City of Summerville, Georgia

Annual Financial Report

for the

Fiscal Year Ended June 30, 2014

By Authority of

The Mayor and City Council

CITY OF SUMMERVILLE, GEORGIA
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2014

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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, 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, 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, 2014, 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 Schedules 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 Schedules of Special Purpose Local Option Sales Tax Expenditures are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2014, 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
November 6, 2014

FINANCIAL SECTION

CITY OF SUMMERVILLE, GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business - type Activities	Total
ASSETS			
Cash and cash equivalents	$ 3,435,864	$ 15,119	$ 3,450,983
Receivables - net	123,754	1,069,949	1,193,703
Prepaids	-	9,556	9,556
Inventories	9,463	146,391	155,854
Restricted cash	266,309	1,112,426	1,378,735
Bond issue cost - net of amortization	-	150,745	150,745
Capital assets:			
Land and improvements	864,570	13,132	877,702
Construction in progress	63,350	836,725	900,075
Other capital assets, net of depreciation	3,589,315	18,520,045	22,109,360
Total capital assets	4,517,235	19,369,902	23,887,137
Total assets	8,352,625	21,874,088	30,226,713
LIABILITIES			
Accounts payable and other current liabilities	89,054	487,377	576,431
Accrued wages payable and withholdings	43,253	20,058	63,311
Internal balances	1,180,457	(1,180,457)	-
Interest payable	-	154,174	154,174
Customer deposits	6,468	789,427	795,895
Bond discount - net of amortization	-	(14,524)	(14,524)
Long-term liabilities (Note 7):			
Due within one year	31,215	854,372	885,587
Due in more than one year	599,927	10,891,457	11,491,384
Total Liabilities	1,950,374	12,001,884	13,952,258
NET POSITION			
Net investment in capital assets	4,280,928	8,800,734	13,081,662
Restricted			
Drug enforcement activities	27,698	-	27,698
Recreation	8,993	-	8,993
Customer Deposits	-	46,904	46,904
Acquisition and construction of capital assets	26,312	244,408	270,720
Debt service	-	821,114	821,114
Unrestricted	2,058,320	(40,956)	2,017,364
Total net position	$ 6,402,251	$ 9,872,204	$ 16,274,455

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

CITY OF SUMMERVILLE, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

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	$ 752,799	$ 58,324	$ 30,100	$ 304,932	$ (359,443)	$ -	$ (359,443)
Police	1,483,635	418,026	-	-	(1,065,609)	-	(1,065,609)
Fire	455,201	457,726	9,600	17,241	29,366	-	29,366
Animal control	26,867	-	-	-	(26,867)	-	(26,867)
Streets	591,489	45	-	101,053	(490,391)	-	(490,391)
Culture and recreation	749,655	20,542	75,000	-	(654,113)	-	(654,113)
Codes enforcement	37,511	13,192	-	-	(24,319)	-	(24,319)
Sanitation	219,263	213,615	-	-	(5,648)	-	(5,648)
Interest on Long-term Debt	6,935	-	-	-	(6,935)	-	(6,935)
Total governmental activities	4,323,355	1,181,470	114,700	423,226	(2,603,959)	-	(2,603,959)
Business-type activities:							
Water/Sewer	3,231,674	4,202,595	-	482,272	-	1,453,193	1,453,193
Gas	6,602,520	8,499,699	-	-	-	1,897,179	1,897,179
Total business-type activities	9,834,194	12,702,294	-	482,272	-	3,350,372	3,350,372
Total primary government	$ 14,157,549	$ 13,883,764	$ 114,700	$ 905,498	(2,603,959)	3,350,372	746,413
General revenues:							
Taxes:							
Property taxes, levied for general purposes					42,139	-	42,139
Franchise taxes					333,801	-	333,801
Insurance premium taxes					233,882	-	233,882
Malt beverage taxes					97,513	-	97,513
Investment earnings					4,928	1,154	6,082
Gain (Loss) on Sale of Capital Assets					6,171	17,248	23,419
Miscellaneous					68,788	-	68,788
Transfers					1,486,446	(1,486,446)	-
Total general revenues and transfers					2,273,668	(1,468,044)	805,624
Change in net position					(330,291)	1,882,328	1,552,037
Net position - beginning					6,732,542	7,989,876	14,722,418
Net position - ending					$ 6,402,251	$ 9,872,204	$ 16,274,455

