as of June 30, 2013. The following is a schedule of the future minimum lease payments under this capital lease, and the present value of the net minimum lease payments at June 30, 2013. The effective interest rate at June 30, 2013 is 2.75%.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013, are as follows:

Year Ending June 30	Governmental Activities	Business-type Activities
2014	$ 37,359	$ 28,535
2015	37,359	28,535
2016	37,359	28,535
2017	37,359	28,535
2018	37,359	28,535
2019-2023	112,078	142,676
Total Minimum Lease Payments	298,873	285,351
Less Amount Representing Interest	(32,142)	(37,351)
Present Value of Future Minimum Lease Payments	$ 266,731	$ 248,000

Note 9. Direct Financing Lease Receivable

During 1998, the City entered into a direct financing lease. The lease requires monthly payments to the City of $2,613 including interest at 6.5% through January 2014. The lease allows the lessee to purchase the property at the end of the lease term for $1. The lessee is responsible for all operating costs related to the property.

Future minimum lease payments, by year, based on the current interest rate are as follows:

Total minimum lease payments to be received:

Fiscal Year Ending	
2014	$ 17,904
Total	17,904
Less Interest	(196)
Net Investment In Direct Financing Lease	$ 17,708

Note 10. Restricted Assets

The City is required to establish and maintain cash accounts to comply with bond covenants and external legal requirements. The debt service and capital acquisition/improvements cash accounts are restricted for payment of bond principal and interest and certain construction funds are restricted for specified capital projects or improvements. Customer deposit accounts are restricted to application against outstanding balances or are subject to being refunded. The Drug enforcement account is restricted for monies used in law enforcement activities. The Recreation cash account is for monies designated for the maintenance and improvement of recreational facilities and small equipment.

As of June 30, 2013, restricted assets consist of the following:

Governmental Activities:	
Cash - Drug Enforcement	$ 37,068
Cash - Recreation Department	11,073
Cash - Capital Acquisition/Improvements	313,709
Total	$ 361,850

Business-type Activities	
Cash - Customer Deposits	$ 47,520
Cash - Capital Acquisition/Improvements	160,049
Cash - Debt Service	920,274
Total	$ 1,127,843

Note 11. Pension Plan

Plan Description. The City has a non-contributory defined benefit plan covering all full time employees. The plan, the City of Summerville Retirement Plan, is administered by the Georgia Municipal Employees Benefit System (GMEBS), a statewide, agent multiple-employer type plan. GMEBS policy direction and oversight for the fund is provided by a 15 member board comprised of elected and appointed officials from the fund's membership. GMEBS handles all administrative and investment functions relative to the plan. The City established the plan effective April 1, 1985, and the authority to establish, amend or discontinue the plan remains with the City. The plan provides pension benefits and death and disability benefits for all employees that have been employed full time for one year. Members may retire at 62 years of age with 5 years of service. Early retirement is possible at age 50 with 10 years of service. Benefits are calculated at 1.75% of the average monthly earnings for the period of the five highest years prior to retirement.

The Georgia Municipal Employees Benefit System issues a publicly available annual financial report that includes financial statements and required supplementary information. This report may be obtained by contacting the Georgia Municipal Employees Benefit System, C/O Georgia Municipal Association – Risk Management and Employee Benefit Services, 201 Pryor Street, SW, Atlanta, Georgia 30303.

Funding Policy and Annual Contributions. The funding policy for the plan is to contribute an amount equal to the recommended contribution in each year. These contributions are determined under the projected unit credit actuarial cost method and the asset valuation method for developing the actuarial value of assets. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1985 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year.

The Plan is subject to the minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10). According to the latest actuarial valuation, dated January 1, 2013, the estimated minimum annual contribution under these funding standards is $308,808.

According to the most recent annual plan valuation dated January 1, 2013, the recommended contribution to the plan for 2013 is $405,794 ($0 employee and $405,794 employer; 0% employee and 16.28% employer of covered payroll respectively), and for 2012 was $410,708 ($0 employee and $410,708 employer; 0% employee and 15.56% employer of covered payroll respectively). Covered payroll for 2013 and 2012 is $2,450,681 and $2,594,802 respectively.