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

CITY OF SUMMERVILLE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Capital Projects SPLOST Fund	Capital Projects-2014 SPLOST Fund	Confiscated Drug Fund	Victorian Christmas Fund	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 3,409,552	$ 26,312	$ -	$ -	$ -	$ 3,435,864
Receivables (net of allowance for uncollectibles)	123,733	-	-	-	21	123,754
Inventories	9,463	-	-	-	-	9,463
Cash - Restricted	238,611	-	-	27,698	-	266,309
Due from other funds	5,121,685	-	-	-	-	5,121,685
Total assets	$ 8,903,044	$ 26,312	$ -	$ 27,698	$ 21	$ 8,957,075
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 89,054	$ -	$ -	$ -	$ -	$ 89,054
Accrued wages payable and withholdings	43,253	-	-	-	-	43,253
Due to other funds	6,293,142	-	9,000	-	-	6,302,142
Customer deposits	6,468	-	-	-	-	6,468
Total liabilities	6,431,917	-	9,000	-	-	6,440,917
Fund Balances:						
Nonspendable:						
Inventories	9,463	-	-	-	-	9,463
Loans receivable	-	-	-	-	-	-
Restricted for:						
Drug enforcement activities	-	-	-	27,698	-	27,698
Acquisition and construction of capital assets	189,615	26,312	(9,000)	-	-	206,927
Recreation	8,972	-	-	-	21	8,993
Clean and Lien	40,024					40,024
Unassigned	2,223,053	-	-	-	-	2,223,053
Unreserved, reported in nonmajor:						
Capital projects fund	-	-	-	-	-	-
Total fund balances	2,471,127	26,312	(9,000)	27,698	21	2,516,158
Total liabilities and fund balances	$ 8,903,044	$ 26,312	$ -	$ 27,698	$ 21	$ 8,957,075

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

CITY OF SUMMERVILLE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

Reconciliation of the Balance Sheet to the Statement of Net Position

Total fund balances - governmental funds	$	2,516,158
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.		4,517,235
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.		(631,142)
Effects of miscellaneous rounding of amounts		-
Net position of governmental activities	$	6,402,251

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, 2014

	General Fund	Capital Projects SPLOST Fund	Capital Projects-2014 SPLOST Fund	Confiscated Drug Fund	Victorian Christmas Fund	Total Governmental Funds
REVENUES						
Taxes	$ 666,211	$ -	$ -	$ -	$ -	$ 666,211
Licenses and permits	42,247	-	-	-	-	42,247
Intergovernmental	159,417	304,710	-	-	-	464,127
Charges for services	700,654	-	-	-	-	700,654
Fines and forfeitures	416,992	-	-	1,034	-	418,026
Contributions	100,623	-	-	-	-	100,623
Investment earnings	4,897	222	-	31	-	5,150
Miscellaneous income	103,126	-	-	-	282	103,408
Total revenues	2,194,167	304,932	-	1,065	282	2,500,446
EXPENDITURES						
Current:						
General government	706,787	-	-	-	-	706,787
Police	1,427,938	-	-	10,435	-	1,438,373
Fire	396,686	-	-	-	-	396,686
Animal control	25,200	-	-	-	-	25,200
Streets	578,817	-	-	-	-	578,817
Culture and recreation	593,362	-	-	-	2,738	596,100
Codes enforcement	37,511	-	-	-	-	37,511
Sanitation	219,263	-	-	-	-	219,263
Debt Service:						
Principal	30,424	-	-	-	-	30,424
Interest	6,935	-	-	-	-	6,935
Capital Outlay:						
Fire	7,116	-	-	-	-	7,116
Streets	362,308	-	-	-	-	362,308
Culture and recreation	3,450	-	9,000	-	-	12,450
Water and Sewer	-	582,280	-	-	-	582,280
Total expenditures	4,395,797	582,280	9,000	10,435	2,738	5,000,250
Excess (deficiency) of revenues over expenditures	(2,201,630)	(277,348)	(9,000)	(9,370)	(2,456)	(2,499,804)
OTHER FINANCING SOURCES (USES)						
Transfers in	2,068,726	-	-	-	-	2,068,726
Transfers out	-	-	-	-	-	-
Capital leases	-	-	-	-	-	-
Total other financing sources and (uses)	2,068,726	-	-	-	-	2,068,726
SPECIAL ITEM						
Proceeds from sale of capital assets	6,171	-	-	-	-	6,171
Net change in fund balances	(126,733)	(277,348)	(9,000)	(9,370)	(2,456)	(424,907)
Fund balances - beginning	2,597,860	303,660	-	37,068	2,477	2,941,065
Fund balances - ending	$ 2,471,127	$ 26,312	$ (9,000)	$ 27,698	$ 21	$ 2,516,158