Funded Status. GASB No. 27 requires disclosure of the City's annual pension cost, percentage of annual pension cost contributed and net pension obligation for the most recent three years.

Three-Year Trend information

Fiscal Year Ending	Employer Annual Pension Cost	Percentage of APC Contributed	Net (EOY) Pension Obligation
2013	$ 405,794	100%	$ -
2012	410,708	100%	-
2011	445,944	100%	-

Schedule of Funding Progress

Actuarial Valuation For Plan Year Beginning January 1	(1) Actuarial Value Of Assets	(2) Actuarial Accrued Liability	(3) Unfunded Actuarial Accrued Liability (2)-(1)	(4) Funded Ratio (1)/(2)	(5) Covered Payroll	(6) Unfunded Actuarial Accrued Liability As % Of Covered Payroll (3)/(5)
2013	$ 7,968,745	$ 9,087,058	1,118,313	87.7%	$ 2,450,681	45.6%
2012	7,544,436	8,678,662	1,134,226	86.9%	2,594,802	43.7%
2011	7,133,470	8,542,515	1,409,045	83.5%	2,580,672	54.6%
2010	6,602,645	8,236,041	1,633,396	80.2%	2,678,234	61.0%

Significant Actuarial Assumptions. A variety of significant actuarial assumptions are used to determine the standardized measure of the pension benefit obligation and these assumptions are summarized below:

Rate of return on investment	7.75% per year
Projected salary increases for Inflation	3.5% per year
Annual rates of increase in: Salaries	Table of rates based on age/svc
Future Social Security Wage Base	3.5%
Cost of living adjustment	3.0%
Post retirement benefit increases	Not applicable
Actuarial Methods:	
Normal Cost and Actuarial Accrued Liability	Projected Unit Credit
Actuarial Value of Assets	Sum of the actuarial value at the beginning of year and the cash flow during year plus the assumed investment return, adjusted by 10 percent of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 50% of market value of 2009, 44% of market value for 2010, 38% of market value for 2011, 32% of market value for 2012, 26% of market value for 2013, and 20% of market value for 2014 and later years.

Actuarial assumptions are the same as those used in the preceding year.

As of January 1, 2013, employee membership data related to the current plan membership was as follows:

Number of retirees and beneficiaries currently receiving benefits	65
Number of terminated employees entitled to benefits, but not yet receiving them	23
Number of Active Plan Participants	
Vested	41
Nonvested	31
Total	160

Note 12. Restricted Fund Balances/Net Assets

Restrictions are used to indicate that a portion of the net assets is not available for appropriations and is legally segregated for a specific future use. The City uses the following restrictiions:

Governmental Funds:

Restricted for capital project activities - Created to segregate money received from federal or state sources that restrict the funds eligible for capital construction projects.

Restricted for drug enforcement activities - Created to segregate money received from federal or state sources, as well as from confiscations, that restrict use for law enforcement purposes only.

Restricted for Recreation - Created to segregate money received from patrons of recreational facilities, as well as from federal or state sources, for the use of facilities and small equipment maintenance and improvements.

Business Type- activities:

Restricted for debt Service - The City's bond covenants require certain reservations of the Water and Sewer net assets for payments of bond principal and interest.

Restricted for capital project activities - Created to segregate money received from federal or state sources that restrict the funds eligible for capital construction projects.

Restricted for customer deposits – Utility deposits from customers that the City is legally required to either apply against any outstanding balance of the customer, or to refund as the situation warrants.

Note 13. Other Information

Vacation and Sick Leave

City employees' vacation and sick leave accrual policy is as follows:

Years of Service	Vacation Accrual	Sick Leave Accrual
1-3	5 Days per year	5 Days per year
4-9	10 Days per year	10 Days per year
10-14	15 Days per year	15 Days per year
15+	20 Days per year	20 Days per year

Employees with vacation time remaining at the end of the calendar year may carry their time forward to the next year. Carry forward limits are set at 13 weeks for vacation and 13 weeks for sick leave.

Note 14. Risk Management

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the City. The City is exposed to various risk of loss related to torts; theft of, damage to, or destruction of assets: errors and omissions; and natural disasters for which the City carries commercial insurance. This City is self insured related to unemployment compensation. There have been no significant reductions in insurance coverage from the prior year.