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, 2014

Net change in fund balances		$ (424,907)
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		(51,681)
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	381,874	
Depreciation expense recorded in the Statement of Activites	(266,001)	
		115,873
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.		30,424
Effects of miscellaneous rounding of amounts		-
Change in net position of governmental activities		$ (330,291)

CITY OF SUMMERVILLE, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budget			Variance with final budget - positive (negative)
	Original	As Amended	Actual	
REVENUES				
Taxes	$ 671,815	$ 686,712	$ 666,211	$ (20,501)
Licenses and permits	40,750	40,648	42,247	1,599
Intergovernmental	75,000	154,539	159,417	4,878
Charges for services	631,305	672,500	700,654	28,154
Fines and forfeitures	433,600	333,000	416,992	83,992
Contributions	97,050	98,000	100,623	2,623
Investment earnings	2,990	3,656	4,897	1,241
Miscellaneous income	79,404	177,975	103,126	(74,849)
Total revenues	2,031,914	2,167,030	2,194,167	27,137
EXPENDITURES				
Current:				
General government	683,419	709,081	706,787	2,294
Police	1,469,153	1,430,825	1,427,938	2,887
Fire	386,030	405,593	403,802	1,791
Animal control	25,200	25,200	25,200	-
Streets	589,713	948,349	941,125	7,224
Culture and recreation	611,155	597,892	596,812	1,080
Codes enforcement	29,240	39,287	37,511	1,776
Sanitation	214,000	219,650	219,263	387
Debt service:				
Principal	30,424	30,424	30,424	-
Interest	6,935	6,935	6,935	-
Total expenditures	4,045,269	4,413,236	4,395,797	17,439
Excess (deficiency) of revenues over expenditures	(2,013,355)	(2,246,206)	(2,201,630)	44,576
OTHER FINANCING SOURCES (USES)				
Transfers in	-	2,053,671	2,068,726	15,055
Transfers out	-	-	-	-
Capital leases	-	-	-	-
Total other financing sources and (uses)	-	2,053,671	2,068,726	15,055
SPECIAL ITEM				
Proceeds from sale of capital assets	10,500	65,802	6,171	(59,631)
Net change in fund balances	(2,002,855)	(126,733)	(126,733)	-
Fund balances - beginning	2,597,860	2,597,860	2,597,860	-
Fund balances - ending	$ 595,005	$ 2,471,127	$ 2,471,127	$ -

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, 2014

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Forfeitures	$ 6,550	$ 10,365	$ 1,034	$ (9,331)
Investment Earnings	75	75	31	(44)
Total Revenues	6,625	10,440	1,065	(9,375)
EXPENDITURES				
Current:				
Police	6,625	10,440	10,435	5
Total Expenditures	6,625	10,440	10,435	5
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(9,370)	(9,370)
Net Change in Fund Balance	-	-	(9,370)	(9,370)
Fund Balance - Beginning of Year	37,068	37,068	37,068	-
Fund Balance - End of Year	$ 37,068	$ 37,068	$ 27,698	$ (9,370)

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, 2014

	Project Length Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Taxes	$ 3,050,000	$ 3,050,000	$ 304,710	$ (2,745,290)
Interest	-	-	222	222
Total Revenues	3,050,000	3,050,000	304,932	(2,745,068)
EXPENDITURES				
Capital Outlays - Water and Sewer Improvements	3,050,000	3,050,000	582,280	2,467,720
Total Expenditures	3,050,000	3,050,000	582,280	2,467,720
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(277,348)	(277,348)
Net Change in Fund Balance	-	-	(277,348)	(277,348)
Fund Balance - Beginning of Year	-	-	303,660	303,660
Fund Balance - End of Year	$ -	$ -	$ 26,312	$ 26,312

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

CITY OF SUMMERVILLE, GEORGIA
CAPITAL PROJECTS FUND
2014 SPLOST
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
PROJECT LENGTH BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	Project Length Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Taxes	$ 4,290,000	$ 4,290,000	$ -	$ (4,290,000)
Interest	-	-	-	-
Total Revenues	4,290,000	4,290,000	-	(4,290,000)
EXPENDITURES				
Capital Outlays - Water and Sewer Improvements	4,290,000	4,290,000	9,000	4,281,000
Total Expenditures	4,290,000	4,290,000	9,000	4,281,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(9,000)	(9,000)
Net Change in Fund Balance	-	-	(9,000)	(9,000)
Fund Balance - Beginning of Year	-	-	-	-
Fund Balance - End of Year	$ -	$ -	$ (9,000)	$ (9,000)

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, 2014

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Grant Revenues	$ -	$ 2,800	$ 282	$ (2,518)
Investment Earnings	-	-	-	-
Total Revenues	-	2,800	282	(2,518)
EXPENDITURES				
Current:				
Supplies and Promotions	-	2,800	2,738	62
Total Expenditures	-	2,800	2,738	62
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(2,456)	(2,456)
Net Change in Fund Balance	-	-	(2,456)	(2,456)
Fund Balance - Beginning of Year	2,477	2,477	2,477	-
Fund Balance - End of Year	$ 2,477	$ 2,477	$ 21	$ (2,456)

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

CITY OF SUMMERVILLE, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Enterprise Funds		
	Water & Sewer	Gas	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ -	$ 15,119	$ 15,119
Receivables, Net	602,794	467,155	1,069,949
Due From Other Funds	2,797,641	3,117,408	5,915,049
Prepaids	-	9,556	9,556
Inventories	107,524	38,867	146,391
Total Current Assets	3,507,959	3,648,105	7,156,064
Noncurrent Assets:			
Restricted Assets:			
Cash - Customer Deposits	28,016	18,888	46,904
Cash - Construction & Acquisition	84	244,324	244,408
Cash - Debt Service	821,114	-	821,114
Bond Issue Cost - Net of Amortization	150,745	-	150,745
Capital Assets:			
Land and Improvements	13,132	-	13,132
Construction In Progress	643,398	193,327	836,725
Distribution and Collection Systems	45,626,649	4,358,589	49,985,238
Buildings	161,915	59,416	221,331
Equipment	773,342	352,523	1,125,865
Less Accumulated Depreciation	(28,161,478)	(4,650,911)	(32,812,389)
Total Noncurrent Assets	20,056,917	576,156	20,633,073
Total Assets	23,564,876	4,224,261	27,789,137
LIABILITIES			
Current Liabilities:			
Accounts Payable	87,964	419,471	507,435
Due To Other Funds	2,936,389	1,798,203	4,734,592
Interest Payable	150,622	3,552	154,174
Retainage Payable	-	-	-
Customer Deposits	248,821	540,606	789,427
Bonds, Notes, and Loans Payable	716,443	137,929	854,372
Total Currrent Liabilities	4,140,239	2,899,761	7,040,000
Noncurrent Liabilities:			
Compensated Absences	85,255	89,762	175,017
Bond Discount - Net of Amortization	(14,524)	-	(14,524)
Bonds, Notes, and Loans Payable	10,265,006	451,434	10,716,440
Total Noncurrrent Liabilities	10,335,737	541,196	10,876,933
Total Liabilities	14,475,976	3,440,957	17,916,933
NET POSITION			
Net investment in capital assets	8,075,509	725,225	8,800,734
Restricted			
Customer Deposits	28,016	18,888	46,904
Acquisition and Construction of Capital Assets	84	244,324	244,408
Debt Service	821,114	-	821,114
Unrestricted	164,177	(205,133)	(40,956)
Total Net Position	$ 9,088,900	$ 783,304	$ 9,872,204