During the past three years, the costs of any settlements have not exceeded insurance coverage.

The City is also exposed to the risk of injuries to employees, for which the City participates in the Georgia Municipal Association – Workers Compensation Self-Insurance Fund. The fund is considered a public entity risk pool, which is a self-insured program authorized by state statute (34-9-150), and administered by GMA. Unlike commercial insurance where the risk is transferred to another party, the risk pool simply spreads the risk among the members. All governmental entities located in the State of Georgia are eligible to participate. Members of the pool are responsible for paying estimated premiums based on payroll projections for each calendar year. The risk pool is responsible for paying all claims filed on behalf of the members.

Note 15. Joint Venture

The City of Summerville is a member of the Coosa Valley Regional Department Center (RDC). The RDC was created under the laws of the State of Georgia and cities and counties in the area served by the RDC are required to be members. The membership of the RDC includes 10 counties and 35 municipalities. The City's annual dues are paid by Chattooga County in the City's stead. The City has no equity interest in the RDC nor does the City materially contribute to the continued existence of the RDC. The Official Code of Georgia Annotated Section 50-8-39.1 states that in the event the RDC ceases operation, the membership can be assessed for any debt or obligation of the RDC. Separate financial statements may be obtained from: Coosa Valley Regional Development Center, P.O. Box 1793, Rome, Georgia 30162.

Note 16. Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

Note 17. Post-Employment Benefits (Obligations for Life Insurance)

Plan Description. Through the passage of local ordinance, the City of Summerville OPEB plan, a single employer defined benefit plan provides continuation of life insurance coverage to retired employees. All full time employees of the City are eligible for these benefits. The employer covers all costs. The normal retirement date of a participant is the first day of the calendar month coincident with or next following their 65th birthday. A participant may retire on an early retirement date which may be the first day of any calendar month prior to their normal retirement date, provided they have then attained their 50th birthday and completed 10 years of credited service. A participant may continue in employment beyond his normal retirement date; such participant's postponed retirement date will be the first day of the calendar month coincident with or next following his actual retirement. Life insurance is provided for the life of the employee and is equal to a $30,000 benefit if the deceased benificiary was less than 65 years of age at time of death, a $19,500 benefit when the deceased benificiary was 65 to 69 years of age at time of death, a $15,000 benefit when the deceased benificiary was 70 to 74 years of age at time of death, and a $10,500 benefit when the deceased benificiary was greater than 75 years of age at time of death. The plan is administered through the City's current insurance provider and no separate audit report is available. The City has the authority to amend the provisions of this plan.

The number of participants as of June 30, 2013, the effective date of the OPEB valuation is as follows:

Active employees	62
Retired employees	25
	87

Funding Policy. The City currently pays for life insurance benefits on a pay-as-you-go basis. The City's annual OPEB cost, the percentage contributed, and the net obligation are as follows:

Period Ended	OPEB Cost	Percentage Contributed	Net OPEB Obligation	Amount Contributed
6/30/2013	$ 19,468	53.80%	$ 8,994	$ 10,474

The funded status of the OPEB plan is as follows:

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	Ratio of the UAAL to Annual Covered Payroll
7/1/2012	$ -	$ 230,363	$ 230,363	0.0%	$ -	$ -

Annual Other Postemployment Benefit Cost. The City's OPEB cost is actuarially calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid each year, is projected to provide funding for future benefits. The following table shows the components of the City's OPEB cost for the current year, amount contributed and changes in OPEB obligation.