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, 2014

	Enterprise Funds		
	Water & Sewer	Gas	Total
OPERATING REVENUES			
Charges for services	$ 4,202,588	$ 8,499,699	$ 12,702,287
Other	7	-	7
Total operating revenues	4,202,595	8,499,699	12,702,294
OPERATING EXPENSES			
Salaries, Wages and Employee Benefits	1,247,803	787,722	2,035,525
Cost of Gas for Resale	-	5,550,352	5,550,352
Services and Supplies	900,204	158,889	1,059,093
Administrative Expense	125,001	69,872	194,873
Depreciation	524,307	15,882	540,189
Amortization	13,841	-	13,841
Total operating expenses	2,811,156	6,582,717	9,393,873
Operating income (loss)	1,391,439	1,916,982	3,308,421
NONOPERATING REVENUES (EXPENSES)			
Interest and investment revenue	1,015	139	1,154
Interest expense	(420,518)	(19,803)	(440,321)
Gain on disposal of capital assets	12,646	4,602	17,248
Total nonoperating revenues (expenses)	(406,857)	(15,062)	(421,919)
Income (loss) before contributions and transfers	984,582	1,901,920	2,886,502
Capital contributions	482,272	-	482,272
Transfers in	664,457	(0)	664,457
Transfers out	(684,834)	(1,466,069)	(2,150,903)
Change in net position	1,446,477	435,851	1,882,328
Total net position - beginning	7,642,423	347,453	7,989,876
Total net position - ending	$ 9,088,900	$ 783,304	$ 9,872,204

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, 2014

	Enterprise Funds		
	Water & Sewer	Gas	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	$ 2,903,953	$ 7,446,672	$ 10,350,625
Payments to suppliers	(80,908)	(5,189,872)	(5,270,780)
Payments to employees	(1,260,795)	(780,118)	(2,040,913)
Net cash provided by operating activities	1,562,250	1,476,682	3,038,932
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer from other funds	54,506	4,601	59,107
Transfer to other funds	(684,834)	(1,383,892)	(2,068,726)
Net cash provided (used) by noncapital financing activities	(630,328)	(1,379,291)	(2,009,619)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from capital debt	-	420,011	420,011
Capital contributions	664,457	(82,177)	582,280
Purchases of capital assets	(290,001)	(121,106)	(411,107)
Principal paid on capital debt	(686,314)	(205,850)	(892,164)
Interest paid on capital debt	(442,303)	(19,979)	(462,282)
Net cash (used) by capital and related financing activities	(754,161)	(9,101)	(763,262)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned	1,015	-	1,015
Net (decrease) in cash and cash equivalents	178,776	88,290	267,066
Cash balances - July 1 (Including $948,770 & $19,693 in restricted cash)	948,770	190,042	1,138,812
Cash balances - June 30 (Including $15,119 & $1,112,427 in restricted cash)	$ 1,127,546	$ 278,332	$ 1,405,878
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	$ 1,391,439	$ 1,916,982	$ 3,308,421
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	524,307	15,882	540,189
Bond issue / discount amortization	13,841	-	13,841
(Increase) decrease in accounts receivable	(1,367,236)	(1,150,179)	(2,517,415)
(Increase) decrease in inventories	-	-	-
(Increase) decrease in prepaids	-	(1,220)	(1,220)
Increase (decrease) in accounts and other payables	931,305	598,065	1,529,370
Increase (decrease) in customer deposits	68,594	97,152	165,746
Net cash provided by operating activities	$ 1,562,250	$ 1,476,682	$ 3,038,932

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, 2014, 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. However, 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 *Victorian Christmas Fund* accounts for the receipt and disbursements of private donations for Victorian-era Christmas displays in downtown storefronts each year, designed to boost tourism.

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 governmental 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 $5,000 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 position".

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 and/or construction of capital assets. Net position may be reported as restricted or unrestricted.

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.

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 2014.

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 2014.

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, 2014.

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 2014 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 $4,829,719 and the bank balance was $5,235,653. The bank balance was covered by $500,000 federal depository insurance and the remaining $4,735,653 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, 2014, 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	$ 127,459	$ -	$ 127,459
Accounts	140,774	1,769,236	1,910,010
Total	268,233	1,769,236	2,037,469
Less: Allowance for Uncollectibles	(144,479)	(699,287)	(843,766)
Net Total Receivables	$ 123,754	$ 1,069,949	$ 1,193,703

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, 2014, interfund receivables and payables that resulted from various interfund transactions were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	$ 3,449,482
	Gas Fund	1,663,203
Gas Fund	General Fund	10,740,750
Water and Sewer Fund	General Fund	6,172,087
		$ 22,025,523

Transfers and Payments

Routine transfers and payments between funds are to subsidize operations and capital acquisitions. Interfund transfers for the year ending June 30, 2014 are as follows:

Between Governmental and Business-type Funds:

Source Fund	Transfer To Fund	Amount
Gas	General Fund	$ 1,383,892
Capital Projects	Water Sewer	582,280
Water Sewer	General Fund	684,834
		$ 2,651,006

Note 6. Capital Assets

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

Governmental Activities:	Balance July 1, 2013	Additions	Deletions	Transfers (To)/From	Balance June 30, 2014
Capital Assets Not Being Depreciated					
Land	$ 864,570	$ -	$ -	$ -	$ 864,570
Construction In Progress	-	63,350	-	-	63,350
Total Capital Assets Not Being Depreciated	864,570	63,350	-	-	927,920
Capital Assets Being Depreciated					
Infrastructure	-	119,534	-	-	119,534
Buildings	2,890,570	-	-	-	2,890,570
Improvements	85,788	-	-	-	85,788
Equipment	5,486,559	198,990	(61,496)	-	5,624,053
Total Capital Assets Being Depreciated	8,462,917	318,524	(61,496)	-	8,719,945
Less Accumulated Depreciation For:					
Buildings	(2,242,875)	(35,315)	-	-	(2,278,190)
Improvements	(44,074)	(6,005)	-	-	(50,079)
Equipment	(2,639,176)	(224,681)	61,496	-	(2,802,361)
Total Accumulated Depreciation	(4,926,125)	(266,001)	61,496	-	(5,130,630)
Total Capital Assets Being Depreciated, Net	3,536,792	52,523	-	-	3,589,315
Governmental Activity Capital Assets, Net	$ 4,401,362	$ 115,873	$ -	$ -	$ 4,517,235

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

Business-type Activities:	Balance July 1, 2013	Additions	Deletions	Transfers (To)/From	Balance June 30, 2014
Capital Assets, Not Being Depreciated					
Land	$ 13,132	$ -	$ -	$ -	$ 13,132
Construction In Progress	3,647,725	640,823	(3,451,823)	-	836,725
Total Capital Assets Not Being Depreciated	3,660,857	640,823	(3,451,823)	-	849,857
Capital Assets, Being Depreciated					
Buildings	79,122	142,209	-	-	221,331
Systems	46,284,041	3,701,197	-	-	49,985,238
Equipment	1,109,158	69,028	(52,321)	-	1,125,865
Total Capital Assets Being Depreciated	47,472,321	3,912,434	(52,321)	-	51,332,434
Less Accumulated Depreciation For:					
Buildings	(65,921)	(2,146)	-	-	(68,067)
Systems	(31,419,233)	(482,480)	-	-	(31,901,713)
Equipment	(842,587)	(55,563)	55,541	-	(842,609)
Total Accumulated Depreciation	(32,327,741)	(540,189)	55,541	-	(32,812,389)
Total Capital Assets Being Depreciated, Net	15,144,580	3,372,245	3,220	-	18,520,045
Business-type Activities Capital Assets, Net	$ 18,805,437	$ 4,013,068	$(3,448,603)	$ -	$ 19,369,902