Annual OPEB Cost		
ARC	$	19,468
Interest on net OPEB obligation		-
Adjustment ot the ARC		-
Total Annual OPEB cost	$	19,468
Net OPEB Obligation		
Annual OPEB cost	$	19,468
Contributions made		(10,474)
Increase (decrease) in net OPEB Obligation		8,994
Net OPEB obligation, beginning of period		-
Net OPEB obligation, end of period	$	8,994

Actuarial Methods and Assumptions. Actuarial assumptions used in the plan are as follows:

Economic Assumptions:

Interest Rates	
Discount Rate	4.5%
Inflation Rate	3.0%
Salary Increases	3.0%
Post Retirement Benefit Increases	None

Demographic Assumptions:

Mortality	RP-2000 Combined Mortality Table
Termination	None. Vested employees entitled
Spousal Participation	None
Administrative Expense	None
Averages for Active	
Age	45.2
Service	11.2
Averages for Inactive	
Age	72.9

Actuarial Methods:

Normal Cost and Actuarial Accrued Liability	Projected Unit Credit
Actuarial Value of Assets	Same as Market Value
Amortization of Unfunded Accrued Actuarial Liability (UAAL)	UAAL is amortized over thirty years using level dollar payments based on an open group

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The actuarial calculations are based on the types of benefits provided under the plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations are designed to reflect a long-term perspective, and consistent with that perspective, are designed to minimize short-term volatility of accrued liabilities and the actuarial value of assets.

Note 18. Construction Commitments

The City's construction projects as of June 30, 2013 are as follows:

Business-type Activities

The City is in the process of performing upgrades to the waste water treatment plant. This project is being financed by revenue bond proceeds and a loan from the Georgia Environmental Facilities Authority.

COMPLIANCE SECTION

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CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

LLOYD WILLIAMSON
CHRISTIAN HATCH

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*

The Honorable Mayor and City Council
City of Summerville, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the City of Summerville, Georgia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Summerville, Georgia's basic financial statements, and have issued our report thereon dated December 2, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Summerville, 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 Summerville, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Summerville, Georgia'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. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Summerville, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

We noted certain matters that we reported to management of the City of Summerville in a separate letter dated December 2, 2013.

Williamson + Company

Williamson & Company
Certified Public Accountants
December 2, 2013

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CHRISTIAN HATCH

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

The Honorable Mayor and
Members of the City Council
City of Summerville, Georgia 30747

Report on Compliance for Each Major Federal Program

We have audited The City of Summerville, 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 Summerville, Georgia's major federal programs for the year ended June 30, 2013. The City of Summerville, 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 its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The City of Summerville, 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 Summerville, 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 Summerville, Georgia's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of The City of Summerville, Georgia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The City of Summerville, Georgia's internal control over compliance with

the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal 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 Summerville, 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 a 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.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of The City of Summerville, Georgia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise The City of Summerville, Georgia's basic financial statements. We issued our report thereon dated December 2, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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.

Williamson + Company

Williamson & Company
Certified Public Accountants
December 2, 2013

CITY OF SUMMERVILLE, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Housing and Urban Development, United States			
Pass-through programs from Georgia Department of Community Affairs:			
Community Development Block Grant	14.228	11q-z-027-2-5425	$ 462,914
Community Development Block Grant	14.228	12p-x-027-2-5469	54,814
Total Department of Housing and Urban Development			517,728
Environmental Protection Agency, United States			
Pass-through programs from Georgia Environmental Finance Authority:			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	DWSRF 09-036	143,045
Total United States Environmental Protection Agency			143,045
Total Expenditures of Federal Awards			$ 660,773

Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Summerville, Georgia and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Office of Management and Budget Circular A-133, Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some amounts in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF SUMMERVILLE, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *Unqualified*

Internal control over financial reporting:

Material weakness(es) identified?	____ Yes	X No
Reportable condition(s) identified not considered to be material weaknesses?	____ Yes	X None Reported
Noncompliance material to financial statements noted?	____ Yes	X No

Federal Awards

Internal Control over major programs:

Material weakness (es) identified?	____ Yes	X No
Reportable condition(s) identified not considered to be material weaknesses?	____ Yes	X None Reported

Type of auditor's report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	____ Yes	X No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
14.228	Community Development Block Grants
66.468	Capitalization Grants for Drinking Water State Revolving Funds

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

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

Section IV - Status of Prior Audit Findings

No matters were reported.

CITY OF SUMMERVILLE, GEORGIA
SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX
YEAR ENDED JUNE 30, 2013

Project Description	Estimated Costs		Expenditures		
2007 SPLOST	Original	Current	Prior Years	Current Year	Total
Water and Sewer	$ 3,050,000	$ 3,050,000	$ 1,737,819	$ 431,629	$ 2,169,448