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

General Government	$ 41,295
Public Safety	20,867
Fire	57,127
Streets	6,784
Recreation	138,261
Animal Control	1,667
Total Depreciation Expense	$ 266,001

Business-type Activities

Water/Sewer	$ 524,307
Gas	15,882
Total Depreciation Expense	$ 540,189

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, 2014:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
Governmental Activities:					
Capital Leases	$ 266,731	$ -	$ 30,424	$ 236,307	$ 31,215
Compensated Absences	343,155	158,346	106,666	394,835	-
Total Governmental Activities	$ 609,886	$ 158,346	$ 137,090	$ 631,142	$ 31,215
Business-type Activities:					
Capital Leases	$ 248,000	$ 420,000	$ 78,637	$ 589,363	$ 137,930
Loans Payable	3,704,975	-	273,527	3,431,448	151,442
Revenue Bonds	8,090,000	-	540,000	7,550,000	565,000
Compensated Absences	180,405	104,797	110,184	175,018	-
Total Business-type Activities	$ 12,223,380	$ 524,797	$ 1,002,348	$ 11,745,829	$ 854,372

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, 2014, $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, 2014 is composed of the following issues:

Loans Payable

$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.	$1,212,341
$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.	151,845
$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.	2,067,262
Total Loans Payable	$3,431,448

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

Fiscal Year Ending	Principal	Interest	Total
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	173,872	91,954	265,826
2020-2024	965,750	363,380	1,329,130
2025-2029	1,140,007	180,033	1,320,040
2030-2033	513,398	28,179	541,577
Total	$ 3,431,448	$ 1,088,429	$ 4,519,877

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 maturity date of January 1, 2026. $ 7,550,000

Revenue bond debt service requirements to maturity are as follows:

Fiscal Year Ending	Principal	Interest	Total
2015	$ 565,000	$ 301,245	$ 866,245
2016	585,000	278,702	863,702
2017	605,000	255,360	860,360
2018	630,000	231,221	861,221
2019	660,000	206,084	866,084
2020-2023	2,890,000	551,019	3,441,019
2024-2026	1,615,000	97,157	1,712,157
Total	$ 7,550,000	$ 1,920,788	$ 9,470,788

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 $236,307 and accumulated depreciation of $91,217 as of June 30, 2014. The effective interest rate at June 30, 2014 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 $193,327 and accumulated depreciation of $0 as of June 30, 2014. The effective interest rate at June 30, 2014 is 2.75%.

The City has entered into a second lease agreement with Branch Bank & Trust as lessee for financing the installation of additional natural gas line extensions for $95,000.

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 additional gas lines under lease are not yet under construction and have a cost of $90,950 and accumulated depreciation of $0 as of June 30, 2014. The effective interest rate at June 30, 2014 is 3.29%.

The City has entered into a lease agreement with Branch Bank & Trust as lessee for financing the acquisition of various items of machinery and equipment for $325,000.

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 equipment under lease has a cost of $272,278 and accumulated depreciation of $0 as of June 30, 2014. The effective interest rate at June 30, 2014 is 2.16%.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014, are as follows:

Year Ending June 30	Governmental Activities	Business-type Activities
2015	$ 37,359	$ 152,226
2016	37,359	152,226
2017	37,359	95,993
2018	37,359	39,761
2019	37,359	39,761
2020-2024	74,718	164,655
Total Minimum Lease Payments	261,513	644,622
Less Amounts Representing Interest	(25,206)	(55,259)
Present Value of Future Minimum Lease Payments	$ 236,307	$ 589,363

Note 9. 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, 2014, restricted assets consist of the following:

Governmental Activities:

Cash - Drug Enforcement	$ 27,698
Cash - Clean & Lien	40,024
Cash - Special Projects	189,615
Cash - Recreation Department	8,972
Cash - Capital Acquisition/Improvements	26,312
Total	$ 292,621

Business-type Activities

Cash - Customer Deposits	$ 46,904
Cash - Capital Acquisition/Improvements	244,408
Cash - Debt Service	821,114
Total	$ 1,112,426

Note 10. 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 level dollar over 30 years for the initial unfunded accrued liability, 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods. 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, 2014, the estimated minimum annual contribution under these funding standards is $297,584.

According to the most recent annual plan valuation dated January 1, 2014, the recommended contribution to the plan for 2014 is $400,339 ($0 employee and $400,339 employer; 0% employee and 15.91% employer of covered payroll respectively), and for 2013 was $405,794 ($0 employee and $405,794 employer; 0% employee and 16.28% employer of covered payroll respectively). Covered payroll for 2014 and 2013 is $2,473,493 and $2,450,681 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		
Year Ending	Annual Pension Cost	of APC Contributed	Pension Obligation
2014	$ 400,339	100%	$ -
2013	405,794	100%	-
2012	410,708	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)
2014	$ 8,403,814	$ 9,588,647	$ 1,184,833	87.6%	$ 2,473,493	47.9%
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 20% of market value.

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

As of January 1, 2014, employee membership data related to the current plan membership was as follows:

Number of retirees and beneficiaries currently receiving benefits	69
Number of terminated employees entitled to benefits, but not yet receiving them	23
Number of Active Plan Participants	
Vested	46
Nonvested	28
Total	166

Note 11. 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 restrictions:

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 12. 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 13. 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 14. 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 15. 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 16. 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 beneficiary was less than 65 years of age at time of death, a $19,500 benefit when the deceased beneficiary was 65 to 69 years of age at time of death, a $15,000 benefit when the deceased beneficiary was 70 to 74 years of age at time of death, and a $10,500 benefit when the deceased beneficiary 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	$ 15,226
Interest on net OPEB obligation	-
Adjustment ot the ARC	-
Total Annual OPEB cost	$ 15,226
Net OPEB Obligation	
Annual OPEB cost	$ 15,226
Contributions made	(24,220)
Increase (decrease) in net OPEB Obligation	(8,994)
Net OPEB obligation, beginning of period	8,994
Net OPEB obligation, end of period	$ -

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 17. Construction Commitments

The City's construction projects as of June 30, 2014 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. Additionally, natural gas line extensions are under construction in order to provide natural gas to numerous chicken farming operations in the area.

COMPLIANCE SECTION

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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, 2014, 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 November 6, 2014.

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 November 6, 2014.

Williamson + Company

Williamson & Company
Certified Public Accountants
November 6, 2014

CITY OF SUMMERVILLE, GEORGIA
SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX
YEAR ENDED JUNE 30, 2014

Project Description	Estimated Costs		Expenditures		
2007 SPLOST	Original	Current	Prior Years	Current Year	Total
Water and Sewer	$ 3,050,000	$ 3,050,000	$ 2,169,448	$ 582,280	$ 2,751,728

CITY OF SUMMERVILLE, GEORGIA
SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX
YEAR ENDED JUNE 30, 2014

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Total
2014 SPLOST					
Projects					
Admin					
Equipment	-	-	-	-	-
Public Safety					
Equipment	-	-	-	-	-
Public Works					
Equipment	-	-	-	-	-
Improvements	-	-	-	-	-
Recreation					
Equipment	-	-	-	-	-
Improvements	-	-	-	-	-
Water and Sewer					
Equipment	-	-	-	-	-
Improvements	-	-	-	9,000	9,000
Gas					
Equipment	-	-	-	-	-
Improvements	-	-	-	-	-
Total for all projects	$ 4,290,000	$ 4,290,000	$ -	$ 9,000	$ 9,000